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BUILD VS BUY

FOR DATA ARCHIVING AND APPLICATION RETIREMENT SYSTEMS

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Executive Summary

The question of whether to buy or build is a timeless dilemma that applies to many aspects of life, including enterprise software. For executives at numerous companies, this decision is a multimillion-dollar conundrum. This article aims to simplify the dilemma and guide decision-makers toward an informed choice.

Key Considerations

The Reality of Software Development

- **Commercial Off The Shelf (COTS) Software:** The existence of a multibillion-dollar COTS industry, including Free and Open Source Software (FOSS), underscores that most companies cannot build all their software in-house. It is rare to find a commercial operation that does not use any COTS software.
- **Software Diversity:** Software comes in various forms, such as operating systems, web servers, chatbots, databases, and more, each requiring different expertise.
- **Ongoing Maintenance:** Software is not a "build it and forget it" proposition; it requires continuous maintenance and updates.
- **Resource Intensity:** Developing and maintaining software demands expensive resources and personnel for installation and operation.
- **Personnel Challenges:** Top software talent is often opinionated and scarce, particularly those who understand both the core business and coding.
- **Turnover and Complexity:** Personnel changes are common, and most enterprise software involves multiple components requiring comprehensive understanding.
- **Organizational Dynamics:** Larger companies often face drama and politics when managing teams.
- **Core Business Focus:** Companies primarily focus on their core business (e.g., banking, logistics, manufacturing, healthcare) rather than software development.

The Risks of Homegrown Software

» **Success Rates:** Successfully deployed and sustained homegrown software projects are fewer compared to those started with good intentions but later abandoned.

» **Accountability:** When issues arise, having an external party to hold accountable can be beneficial, especially one with a vested interest in customer satisfaction.

The Case for Buying

Unless a company requires highly customized, bespoke software for a unique use case not available in the market, it may not be advisable to take on the associated risks. The headaches and lost sleep can be substantial. Instead, companies should focus on their core business and let software vendors handle software development, as it is their core competency and livelihood.

Cost Considerations

If cost is a primary concern, it's essential to realistically calculate the total cost of building and maintaining the software over a five-year period. Avoid being misled by accounting distinctions like capex, opex, above the line, or below the line, as these are merely different ways to account for expenses. Software prices can often be negotiated with vendors to create a mutually beneficial agreement, such as annual payments instead of a lump sum upfront. Vendors may have additional motivations, like enhancing their customer portfolio to increase their valuation.

Total Cost of Ownership (TCO) of Applications

Applications undergo a life cycle that encompasses various stages. To achieve a more integrated and strategic alignment between investments and long-term business objectives, it's crucial to consider all costs associated with applications throughout their entire life cycle. Even when annual budgeting serves as the primary financial management tool, the current decisions regarding application sourcing will have a lasting impact on future expenditure patterns, staffing requirements, potential upgrade paths, and maintenance needs.

Categories	Description
Cost category: Initial go-live costs	
Design	Identifying user needs and business objectives, and creating architectural frameworks, user interfaces, and data structures.
Development	Constructing and integrating software components to deliver functionalities.
Testing	Assessing software quality, security, compliance, and suitability for intended use.
Initial license fees	Upfront expenses for acquiring usage rights for purchased applications, tools, or platforms.
Cost category: Recurring and nonrecurring annual costs	
Operations	Managing and maintaining live applications, including monitoring, troubleshooting, and ensuring compliance with service level agreements.
Support	Providing ongoing user assistance, help desk services, and training.
Corrective maintenance	Resolving software issues that deviate from functional specifications.
Adaptive maintenance	Updating application components, such as operating systems and databases, to align with changing environments.
Perfective maintenance	Addressing non-functional requirements or performance issues, such as improving maintainability or efficiency.
Preventive maintenance	Proactively identifying and mitigating potential errors to minimize business disruptions.
License variance	Adjusting costs due to changes in user numbers, feature tiers, usage levels, data storage, and service levels, particularly relevant for SaaS applications.

Categories	Description
Cost category: Future costs	
Variation to operating costs	Adapting to increased software infrastructure demands driven by factors like business expansion, regulatory changes, vendor pricing shifts, and energy costs.
Predictable upgrades	Implementing necessary updates to maintain application viability, such as user interface enhancements, data management improvements, and integration updates.
Potential enhancements	Anticipating improvements that can significantly enhance business value, such as integrating AI, enhancing user experience, scalability, and security.
Cost category: Decommissioning costs	
Data retention	Managing expenses related to storing and preserving data for regulatory, legal, or business purposes after an application is decommissioned.

