



Massachusetts Institute of Technology Sloan School of Management **15.778 Summer 2004**

Session 12 Matching Supply and Demand: Procurement and Outsourcing”

Monday, August 9th 2004

To better understand the issues related to this class, please read the material assigned and prepare the following individual assignment. Think of an instance in your past experience with a firm or organization, where the design and production of a product¹ or the provision of a particular service² was outsourced to one or more suppliers. Please describe the process by which the firm discussed and arrived at the make-buy decision. If you do not recall any such instance, please select a product or service and outline how you would decide whether and how to outsource it.

In describing this process or instance, please address and be prepared to share with the class the following questions:

- a. What considerations or criteria were included in the decision process?
- b. In arriving at the decision, what criteria were involved to select a supplier?
- c. What conditions were imbedded in the contract with the chosen supplier/s, and what was the length of the contract? The outcome of your individual work should be a one-page document—for example a write-up, a decision chart, or a slide that you can email to the TA before the class, and that you should share during class, if called upon. Please note that even if you do not get an opportunity to share your thoughts with the class due to the limited time available, your one-page

document will count (up to 1/5th of the 30% or 6% total) towards the credit reserved for class participation.

¹ For example a component part in a manufacturing assembly, or a module of software marketed by an IT firm. You can think of any other example that you are aware of as well. ² For example the processing of billing and payments or the training of new recruits for a service function. You can again think of any other example that you are aware of.