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Build vs. Buy Strategy: Top Principles for Enterprise Applications

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Initiatives: Enterprise Applications Leadership; Adopt Modern Architectures and Technologies

Many IT organizations prefer the traditional build-or-buy options for their applications, but the new approach is multidimensional, using purchased, built and integrated tools. To create a modern application strategy, enterprise applications leaders should adopt Gartner's buy, build and blend model.

Overview

Key Findings

- Modern application portfolios are an intentional combination of different application development and delivery methods, spanning purchased, built and integrated applications.
- The best application strategies have simple but clear policies about the role and purpose of purchased, custom-developed and integrated tools.

Recommendations

- Implement Gartner's buy, build and blend framework to create a modern application strategy.
- Create simple but unambiguous policies on how you will apply the buy, build and blend framework to your application strategy.

Introduction

This research is part of the Gartner special research project, The Future of Enterprise Applications. The research examines how new technology capabilities, including agentic AI, automated orchestration and composable architectures, change the purpose, form and function of applications. For an introduction to the subject, please see Intelligent Applications Enable the Autonomous Business and The Future of Enterprise Applications.

Gartner regularly speaks with enterprise applications leaders who lead the companywide CRM, digital workplace and ERP solutions that underpin business capabilities. These leaders ask about build versus buy strategies. Their requests are typically:

- "When should we build custom applications relative to our investments in commercial off-the-shelf (COTS) applications and platforms?"
- "Should we be a 'buy' or a 'build' shop?"

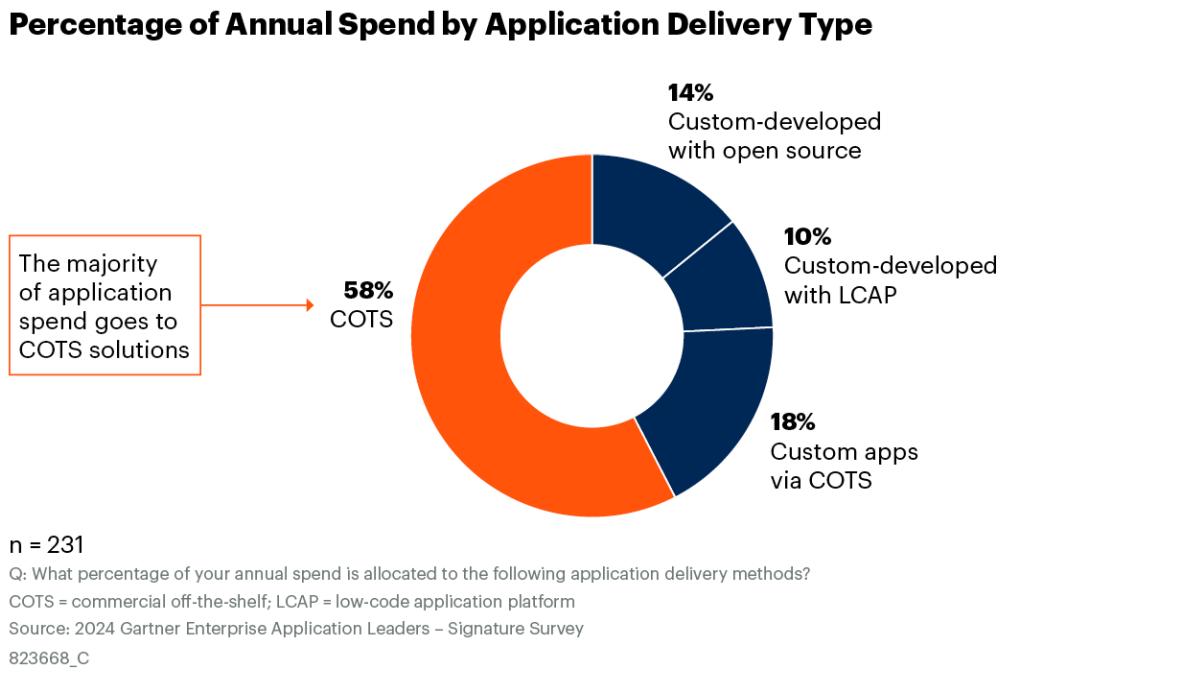
These requests are complicated by the fact that there are many relevant options:

- Enterprise software providers continually expand the depth and breadth of the business capabilities their applications can support.
- The largest enterprise software providers have expanded their applications into platforms, offering low-code development to extend the native capabilities of their products.
- Vendors that offer distinct low-code application platforms (LCAPs) or process orchestration are viable alternatives for custom-application development.
- Internally developed applications now make it easier to build full-stack custom applications. This is achieved through the use of both proprietary and open-source coding language, as well as application developer frameworks from hyperscalers.

