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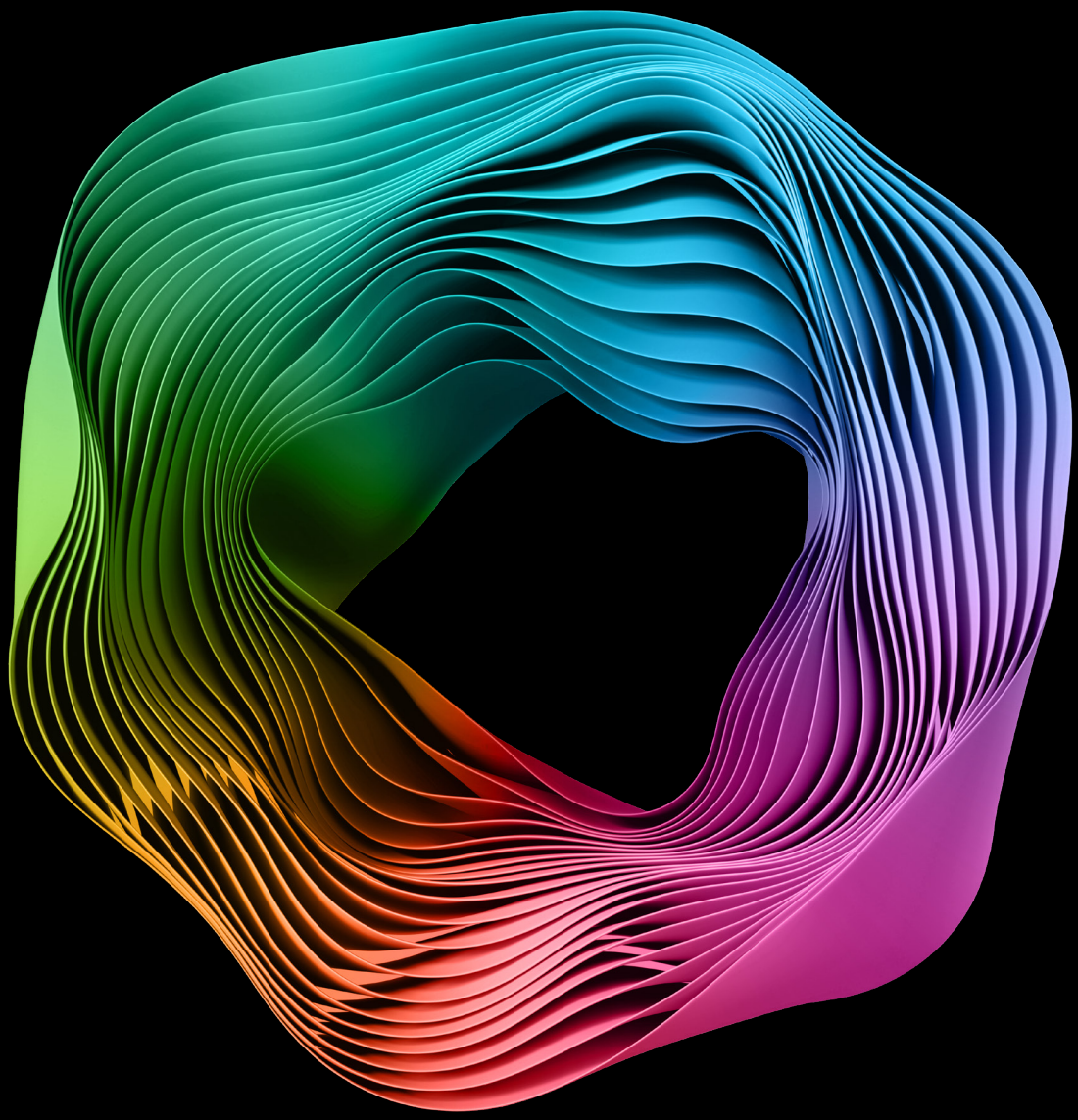
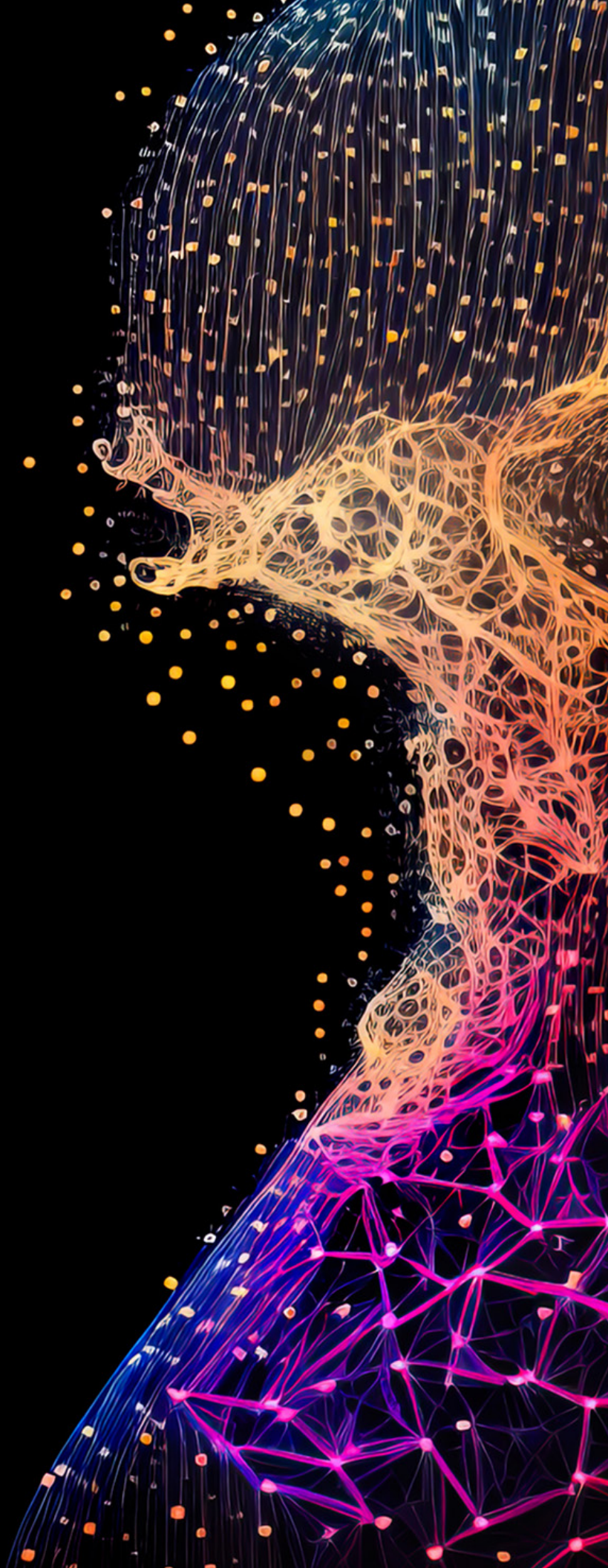


