

COULD THE WRONG CHOICE PUT YOUR JOB AT RISK?

In today's world of buy versus build software options, the right decision can make you a hero. The wrong choice can torpedo your career.

by Dan Simerlink

WHEN EVALUATING SOFTWARE SOLUTIONS, BUSINESSES NEED TO determine if they should build or customize their own software, or buy from a vendor. Making the correct choice will deliver a strong ROI, enable a competitive advantage and earn accolades for the decision maker. However, the wrong selection can be costly for the business—and for the career of the person spearheading the project.

Buy versus build decisions used to be straightforward, partly due to limited options. Organizations would assess their needs and the IT staff's workload, then make a decision based on a total cost of ownership (TCO) analysis. These days, businesses need more accurate methods to keep pace with a labyrinth of ever-expanding choices. >>

Project Risks and Career Perils—

When organizations build or customize a solution, they should expect a 10% to 15% error rate, according to an article on ComputerWeekly.com. The article also notes that in the U.S. alone, an estimated \$75 billion a year is spent on rework and failed or abandoned systems. For example, poorly tested software caused transaction process problems for millions of online customer accounts and resulted in widespread email phishing attacks that cost one large multinational bank more than £50 million.

On the other hand, purchasing a solution reduces the likelihood of time and cost overruns, and the possibility that the project will fail because:

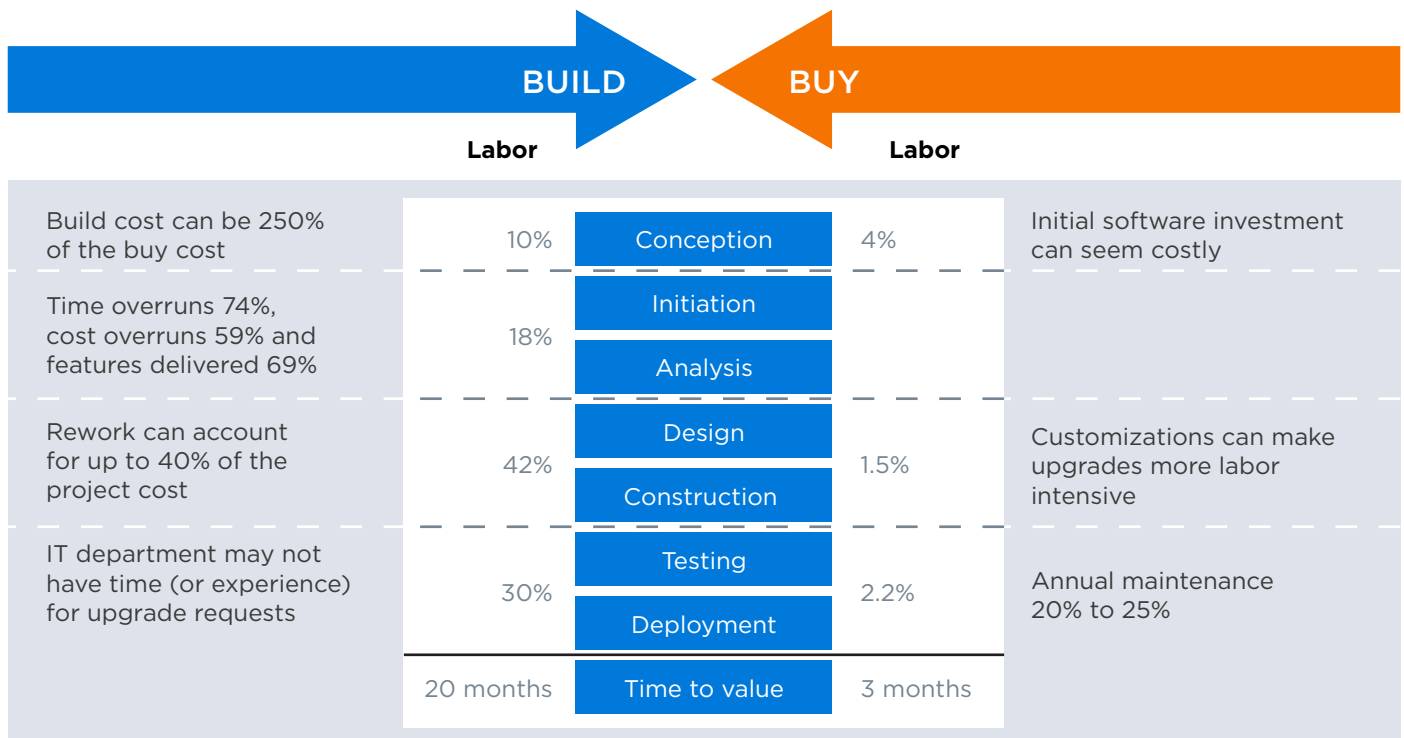
- > Conversations between vendors and their customers identify the pros and cons of the solution