The variety of options causes confusion about the correct and appropriate path for the organization.

The answer is not as simple as a binary choice between being a build-only or buy-only shop. Being solely one or the other is not a viable or realistic option for enterprises. The modern application program is a combination of application delivery models, spanning COTS, LCAPs and custom-developed applications. The results from the 2024 Gartner Enterprise Application Leaders — Signature Survey support this position, with 76% of annual spend going to COTS and low-code capabilities from COTS vendors (see Figure 1). [1]

Figure 1: Percentage of Annual Spend by Application Delivery Type



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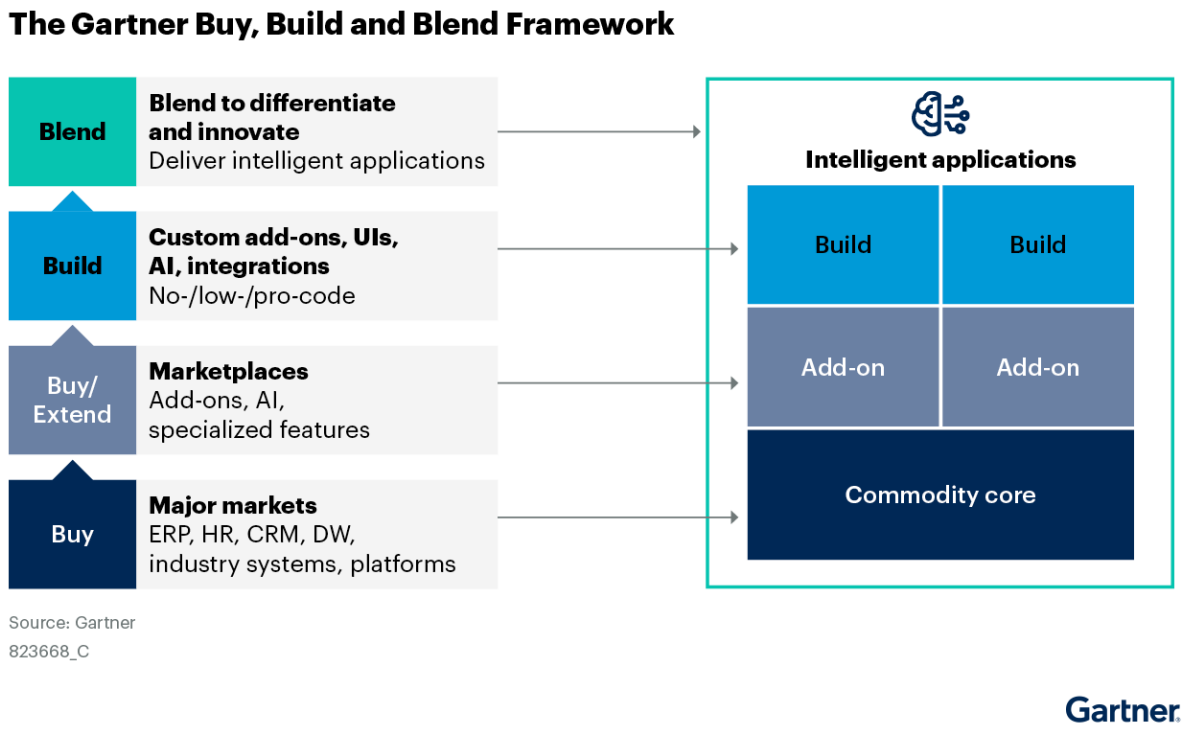
The modern application program is a combination of many different delivery methods, spanning commercial applications, custom-developed applications and various forms of integration. This research outlines how organizations can shape their application strategy with Gartner's buy, build and blend model.

Analysis

Implement Gartner's Buy, Build and Blend Model to Create a Modern Application Strategy

When organizations aim to develop a build versus buy strategy, they are actually trying to determine the most effective means of enabling business capabilities. In service of that goal, Gartner finds that modern enterprise application programs adhere to a framework that consists of three key components: buy, then build, and then blend (see Figure 2).

Figure 2: The Gartner Buy, Build and Blend Model



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For an explanation of intelligent applications as labeled in Figure 2, please see Intelligent Applications Enable the Autonomous Business.