Choosing the Right Path: Build, Buy, or Adopt Generative AI in Digital Procurement

1. Intro

In our previous paper, "Transforming digital procurement through Generative AI," we discussed the transformative impact of Generative AI (GenAI) on digital procurement's processes and tools, focusing on how leading players are thinking about integrating GenAI to automate tactical tasks and enhance the productivity of the users.

We also explained how a comprehensive, enterprisewide transformation is crucial for harnessing the full potential of GenAI. In this paper we discuss the next step in the implementation journey—determining how to implement GenAI at the use case level.



2. Importance of the build versus buy versus adopt decision for CPOs

Over the past two years, chief procurement officers (CPOs) across various industries have been working to understand how best to make use of GenAI capabilities for their functions across both tactical and strategic activities. Once priority use cases have been identified, the next big question is the age-old question of *build* versus *buy*?

Should you **build** your own solution in-house, using internal resources to design, code and implement GenAI applications tailored to specific use cases? Or should you **buy** a GenAI-enabled solution from the marketplace, based on prioritized use case(s)?

Build could be an appealing proposition when dealing with highly business-specific use cases where off-the-shelf solutions don't offer the specific capabilities you're looking for or cannot provide the level of data privacy and security guarantees that you require.

The **buy** decision on the other hand could lead to lower costs and a faster speed to value. However, an organization may have to compromise with data privacy and security requirements, limited to what the standard solution offers.

