November 3, 2008

# EA-Driven Sourcing – Service Orientation Required

*Enterprise Architecture is uniquely positioned to be a significant driver of an enterprise's outsourcing decisions. However, two things are required – a service-oriented focus for the EA team and an understanding of the sourcing decision lifecycle.*

Enterprise architects (EAs) have traditionally struggled to have an impact in areas that are traditionally the domain of the IT operations group – data center and network operations, help desk, change management, business continuity, disaster/recovery, and sourcing, to name some of the more important areas. A difference in perspective may be the root cause of this inability to have a positive influence in IT operational areas. So perhaps a change in perspective is in order.

## Service-Oriented Perspective

With the emergence and continued emergence of service-oriented architectures (SOA) and the need to improve EA impact on the service-oriented world of IT operations, EAs need to develop more of a focus on services and service management. One may not associate SOA and IT operations when using the word "service" to mean the same thing; however, they actually do mean the same thing in the broad sense. The continued emergence of SOA will clarify this in due time, but that is a topic for another time.

One of the negatives of SOA so far has been the rather narrow definition applied to service – primarily one that limits the notion to web services. While the implementation of SOA in many instances is primarily web services, the concept of service-orientation is much broader. Therefore, the definition must be much broader, as suggested in Figure 1.

- **Webster's**: *n. 1. work done for others as an occupation or business; 2. an act or a variety of work done for others, especially for pay*
- **EA Context**: A "service" is a type of task performed by a provider upon object(s) for a client (service requestor)
  - Each service has a defined interaction and expected performance
- **Examples**: directory service; authentication; schedule delivery; credit card authorization; check item inventory level; capacity management; demand management

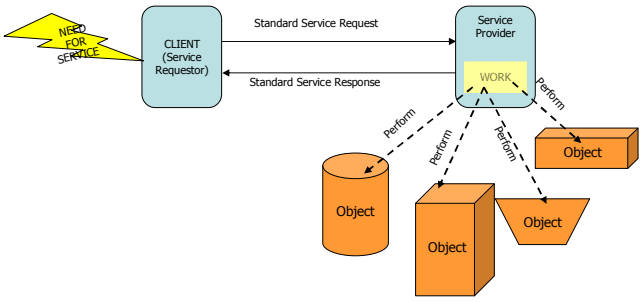



**Figure 1 - What is a Service?**

Defining service in this way, you can begin to understand the similarity between the architecture use of the word and the operational use of the word. To further solidify the semantics involved, I will refer to ITIL, the Information Technology Infrastructure Library, which is one of the most recognized and utilized frameworks for IT operations. The primary basis behind ITIL is the service catalog, which defines all of the services that an IT operations group is capable of providing to their customers. Similarly, SOA projects contribute to a service catalog as they design and build reusable business, information, application and infrastructure services. Currently, these service catalogs refer to two different things and are referenced by 2 different groups, but EA is positioned to bring more clarity to the development of a service-oriented enterprise.

In order for EA's to develop more of a service-oriented perspective, they must begin to define future state in terms of the services that are going to be necessary to achieve the strategic intentions of the enterprise's leadership. In the enterprise architecture process, this would manifest itself not only in the models that are developed to represent the future state, but also in the activities associated with decomposing the business strategy. Traditionally, this has been targeted at decomposing into requirements. However; the recent trend has been to identify the type of capabilities that the business needs to achieve its strategic vision, then identify the types of services that can deliver those capabilities. Microsoft's business architecture approach, Motion, utilizing Business Capability Mapping, IBM's Component Business Model (CBM), and the Proact methodology all exemplify this shift. The goal of these approaches is to shift focus away from business processes as the design target, and refocus them on capabilities, which then get decomposed into services, which have multiple layers of abstraction.

## From Service-Orientation to Service Management

ITIL separates its best practice approach to IT service management into 2 primary phases. The first is the Service Catalog – What services need to be provided? The second is the Sourcing Strategy – Who will provide the services?