Application Portfolios Are Buy, Build and Blend — Not Simply Build or Buy

This model is important for simplifying an organization's initial build versus buy policy. Rather than trying to force the organization to follow a single path, Gartner recommends that organizations embrace a flexible policy that includes all three application development and delivery methods:

- **Buying COTS or SaaS products provides foundational capabilities.** These commercial applications are designed for specific business capability domains, such as enterprisewide core financial management, inventory management, configure, price and quote (CPQ) processes, or utility asset management. They come equipped with native features — data models, business logic and user interfaces — that represent best-in-class or sufficiently functional capabilities. This gives organizations an advantage when automating their core business capabilities. Gartner recommends buying COTS systems that also function as platforms. Platforms provide declarative capabilities for extending the native functionality to meet specific functional requirements. Additionally, platforms have API-based integration capabilities that support data and UI integrations via composable services.

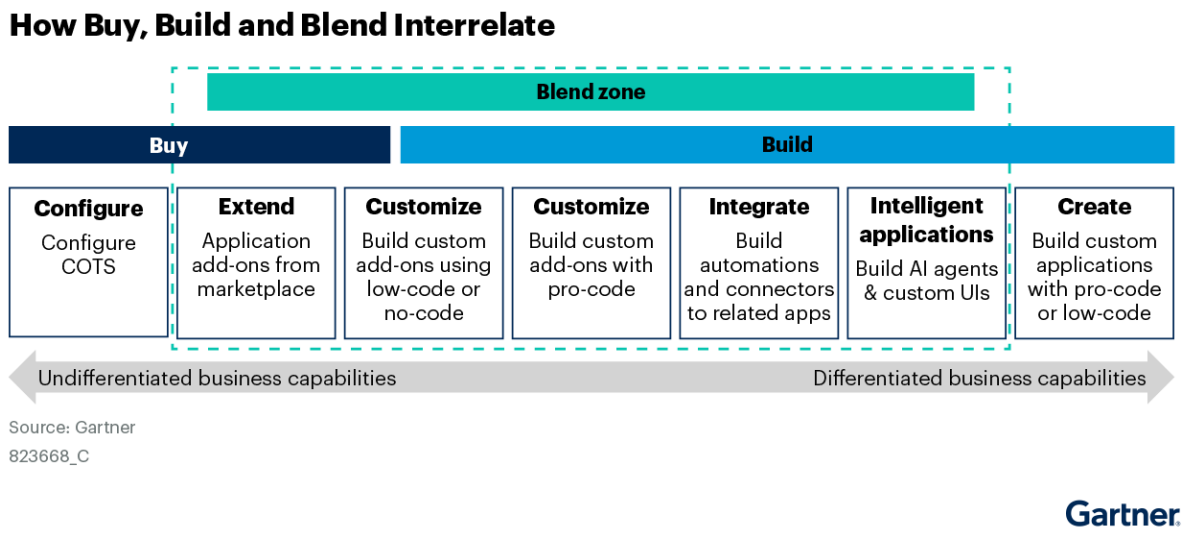
- **Building custom applications is necessary for innovation, developing unique business capabilities or rapidly filling capability gaps.** Legacy systems for core business capabilities are difficult to replace or update. The 2023 Gartner Legacy Modernization Survey indicates that 47% of all core system modernization efforts take between one and two years, while an additional 38% take between three and four years. [2] Those timelines can be an impediment to business innovation and transformation, which is obviously a suboptimal situation. Consequently, custom-developed applications are necessary for being responsive to business needs.

- **Blending via integration is necessary for business alignment, data management and risk mitigation.** According to the 2024 Gartner Enterprise Application Leaders — Signature Survey, managing data across applications and application integration were both within the top five priorities for respondents in the near term. Integration is necessary. As one respondent in the survey noted: “Reduc[ing] enterprise risk is the key strategy for the next future and all efforts are aligned in this sense… [We give] huge attention to development of integrated systems for data management.” [1]

The Buy, Build and Blend Model Fits on a Continuum of Process Differentiation

The principles of buy, build and blend decompose into seven different application delivery methods, shaped by a continuum of business processes (see Figure 3).

Figure 3: How Buy, Build and Blend Interrelate



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Undifferentiated processes, the left side of the model, are commoditized business capabilities that are commonly already adopted by your organization's competitors and thus offer your organization no competitive differentiation. These undifferentiated processes also pertain to business capabilities that should be standardized across every business unit or subsidiary in your organization, as is the case for capabilities such as accounts payable or customer service case management.

