



WHITE PAPER

Purchasing or Manufacturing?

The wrong question in electronics manufacturing

Why business success depends on the interplay of all functions

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Executive Summary

In many electronics manufacturing companies, there is a recurring debate about which function is more important, purchasing or manufacturing.

Purchasing can give a clear answer. If the required material is not available on time, even the best machines are of no use. Manufacturing can respond just as clearly. If the available material is not processed correctly and professionally, even the best material is of no use.

"If the material is not available, even the best machines stand still."

"If the material is not processed correctly, even the best material is worthless."

Both statements are correct. That is precisely why the original question is the wrong one.

The argument can be taken one step further. What is the value of materials and machines if the machines are not operated correctly? What is the value of a fully functioning manufacturing operation if there are no orders? And what is the value of a full order book if the orders are not economically viable?

The conclusion is straightforward. No single department is decisive on its own. Each depends on the performance of the others. A company's success results from the interplay of all functions.

Introduction - The Classic Dispute

Anyone working in electronics manufacturing is familiar with this discussion. Purchasing and manufacturing look at the same business from different perspectives.

For purchasing, the primary focus is on ensuring that the required material is available. For manufacturing, the focus is on processing that material reliably and producing a technically sound product. Both functions therefore have a direct impact on delivery performance and the economic result.

The discussion becomes particularly interesting when the argument is taken to its logical conclusion. If the material is available and the manufacturing process is in place, the next question arises. What is the value of the right material and a good manufacturing process if the machine is unsuitable or not operated correctly?

And even that does not complete the chain. A functioning manufacturing operation needs orders. Orders must be economically viable. Ultimately, the result depends on several interdependent functions.

Chapter 1 - The Purchasing Perspective

The position of the purchasing department is easy to understand. A modern SMD line can be fully operational and still produce nothing if a required component is missing.

Purchasing must therefore ensure that the right material is available in the required quantity and at the required time. This includes reliable suppliers, proactive procurement and consideration of delivery times and supply risks.

For manufacturing, a lack of material creates an immediate limitation. The available machinery and personnel cannot perform at their intended capacity.

From this perspective, the purchasing department is right. Production is impossible without the required materials.

Strategic Perspective

The purchasing argument describes a necessary prerequisite. It does not, however, say what happens to the material afterwards.

Chapter 2 - The Manufacturing Perspective

Manufacturing can turn the purchasing department's argument around just as easily.

"What is the value of the best material if we cannot process it correctly and professionally?"

It is not enough simply to produce. The result must meet the technical requirements, achieve the required quality and be manufactured reliably.

Even when all the necessary materials are available, manufacturing can still create economic problems. Defects, scrap, rework or unstable processes can quickly reduce or even eliminate the value of the material.

The manufacturing side is therefore also right. The best material is of little value if it does not result in a properly manufactured product.

Strategic Perspective

The weakness of the original question now becomes clear. Purchasing and manufacturing are interdependent. Neither can replace the other.

Chapter 3 - The Machine Comes Into Play

The argument can now be taken one step further. What is the value of the right material and a good manufacturing process if the machine being used cannot perform the required task reliably?

A placement machine must be suitable for the specific application. It must be correctly set up, maintained and operated. The same applies to soldering processes and inspection equipment.

Even flawless material can therefore result in defective assemblies if the manufacturing equipment is unsuitable or not properly controlled.

This makes it clear that material and machinery must be considered together. The quality of the material can only be reflected in the finished product if the manufacturing technology is capable of processing it correctly.

Strategic Perspective

The principle remains unchanged. The preceding condition is necessary, but it is not sufficient on its own.

Chapter 4 - The Machine Operator

The next question follows naturally. What is the value of good material and a modern machine if the machine is not operated correctly?

Programming, setup, changeovers, process monitoring and the response to process deviations depend on the people operating the equipment. Their experience and qualifications therefore have a direct influence on the actual performance of the machine.

A well-trained operator can identify deviations at an early stage and respond appropriately. A lack of experience can lead to a different result under exactly the same material and machine conditions.

OEE is also influenced by this human factor. Availability, performance and quality do not depend solely on the technical equipment.

Strategic Perspective

Another necessary element has now been added. Material, machinery and people must work together.

Chapter 5 - Sales and Orders

The argument can be taken one step further. What is the value of a highly capable manufacturing operation if there are no orders?

Without sales, there are no customer orders and therefore no economic basis for manufacturing. At the same time, sales influences which orders enter the company.

Lot sizes, product mix, customer requirements and delivery commitments have a direct impact on purchasing, planning and manufacturing. An order therefore does not simply have to be won. Its requirements must also be understood internally and be realistically achievable.

