

Activity 5.6

In most cases, make-or-buy decisions should be made, or at least reviewed, at a managerial level. The decision-maker must be able to view such problems with a broad companywide perspective.

Most progressive firms use the committee approach to analyse make-or-buy alternatives. The committee is usually composed of department managers or high-level staff personnel. The important point to keep in mind is that all departments that can contribute to the decision, or that are affected by it, should have some voice in making it.

In other cases, a formal mechanism must be established which facilitates, and indeed requires, the submission by all interested departments of relevant data and suggestions to the decision-maker. Moreover, to ensure thoroughness and consistency, the system must detail the cost computation procedures to be used and assign cost investigations to specific operating groups.