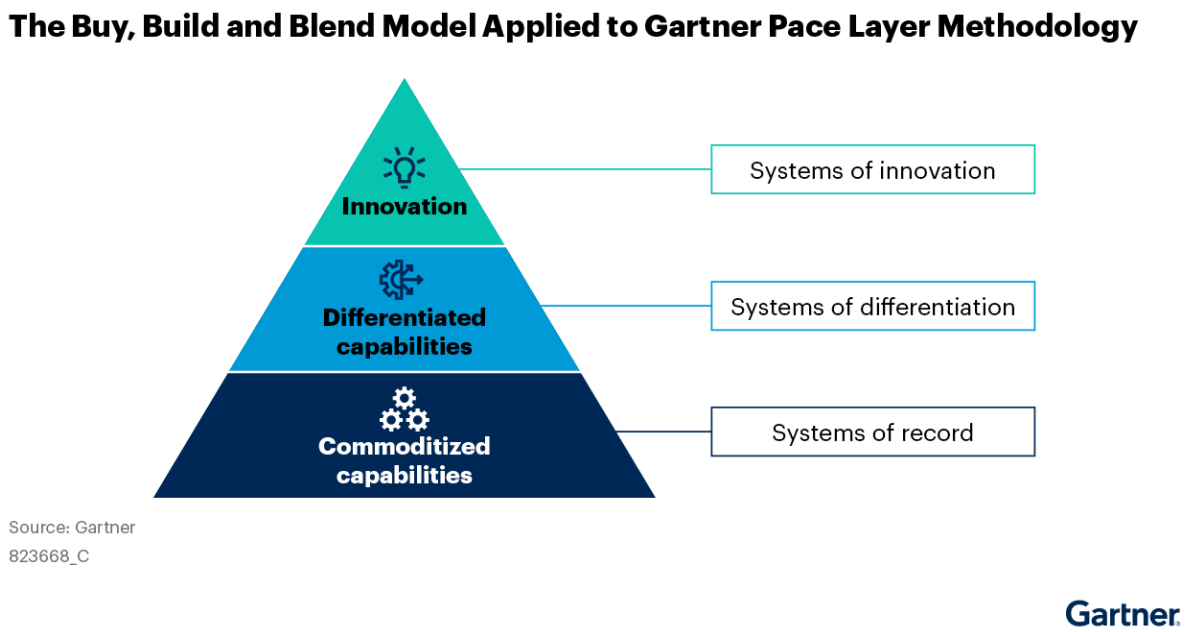
Differentiated processes, the right side of the model, are business capabilities that offer your organization competitive differentiation or that are so innovative, they merit exploration via a pilot program. At this end of the continuum, it is common to custom-develop applications, particularly to test and pilot innovative capabilities before committing to enterprisewide implementations.

In the middle of the model are capabilities that offer some degree of competitive differentiation or that require some amount of differentiation to support the business-critical requirements of different business units within a process domain. These capabilities are met via customizing core COTS, building low-code applications and integrating applications with other applications and data sources.

If your organization uses Gartner's pace layer methodology in your application strategy, you will recognize how the model in Figure 3 aligns with the three Gartner pace layers (see Figure 4).

The size of the shapes in this pyramid corresponds with the approximate distribution of your business capabilities. The majority should be satisfied with systems of record. Systems of innovation should only be used for a minority of your business capabilities. Systems of differentiation comprise the remainder of your capabilities.

Figure 4: The Buy, Build and Blend Model Applied to Gartner Pace Layer Methodology



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For more information on the pace layer methodology, please see Use Pace Layers to Align Your Application Strategy With Your Business Strategy.

