

Strategic Importance of Option 3

- Stryker will have greater control over the production process.
- 10 percent decrease in sales translates to lost sales of \$300 million

9% net gain about NPV

- Production begins in 2004
- Transitioning
- Manufacturing all PCBs by 2006

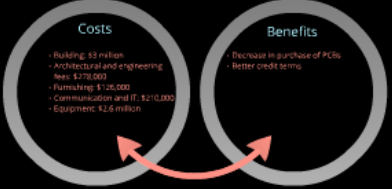
- If we assume that the project terminates at the end of 2003 then:
- Net present value: \$1.5 million
 - IRR: 20%
 - Payback period: 3.4 years

- Why Stryker Should Not Pursue Option 1
- Higher inventory costs
 - The company would have a more complex inventory management system

- Why Stryker Should Not Pursue Option 2
- If the sole provider of PCBs cannot provide the PCBs Stryker needs, products can not be made.
 - The supplier would have more bargaining power

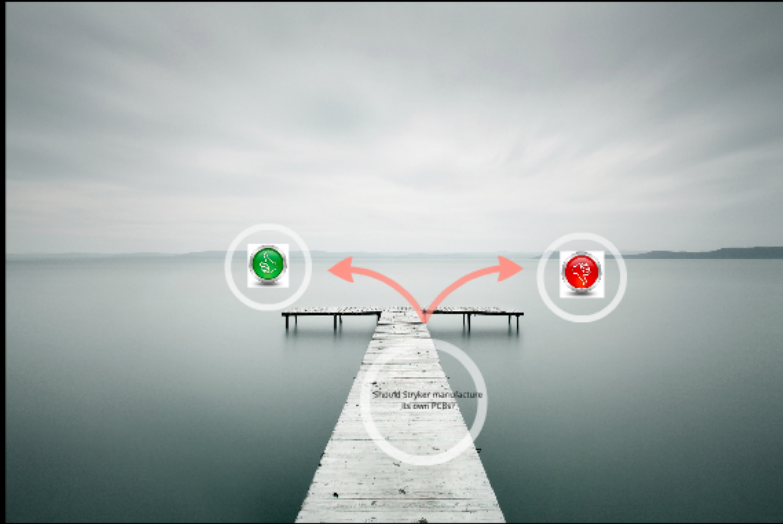
Why should Stryker manufacture its own PCBs?

- Higher control over quality and delivery
- More flexibility
- Lower cost of production compared to purchasing
- Taking advantage of credit terms



Options

- A) Acquiring off-the-shelf and installing manufacturing
- B) Licensing with a single supplier
- C) Manufacturing its PCBs



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Printed Circuit Boards (PCBs)

- Used in many products that Stryker produces
- Suppliers were unsatisfactory in quality, delivery, and responsiveness
- Stryker plans to spend \$10 million on PCBs



stryker Corporation

In-sourcing PCBs

Adrian Shejail
Charity MacIntyre

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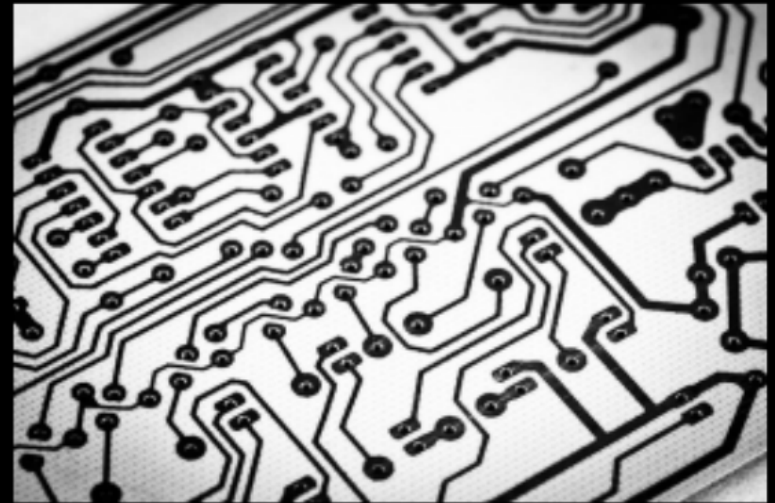
Corporation

In-sourcing PCBs

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Charity MacIntyre*

Printed Circuit Boards (PCBs)

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Options

- A) Acquiring safety stock and instituting dual sourcing
- B) Partnering with a single supplier
- C) Manufacturing its PCBs