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Integrating TCE and RBV in outsourcing decisions

A qualitative case study in a marine industry company

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ABSTRACT:
Outsourcing and governance decisions are key for firms to stay competitive, but making outsourcing decisions and determining firm boundaries can be difficult to assess since neither cost-efficiency nor strategic considerations is an adequate basis for these decisions. Transaction Cost Economics (TCE) explains outsourcing decisions through efficiency and governance costs, while the Resource-Based View (RBV) values unique resources and long-term capability development.

Prior research has combined the two theories in a similar context, but this thesis examines how the two theories interact in practice in mature industries, where there is pressure to be cost-efficient, but also a need to maintain control and develop capabilities to achieve sustained competitive advantage. In this thesis, a combined framework is derived from TCE and RBV, combining the insights of the two theories into four dimensions: specialisation, strategic importance, standardisation, and operational context. The framework is used to analyse make-or-buy decisions in a qualitative, single-case study from a multinational corporation in the marine industry. The case is about outsourcing the production of the charge-air receiver (CAR) module. The case is analysed using six semi-structured interviews, and the interview data is analysed using the Gioia methodology. A revised version of the theoretical framework has been developed, which shows the added value the research brings to the framework.

The results of the study indicate that the decision to outsource the CAR module was mainly a result of a longer-term strategic direction within the company, combined with physical facility limitations. As the item was complex but standardised, the outsourcing worked well with an established and capable supplier. This study contributes to outsourcing research as it clarifies the relationship between TCE and RBV. It explains that the two theories can change in significance depending on the situation, industry, and whether the emphasis is on cost avoidance or value creation. It also states that sometimes simple contextual limitations can have more impact on outsourcing decisions than theoretical implications. For managers, this study highlights the role of supplier relations and supplier evaluation, consistent decision-making processes, and systematic evaluation of outsourcing decisions in situations where all governance options are realistic.

KEYWORDS: outsourcing, strategic management, transaction cost economics, resource-based view

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Tiivistelmä:

Ulkoistamispäätökset ja yrityksen rajojen määrittäminen ovat keskeisiä asioita yritysten kilpailukyvyn kannalta, mutta päätösten arviointi on vaikeaa, sillä kustannustehokkuus tai strategiset näkökulmat eivät kumpikaan yksinään tarjoa ulkoistamispäätöksille riittävää perustaa. Transaction Cost Economics (TCE) pyrkii selittämään ulkoistamispäätöksiä tehokkuuden ja hallinnointikustannusten kautta, kun taas Resource-Based View (RBV) painottaa ainutlaatuisia resursseja ja pitkän aikavälin kyvykkyyksien kehittämistä.

Aiempi tutkimus on käyttänyt näitä kahta teoriaa samanlaisissa konteksteissa, mutta tämä tutkimus tarkastelee näiden kahden vuorovaikutusta käytännössä ja kypsällä toimialalla, jolla on paine olla kustannustehokas, mutta samalla tarve ylläpitää kontrollia ja kehittää kyvykkyyksiä kestävän kilpailuedun saavuttamiseksi. Tässä tutkimuksessa teorioista johdetaan yhdistetty viitekehys, jossa yhdistetään molempien teorioiden näkemykset neljään ulottuvuuteen: erikoistuminen, strateginen merkitys, standardisointi ja toiminnallinen ympäristö. Viitekehystä käytetään ulkoistamispäätösten analysointiin laadullisessa yksittäistapaustutkimuksessa, joka toteutettiin monikansallisessa meriteollisuuden yrityksessä. Tutkimuksen tapaus koskee charge-air receiver (CAR) -moduulin tuotannon ulkoistamista. Aineisto koostuu kuudesta puolistrukturoidusta haastattelusta, ja se analysoitiin Gioia-menetelmää hyödyntäen. Tutkimuksessa kehitettiin myös tarkennettu versio teoreettisesta viitekehyksestä, joka osoittaa tutkimuksen alkuperäiseen viitekehykseen tuoman lisäarvon.

Tutkimuksen tulokset osoittavat, että päätös moduulin ulkoistamiseen perustui ennen kaikkea yrityksen pidempiaikaiseen strategiseen linjaukseen, sekä tuotantotilojen fyysisiin rajoitteisiin. Koska kyseinen tuote oli monimutkainen, mutta standardisoitu, ulkoistaminen toimi hyvin jo ennestään vakiintuneen ja osaavan toimittajan kanssa. Tutkimus osoittaa, että teorioiden painoarvo voi vaihdella tilanteen ja toimialan, sekä sen mukaan, painotetaanko kustannustehokkuutta vai arvon luontia. Lisäksi tutkimus osoittaa, että joskus yksinkertaiset operationaaliset rajoitteet voivat vaikuttaa ulkoistamispäätöksiin enemmän kuin teoreettiset oletukset. Yritysten johdon näkökulmasta tutkimus korostaa toimittajasuhteiden ja toimittajien kyvykkyyksien arvioinnin merkitystä, johdonmukaisten päätöksentekoprosessien tärkeyttä sekä ulkoistamispäätösten systemaattista arviointia tilanteissa, joissa kaikki tuotantomallit ovat yhtä toteutuskelpoisia.