EA with a service-orientation will be able to directly link strategic capabilities to the services that deliver those capabilities, some of which are managed by IT operations groups. This is an explicit link that will allow EA groups and IT Ops groups to speak about the same things, resulting in the first step towards productive communication – common language. IT Operations groups usually maintain a more tactical focus, while EA teams have a strategic focus. The service-orientation of EA development will help to bridge that gap by linking strategy with the service management approach of the IT Operations group, as depicted in Figure 2.

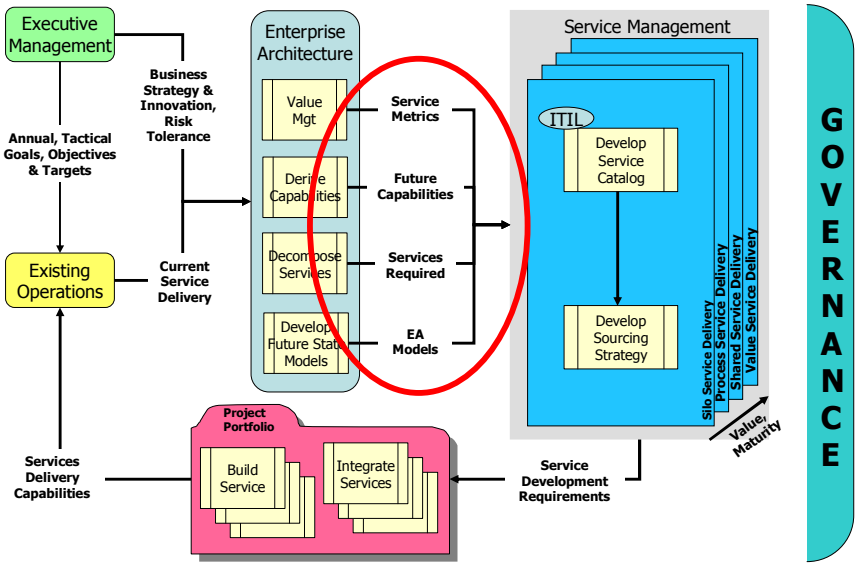
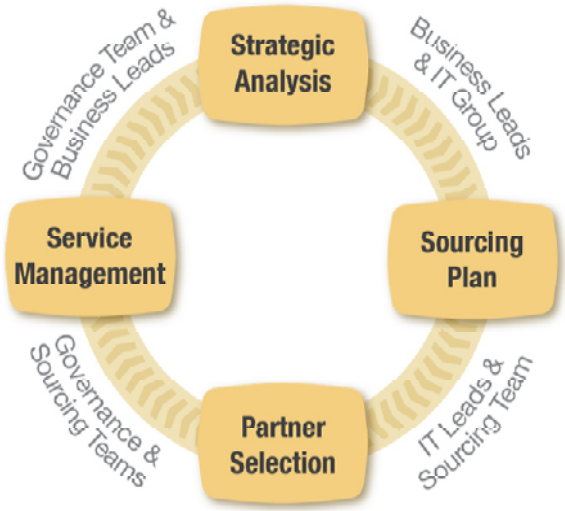



**Figure 2 - EA Linkage with Service Management**

## Understanding the Sourcing Cycle

One of the most important obstacles for EA teams to conquer is the lack of impact on sourcing strategy. To understand this problem area and the solution, we first turn to a model from Nautilus Advisors that represents the cycle of activities involved in sourcing decisions.

- Balances long-term relationship with short-term sourcing objectives
- Demonstrates the circular structure of outsourcing contracts
- Aligns with internal IT architectures and operational goals
- Spans the functions and roles of the entire IT organization