The Sequence and Prioritization of Buy, Build and Blend Decisions

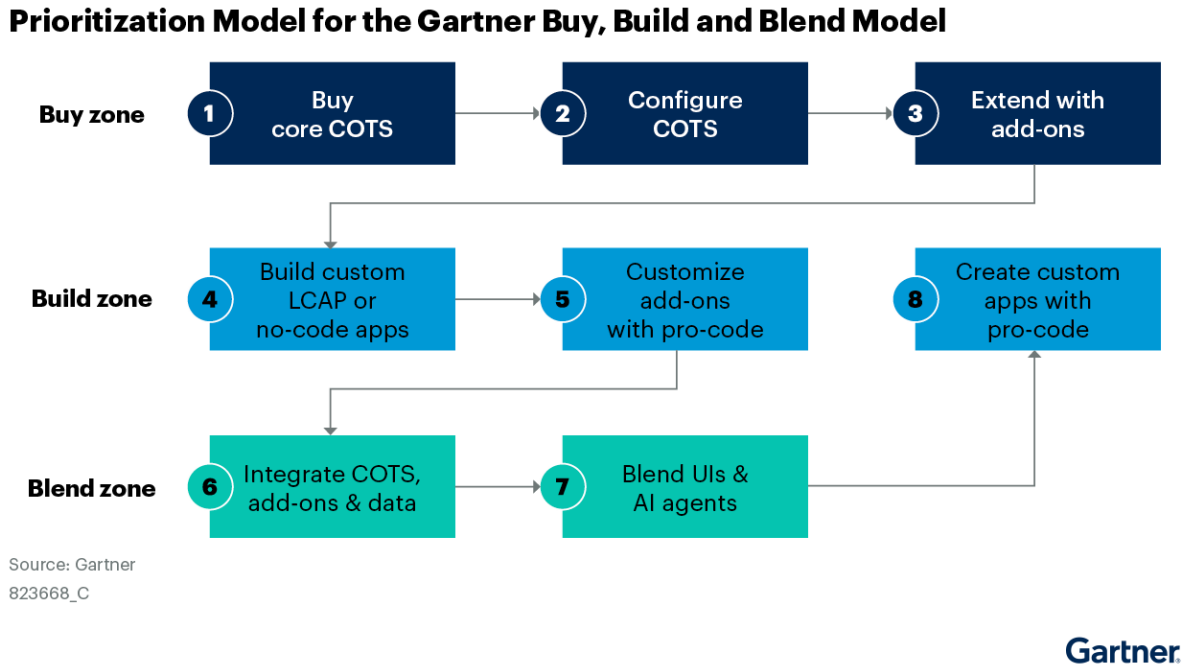
As established in Figures 2 and 3, your enterprise application strategy is shaped by:

- The implementation of purchased applications, add-on applications, custom-developed applications and integration services.
- The way that you align those application delivery methods to your span of commoditized, differentiated and innovative business capabilities.

These models establish the foundations, but given the range of different options, you must also have a prioritization framework that articulates which application delivery method to use.

Figure 5 outlines Gartner's recommended prioritization model for making buy, build and blend decisions. Featuring the same application delivery categories from Figure 4, the prioritization model depicts the numbered steps you should implement in your application strategy.

Figure 5: Prioritization Model for Gartner's Buy, Build and Blend Model



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For more explanation of this model, please see the following descriptions.

The Buy Zone: Start With Purchased Applications

In this model, your application strategy starts with purchasing COTS applications for your core business capabilities. Refine your application strategy with these three tactics:

1. **Buy what you can:** Purchase COTS from an established provider to automate core CRM, digital workplace or ERP business capabilities that offer your organization no significant competitive differentiation or that must be standardized across business units (for example, buying CRM to provide case management or purchasing ERP to support order-to-cash processes).

2. **Then configure:** Utilize the declarative configuration capabilities of your COTS applications to extend the default capabilities. This includes using declarative functions to customize page layouts, add custom business logic and add custom data objects to meet group-specific requirements. For example, create a common core of order-to-cash capabilities that are used by each global product line in the company, but use configuration to extend the core template to meet the needs of each individual product line.

3. **And then expand with add-ons:** Acquire additional third-party add-on applications as needed to automate Level 1 or 2 business capabilities that are not provided by the COTS vendor or to provide capabilities not common in your industry. For example, extended planning and analysis for financial planning.

The Build Zone: When Necessary, Build Custom Applications

Even though nearly 60% of application investments go to COTS, purchased applications is only one part of the application strategy. [1] Building applications via LCAP or programming languages is an imperative when you cannot find the functionality you need in the core or add-on application marketplace. Following the principle of "build only what you must," use this guidance.