KEYWORDS: outsourcing, strategic management, transaction cost economics, resource-based view

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Abbreviations

TCE = Transaction Cost Economics
RBV = Resource-based View
CAR = Charge-air receiver

1 Introduction

This first chapter of the thesis introduces the study by outlining its background, motivation, and objectives. The introduction presents the specific research questions and outlines the overall structure of the thesis, explaining the contribution of each chapter to addressing these questions.

1.1 Study background

A make-or-buy decision is a company's strategic decision between producing a product or service in-house or outsourcing the function to an external provider (Arya et al., 2014). It is a critical consideration for aligning operational capabilities with strategic goals. Traditionally, make-or-buy decisions have been made based on transaction cost economics, where firms evaluate the costs of in-house production versus the costs of outsourcing (Williamson, 2008; Ferreira & Serra, 2010). Ferreira and Serra (2010) trace the question of make-or-buy back to Adam Smith's economic rationale, which states that outsourcing is always wise if it costs less than production in-house. Deciding whether to keep a function in-house or to outsource it can significantly impact a company's ability to innovate, control quality, manage costs, and respond to market changes. Media-Serrano et al. (2020) note that firms may not be able to keep all functions in-house, shifting the focus to make-or-buy decisions due to their impact on the firm's performance. Outsourcing can offer significant cost advantages by leveraging external expertise and economies of scale that may not be available internally. McIvor (2009) states that as companies become more specialised due to the increased need for efficiency, the need to outsource activities traditionally considered in-house has increased.

1.2 Motivation for the study

It remains crucial to examine these decisions, as outsourcing may not always result in cost savings. Sometimes, hidden costs are involved, such as decreased performance, quality issues, and delays (Medina-Serrano et al., 2020). According to Reitzig and Wagner

(2010), outsourcing an activity could lead to the company losing learning benefits that could be acquired by producing in-house. Moschuris (2007) states that in many cases, firms' outsourcing decisions can be intuitive and lack planning, as the possible need for outsourcing is often identified only when costs must be reduced or some quality issues must be addressed. Serrano et al. (2018) note that outsourcing sometimes arises from a company's need to focus on its core competencies, particularly in larger companies where the requirement to manage stakeholders intensifies and long-term asset investments are reduced. As there are multiple reasons for companies' outsourcing decisions, Moschuris (2007) emphasises that many companies would benefit from a strategy regarding make-or-buy decisions. Brem et al. (2014) also discuss the need for more structured decision-making processes and whether there is a significant difference between strategy types.

Additionally, Brem and Elsner (2018) suggest organising and grouping schemes or matrices of products or subsystems to simplify decision-making in make-or-buy scenarios. Moschuris (2015) mentions the need to study the topic with up-to-date data, and Serrano et al. (2018) highlight that many articles lack a practical implementation of structured make-or-buy decision-making models. Medina-Serrano et al. (2020) develop a framework for make-or-buy decision-makers based on previous literature and evaluate it in practice via a case study. However, they also emphasize that learning from and identifying improvement potential in past experiences is crucial. Therefore, this study answers the call of the aforementioned authors.

1.3 Research objectives and questions

This study aims to capitalize on this research opportunity and contribute to the case company’s decision-making process by answering the following research question: **How can firms use theoretical insights and evaluate practical cases to decide what should be outsourced and what should be kept in-house?** The aim is to build upon existing tools by applying the theories of Transaction Cost Economics (TCE) and the Resource-Based View (RBV). Existing data will be used when possible, and new data will be

collected through a qualitative single case study utilising interviews with key decision-makers involved in this case or previous similar cases. This approach allows an in-depth examination of the practical implementation of theoretical models. It also provides insights into the factors that drive make-or-buy decisions in a real-world setting in a way that is also beneficial for the case company.

1.4 Thesis structure

This thesis is divided into five chapters, following the typical IMRaD (Introduction, Methods, Results, and Discussion) structure of scientific papers (Hochberg, 2019, p.50). The first chapter introduces the topic, explains its background, and outlines the theories that will be used. The second chapter outlines the theoretical framework of the study, introducing the two theories employed—Transaction-Cost Economics and Resource-Based View—and their application in the context of this study. The third chapter explains the research methodology employed in this study and justifies its use. The fourth chapter presents the study's findings, and the fifth and final chapter concludes this thesis with a discussion of the implications this study provides, as well as the limitations that need to be considered and the opportunities for future research. The thesis structure is visualised in Figure 1.