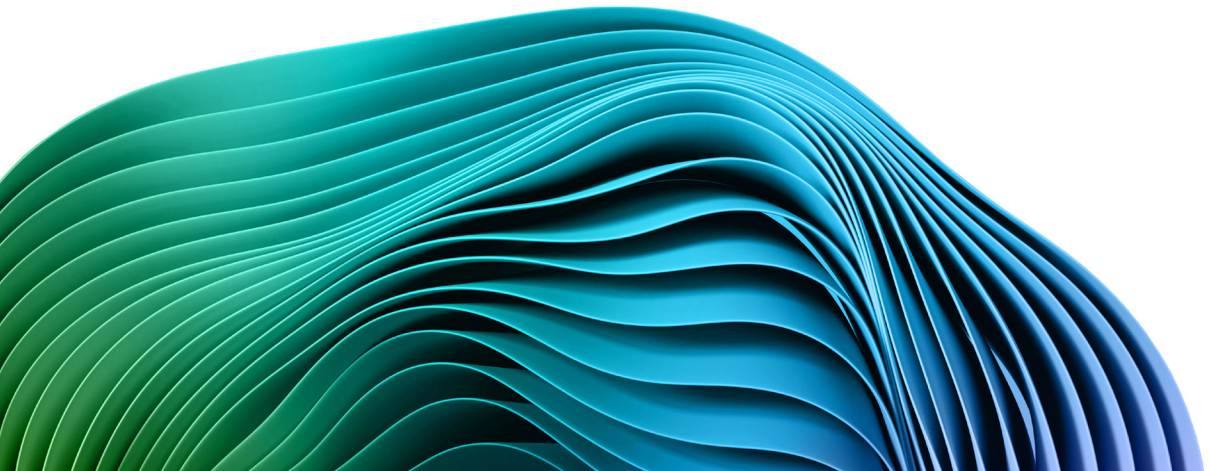
When it comes to GenAI source-to-pay (S2P) applications, there may be a third possibility. In our previous paper, we discussed S2P suite solutions bringing in use-case-specific GenAI capabilities. For organizations that are already using these established suite solutions, depending on the use case under consideration, the decision could be as simple as **adopting** the GenAI capabilities being offered by their existing S2P solution provider. Needless to say, this is generally the lowest-cost alternative but provides very limited control over what use cases are enabled and how they are addressed within the solution.

In these following sections, we will discuss the key considerations that can enable CPOs to make an informed decision about building, buying or adopting a GenAI application.

A CPO's perspective on building for the future

"To my fellow CPOs navigating build vs. buy to implement GenAI for Procurement —the "Build" path won't be right for everyone, and there are excellent tools out there that are absolutely fit for purpose. We chose to build, not because it was easy, but because it was the right strategic move for where we're headed. This wasn't just a tech decision, it was a choice to invest in our people, our platform, and our future."

