



MAKE OR BUY

Does your procurement organization fully own this amazing lever?

One out of several hundred cost saving opportunity levers in indirect spend that we consolidated in our online survey is Make or Buy.

When we think of cost savings in indirect procurement, certainly other activities than Make or Buy come to our mind first. That's why we wanted to put Make or Buy as a saving opportunity lever in a very simple perspective to some of those other levers. When "googling", in a procurement practice commonly known key words that also represent some of our other saving levers, we received the following hit results:

"Supplier Performance Management"	263 million hits
"Supplier Competition"	237 million hits
"Supplier Contract Management"	180 million hits
"Negotiation Strategy"	117 million hits
"Strategic Sourcing"	102 million hits
"RFP"	28 million hits
"Zero Sized Budgeting"	12 million hits
"eAuction"	5 million hits

Now, before continuing reading, guess how many google results are being delivered for Make or Buy. We were pretty much stunned, Make or Buy delivered 7.2 billion hit results! Wow, isn't it amazing?

This provides a strong indication that the topic of Make or Buy is comprehensively discussed and researched. Must be an important lever, right? However, in indirect spend, Make or Buy is not structurally embedded, and the accountability of this amazing lever is missing.

This fact is acknowledged by a research conducted in 2011 and published by the Emerald Group. The research called "Cross-functional make or buy decision process ownership" found that, quote: "make or buy decision processes are considered strategic decision processes, but neither in research nor industry is it clear who should own and manage these decision processes."

And we, the savings iD, fully sound this. None of the literature we consulted clearly defines who should initiate and own a Make or Buy review.

The literature tells us two things though, summarized on a high level. Number 1, Make or Buy review is linked to a firm's core competences and of strategic importance. Number 2, Make or Buy focus should also be put on processes with the objective to find outsourcing potentials. And for such outsource decisions, various models are being provided.

But what about all the cost efficiency opportunities related to insourcing certain indirect categories? Just ask yourself, does your procurement organization or the category managers own a proper make or buy review, and do they know which indirect categories or subcategories could qualify for the "Make" more than others?

We have pulled together several criteria, ran them against all indirect categories and embedded the necessary make or buy questions in our online survey to ensure no cost opportunity is being missed out on. We're enabling through this every procurement person to fully own and initiate a Make or Buy review. And our online survey doesn't do this randomly, but for exactly the indirect categories where a "Make" opportunity could make sense from a cost efficiency point of view.

So, long story short, through our online survey, two identified shortfalls are being addressed.

1. Missing ownership, we say it's us procurement folks who should own it and that's why we want to enable every procurement person.
2. Missed cost efficiency opportunities through insourcing certain indirect products or services.

Do you want to know which indirect categories we're talking about?

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