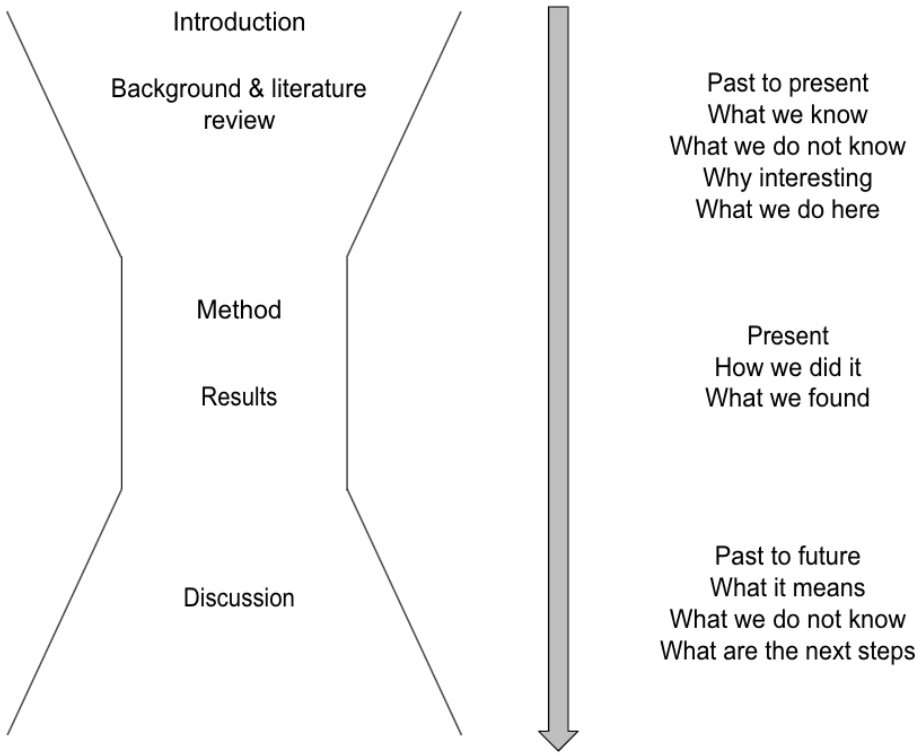

Figure 1. The IMRaD hourglass structure (adapted from Hochberg, 2019, p. 51)

2 Theoretical framework

In the outsourcing literature, many papers have employed a version of Transaction Cost Economics (TCE) to evaluate outsourcing (e.g., Walker & Weber, 1984; Lyons, 1995; Geyskens et al., 2006). Based on the work of Coarse (1937) and later developed by Williamson (1985), the theory suggests that companies should always outsource when it is the most cost-efficient option.

Scholars such as Espino-Rodriguez and Padron-Robaina (2006) and Holcomb and Hitt (2007) argue that many aspects of organisational behaviour and value creation would be overlooked if the focus were solely on TCE. They build on TCE literature by analysing outsourcing decisions using the Resource-Based View (RBV), which also considers outsourcing a strategic tool. Many articles in strategic management literature, as well as management literature in general, use a combination of both theories when discussing outsourcing decisions (e.g., Leiblein & Miller, 2003; Watjatrakul, 2005; McIvor, 2009; Ferreira & Serra, 2010; Argyres & Zenger, 2012; Gerbl et al., 2015; Medina-Serrano et al., 2020). This chapter defines and discusses both theories, first separately and then in relation to each other. Relevant literature and practical examples of the theories used in outsourcing cases are discussed.

2.1 Transaction cost economics

Coase (1937) provides a foundation for why firms exist and how they function in a market economy. He argues that markets coordinate economic activities through price mechanisms. These market transactions come with costs, which firms try to minimise by organising activities internally. This paper brought up the influential idea that firms emerge to reduce transaction costs. He states that firms' growth has a maximum capacity due to diminishing returns, and thus, they will only expand until the costs of the internal organisation have exceeded the costs of market transactions.