- > Many of the errors and bugs have already been worked out
- > Vendor specialization in deployments eliminates a long learning curve

Although the cost of failure is usually not considered in the buy versus build analysis, thousands of hours can be sacrificed on a project that will never launch. Even if the project does see the light of day, time and cost overruns can impact people’s careers.

In terms of career stability, the riskiest decision is for the company to build its own software. This exposes the decision maker to much more scrutiny than a “buy” scenario. When a company buys software, the vendor shoulders part of the risk and assigns additional resources if the implementation timeline

FIGURE Build or Buy Audit



This software project audit shows that with a “buy” scenario, a vendor is able to get the solution up and running in three months, while the organization would need 20 months to build, test and implement from scratch.

slips—assuming a reputable vendor with a track record of success is chosen.

Narrow the Choices—

The abundance of customizable software solutions now available has erased the hard dividing line between buy and build decisions. As technology matures and business models evolve, default modes for a funding model for buy versus build decision making need to be re-evaluated.

Increased competition, shorter time-to-value cycles and the rapid pace of innovation are forcing organizations to look at the speed and agility of their software deployments. In fact, speed of deployment, innovative features and agility can be parlayed into a competitive advantage, which means the project must be carefully planned so that advantage is not devoured or sacrificed to failure.

The decision-making process should entail estimating the TCO for the software. A good starting point is to create a list of criteria for each potential option that weighs factors such as time to value, solution functionality, the technical expertise required and funding. The value proposition for the buy, build or customize options can help narrow the choices.

Once a couple of options have been eliminated, it's time to estimate the cost of the ones that made the cut. An example of a build or buy decision based on an audit of an actual software project is presented in the figure. The build scenario on its left side shows the percentage of total labor used to build the solution, while the buy scenario on the right compares the labor hours needed to purchase a solution with similar functionality. The difference is a whopping 17 months.

Considering the time to value, which is erroneously omitted from many financial business cases, helps make a more informed project decision. Including all costs, along with ROI and time-to-value evaluations, enables decision makers to reach the most informed conclusion.

Critical Decisions—

The proliferation of software vendors and solutions has greatly complicated the selection process. To make the best choices, organizations need to quantify options and approaches to determine the total costs and benefits.

5 BEST PRACTICES FOR A SUCCESSFUL SOFTWARE SELECTION

- > **Review decision-making processes and criteria.** Periodically examine the criteria used for the buy versus build decision to ensure they're still relevant.
- > **Use multiple estimation techniques.** Using only one method can lead to bias and error.
- > **Incorporate all costs in the financial business case.** Be sure to include the time-to-value benefits.
- > **Evaluate the default payment option.** A financing model that worked well in the past may not be the best for the future.
- > **Socialize and recruit allies.** Identify internal advocates to accelerate the adoption of the solution and help spot points of resistance.

The right choice will deliver substantial value to the business and could launch a person's career. At the other end of the spectrum, the wrong choice can cost a lot of time and money—and put your job at risk. **T**

Dan Simerlink is a Business Value Consultant for Teradata and has more than 20 years of experience in the technology industry. He is also an Adjunct Professor at Indiana Wesleyan University.



ONLINE

This article is based on the white paper "Save the Day... Or Lose Your Job." For more information on creating a financial business case for software, download the white paper on Teradata.com.