Emma Chontos
Chief Procurement Officer, Intuit



3. To build versus buy versus adopt GenAI capabilities: Factors to consider

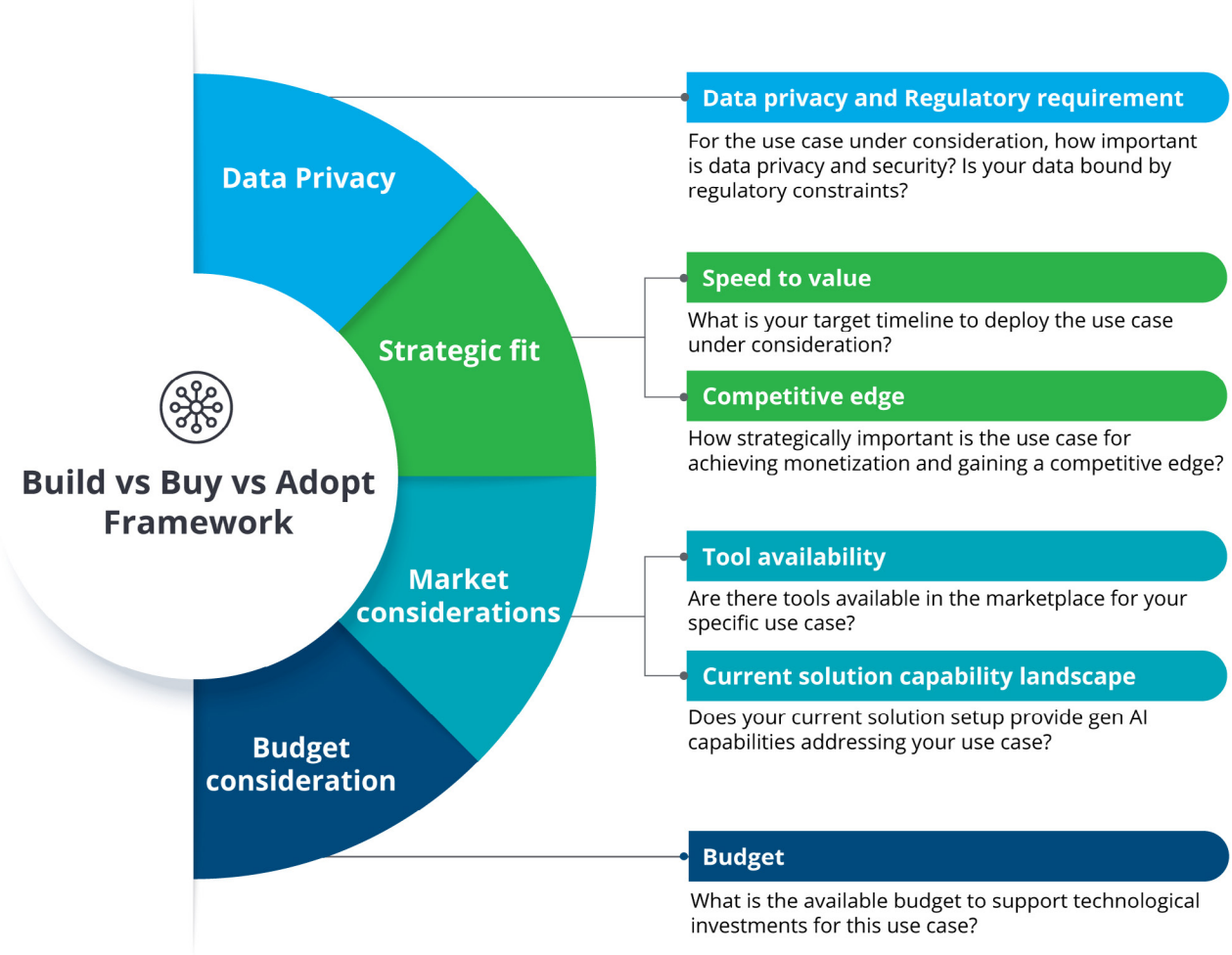
As we progress further in the era of GenAI, and as the tech landscape starts to mature, organizations will realize the need for an underlying large language model (LLM) base layer. This base will serve as the foundation to build/attach specific use-case-based applications on top. To draw a parallel from the core information technology (IT) world, think of this base layer as the enterprise resource planning (ERP) solution, and think of the applications on top as the different cloud solutions in use today such as e-sourcing, P2P, analytics, etc., which fulfill specific functions, but are still reliant on the base ERP to function accurately.

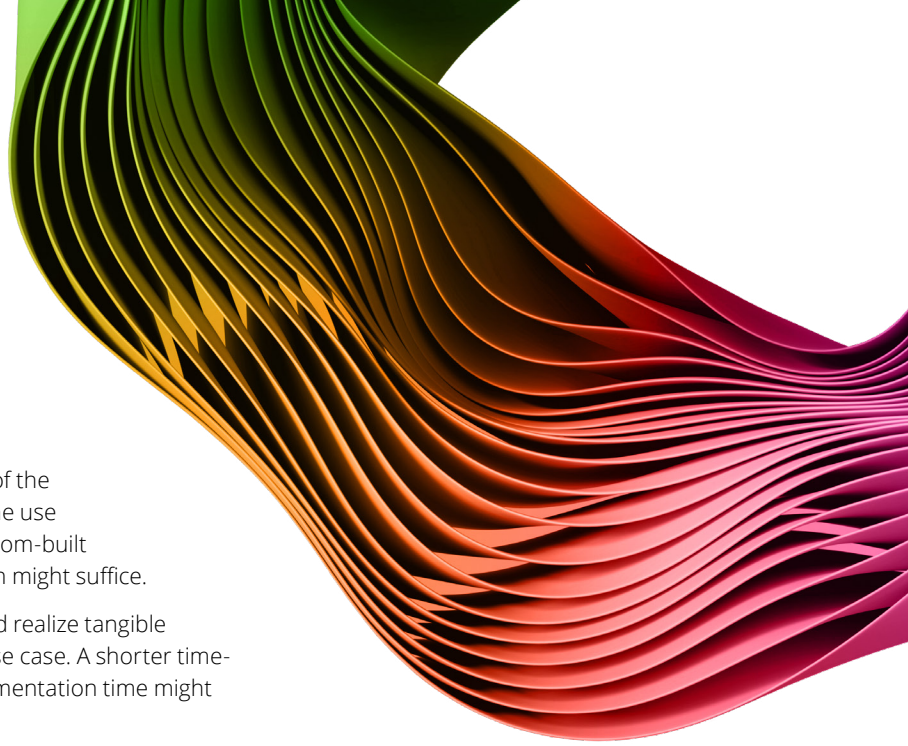
Since the base LLM-layer-level-decision is much broader and has implications across the organization, we'll focus our attention on the application-layer decision of build versus buy versus adopt within the purview of the CPO.

