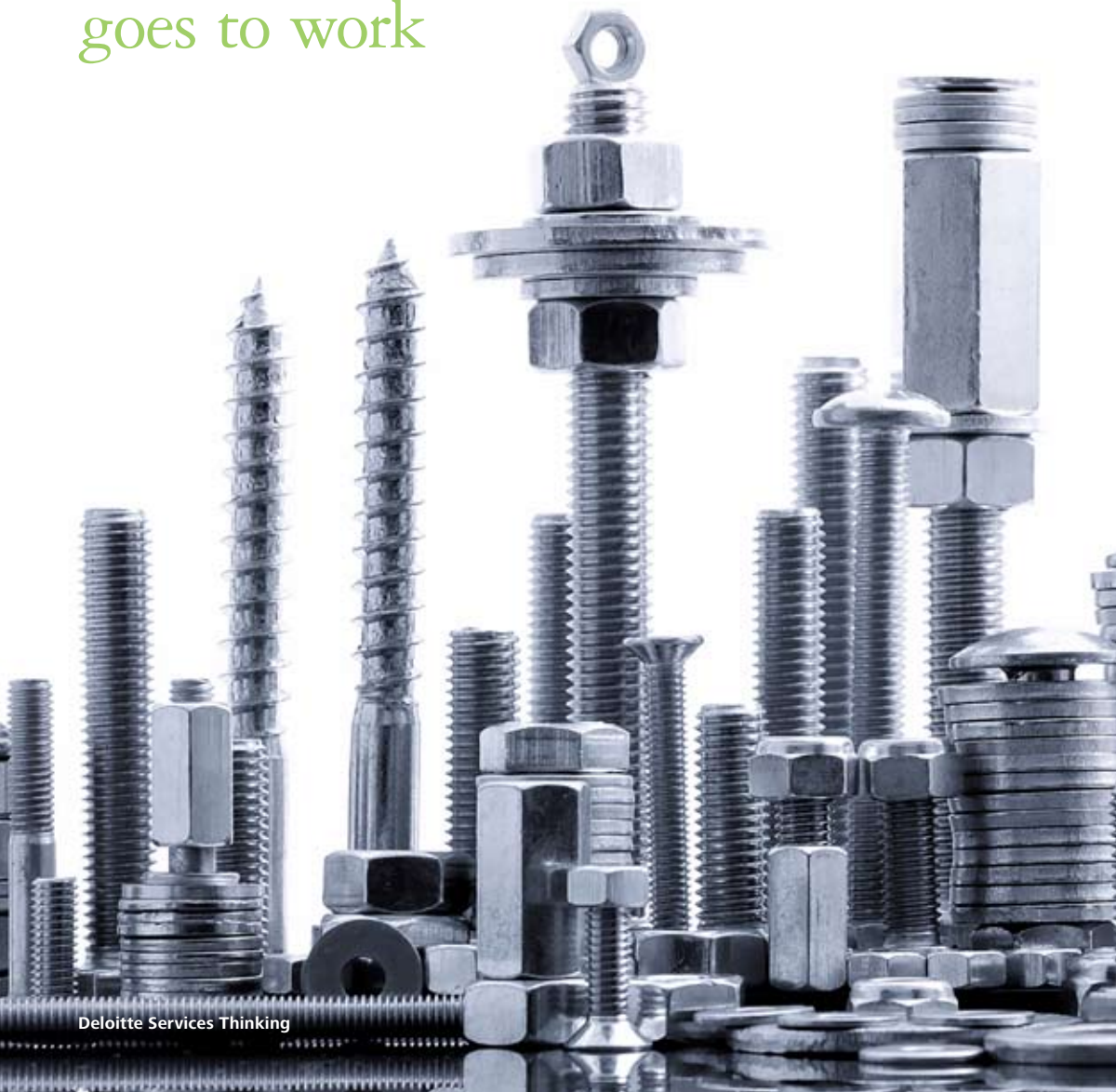


**Deloitte.**

SOA what?  
Services Thinking  
goes to work



# Will the real SOA please stand up?

■ Services Oriented (Software) Architecture

■ Services Oriented (Business) Architecture

# The services shift

Conventional wisdom says don't lock in until you have to. Which often makes good sense—especially when it comes to business-enabling technology. It also explains how Services Oriented Architecture (SOA) got started in the first place.

Businesses wanted to make their technology environments more open and flexible, which is definitely an advantage when anything can change at any time for nearly any reason.

But now something else important is happening. This geeky “services” idea is moving out of the software stack and into the business, triggering a shift away from traditional process reengineering and toward services design. Chunks instead of streams, with clear and solid hand-offs that deliver the control—and flexibility—the business needs today.

