

## Sourcing options

You have a number of options for managing sourcing arrangements both locally and globally. Using the dimensions of *level of ownership* and *sourcing location*, categories of sourcing arrangements can be created as shown in Figure 1.

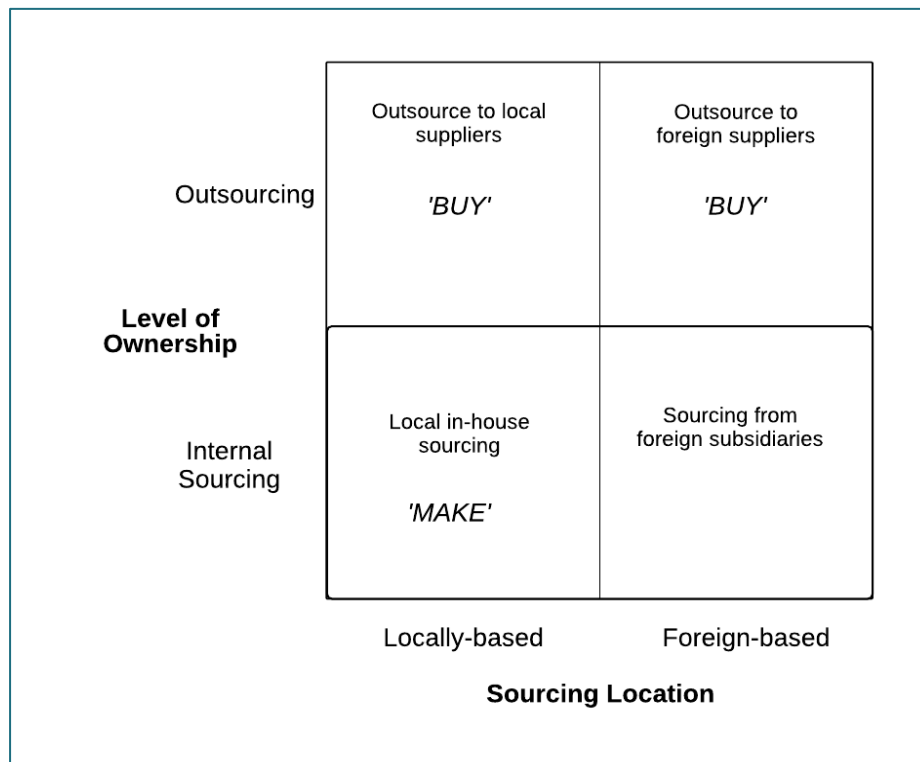


Figure 1. Sourcing arrangements

### MAKE in-house locally

This option involves manufacturing a process in-house. This option is often chosen for the following reasons:

- Need for direct control over the manufacturing process
- Intellectual property concerns
- Quality control concerns
- Lack of capable suppliers in the supply market
- Insufficient volume to attract a capable supplier
- Reductions in logistic costs
- To maintain an alternative internal supply source in the event of supplier failure.

# Get Supply Chain ready for Brexit

## BUY from local supplier

This option involves outsourcing a manufacturing process to a local supplier. The 'buy' decision is often chosen for the following reasons:

- Lack of technical expertise in the process in-house
- Supplier has much higher level of expertise in the process due to gains from specialisation
- Supplier has a lower cost base due to lower labour costs and/or scale economies from serving the needs of other customers
- Lack of internal manufacturing capacity to produce the component.

## Source from foreign subsidiaries

This involves establishing and managing a subsidiary in a foreign location to avail of local skills and lower labour costs. With this model, the firm builds, owns, staffs and operates the facility, or it can acquire a firm in the foreign location. This model offers a high level of control through ownership, but also carries high levels of risk due to set up and management costs, and the inflexibility of owning the manufacturing process.

## BUY from foreign supplier

This arrangement involves sourcing the manufactured item from an independent supplier in a foreign location. The option is often chosen for the following reasons:

- Supplier can manufacture and deliver the process at a much lower cost than local suppliers
- Access to superior technical expertise in the process not available in-house or from local suppliers
- Superior quality in the product compared to domestic suppliers
- Higher number of suppliers to choose from

**Use the resources in the Do More area to review your current suppliers and select an appropriate sourcing option.**