Per our previous paper, we recommend a use-case-based approach to GenAI implementation at any organization, and the framework described below is intended for use at the use-case level too.

4. Assessment factors

The build versus buy versus adopt decision framework is composed of four main factors: Strategic fit, budget constraints, market considerations, and data privacy. Some of these factors can in turn be broken down into subfactors. There might be several minor factors or considerations but based on our research and experience with GenAI applications, we've zeroed in on the ones mentioned below. We discuss each of these factors below.





Strategic fit: Assessing the skills and capabilities to develop GenAI tools in-house and cost considerations

- *Competitive Aadvantage:* Evaluates the strategic significance of the GenAI solution in enhancing competitive differentiation. If the use case provides a strong market advantage, investing in a custom-built solution may be preferred; otherwise, an off-the-shelf option might suffice.
- *Speed to value:* Measures the time required to implement and realize tangible benefits from the GenAI solution in a digital procurement use case. A shorter time-to-value may favor adoption or buying, while a longer implementation time might justify building in-house.

Budget constraints: Considerations centered around the practical deployment aspects

- *Budget:* This is a key consideration as CPOs will look to optimize for allocated budget without compromising a successful deployment. While labor is a significant driver of cost, the total cost of ownership can be significantly different for each approach. Higher budgets may allow for in-house development, while limited funding could push toward adopting or purchasing a ready-made solution.

Data privacy and regulatory requirements: Evaluate data needs, accessibility and security for an optimal solution

- *Privacy and security:* The category of data involved in the development of the use case, such as personally identifiable information (PII) along with data compliance requirements like GDPR, will determine the guardrails required to protect information. High security and strict compliance needs may justify in-house development, while lower sensitivity could allow for third-party adoption or purchase.

Market considerations: Determine solution quality and price driven by vendor competition