That's Services Thinking. And in the following pages, we share some new ideas about ways you should consider putting it to work. Services Doing, so to speak.

# Services Thinking

- Is a framework for solving business problems.
- Shifts investments from processes to capabilities.
- Manages operating risks by managing hand-offs.
- Makes cloud computing possible.
- Starts small.
- All of the above.

# Not.

Like many bold business ideas, Services Thinking runs some risk of becoming a catch-all concept—in this case, for everything that comes after Services Oriented (Software) Architecture. So it may be useful to start by explaining what it's not.

## **It's not a technology thing.**

Services Thinking is a business strategy with an emphasis on technology. Not the other way around.

## **It's not a process thing.**

The big three—people, process, technology—have long been a mantra in business consulting. That's changing. Today, it's smarter to think about services—not processes—if your agility is on your agenda.

## **It's not a false alarm.**

The concept of SOA has been around for more than 15 years, and the technology aspects are mature. Major technology vendors have made significant new investments to keep their applications relevant in the new world of Services Oriented (Business) Architecture represented by Services Thinking.

So what the heck is it?

# Services Thinking

Services Thinking is a framework for solving business problems. It creates value by enabling organizations to adapt to rapidly changing conditions. How? By focusing on the capabilities each part of the organization needs to compete—and then helping the organization deliver those capabilities in manageable, independent, interoperable pieces. These capabilities cut across business processes, organizational charts, and technology solutions.

Services Thinking isn't a strategy for simplifying your business. Instead, it's a way to embrace complexity, breaking operations down into discrete capabilities so that you can solve problems more effectively.

Scope and scale are not barriers.

Services Thinking can be applied broadly to enterprise transformation or narrowly to focused initiatives. The key is a mindset for identifying controlled investments with demonstrable business results.

The big payoff comes when the breadth of service development and adoption grows within a critical operations area. When this happens, leadership is in the enviable position of being able to ask what *should* we do—not simply what *can* we do.

As your adoption of Services Thinking grows, so too can your ability to recompose and reorchestrate your business services and related IT services into more efficient—or even new—capabilities to meet the demands of the marketplace.

### The difference in action

If Services Thinking sounds like hand-waving to you, consider the example of a global consumer goods company that was looking down the barrel of a huge ERP initiative as a means to standardize its operations.

Under normal circumstances, the project would have looked familiar—a business process analysis and redesign effort, followed by technology design, and then implementation. Later, as the build phase was winding down, the project team would address the ongoing operating model. After launch, the new solution would be maintained by a “keep the lights on” organization.

The company had been down that road before, so this time they considered the ongoing operating model, information assets, and preliminary technology design from the start, paying close attention to dependencies and critical relationships.

Requirements for the “to-be” business were categorized as capabilities that included organizational, business operations, and technology components. The services catalog of the ERP solution informed business service definitions and current and future capabilities. Organization design was considered up front instead of as an afterthought. You get the picture.

When new capabilities were required, the organization asked new questions to guide service, strategy, and design. Are there external events that suggest an increased need for agility? Would other parts of the business, or even partners and customers, find this service valuable? Questions like these often led to significantly different designs than were originally anticipated—and helped expand the benefits as the organization matured.

By using a Services Thinking approach, not only did the company rethink the relationship between its technology and the business, but by starting with the desired end-state in mind they were able to seamlessly complete the transition to the new system.

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Remember, there's no big bang. Services  
Thinking can happen one step at  
a time—on your terms—without  
upsetting any apple carts.



# Are you ready for this?

Some early adopters of SO (Software) A discovered a lack of readiness on the part of the business to take advantage of an IT services model. That's changing. Services Thinking is at work behind people's most successful interactions with companies such as Amazon and Google, which are using innovative cloud computing models to change how they deliver services. And we know that it's not just technology. It's the whole business model. And it's all about services.

If your company is well on the way to delivering IT as a service, you're in a good position to get real value from Services Thinking when it comes to business capabilities, too.

And here's the best news: we believe the path forward is clear as a bell. It doesn't require a revolution—or even a massive technology investment. It starts with identifying smart opportunities to apply Services Thinking, followed by selecting focused projects that promise quick returns. Small steps that can add up to big change.

Along the way, you'll discover more areas where agility is critical, but where you're not quite ready to use the capabilities you're building. Closing those readiness gaps is the next piece of the puzzle.

And remember, there's no big bang. Services Thinking can happen one step at a time—on your terms—without upsetting any apple carts.

