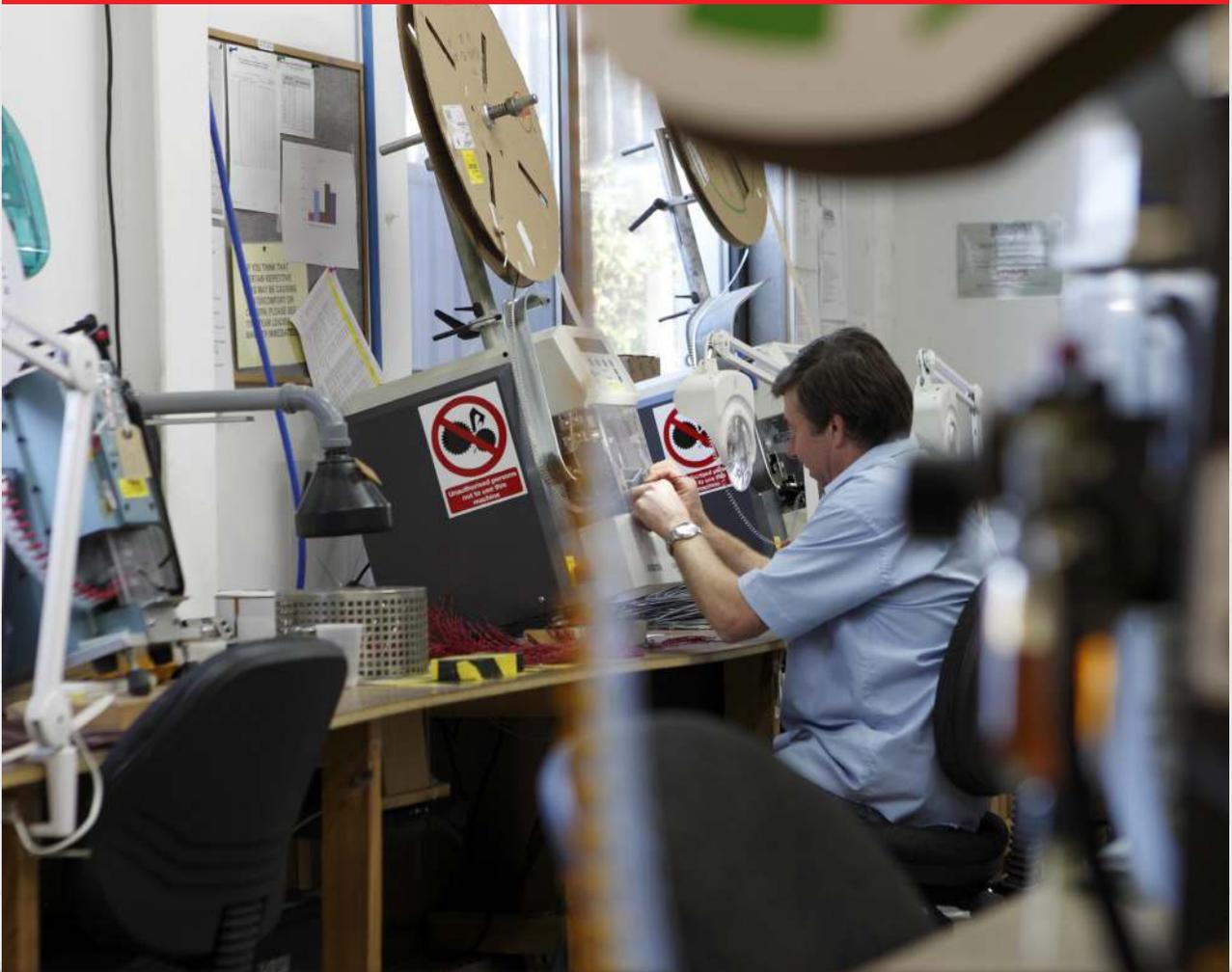


Tenkay

Make vs Buy

The Benefits of
Outsourcing Production



Providing Complete Manufacturing Solutions





STRATEGIC OUTSOURCING

The argument over whether OEMs should manufacture as much of their end-product as possible internally or outsource certain components to external specialists has been discussed for years. However, the global recession that started in 2008 and wreaked so much havoc across so many industries has served to bring into sharp focus some of the core considerations.