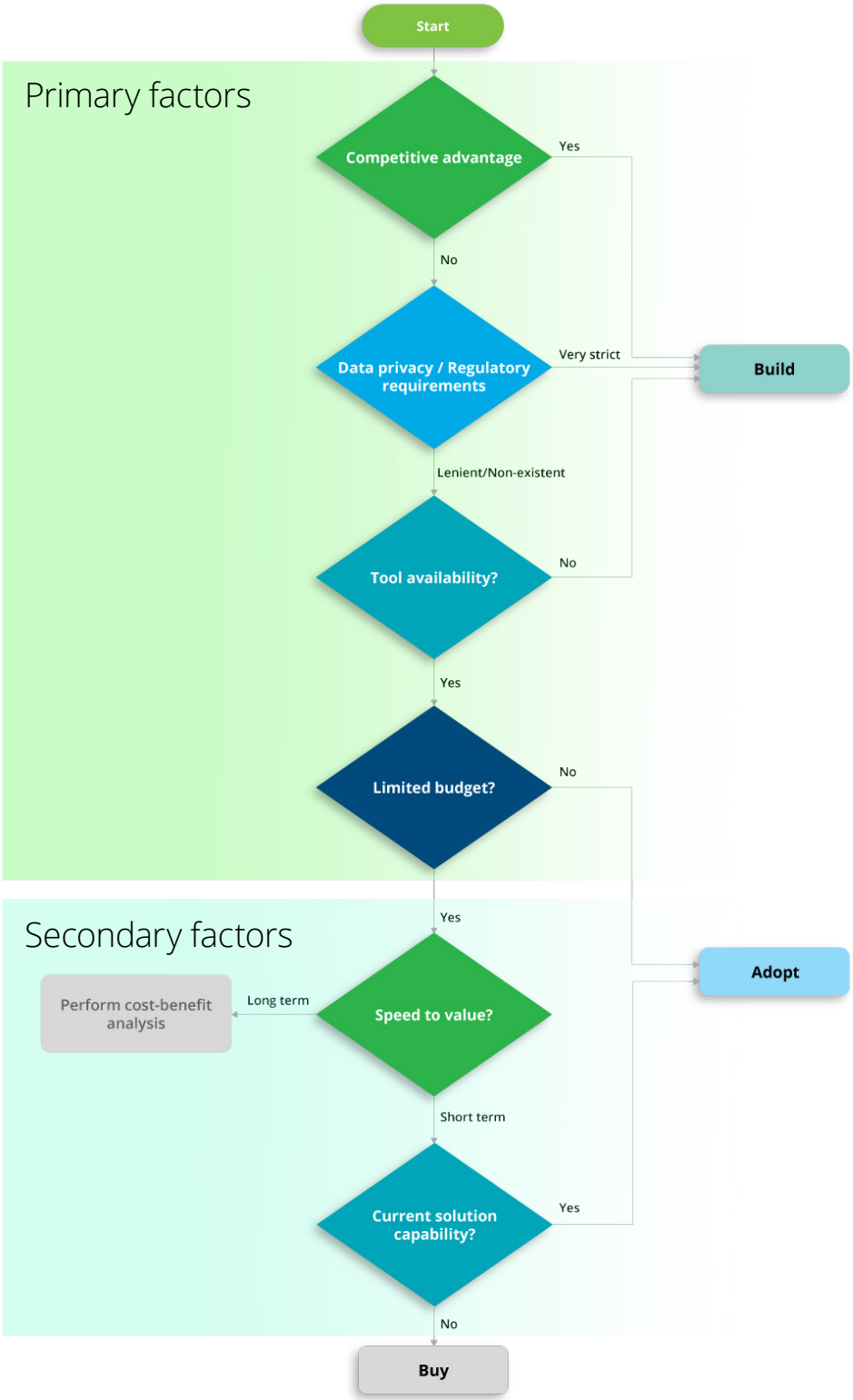
- *Tool availability:* Market saturation and number of tools available for a specific use case will determine the quality and price competitiveness of solutions. Vendors will typically have a quicker development and release cycle and may have more robust solutions for use cases that are not highly specialized. Consequently, this dynamic can drive innovation and efficiency, benefiting users with better and more cost-effective options.
- *Current solution capability:* Evaluate whether the organization's existing technology stack has built-in GenAI capabilities or compatibility to integrate third-party artificial intelligence solutions. The decision to build versus buy versus adopt a GenAI solution depends on the current suite's capabilities: build if it lacks GenAI, buy if it has some AI capabilities, and adopt if it is fully equipped with GenAI.

Now that we understand the assessment factors at play, there are two main approaches to arrive at a decision of build versus buy versus adopt: a decision tree or a weighted average score of key factors. For the purposes of this paper, we'll review a simplified decision tree to arrive at the decision.

5. Simplified decision tree

A decision tree is a logical, prioritized and question-driven approach to decision-making. However, when addressing complex decisions—such as to build, buy or adopt a solution—the resulting tree often resembles a loop rather than a unidirectional flow. Consequently, for the purpose of practical application, a simplified version of the decision tree is provided here as a usable framework for deciding build versus buy versus adopt.

The questions in this decision tree correspond to the factors discussed earlier. The sequence of these factors was determined primarily by their strategic importance and the extent to which the response to each question leads directly to a decision point. While the questions themselves may appear straightforward, careful analysis and due diligence are required to arrive at well-informed answers for each.



1. **Competitive advantage:** At the top of the decision tree is a question centered on competitive advantage. This question is designed to assess whether the implementation of the GenAI solution is intended to deliver a unique competitive advantage to the organization.

   Yes — If the answer is "yes," the recommended course of action is **build**. The rationale is that a use case aimed at creating competitive differentiation should not rely on a solution that is equally accessible to competitors. In such cases, the decision to build takes precedence over other considerations, which should then be evaluated in support of the path.

