Supply Chain Scenario:

BlueJay Manufacturing was at a crossroads in its growth. It was late Friday afternoon and BlueJay's director of supply chain management, Fred Butler, was in his office contemplating the next steps for his department and company. As the business expanded, the company was faced with a good problem: too much business. BlueJay's recently introduced products are more in demand than had been expected by the senior leadership team (SLT), and as a result, the company was scrambling to find ways to meet that higher demand. Up until this stage in the company's growth, BlueJay's senior leadership team employed the strategy of keeping all aspects of manufacturing in-house. BlueJay worked hard in recent years to improve its once tarnished quality image, and the SLT felt that particular approach was the best way to maintain adequate control of both cost and quality; however, with product demand now increasing dramatically, a different tact must be considered. In strategizing to meet the unexpected level of customer demand, the SLT has asked the supply chain team to explore outsourcing portions of its in-house manufacturing. Although Butler and his supply chain team are already working long hours to support the new product launches, they only have 30 days to make those recommendations.

To address the company's outsourcing options, Butler must consider many things. First, what portions of the in-house manufacturing are outside suppliers capable of taking over, and what are the associated risks? Second, what can be outsourced? Butler knows that establishing the type of long-term partnership with suppliers that the company is looking for will require a deep understanding of the in-house costs for each of the outsourcing initiatives. Butler also knows that to make a rational decision, he and his supply chain management team must thoroughly understand the financial aspects of these potential outsourcing activities.

Beyond incorporating the risks of outsourcing into the evaluation, compare the in-house costs to the supplier proposals BlueJay needs to fully capture the total life cycle costs for completing the work in house so the outsourcing decision is not made on purchase price alone. Although BlueJay does want to keep the work inside, the project requires the company to make a significant capital investment. Because of the size of the capital investment for BlueJay, Butler not only needs to understand the strategic side of the outsourcing initiatives, he also needs to understand the payback on the investments that BlueJay would be required to make. Unless Butler can rationally compare and demonstrate the total ownership costs of keeping the work in house as compared to the supplier pricing to the SLT, he suspects that getting authorization to move forward will be difficult.

Butler knows he cannot make these critical decisions for the company alone, especially in regard to understanding the overall financial ramifications of the various possible scenarios. Butler has decided that he needs a cross-functional team with representation from the other departments in the company. Butler feels he especially needs the finance group and all those skilled in financial analysis for evaluating the make versus buy decision for the proposal to be given to the SLT. Your assignment is to assist Butler and the supply chain management team with the tasks that follow.