Not only has the range of outsourcing alternatives widened considerably as a direct consequence of the downturn, the debate has moved on to explore more profound issues than simply finding new ways to cut costs. Now the talk is much more about forging strategic alliances to secure market share in an electronics manufacturing sector that, in recent years, has become increasingly competitive.

As a company that has made its name as a reliable supplier to major OEM clients, Tenkay is pleased to see that the supply chains of which we often form part are being much more widely valued and strengthened.

PRODUCT INNOVATION

Entering a new market can be a hugely expensive exercise, especially if a company is acting in isolation. Outsourcing can provide a quick and relatively inexpensive route that avoids OEMs having to take the financial gamble of either gearing up production or investing in new plant.

SHARED RISK

If supply chains act as partners and work in a synchronised fashion it is possible for all those involved to achieve increased market share, to generate revenue and share in the cost savings associated with acting in unison. The essential ingredient to success is the mutual trust that binds the parties together in order to achieve shared objectives. Outsourcing relationships can take time to establish, but the end results are worth the effort.

KEEPING PACE WITH TECHNOLOGY

As technology relentlessly gathers pace, so the pressure to invest continually in new capital equipment can become intolerable. However, the manufacturing requirements of increasingly demanding clients can often be satisfied by using external suppliers like Tenkay which invest in plant to produce specific components for OEM clients.

To quote Accenture, a leading firm of management consultants: "The goal is for each party to focus on and exploit core competencies, avoid cannibalising the other, and seek to eliminate redundancy".

ASSET TRANSFERS

Most companies understand only too well that they have to utilise the assets they own to the maximum degree. However, the economic downturn put this practice under serious pressure and many OEMs felt compelled to dispose of assets and functions that were not core to product delivery in favour of outsourcing.

This has been good for industry because it has led to greater flexibility, improved cost-effectiveness, reduced cycle time, reduced time to market and sustained higher quality.

DESIGN

As outsourcing has continued to evolve so the need for maintaining high level design capabilities in-house has reduced. This has enabled OEMs to keep pace with the demands of the clients whilst keeping costs at bay without compromising control or perceived capability.

CONCLUSION

Outsourcing is not about ducking or abrogating manufacturing responsibility or even cutting costs. Structured properly, it should be focused on strategic outcomes that reinforce the supply chain and promote the business objectives of the OEM.



FINAL CHECKLIST

As a final checklist before committing to outsourcing, it may help the decision-making process to address the following key considerations:

1. How can outsourcing improve our position relative to our competitors?

There is an understandable temptation to judge a new collaborative manufacturing arrangement on the basis of potential cost savings. Whilst this may be expedient in the short term, it is far better over the longer term to make the decision part of a carefully-considered business strategy.

2. Can we share our technology with a collaborative manufacturing partner without giving away the family silver?

It is impossible to have a successful partnership without sharing a certain amount of technical data . However, most partners will understand and respect the other party's need to retain key information to protect their own position. It is therefore important that only the information essential to making the arrangement work is shared until the arrangement is established and mutual trust becomes a natural extension of the relationship.



3. Are you, as a company, capable of relinquishing complete control?

It is sometimes difficult for companies to hand over custody of a process they once totally controlled – it can place a strain on the corporate culture, particularly if the change involves disposal of historical assets or profound changes to the workforce. Handling a collaborative manufacturing arrangement with an external party requires careful management, particularly in the early stages of the relationship.