# Blueprints first

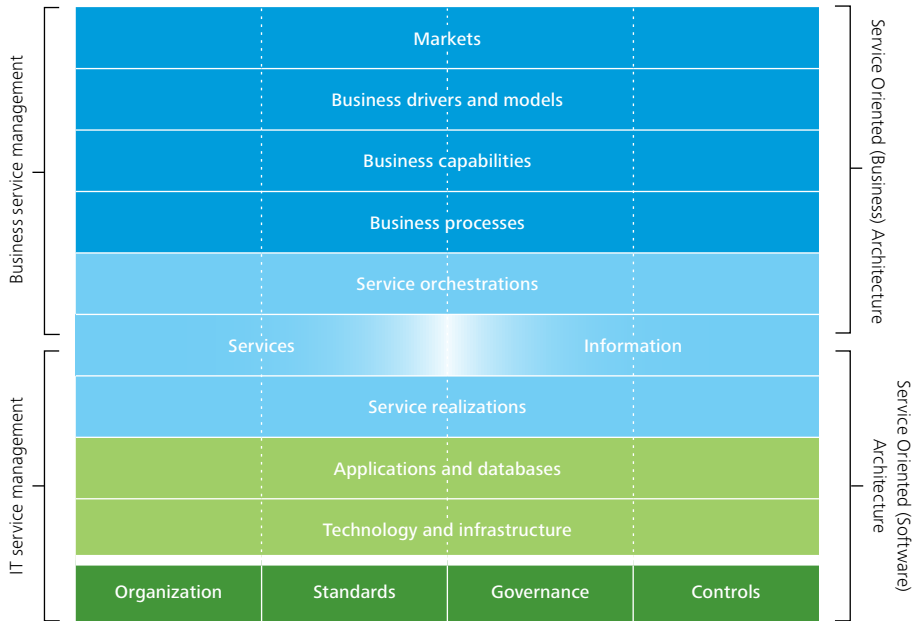
While some organizations like to start with technology capabilities, we believe the better approach is to focus first on business services. They can apply to customer-facing, supplier-facing, internal operations—and everything in between. Whether you're scenario modeling to price a deal or simply closing the books next month, Services Thinking can make it easier to handle whatever comes next.

The key is having a method for identifying and prioritizing services that are ripe for a Services Thinking approach. That's where a blueprint can help—a tool for connecting the dots between an organization's value drivers and the

portfolio of business services that need to be created. From there, the organization can work from a complete view of potential business services and capabilities that can be prioritized and planned against.

Services Thinking can apply to every dimension of technology and business operations—but it's important to pick and choose your priorities. Don't get carried away trying to design too many services all at once. Get a single project done, validate the business value, then move on to the next priority on your list.

## Dimensions of Services Thinking



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### One approach to blueprints

You probably already have experience in using a blueprint approach to map your business processes against industry-standard processes. Why not use the same approach for Services Thinking? ServicesPrint<sup>SM</sup>, a tool developed by Deloitte, can help organizations in their efforts to quickly determine the links between their value drivers and the portfolio of business services they require.

Services Print includes a baseline of benchmarks from other companies and industries to be used as a starting point for your own fit-gap and prioritization efforts.

### Services Print also includes:

- A detailed list of services that apply to individual industries
- A methodology for deriving services from business processes
- Tools, templates, and frameworks to support decision-making throughout the services-building process
- Reference architectures for leading technology vendors, whether for business applications or enterprise tools
- Other useful approaches specifically designed for making the transition to a services-oriented environment

Whether you choose Services Print or decide to go your own way isn't important. What's important is basing your approach on a blueprint. It's one of the best ways we've found to jump-start a Services Thinking effort.

# Narrow your focus

No matter how much you're focused, consider tightening even more. Get zeroed in on a clear and challenging bottleneck—or maybe a roadblock—that Services Thinking could help you clear. If you can't think of one, congratulations. You probably don't need Services Thinking.

Which of the business processes below would create the most added value for your organization if they were redesigned as services? In which areas are you constrained in terms of agility or complexity?

## Creating value

This chart is a snapshot of some of the high-value opportunities reflected in Services Print. Those defined as "common standard" represent compartmentalized, commodity business functions where repeatability and efficiency matter most. By treating these as services, organizations can expand sourcing options to include out-of-the-box ERP, legacy systems, BPO, or cloud offerings. Services defined as "differentiated" represent opportunities to drive competitive advantage by improving agility and operational flexibility. These require solutions that anticipate and enable frequent change, be it from market or regulatory forces, competitive pressures, or internal innovations. Different industries will make different determinations about which functions warrant priority attention.