4. **Customize with LCAP or no-code:** Deliver light-to-medium complexity applications with LCAP that integrate with your core COTS and add-on applications. This option is important for rapid prototyping, delivering capabilities that are not yet widely adopted in your industry, or providing capabilities that bridge systems until you implement new COTS applications. As a rule, your first choice should be LCAP or no-code that comes from your core COTS provider; for example, Microsoft PowerApps which extend Microsoft Dynamics products. But because application sprawl is always a concern, there are limits to this advice. An LCAP from the COTS provider is the right option for extending applications that are bounded in scope or reach, such as extensions for a human capital management (HCM) system that are only used by business units in Europe. The vendor's LCAP natively integrates with the data and functions in the core HCM COTS. If the scope of the extensions is greater than a manageable boundary, then LCAP from the core COTS provider is not necessarily the best choice. If it is necessary to deliver capabilities for multiple business units, product divisions or countries, then Gartner recommends evaluating all LCAP options and custom application development options.

You should select the most cost-effective option for automating the business capabilities. Whether the LCAP comes from your primary COTS providers or from a pure-play, low-code application provider, these applications should be integrated with your COTS and add-on systems.For more information on how to assess LCAP and no-code options, please see Quick Answer: Assessing No-Code Development for Enterprise Applications.

5. **Build custom applications with pro-code:** Custom application development via pro-code source or proprietary programming languages has a place in your application strategy. It is particularly appropriate for rapid prototyping of innovative capabilities, filling white space in your capability maps where no commercial options exist, or building full-stack, proprietary business-critical systems that your organization develops and maintains.

Please note that modifying the code of a business capability from a COTS or add-on solution, or replacing a core capability with your own custom-developed solution, should never be part of your application strategy. This inhibits accepting future product updates from your vendors and adds to your application maintenance overhead.

Blending Applications Is Imperative

Blending the purchased and custom-built capabilities is the final principle in this model.

6. **Integration is both a build and a blend strategy.** Application integration is the hardest aspect of application programs, but it is absolutely necessary for delivering business value and competitive differentiation. This means that your application strategy will feature application, data and process automation integration techniques to link your applications together, as outlined here:

- **Data integration methods** for connecting applications together with master data systems and transactional systems of record, such as order management systems.
- **Event integration methods** for automated, orchestrated headless processes, such as end-to-end processing of insurance claims.
- **Application integration** for process integration across systems, such as connecting AI agents with a customer chat interface or integrating a third-party CPQ system with the COTS for CRM sales opportunity management.

7. **Adaptive experience is the key component in the application strategy:** In the near future, applications will be highly dynamic tools that deliver custom-made, individualized user experiences to all end users (see Align Your Enterprise Application Strategy With Gartner's Priorities for Modern Applications). Your design will include adaptive user interfaces, AI assistants, AI agents and AI-generated process orchestration.

Gartner recommends adopting composable architecture practices to achieve the type of flexibility necessary to support all of these integration methods. For more information on composable architecture and composable applications, please see MASA: Create Agile Application Architecture With Composable Apps, APIs and Services and Strategic Roadmap for Adopting Modern Application Architectures and Technologies.

Please note that the application integrations should be loosely coupled with the core COTS systems and add-ons via integration services and APIs. This is to guard against implementing integrations that make it difficult to upgrade your core applications.

The tools you use for your extensions will depend on what your business objectives are. The first choice for custom capabilities is the LCAP that comes with the COTS system. However, if your intent is to build a new UI, link to a function in another application or incorporate some analytics or prescriptive maintenance, then your organization will likely favor open source or industry-standard full-stack programming languages. Adding an AI assistant or agent may also lead to the same preference. Alternatively, if the capabilities you are building involve complex algorithms or processes, then pro-code platforms are more relevant to your work.

Blending is also necessary for taking advantage of the modern capabilities of intelligent applications, such as adaptive experience, autonomous orchestration, composable architecture, connected data and embedded intelligence. For example, integration makes the modern UI, which Gartner labels adaptive experience, possible by ensuring that disparate data sources are linked. Integration is necessary for autonomous orchestration, which uses higher forms of AI process standardization and automation to create autonomous processes.

For more information on how integration relates to intelligent applications, see Align Your Enterprise Application Strategy With Gartner's Priorities for Modern Applications.