4. Are cost savings your only objective?

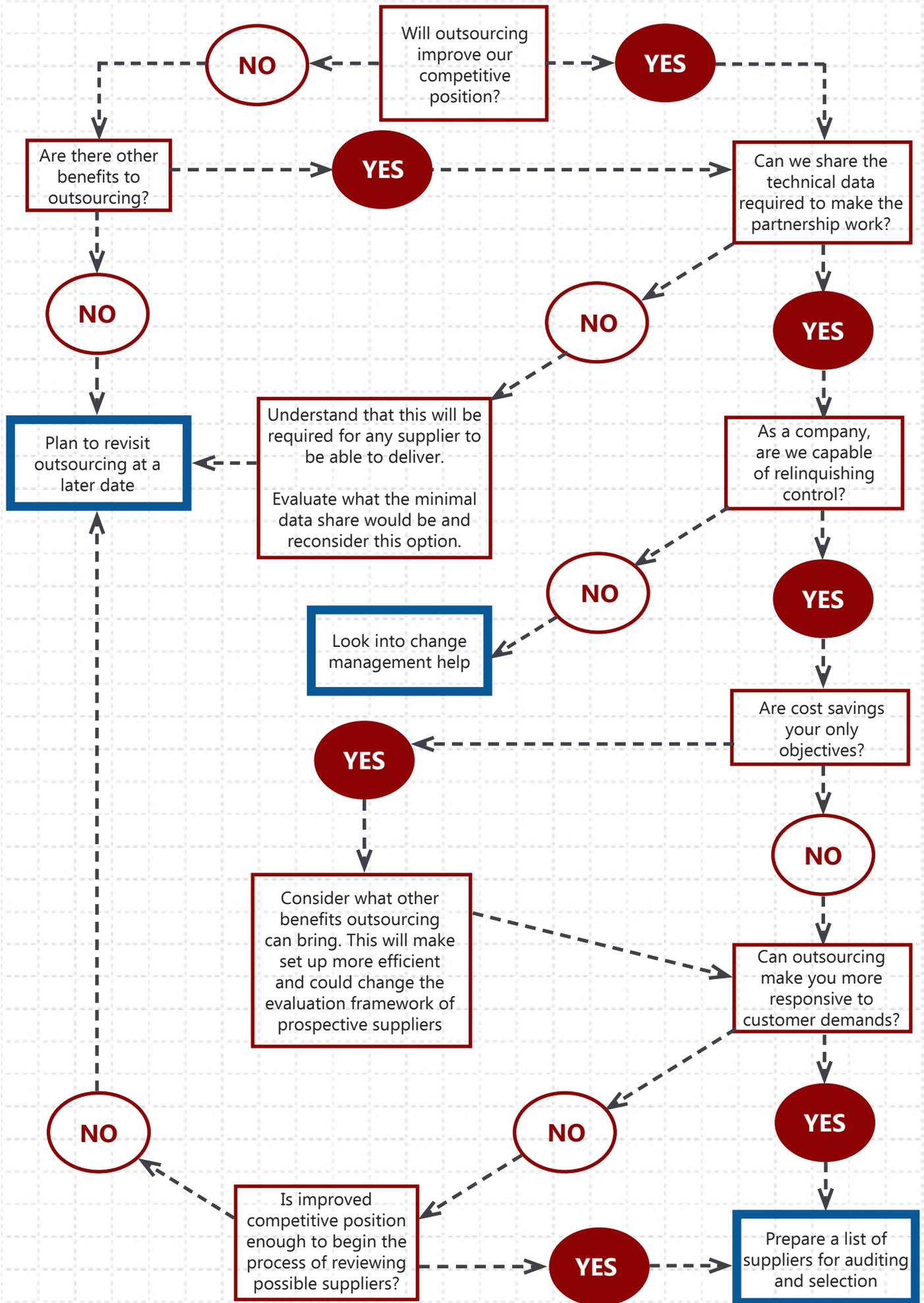
Cost savings, though important, should only form part of your financial objectives. Set up properly, outsourcing can also have a beneficial effect on cash flow, can improve financial flexibility and release cash tied up in assets that may no longer be required.

5. Can outsourcing help you become more responsive to customer demands?

Outsourcing can give you one of the most precious commodities of all – time. More time perhaps to market, to implement change or to react to customer demands. If you can look beyond cost savings and other financial benefits, you can be quicker on your feet than your rivals.



DECISION MAKING TREE



ABOUT US

Tenkay started in 1982 as an independent component distributor. By 1984 it had formed a strategic alliance with a local sub-contract assembly company, Prototype Electronic Services (P.E.S) and in January of 1996, the two companies merged to trade solely as Tenkay Electronics Ltd.

We served O.E.M markets across Sussex with a comprehensive range of manufacturing services; manufacturing printed circuit boards, cable harnessing and wiring looms, control panel and box build assemblies, along with providing full product build.

The company has continued to evolve through a combination of organic growth and acquisitions, taking Tenkay into markets in the UK and across the world.

Located in Lancing, Sussex, Tenkay operates from a purpose built 18,000 sq.ft. facility located just 5 minutes from the A27 and the A259.

We provide dependable, electronic manufacturing support to a variety of industries including simulation, texture analysis, and safety.

Working to engineering standards IPC610 for P.C.B. population and IPC620 for all wiring assemblies, and accredited to ISO9001, EN14001 and OHSAS18001, Tenkay provides continuity of service and quality across the board.

Tenkay

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Tenkay

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