

# Strategy Tool

## Make versus Buy Assessment

With regard to a specific activity, the question for the manager is: Do we make (conduct activity internally) or buy (outsource activity to a supplier)? For example, most companies need to design and build a website. Should the company hire people to build and maintain the company website, or should it outsource? Here is a short survey that can be taken to provide important guidance as to whether to make or buy.

1. To what extent are you, or could you be, the best in the world at conducting this activity?

- A. We are, or fairly easily could be, as good as the best in the world at conducting this activity.
- B. We are not, and are not likely to become as good as the best in the world at conducting this activity.

2. To what extent does this activity differentiate your offering (product or service) in the mind of the customer?

- A. This activity does provide some differentiation in the mind of the customer (it provides unique value and influences the purchase decision).
- B. This activity provides little differentiation in the mind of the customer (it doesn't really provide unique value).

conduct our other activities; we don't need to work on this simultaneously and iterate.

C. Not interdependent at all. We merely pool our processes/products with those of other suppliers.

6. Does performing this activity allow you to maintain control over information or resources that are important for either offering unique value or preventing imitation of what you do?

A. Yes

B. No

7. Does performing this activity create a barrier to competitors imitating the unique value you are attempting to offer?

A. Yes

B. No

If you answered A to six or seven of these questions, you should conduct the activity internally. If you answered A to four or five of these questions (including questions 2 or 3), you should probably conduct the activity internally. If you answered B to six or seven of these questions, you should outsource this activity. If you answered B to four or five of these questions, you should probably conduct this activity externally (unless your answers to questions 1 and 2 are both A, meaning that you think you can be the best in the world at this activity and you think it is a differentiator).