

Solving the build vs. buy dilemma

By DAVID MACSWAIN

Many factors need to be considered when an organization embarks on its Web commerce implementation strategy. One of the biggest dilemmas a company faces is the decision of whether to build the solution internally or buy a packaged application that can be tailored to fit the unique business environment. Of obvious concern are the direct costs, including hardware, software, initial development and ongoing operational and maintenance costs. The availability of internal resources and how well their current skills map to very different technology and business frontiers also is key.

Time to market also is a critical consideration in a fast-moving environment where delays translate directly into lost opportunities and competitive disadvantage. And the pace of change will only accelerate, requiring a constant re-invention of an enterprise's EC presence. Every organization will be hard-pressed to keep up.

All these factors point strongly to purchasing a proven, adaptable solution as an implementation strategy cornerstone. Building an application from the ground up is, in most cases, undesirable – leading to serious implementation delays which, in turn, can result in deterioration of a company's competitive advantage. It is estimated that an in-house build can take as long as one year; packaged applications can be implemented in as little as two months.

In addition, the cost of building a solution can be astronomical – with figures approaching one million dollars or more. Buying saves a company, on average, 75 percent. In the end, a packaged Internet order processing and management solution reduces costs, helps a company establish a Web-based buying and selling presence more quickly and complements internal resources with technology and business experts committed to the market over the long term.

Trend Toward Buying

The Gartner Group estimates that by year-end 2002, 60 percent of E-commerce applications will be based on assemblies of packaged components, increasing both speed to market and the ability to cope with change. A recent study by this leading analyst firm affirms that there has been a long-term "megatrend" shift from building to buying. Part of what has pushed the trend towards buying has been an emergence of special-class vendors which focus on key pieces of what the Yankee Group, another leading analyst firm, calls the Electronic Commerce "backbone."

Many different applications and tools exist for many different Web-based initiatives, including online procurement, order management, front office, order fulfillment, CRM/call center, channel management, marketing automation and on-line selling. These choices mean that it no longer makes practical sense for a business to ponder an in-house build, when many different solutions exist for these varying Web based initiatives – ultimately speeding time to market and ensuring a measurable payback. The key is to determine which piece of the Web commerce "backbone" should be implemented first by writing and implementing a project plan that analyzes the specific areas where the enterprise is looking to realize improved efficiencies via the Web.

For example, does the company want to set up a system to procure maintenance, repair and operations goods? Is the goal to streamline the call center with a Web-based solution? Is the business looking to put its supply chain on the Internet, enabling distributors, suppliers and other trading partners to conduct real-time buying and selling? The bottom line: determine these goals first and, as Yankee recommends, steer away from the "all or nothing" approach to Web commerce, a rule which extends to the selection of a vendor for the various

pieces of the “backbone.” In fact, as more experts in these various areas emerge, it makes sense to consider the potential need for more than one Web commerce vendor if the business goals include more than one or two of these initiatives.

Vendor Selection Criteria

When selecting a vendor for any Web commerce initiative, a business should consider several key criteria: knowledge and experience, demonstrated track record, comprehensive service capabilities and commitment to client success. The vendor should offer pre and post-installation expertise, training and support. A company should ask for referenceable clients and a guarantee for results. A demonstrated track record of the ability to perform such critical tasks as smooth and seamless back-end integration is also imperative. And, the vendor should show the ability to accommodate unique, evolving requirements as the business continues to change and grow.

Technical criteria, at its most basic, includes six critical factors: security, interoperability, adaptability, extensibility, availability and scalability. For example, the vendor should prove its ability to control user authorization and access privileges using the latest security tools available. The software must be able to interoperate across the enterprise, linking to back-end systems for real-time transactions and should be able to adapt to multiple operating systems and object brokering architectures. The system should support in-house and third party customization and meet service level agreements for performance and 24x7 reliability consistent with enterprise-wide applications.

Success in Buying vs. Building

SpaceWorks focuses on a specific piece of the Web-based E-Commerce management system: Web-based selling across the supply chain. SpaceWorks out-of-the-box Web commerce software, OrderManager, turns an order desk into a 24x7 self-service electronic sales channel via the Web. OrderManager automates the entire ordering process across the supply chain, and enables trading partners to have access to numerous “seller” systems, whether the goal is to sell down the chain to a distributor, or replenish warehouse goods from a supplier in order to meet market demand.

SpaceWorks customers include numerous, diverse industries such as electrical parts, PC distribution and telecommunications. Each of these customers developed an enterprise-wide plan before moving forward with Web commerce, determining that supply chain integration via the Web was the most important piece in launching a Web-based EC initiative.

To ensure that the OrderManager solution is aptly tailored to meet each client’s specific needs, SpaceWorks utilizes its breadth of implementation experience with various back-end systems including ERP and legacy systems. Each client’s varying long term needs are also addressed -- based on its business goals and unique industry identifiers. Professional services staff remain on board long after the implementation to help the customer determine appropriate upgrades that fit the changing business model. If a business opts for an in-house build, this type of long-term extensibility is lost. The company essentially becomes a software developer.

The build vs. buy dilemma is not a difficult one to resolve. A business need only look inward in order to determine what application(s) it needs to purchase to establish a successful Web commerce system. A look inside, in consideration of building, is essentially a thing of the past. ■

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