

Build or Buy?

Comparing off-the-shelf and
homegrown software
applications

KaiNexus

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Executive Summary

For many years, leaders have questioned whether it is better to make or buy software solutions to the many business problems they face. Pros and cons are weighed as they try their best to do what most cost effective and efficient for their businesses. It proves difficult, though, to accurately estimate the long-term consequences of that decision, which often leaves those on the front lines struggling to pick up the slack.

When deciding whether to buy or build, you need to think about three key points:

1. What is the scope of the problem are you trying to address with this software, and how complex does your solution need to be to fit your business size and needs?
2. Does your organization currently have (or can you hire) experts capable of building, maintaining, and supporting the solution?
3. Is using the software critical to your business operations, or can you afford to wait while the solution is developed?

The Influence of the Cloud

The question to buy software or build it internally to solve business needs is becoming increasingly prevalent in today's world. Building software has frequently won out in this debate in the past, but with the introduction of cloud computing, the tables are turning.

This is due in part to the fact that the pace of technology innovation is accelerating at an almost exponential rate, making it difficult for the average internal IT groups to cope with the pace of change. The struggle commonly lies in the fact that they not only they have to create the software internally - they must also maintain and upgrade it indefinitely.

Now, even large global enterprises in both public and private sectors that have invested tens of millions of dollars in internal IT infrastructure are beginning to migrate to cloud applications. In fact, the Gartner Group sees the public cloud for the hosting of enterprise applications as the fastest growing IT market in the next ten years. The largest enterprise software companies in the world (IBM, Oracle, SAP, etc.) see their future delivery platform as the cloud, so their customers are rapidly retiring in-house IT environments, dramatically reducing their IT operational costs as well as their historical reliance on internal IT staff for software development and support.

WHEN SHOULD YOU

Build?

1

For ad hoc applications specific to a single business process.

2

You have a problem that is unique to your organization, and no available software adequately addresses it.

3

To solve a siloed problem that doesn't affect other areas of your business

4

If you have a strong IT department that will remain with the company for a long time with the resources to build, maintain and support the application long term.

WHEN SHOULD YOU

Buy?

1

Use of the software package is critical to your business operations

2

You have a common problem that available software is adequately developed and customizable to address.

3

The software would be used throughout your organization, and interact with other applications

4

Your IT department is not equipped to build the application, or maintain and support it long-term.

Thinking About Buying Off-The-Shelf Software?



Ready-made solution, available when you need it

Greater flexibility / adaptability

Thousands of hours of research and development have gone into creating the product already

Expert support and training are available to existing and future staff with no additional burden on your HR or IT teams. Off-the-shelf software typically includes additional resources like support documentation and training

Functionality is continuously enhanced through customer input, anticipating your changing business needs rather than reacting to them. This allows you to benefit from the best practices, ideas, and experiences of people with similar business needs

You can more easily trial the software and change your mind later if you decide it isn't meeting your needs

Often, you can hire people who already know how to use the software

Thinking About Buying Off-The-Shelf Software?



Developer retains rights to the code

Product functionality is determined by vendor, and may not exactly fit your specific needs (though many vendors are willing to work with you to adapt the product as needed)

Rely on vendor's support to resolve issues

Sometimes difficult to get budgetary approval for external software

Thinking About Building Custom Software Internally?



Total control over development and features

Software is specific to your needs, including reporting capabilities

Ownership of the software code

If your competitors don't have a similar application, developing your own could give you an advantage

No dependency on vendors to solve problems with the software or schedule training for your staff - all can be managed internally

Thinking About Building Custom Software Internally?



Time required to determine exact business needs, configure/write code, integrate with other business systems, and adapt to user requests after deployment

Training and support required from your IT and/or HR staff indefinitely

Staying current is challenging when business needs rapidly change and the applications integrated with your software release new versions that necessitate adaptation of your software

Lower functionality than software vendor's applications

Developing software to solve your business problems is likely not one of your organization's core competencies

Developing and maintaining software will compete with the existing priorities of your IT staff

Typically results in higher long-term costs

Conclusion

The decision to build custom software applications internally or purchase off-the-shelf solutions is becoming increasingly important in today's world, as the changing demands of businesses in all industries require a balance of convenience, customization, and adaptability. In making this decision, the pros and cons of buying and building must be weighed, with particularly close attention to:

1. The scope of the problem the software application is intended to solve
2. The resources available within the organization for developing and maintaining the application
3. The amount of time before the software needs to be active

KaiNexus

The best way to improve your organization is by leveraging the collective knowledge of every employee. KaiNexus is a cloud-based software platform that unites your team around opportunities for improvement and facilitates their progress from inception to ROI.

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