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A Make-or-Buy Decision Analysis Involving Imprecise Data

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The make-or-buy decision has been performed on the assumption that cost data are deterministic and accurate. The data available to decision makers are often highly imprecise because of estimation inaccuracy and/or errors in measurement. The bounded interval estimate is a common allowance scheme to compensate for the inherent estimating error. Applies the propagation of errors technique to evaluate make-or-buy alternatives with estimate errors. The numerical examples show how the proposed error analysis generates more discerning power when assessing competing alternatives.

Keywords: Decision making, Make v. buy, Production planning

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