Sales is therefore another part of the same chain. It is neither more nor less important than purchasing or manufacturing. Its performance creates another necessary condition for the overall result.

Chapter 6 - Calculation and Margin

One decisive question remains. Is the order that the company has won and manufactured also economically viable?

A company can be fully utilized and still lose money. This can happen when material costs, manufacturing times, scrap, setup effort or other costs have not been calculated correctly.

Costing therefore requires information from several functions. Purchasing knows material prices and purchasing conditions. Manufacturing knows the actual production effort. Sales knows customer requirements and the competitive environment.

If one of these foundations is incorrect, an order may generate revenue without providing an adequate contribution margin.

Strategic Perspective

This completes the chain of reasoning. Even reliable purchasing, capable manufacturing and a strong order book do not guarantee economic success.

Chapter 7 - The Gear Principle

The original question can now be answered. Purchasing or manufacturing, which is more important?

The answer is neither.

Purchasing is right when it says that the best machines are of no use without the required material. Manufacturing is right when it says that even the best material is of no use without correct and professional processing.

The same applies to machinery, operators, sales and costing. Each function creates a necessary condition for the next. At the same time, weaknesses in one function can reduce or even eliminate the performance delivered by the others.

This is why the image of interlocking gears is useful. Each gear has a different function. What matters is that they work together.

A company does not perform well because one gear is particularly strong. It performs well when all the gears work together.

Strategic Perspective

The actual performance is therefore not created within one individual department. It is created through the interaction of all functions.

Chapter 8: Silos as a Risk Factor

Problems often arise when each department focuses only on its own performance.

Purchasing may focus on achieving a good purchase price. Manufacturing may focus on output. Sales may focus on generating orders. Each perspective is understandable in itself.

For the company as a whole, however, this can still create problems. A low purchase price may come with long lead times or high minimum order quantities. An additional order may overload an already constrained manufacturing operation. High output may be offset by rework or scrap.

The Theory of Constraints provides another perspective on this relationship. The throughput of a system is limited by the constraint that currently restricts the overall process.

For electronics manufacturing, this means that it is not necessarily useful to optimize the department that is currently highlighting its own problem. The relevant question is where the overall system is actually constrained.

That constraint can change over time. Today, material may be the limiting factor. Tomorrow, it may be machinery, personnel, capacity or another factor.

Strategic Perspective

The goal should therefore not be to make one department the winner. The goal must be to keep the entire system performing well.

Chapter 9: Practical Recommendations

The preceding considerations lead to several practical principles.

Common Goals

Departments should not be managed solely according to their own performance indicators. Shared objectives such as quality, delivery reliability, profitability and customer satisfaction should guide decision-making across the organization.

Clear Handovers

Between sales, costing, purchasing, planning and manufacturing, it must be clear what information is required and when it needs to be available. Many problems do not arise within a function itself but at the interfaces between functions.

Early Coordination

When requirements, quantities, delivery commitments or material availability change, the affected functions need to be informed early. The earlier a deviation is identified, the greater the room for action.

People and Machines

A modern machine alone does not guarantee stable production. Maintenance, process control and operator qualification need to be considered together.

The Entire System

When problems occur repeatedly, responsibility should not be assigned too quickly to a single department. The important question is where the overall process is actually being constrained.

Conclusion

The question “Purchasing or Manufacturing?” is the wrong question.

Purchasing is right. Even the best machines are of no use if the required material is not available on time.

Manufacturing is also right. Even the best material is of no use if it is not processed correctly and professionally.

The same logic continues throughout the organization. Materials need suitable machines. Machines need qualified people. Manufacturing needs orders. Orders need to be economically viable.

None of these functions is sufficient on its own. Each one is necessary.

Business success therefore does not result from the importance of a single department. It results from the interaction of all functions.

Anyone who pits purchasing against manufacturing is therefore asking the wrong question. The real question is whether all the necessary gears work together and collectively produce the desired result.

About the Author

Dirk Kaussen is Founder and Managing Director of EMS Strategy Group. With around 40 years of experience in the electronics industry — including founding and managing his own electronics manufacturing company in Germany — he brings deep expertise in manufacturing processes, EMS partner selection, supply chain stability, relocation projects, and risk management. His approach combines practical solutions with a direct connection to industrial reality.

About the EMS Strategy Group

EMS Strategy Group supports industrial enterprises in the strategic and operational advancement of their electronics manufacturing. Our core expertise lies in the strategic relocation of manufacturing volumes, the selection of qualified EMS partners, the establishment of new production capacities, and the expansion of existing manufacturing structures.

Furthermore, we design resilient supply chain frameworks, conduct comprehensive risk assessments, and guide dual-sourcing strategies, with operational support through to a successful series production ramp-up.

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