

Pros and cons essay sample

[Business](#), [Industries](#)



A firm must decide whether to make a component part in-house, or to contract it out to an independent supplier. Manufacturing the part requires a non-recoverable investment in specialized assets. The most efficient suppliers are located in countries with currencies that many foreign exchange analysts expect to appreciate substantially over the next decade. What are the pros and cons of (a) manufacturing the component in-house, and (b) outsourcing manufacture to an independent supplier? Which option would you recommend? Why?

At the outset, it is a vital concern in several international businesses or firm to determine in which component parts should be recommended either manufactured in-house or which should be outsourced to independent suppliers. Even though manufacturing the component in - house has some disadvantages, it has more advantages than outsourced to independent suppliers, hence I strongly agree with it. On the one hand, firstly, it is related with lower cost. If the firm is well-organized at production process by themselves than most of the other enterprises, it may recompense to increase manufacturing a product or component - in house. Secondly, it helps to minimise the problems related with currency appreciation and rising cost from independent suppliers. If the firms manufacturing the component in -house, they can reduce the management costs due to the apt control over their productivity.

Thirdly, it enables investments in highly specialized assets which ensue with improved scheduling. When considerable investments in specialized assets are essential to manufacture a component, the firm will prefer to make the component internally rather than contract it out to a supplier. Furthermore,

for enabling savings in production cost, management has to make planning, organizing and coordinating; all these resulted in better arrangement. Last but not least, it is associated with Proprietary Product Technology Protection. In order to keep control over its technology, a firm might prefer to make component parts that contain proprietary technology in-house, rather than have them made by independent suppliers which surge its advantages and aid them to improve their proficiencies and capabilities. On the other hand, it has some demerits also. It will not allow the firm for greater flexibility and selection.

Moreover, the firm has to confront with new challenges and technologies, and sometimes which force them to increase the cost that will affect them in the market. Over and above, if the cost of the logistics increases, everything will be dependent for external suppliers. The main benefits for outsourcing manufacture to an independent supplier are it provides the firm large and wide range of flexibility. It also assists the firm to drive down the structure of the cost. It enables the firm to get more international customers for capturing orders. On contrary, it has some demerits also. When the products loss its value in the market, the supplier alone has to tolerate the risk, sometimes it has been considered as the non-recoverable investment.

In conclusion, understanding the pros and cons of both manufacturing the component in -house and Outsourcing manufacture to independent supplier, it would be more reliable and convenient to prefer the former one than the latter.

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