Business process area	Service	Value opportunity
<b>Plan to Produce</b>	Inventory/part management	Common standard
	Make-to-order processing	Agility/Differentiation
	Sub-contracting management	Agility/Differentiation
	Invoice/payment management	Common standard
<b>Procure to Pay</b>	Purchase order processing	Common standard
	Contract management	Common standard
	Pricing	Agility/Differentiation
<b>Order to Cash</b>	Order processing	Both
	Available to promise	Agility/Differentiation
	Billings/receivables	Common standard
	Customer maintenance	Agility/Differentiation
<b>Record to Report</b>	Intercompany transaction/transfer pricing	Agility/Differentiation
	Tax/customs planning	Agility/Differentiation
	General ledger management	Common standard
<b>New Product Development</b>	Idea management	Agility/Differentiation
	Project tracking	Common standard
	Business case management	Agility/Differentiation

# Get good at the right things

Now that you know you have something worth tackling, take time to get clear about your readiness to execute. Take a step back and assess your capabilities in each of these areas:

- *Operations and capability design:* Identifying the business focus areas and supporting capabilities you'll need.
- *Master data:* Developing a consistent, trusted view of customers, employees, products, suppliers, etc. is a must.
- *Security, controls, and compliance:* Determining (and then enforcing) who can and should have access to services and underlying information.
- *Governance:* Managing decision rights, dependencies, innovation and evolution, and day-to-day services delivery.
- *Requirements:* Shifting from task- and technology-based requirements to business need-based requirements.
- *Design:* Planning for both short- and long-term business capabilities, while expecting change—including unintended use.
- *Testing:* Managing quality and risk; tracking value capture.
- *Change, release, and configuration management:* Managing business processes and data; maintaining controls while improving responsiveness and agility.
- *Assessment and results management:* Focusing on metrics-based management.

# One step, then stop

Services Thinking is inherently “chunkable.” That means you never have to bet the ranch—but it doesn’t mean you shouldn’t think ahead. Any services journey should start with the end in mind. Don’t gloss over this—or you’ll end up with big gaps when initial projects are complete. Also, the long view can help you gauge the level and speed of investments. Too many companies make things too complicated and over-spend up front.

Along the way, you’ll probably see elements that are difficult to justify in isolation. Unless you have money to burn,

you’ll want to focus on “just in time build-out”—creating just enough business, organizational, and IT infrastructure to meet the needs of value-driven Services Thinking initiatives, without compromising the platform for future growth.

Manual work-arounds and governance can and will be used in many areas up front—though they’ll eventually give way to automation and policy engines.

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Services Thinking is inherently “chunkable.” You never have to bet the ranch. But that doesn’t mean you shouldn’t think ahead.

# Before and after

Bit by bit, Services Thinking can help you transform your organization's approach to everything from IT spending to business strategy. Here are some examples of what that looks like in action.

## IT spending

	Before Services Thinking	After
<b>People</b>	A "keep-the-lights-on" team operates separate from teams working on continuous business and technology improvement, whether internal, offshore, or outsourced.	"Operate" and "Execute" are seen as time-dependent views of the same goal of enabling business capabilities.
<b>Process</b>	Projects are identified with a specific end solution already in mind. Funding, approval, and timeline commitments happen before high-level design, requirements, staffing, and timing are set.	High-level business requirements, solution shaping, and other top-level requirements are identified before funding and approval. The result? Capabilities are prioritized, with like requests aggregated to deliver value across the business.
<b>Technology</b>	Build complexity driven by multiple functional teams developing in parallel within the same custom application or COTS package.	Capabilities are defined as services, distributed across a wider application footprint, so smaller teams work in parallel more efficiently.

## Business strategy

	Before Services Thinking	After
<b>People</b>	Organizational structure and steady-state operational design are treated as an afterthought.	<b>Business capabilities are designed to encompass organizational, governance, and underlying assets—with dependencies and cross-discipline considerations.</b>
<b>Process</b>	Executive involvement declines significantly after scope and budgets are determined. Steering committees see varying levels of rigor across the organization.	<b>Projects exist within an overarching change management council. As a result, priorities and the implications of project decisions are widely shared and understood.</b>
<b>Technology</b>	“Non-technology” projects are executed in relative isolation, where any costly and potentially project-endangering systems or infrastructure implications are discovered well after budget and timeline commitments have been made.	<b>Technology resources are allocated to projects and participate in key milestones throughout the life of the project—not just at inception and approval.</b>

# Unlock the value

There are lots of reasons to build Services Thinking into your business approach (and technology environment), but they all have a common foundation. Freedom.

Freedom from vendor constraints.  
Freedom to enter new markets. Freedom to create new products and services.  
Freedom to manage workloads and share infrastructure. Freedom to innovate.

Freedom to turn on a dime. You can call it agility or flexibility or scalability or whatever, but the bottom line is still the same. Services Thinking can give you the freedom to do the things your business needs to do—when you need to do them.



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