

## Service-Oriented Architecture Redraws AD Outsourcing

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Application development that exploits service-oriented architectures recasts the relationships among enterprises and outsourcing providers.

## ANALYSIS

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Two trends are affecting the value proposition that external service providers (ESPs) offer enterprises for application development projects.

- As is well-known, internationally available, inexpensive labor pools cut the cost of application development during the past several years, giving ESPs a competitive edge when vying for application development projects.
- But more quietly, service-oriented development of applications is making application development smarter, faster and more-efficient for development teams, both offshore and domestic.

These trends are changing the rules of application development, as well as the ESP business model. In this Spotlight, we explore the implications of these changes and how enterprises can take advantage of the model in terms of their application design, development, integration and management needs.

### Challenges and Payoffs

ESPs that have adopted service-oriented development of applications can provide services to enterprises and reuse the services at little cost or development effort. Enterprises, in turn, get more information and more value from the service provider than previously. However, there are challenges for both parties.

ESPs must convince enterprises of the advantages related to outsourcing enterprise functions, such as application generation and maintenance. These advantages can include lower long-term development costs and stronger business impact. The ESPs service-oriented-architecture (SOA)-based approach to development and integration can enhance an enterprise's ability to take charge of its applications after the outsourcer's duties are complete. But there's a catch: The enterprise must specify how it requires its applications to be developed, documented and generated.

Enterprises that intend to develop and manage SOAs using all or some services developed by ESPs should establish consistent methods of defining and storing such services, and require that systems integrators comply with such policies (see "SOA Has Impact on Application Development Outsourcing"). This is important so that enterprises can gain or maintain control over the services, and exploit them internally and externally (that is, relationships with customers, suppliers and other business partners).

### Choosing an ESP

Knowing what to look for in an ESP relationship can be difficult, given the multitude of SOA frameworks and the approaches used by ESPs. For enterprises that want to outsource the design, development, integration or management of SOAs, Gartner provides a checklist to evaluate ESP frameworks. Flexibility, agility and reuse are important considerations in this evaluation (see "Six Ways to Examine ESPs' SOA-Based Frameworks").

As SOA adoption increases, certain types of ESPs will gain more traction. The majority of outsourced solutions are deployed within single enterprise environments. Some large outsourcers recognize that SOA-based Web services can help them move from a capital-intensive, single enterprise environment to a more-cost-efficient, leveraged-service model. To succeed as an application or infrastructure utility provider, ESPs that choose the leveraged-service model need volume and scale, a reputation for reliability, and a strongly architected environment for providing

SOA-based Web services on demand. The most-successful process utility providers combine the attributes of infrastructure and application utility vendors with strong business process or vertical-industry expertise. ESPs that continue to provide highly customized, single-environment solutions must excel at business and technology innovation to stay ahead of the commoditization curve (see "SOAs Cause Evolutionary Disruption in IT Services Market").

### Interaction Benefits

Enterprises that outsource application development to ESPs will gain benefits that transcend simple application development and management. The increasing use of Web services and SOAs to link internal applications will lead to more service-oriented, request/reply interactions among trading partners. This will drive the use of business-to-business (B2B) integration, including batch, event-driven and service-oriented interactions (see "Integration as a Service: Evolving VANs Focus on Processes").

Prior to selecting a vendor, enterprises must establish their requirements for B2B projects. Do they need basic B2B integration (that is, communications, trading-partner management and back-end systems integration) or complex B2B integration (including business process design, business rules or applications)?

In general, the changes that Web services generate across development operations should be visible to the enterprise and should have a strategic impact on the enterprise's relationships with ESPs. The typical considerations are whether to outsource application development or maintenance, and how to choose the outsourcer. The critical lessons are more complex. The rise of SOAs, as enabled by Web services, adds layers of complexity to these relationships — most notably, new landscapes for interaction.

### Features

"SOA Has Impact on Application Development Outsourcing" — Enterprises, outsourcing vendors and software vendors must master the new rules of engagement in the era of service-oriented architecture. **By Whit Andrews**

"Six Ways to Examine ESPs' SOA-Based Frameworks" — External service provider integration frameworks can help enterprises pinpoint critical differences in ESP offerings. **By Michele Cantara**

"SOAs Cause Evolutionary Disruption in IT Services Market" — The evolution of service-oriented-architecture-based Web services will affect how ESPs optimize, manage, access and create applications. **By Michele Cantara**

"Integration as a Service: Evolving VANs Focus on Processes" — Value-added network providers are recasting their profiles to accommodate business-to-business innovations, layered with process- and industry-specific functionality. **By Benoit Lheureux**

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