



exensys

Business Performance Sustained

Best Practice

eXensys – Make and Buy Decisio

Exensys Software Solutions Ltd.		AA/B/CCDD V x.y
White Paper		W. E. F. dd/mm/yy

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Introduction:

The make-or-buy question represents a fundamental dilemma faced by many companies. Today's global competition forces manufacturing companies to re-evaluate their existing processes, technologies, manufactured parts and services in order to focus on strategic activities. However, companies have finite resources and may not be able to afford to have all activities in-house.

This has resulted in an increasing awareness of the importance of make-or-buy decision, the dilemma organizations face when deciding between keeping technologies/processes in-house or purchasing them from an outside supplier. The ability to make such decisions in a structured and rational manner is likely to improve a company's overall performance.

The external environment, on which the company has little or no influence, usually activates triggers for the make-or-buy analysis. For instance, increased price competition in the market place usually forces company to **reduce cost**. The triggers are the reason(s) for undertaking the make-or-buy review and can be easily identified by asking why the decision is being made. However other measures such as flexibility and quality should not be neglected.

The make-or-buy decision also proves inevitable when your company is growing so fast that your internal resources cannot keep up with the growth projections. In this case, external resource (buy strategy) may serve as a necessary pump-priming mechanism for accelerating growth. Once you have reached a growth plateau you can always convert to make strategy. The make-or-buy strategy allows the organization to undertake the rapid replacement of internal resources, particularly when organization needs to fill their gaps with some internal developments which has just started.

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Overview:

Inventory

Purchase Data

Item Code	Item Name	UOM	Purchasing Decision
X_01	Engine	Nos	Make and Buy

Order Data

Item Code	Item Name	UOM	Order System	Order Method
X_01	Engine	Nos	MRP	Lot for Lot

BOM for X_01

BOM Size: 100 Nos.

Item Code	Item Name	UOM	Qty	Scalability
RM1	RM1	Nos	100	Yes

Sales Order: SO/0001/0809

Sales Order Quantity: 4000 Nos.

Expected Date: 30.09.2008

Master Scheduling: MS/0001/0809

Item Code	Item Name	UOM	Ref Type	Ref Code	Qty	Expected Date	Planning Required
X_01	Engine	Nos	Sales Order	SO/0001/0809	4000	30.09.3008	Yes

Master Production Scheduling: MPS/0001/0809 Bucketless Planning

RCCP: Forward Scheduling / Gross Requirement

Firm MPS

Item Code	Item Name	UOM	RCCP Qty	Order Method	Production Qty	Buy Qty
X_01	Engine	Nos	4000	Lot for Lot	3200	800

The Buy Quantity will be reflected in Purchase Requisition Screen for Item X_01 of 800 Nos.

MRP RUN will be for 3200 Nos. of Item X_01

Planned Order Release

Level	Item Code	Item Name	UOM	Qty to be manufactured	Qty to be Purchased
0	X_01	Engine	Nos	3200	NA
1	RM1	RM1	Nos	NA	3200

Benefits:

1. eXensys Make & Buy strategy helps to reduce the overloading of the machines thus helps in optimizing the usage of the machine.
2. The make-or-buy decision also proves inevitable when your company is growing so fast that your internal resources cannot keep up with the growth projections

Conclusion:

The Make & Buy strategy along with various order methods like Economic Order Quantity (EOQ) and Fixed Order Quantity (FOQ) helps in better planning of the production and thus helpful in the actual execution of the production orders on day to day basis.