Source: Adapted from Gartner (January 2025)

Assess Criticality and Business Value

- **Commercial Value:** Directly influences revenue and profitability.
- **Market Value:** Offers potential for attracting new customers and broadening market presence.
- **Efficiency Value:** Achieves cost reductions and time efficiencies through operational enhancements.
- **Customer Value:** Improves customer satisfaction and retention.
- **Future Value:** Strategic investments that prepare the organization for long-term success by fostering innovation and knowledge acquisition.

Assess Potential Partners

Evaluate potential vendors, systems integrators and outsourcing partners for:

- **Operational Capability:** Evaluate the provider's history of delivering successful solutions and operational excellence. Assess the quality and effectiveness of their processes, systems, and methods to ensure they are competitive, efficient, and positively impact revenue, customer retention, and market reputation.
- **Strategic Vision:** Assess the vendor's strategic alignment and forward-thinking approach to both technology and business needs. Evaluate their ability to clearly articulate current and future market trends, innovation, customer needs, and competitive forces.

Advantages of Buying Data Archiving and Application Retirement Software

Choosing a commercial off-the-shelf (COTS) solution for data archiving and application retirement offers several key advantages over building an in-house system:

Feature	Advantage
Faster Time-to-Value	Deploy a pre-built solution quickly and begin archiving data and retiring applications sooner, minimizing delays and realizing ROI faster. Building requires extensive development, testing, and debugging, extending the timeline significantly.
Lower Initial Costs	While there's a purchase cost, buying often has lower upfront expenses compared to the extensive development, infrastructure, and staffing required for building. Hidden costs of building, like ongoing maintenance and bug fixes, often exceed initial estimates.
Proven Functionality	COTS solutions are typically developed and tested extensively, offering robust and reliable functionality based on best practices and industry standards. Building requires significant effort to achieve the same level of maturity and stability.

Feature	Advantage
Reduced Risk	Buying from established vendors mitigates the risks associated with in-house development, such as project delays, cost overruns, and technical challenges. Vendors assume responsibility for software quality, updates, and support.
Expert Support	Vendors provide dedicated support teams to assist with implementation, configuration, and troubleshooting, freeing up internal IT resources. Building requires internal teams to develop and maintain expertise, adding to overhead.
Scalability and Flexibility	Commercial solutions are often designed to scale with growing data volumes and evolving business needs. Building may require significant re-engineering to adapt to future requirements.
Security and Compliance	Reputable vendors prioritize security and compliance, incorporating industry best practices and certifications into their software. Building requires significant investment in security measures and expertise to ensure compliance with relevant regulations (e.g., GDPR, HIPAA).
Ongoing Maintenance and Updates	Vendors handle ongoing maintenance, bug fixes, and software updates, reducing the burden on internal IT teams. Building requires dedicated resources for continuous maintenance and updates.
Integration Capabilities	Many COTS solutions offer pre-built integrations with other enterprise systems, simplifying data transfer and ensuring interoperability. Building integrations can be complex and time-consuming.
Focus on Core Business	By buying, organizations can focus their internal resources on core business activities rather than software development and maintenance.

Disadvantages of Building Data Archiving and Application Retirement Software

Developing data archiving and application retirement software in-house presents several challenges:

- **High Development Costs:** Building requires significant investment in development resources, infrastructure, and testing.
- **Extended Timelines:** Development can be lengthy, delaying the benefits of data archiving and application retirement.
- **Maintenance Burden:** Ongoing maintenance, bug fixes, and updates require dedicated resources and expertise.
- **Security Risks:** In-house development may lack the robust security features of commercial solutions, increasing vulnerability to cyberattacks.
- **Compliance Challenges:** Ensuring compliance with data privacy regulations (e.g., GDPR, HIPAA) can be complex and costly.
- **Resource Strain:** Building diverts internal IT resources from other strategic initiatives.
- **Lack of Specialized Expertise:** Internal teams may not have the specialized expertise required for complex archiving and retirement functionalities.
- **Integration Difficulties:** Integrating the in-house solution with existing systems can be challenging and time-consuming.
- **Scalability Issues:** Ensuring the solution can scale with future data growth and changing business needs can be difficult.

Organizational Differentiators

The core differentiator between Infobelt and other data archiving service providers is agility.

The speed of software development and the responsiveness of customer support.

Advantages of working with Infobelt

- Nimble
- Zero-bureaucracy
- Flat hierarchy
- Domain expertise (We have been on the business side)
- Technical expertise
- Development skills
- Quality assurance
- Research aptitude

Other companies are unable to match the speed of Infobelt because they must navigate hierarchical hurdles and bureaucratic obstacles before, they can develop and support customers, impacting their speed and service.

About Infobelt

Founded in 2013, Infobelt was created to fill the gap left by previous Books and Records platforms. Our team of experts possesses extensive knowledge and experience in various aspects of data management and regulatory compliance. We help businesses assess their current systems and implement effective archiving strategies for retiring applications while ensuring that critical data remains accessible and secure.

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