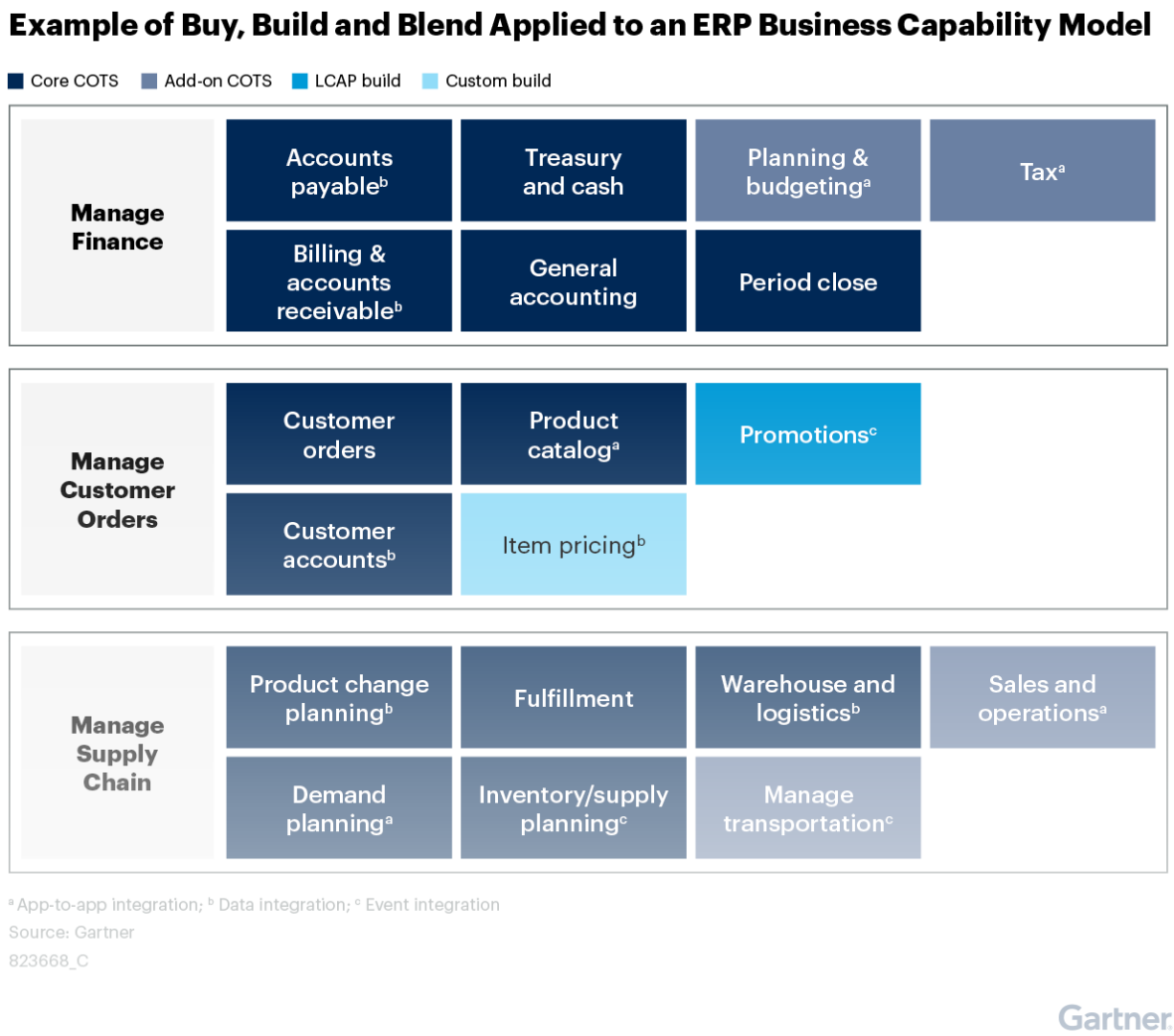
Two Examples of Buy, Build and Blend Applied to ERP and CRM Implementations

Buy, Build and Blend Strategy for a Service-Centric ERP Portfolio

In this business capability model, the Level 0 capabilities — finance, customer orders and supply chain — resolve into multiple Level 1 capabilities, represented by the boxes in different shades of blue (see Figure 6).

- The majority of the business capabilities, marked in dark blue, are supported by a COTS ERP system that has interrelated models for these core processes. These capabilities have significant levels of configuration, consistent with the practices in Figure 3.
- Four capabilities are supported by third-party add-on applications. The tax management application integrates to the finance system via native application connectors.
- There are custom capabilities developed on a LCAP. See the item pricing capability in Figure 6 below.
- Some capabilities are met with custom-developed applications, as depicted with promotions.

Figure 6: Example of Buy, Build and Blend Applied to an ERP Business Capability Model



Please note that this is a representative example of a product-centric ERP portfolio only, and thus should not be used as a baseline model for your own implementation. For an

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