*Source: Nautilus Advisors*

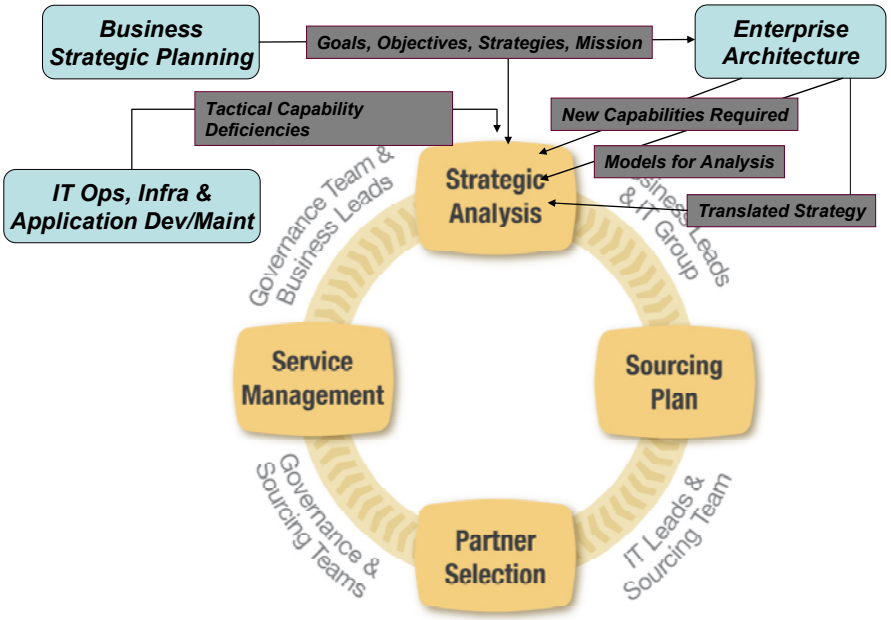
**Figure 3 - Sourcing Lifecycle**

The problem with EA's involvement in the sourcing decision lifecycle is that by the time an EA team finds out about a sourcing decision to be made, the cycle has reached the Sourcing Plan phase of beyond. The area where EA can and should have the most involvement is in the Strategic Analysis phase. EA is a strategic management discipline that creates a single, holistic view of the business processes, systems, information and technology of the enterprise designed and optimized to create shareholder value by achieving both the long-term business strategy as well as current business objectives. The role of EA is to bridge the gap between strategy and tactics, provide a comprehensive set of models to simply the complexity of the enterprise, enable the analysis of the impact of major transformation on the enterprise, and provide recommendations for moving from the current state to the future design of the enterprise's business processes, information assets/business objects, IT infrastructure, and applications. The Strategic Analysis phase in the sourcing life cycle is focused on identifying the elements of IT operations that are candidates for outsourcing for any reason. The role of this phase is to provide an assessment of the internal IT organization's ability/competency/capacity to provide IT capabilities in demand now and in the future, based on demand projected from business strategy; provide alternative mixes of insourced/outsourced provisioning of the demanded capabilities, as well as the decision-quality information to assess the options. EA can contribute to this phase in three significant explicit ways.

1. EA can provide an articulation of business strategy in a way that has been translated to a level more appropriate as input to the sourcing decision lifecycle
2. The service-oriented approach to EA will result in a set of services {not just IT-related, by the way, in case you are also looking into business process/function outsourcing (BPO/BFO) or application service providers (ASP)} that are candidates for outsourcing
3. EA models also provide input for impact analysis and other analyses that need to be done during this phase

A more implicit contribution of EA lies in the use of enterprise value network (EVN) analysis. EVN analysis is a business process modeling and analysis activity focused on identifying where business value is/can be created, enhanced and delivered across an organization's extended value network. The objectives include

re-engineering business processes to optimize value creation; sourcing business functions; eliminating duplicate or non-value-adding sub processes, information, or systems; optimizing process flow; leveraging information products. This activity provides some idea of the relative value that the services/capabilities contribute to the enterprise – a key consideration one should have when trying to decide whether to turn over responsibility of an area to an external party.




*Source: Nautilus Advisors*

**Figure 4 - EA and the Sourcing Lifecycle**

Accomplishing this level of process integration between EA and the sourcing life cycle requires that the right people engage at the intersection points. Clearly, governance teams play a critical role here. Under the guidance of and informed by the EA process and its enterprise perspective, a governance team with representation from both the business and IT communities provides the essential integration element.

**Conclusion**: A service-oriented perspective for EA combined with the correct timing of input from EA in the sourcing lifecycle will lead to more strategic sourcing decisions and better integration between EA and IT operations teams.