Buy Vs. Build:

As you consider making the step (or leap) from your spreadsheets or other back-office products to a more automated solution to your incentive-based compensation process and design, an important question must usually be answered: Should you buy or build at the beginning of a technology project? The correct answer to this question is not always clear.

In this article, Allen Eskelin helps you learn how to make this important decision.

IT managers are faced with the question of whether to buy or build at the beginning of each technology project. The correct answer to this question is not always clear. IT managers should answer the following questions before making the buy versus build decision:

- **Will the technology provide a competitive advantage?** Will this technology differentiate your company from your competitors? It is not wise to invest all your resources in something that will not. For example, every company has an accounting system. Being better than your competitors at accounting will not gain you market share. Why try to reinvent the wheel and build your own accounting system? On the other hand, a call-tracking system could allow you to customize your service offering, giving you a significant advantage over your competition. In this case, it may be better to build the technology.
- **Can you build it?** How good are your technology resources? Can they build leading-edge technology? Additionally, what type of quality do your internal technology resources produce?
- **Can you build it for less money?** Building a system yourself requires your company to eat all the R&D costs. A technology development company can spread out the cost of R&D over all its customers, making the solution cost less for each customer. If the technology is mature or if the market for this technology is competitive, the vendors may be selling it at a minimum profit.
- **Can you build it fast enough?** If building technology is not your company's highest priority, you will not be able to compete with a company that builds technology as its core competency. A technology development company will acquire the best developers and allocate more money in order to develop new technologies faster then its competition. It is highly unlikely that you could build technology faster than these companies can.
- **Is this the best use of your internal technology resources?** What are your highest priorities? Should your technology resources be working on something else that will help the company more than building this technology? In some cases, it is better to buy technology so that you can focus your internal resources on what is most important to your business.
- **Are you willing to take on the risks involved in building it yourself?** What happens if your developers fail to develop a workable solution? You take on all of the risk when you develop your own technology, and absorb all the losses if you fail. With the high rate of failure in IT projects, this is a risk that most companies can't afford to take. If a vendor fails to develop a technology, it absorbs all the costs, leaving you to find an alternative solution.
- **Can you provide adequate support and upgrades after implementation?** Technology development companies dedicate a significant amount of their budgets to supporting their customers and providing periodic upgrades to their technology. Do you have the capability to provide the same level of service if you build the technology yourself?

- **Is building technology part of your core competency?** What does your company do best? Sometimes, it is better to do what you do best and then outsource everything else to companies who specialize in their core competency.
- **Where is the technology headed in the future?** You may be able to build a better solution than what is currently offered on the market. The big question is this: Do you know what is about to be introduced to the market? During the technology-acquisition process, you may learn, under confidentiality, of new technologies that the vendors are developing that will be significantly better than what you could build yourself.
- **What are your competitors doing?** What are your competitors doing in this situation? Knowing what solution they are using may change your strategy.

Although the answers to these questions will not always produce a clear answer to the question of buying versus building technology, answering them will help you make a more educated decision on which is better for your company.

The decision to buy or build technology can make or break a project. Increase your chances to make the right decision for your current situation by answering these questions first.

About COREmatica:

COREmatica is the leading developer of compensation management software specializing in performance-based payroll for health care providers. Headquartered in Ann Arbor, Michigan, COREmatica works with hospitals and large health care provider groups to implement effective incentive-based compensation plans to drive productivity and keep costs aligned with revenue objectives. Our software product, COREmatica®, is used nationwide to calculate pay for thousands of clinicians in more than 25 states.

Founded in 2007, COREmatica is a Health IT company staffed by information technology experts with over 30+ years of experience developing software products for the healthcare industry. We are degreed professionals and have over 15 years of experience working with incentive-based pay. We take pride in helping our customers implement the best, most effective compensation plan for their clinicians. With COREmatica, you'll have a proven solution quicker than you can develop a custom solution, saving you time and money.

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