   No — If the answer is "no," indicating the use case is not tied directly to competitive advantage, the decision tree proceeds to next question.

2. **Data privacy / regulatory requirement:** The second question in the decision tree addresses data privacy and regulatory requirements. In recent years, organizations have become increasingly aware of privacy implications associated with GenAI applications. This concern is amplified in today's volatile business and geopolitical landscape, where regulatory expectations are continually evolving and tightening.

   → **Yes** In this context, if the organization operates in an industry or region with stringent data privacy and regulatory requirements, the recommended approach is to **build**. Developing a bespoke solution allows greater control over data handling and compliance, reducing risk exposure. As with the previous decision point, all other factors should then be evaluated in support of this build decision.

   → **No** If the answer is 'no', the decision tree advances to the next question.

3. **Tool availability:** The third question is, relatively speaking, more straightforward. It asks whether there are existing tools or solutions available in the marketplace that can effectively address the use case under consideration.

   → **No** If the answer is "no"—that is, no suitable tools currently exist—then **build** becomes the only viable option. However, if the use case is not a high-priority one the organization may choose to defer action, either until a market solution emerges or until the use case gains strategic urgency.

   → **Yes** If the answer is "yes," indicating that viable tools are available, the decision tree proceeds to the next question.

4. **Limited Budget:** The fourth question concerns budget availability and again is a relatively straightforward question. It asks whether there is sufficient budget to either buy or build a GenAI solution to support the identified use case.

   → **Yes** If the answer is "yes"— meaning there are severe budget limitations—then the only viable path is to **adopt** whatever GenAI capabilities may already exist within the organization's current tools or platforms. If those existing solutions do not offer the desired functionality, the use case should be deferred until such capabilities become available or the use case is prioritized. Usually, a lack of budget allocation implies that the use case is currently considered low priority and deferring it should not present significant challenges.

   → **No** If the answer is "no," indicating that sufficient budget is available, the decision tree continues to next question.

5. **Speed to value:** Assuming adequate budget is available, and the use case has progressed through the previous decision points, the next consideration is speed to value—that is, the timeframe within which the solution is expected to deliver meaningful impact.

   → **Short** If the required time frame is short, this effectively rules out the build option, given the longer lead times typically involved in custom development. In such cases, the decision tree advances to the next question to further narrow down the path.

   → **Long** However, if the use case allows for a longer implementation horizon, all three options—**build versus buy versus adopt**—remain viable. At this stage, we recommend conducting a detailed cost-benefit analysis to determine the most suitable path forward based on organizational priorities, capabilities, and long-term strategic value.

6. **Current solution capability:** For short-time-frame or "need soon" implementations, the viable options are narrowed to adopt or buy. By the time a use case reaches this stage in the decision tree, it is reasonable to assume that no other major constraints are present.

   → **Yes** The decision at this point hinges on whether the organization's existing solution landscape offers the desired GenAI capabilities. If the answer is "yes," the appropriate course of action is to **adopt** those existing capabilities.

   → **No** If the answer is "no," and the functional requirements are clearly defined and available in the market, the recommendation is to **buy** a suitable solution.

As noted, this decision tree is a simplified framework intended to help initiate structured thinking around the available options—build, buy, adopt. While useful as a starting point, it is not exhaustive. There are more approaches to support such decisions, one of the most prominent being the weighted scoring method. This approach involves assigning relative weight and scores to defined sets of parameters, allowing the final aggregated score to guide the selection of the most suitable path forward.

6. Conclusion

The question of how to deploy GenAI in digital procurement applications offers a third alternative besides the traditional build and buy approaches. The "adopt" approach provides a quick and low-cost option for organizations to experiment with GenAI capabilities before making a commitment into the build or buy domains.

The decision tree we've designed is intended to make CPOs aware of the key considerations that go into making this decision, and how preferences/constraints on different parameters could lead them down different pathways.

However, in the end, the larger success of GenAI use at any organization hinges on a well-thought-out strategy that aligns with organizational goals, leverages available resources, and adapts to the evolving market landscape. By making informed decisions, CPOs can harness the transformative potential of GenAI to enhance efficiency, drive innovation and maintain a competitive edge in the digital procurement landscape.

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