Buy or build technology? The pros and cons
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One of the oldest barriers to innovation is "Not Invented Here," a persistent bias of even the most creative people toward their own creations and against those of people who work for other companies. And the problem isn't limited to business; it can also infect the military and government research agencies.

To help counteract such biased thinking, large corporations have promoted technology alliances with rivals, as well as the concept of "open innovation," to draw on a wider circle of big brains - not on their payroll - to work on core technical problems. These efforts arise from the recognition that no single innovator or team, no matter how loyal to an employer or successful in the market, has a monopoly on wisdom.

"That's why we are always going to live with the make-buy tension," said Greg Papadopoulos, the chief technology officer at Sun Microsystems.

How much of a company's technology does it create on its own? How much does it buy from others? These questions, Papadopoulos said, are central to "dealing squarely with the dilemma of innovation" and the pursuit of great ideas.

How to resolve the tension between make and buy varies from one organization to the next. Sun, for example, has created many important technologies in-house, including a family of microprocessors based on an original design and the Java language, popular with programmers. Yet even companies that maintain their own powerhouse research-and-development units are increasingly aware that valuable ideas can sprout anywhere. For instance, Sun broke with its homegrown tradition this month, when it paid $1 billion for MySQL, which makes the most popular open-source database program.

Sun needs a database program to support its line of powerful server computers, which can be optimized to work with MySQL. To create a viable database from scratch might take Sun 10 years, Papadopoulos figured. Instead, Sun gets a vibrant product overnight - and immediate contributions from scores of database engineers around the globe.

"There's no shame in buying technology," Papadopoulos said.

When acquiring a mature technology, the buyer usually pays more, and the risk of a conflict between in-house and outside cultures is greater. Fear of cultural conflicts looms large in any technology acquisition - witness the concerns over Microsoft's proposed hostile takeover of Yahoo - because an important benefit is adding talented employees, not only customers.

In technology purchases, the creative people are usually accommodated. Sun has let most MySQL's employees stay put; they are so dispersed worldwide that they count 120 different airports as their nearest air hubs. Sun also will keep giving away MySQL's core programs.

But there are no guarantees that MySQL will expand Sun's revenue - or maintain its creative edge now that it is part of a much larger organization.

"This marriage will either be a fantastic success or an enormous failure," said Marten Mickos, senior vice president of Sun's database group.

Perhaps the most important reason that large companies are willing to gamble on buying technology is that not doing so carries risks, too.

Two recent examples of hot innovations - YouTube and Skype - came from small groups of visionaries who then sold for high valuations to established companies (in these cases, Google and eBay, respectively). While neither acquirer has found a way to profit from these deals, they have gained in several ways. Google and eBay denied these innovators a chance to grow

into large, and potentially threatening, companies themselves. They also denied their rivals the chance to buy YouTube and Skype.

"Because great new technologies are coming from people who want to do their own thing, and won't necessarily work for someone else, acquisition may be the only way for a large company to get them," said Mitchell Kertzman, a partner at Hummer Winblad, the venture capital firm in San Francisco.

Companies are willing to travel farther than ever to acquire technologies. Cisco Systems has 50 executives scouring the globe for technology acquisitions, and working closely with internal product teams. Just as the general manager of a baseball team might fill a gap in his lineup by acquiring a new center fielder or relief pitcher, Cisco's business managers can ask for specific technology help from outside the company.

In 2005, in response to such a plea, Cisco bought a California start-up, Nemo Systems, for $12 million. Nemo had designed a novel way of using standard memory chips to store data in Cisco's routers, which needed more costly specialized memory.

Though Ned Hooper, senior vice president for corporate business development at Cisco, said he felt that he had scored with the Nemo acquisition, he warned that buyers of technology must beware. "There are always people lined up outside my office offering technologies," he said. "But often they are not the ones you want to buy."

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