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Build vs. Buy: How to Know When You Should Build Custom Software Over Canned Solutions



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As a CEO, balancing your company's immediate needs with its long-term growth is both paramount and challenging – especially if your business is a startup. Challenging questions arise, such as whether you should invest aggressively in long-term initiatives or take the less expensive and more conservative approach. The “build versus buy” decision, for example, is a significant one that many companies face when addressing their software needs.

For my tutoring business, we initially started with off-the-shelf software because it was fast and cheap, but we eventually found that the lack of customization relative to our day-to-day operations ultimately led to inefficient, manual processes. As we grew, these challenges became more and more pronounced and scalability became harder to reach. Ultimately, we were forced to invest heavily in proprietary software so that we could scale effectively. In retrospect, many of these tradeoffs could have been assessed far earlier in our company's lifetime.

Building custom software can unlock a host of benefits, but companies should only pursue that strategy if **a)** better software can provide a competitive advantage relative to your competitors, and **b)** you are building a large business that can spread the cost of a proprietary system over a large number of clients. Consider the following questions before making this decision:

Why should you consider investing in custom software?

While building custom software is expensive, the return on investment can be well worth it. Remember, however, that significant energy, resources, and time must be dedicated to its development. These tasks associated with custom software may initially make a canned solution seem like the smarter idea, but there are several reasons to reconsider:

- **Off-the-shelf software cannot meet every need.** Canned solutions generally address *many* of the needs of *most* companies. If your business has specialized needs, custom software may be better qualified to meet them.
- **Canned solutions are rigid.** The vast majority of off-the-shelf software will not allow you to modify its functionality in a meaningful way. It may be difficult to add or subtract built-in features, leading to either too many or too few functions for your company.
- **Off-the-shelf software may not be compatible with other programs.** Your business might rely on Software A to complete one task and Software B to finish a second, related task. If the two programs do not communicate effectively, they may hinder your efficiency. If you build your own software, you can integrate with a wider set of APIs from different software and data partners.

Why should you consider using canned solutions and *not* developing your own software?

Under certain circumstances, sticking with canned solutions may be the more sensible option. Smaller business in particular may benefit more by going this route after taking the following factors into account:

- **Limited budget.** The costs that are associated with building custom software may be one of the first and most logical reasons for a business to avoid choosing this option. Canned solutions are cheaper and therefore can make much more financial sense for a company with a smaller budget.
- **Lack of technical proficiency.** If you do not have a strong enough software team with the necessary skills to build out this custom software, it would be wise to pass on the opportunity until you *do* have such a team in place. If you cannot hold your software developers accountable for such a project, it will be tough to create great products.
- **Lack of time.** Building proprietary software takes a great deal of time to complete successfully. Businesses that do not have this time available should not immediately pursue it.
- **Great canned software is already available.** If you have a common business, like a restaurant, there are generally canned software solutions available that are already proven to be effective for your organization's purpose.
- **Technology would not be a competitive advantage.** Perhaps your business is a retail furniture store. In this case, building amazing technology would unlikely be a factor that sets you apart from your competition, nor would it likely be something

that would help you provide a higher quality service or product at a lower cost and make consumers want to choose your store over others.

How can custom software help scale your company?

Your business is a dynamic, evolving organization, so it makes sense for your software to adapt and grow with your company as well and not remain static. If you do anticipate your company growing at a fast rate, here are a number of ways custom software can help make your business more scalable:

- **Increased productivity.** Programs that are specifically designed with your needs in mind can enable your team to work faster and smarter. You can create one comprehensive technology platform as opposed to using multiple different programs. An integrated platform can yield major efficiency gains since all the data is in one place and users do not have to switch between different websites as part of their workflow.
- **Competitive advantage.** When you rely on the same off-the-shelf software as your rival does, it is that much more difficult to outperform them. By designing your own technology that is ideally suited for your specific business operations, you can garner a competitive advantage relative to your competitors. That advantage grows as you invest more heavily in your proprietary systems.
- **Faster reaction time.** To build great custom software, you must first hire a stellar software development team. Once that team is in place, they can build a variety of products, tools, and systems. As your business needs change and as your industry evolves, being able to quickly shift technology strategies can mean the difference between market dominance and obsolescence.

Despite its initial costs, custom software is well worth the resources it requires if you are hoping to build a business of meaningful scale. Building your own software that is specifically tailored to your company's needs, as well as focused on scalability and efficiency, can help mean the difference between offering a commoditized service and offering a highly differentiated one at a better price.

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