The theory of Transaction Cost Economics (TCE), proposed by Williamson (1975 & 1985), builds on Coase's work, suggesting different governance structures that emerge based on the nature and specifics of the transaction costs. Scholars (for example, Walker & Weber, 1984; Lyons, 1995) continued to develop, refine, and empirically test Williamson's suggestions. Walker and Weber (1984) analyse the factors that influence make-or-buy decisions. They support Williamson's TCE, noting that most decisions are made based on whether it is cheaper to produce in-house or purchase from a supplier. Geyskens et al. (2006) found strong evidence supporting the use of the TCE for outsourcing decisions in their meta-analysis of the impact of transaction costs on make-or-buy decisions. McIvor (2009) also supports their ideas, discussing the TCE approach as a means to determine the best way to manage transactions through markets, hierarchies (internal organization), or alliances.

Revisiting the topic in 2010, Williamson builds on his work, emphasising the importance of considering transaction costs in make-or-buy decisions, including the costs of enforcing contracts and managing internal dynamics. He also highlights the natural evolution of the theories, emphasizing the importance of keeping the theory grounded in practicality, thereby preventing a disconnect from real-world phenomena. Williamson (2010) describes the firm as a series of make-or-buy decisions, mentioning that the decision to make rather than buy determines the ownership boundaries of the firm.

2.1.1 Behavioural assumptions

The TCE is based on two behavioural assumptions. It is assumed that decision-makers have cognitive limitations, and thus, they cannot process all relevant information perfectly. This leads to incomplete contracts, an inability to cover all possible future scenarios, and the need for rules and structures to manage unexpected issues. Williamson (1985) refers to this limitation in human decision-making as bounded rationality.

The TCE also assumes that individuals might act according to their self-interests and engage in deceptive or misleading behaviour. This becomes especially problematic in

longer-term contracts and specialised relationships, where one party might exploit unexpected circumstances to their advantage at the other party's expense. This highlights the need for safeguards in transactions to prevent dishonest behavior. Williamson (1985) refers to this phenomenon as opportunism.

2.1.2 Transaction cost types

Williamson (1985) states that transaction costs arise during an economic exchange. The article categorizes transaction costs into ex ante costs, which occur before the transaction, and ex post costs, which occur after the transaction has been completed. Ex ante transaction costs encompass the expenses incurred in efforts to establish and formalize an agreement. These include search costs for finding partners, negotiation costs for discussing terms, drafting costs for writing contracts, and screening costs for choosing the right partner. Ex-post transaction costs deal with oversight and potential conflicts. These include monitoring costs to ensure compliance with contractual terms, enforcement costs in the event of potential breaches, renegotiation costs if the contracts need to be amended, and dispute resolution costs in the case of conflicts.

2.1.3 Governance structures

The TCE suggests that firms organise transactions based on minimising transaction costs. The governance structures mentioned by Williamson (1985) are market governance, hybrid governance, and hierarchical governance.

Choosing a company's governance structure depends on multiple factors and determinants, which will be discussed in detail in Chapter 2.1.4. The following sections will examine the three governance structures, analysing their characteristics, advantages, and disadvantages.

2.1.3.1 Market governance

Market governance, also known as (classical) market contracting, occurs when firms purchase goods and services through competitive markets. Transactions are guided by clear contracts, prices, and competition, with minor to no long-term commitment between buyers and sellers.

Since many suppliers are available, firms can easily switch to a better option if one becomes available, thereby reducing their dependency on any single supplier. Opportunism has yet to be eliminated in market governance. Some sellers might prioritise short-term gains over long-term reliability. Market governance works best with low transaction costs and standardised products or services.

2.1.3.2 Hybrid governance

Hybrid governance combines market and hierarchical governance, involving long-term contracts, partnerships, and joint ventures. Hybrid governance is proper when transactions require commitment and co-operation but do not justify full vertical integration. Firms in hybrid arrangements work more closely and share information, technology, or resources to reduce risks and improve efficiency.

As hybrid governance relies on trust and mutual agreements, conflicts may arise, and thus, there might be a need to renegotiate contracts or solve disputes. Hybrid governance enables firms to strike a balance between flexibility and control, making it particularly suitable for transactions involving more specific assets. It allows companies to build stable relationships while benefiting from external expertise and competition.

Serrano et al. (2018) note that many papers overlook the possibilities of hybrid or plural forms of outsourcing. The article states that, in many cases, decision-makers should consider these models and strategic alliances and that these decisions can differ depending on whether they relate to R&D or manufacturing. Parmigiani (2007) finds that hybrid

approaches are primarily used in cases where internal expertise and capabilities must be combined with external flexibility, such as in scenarios with performance uncertainty or when both parties possess valuable capabilities. The author emphasizes that hybrid governance is a midpoint between market and hierarchical governance, and a distinct strategic choice that benefits both internal control and external adaptability.

In cases where full integration is unnecessary, hybrid contracting arrangements can strike a balance between market transactions and internal production, offering flexibility and continuity (Williamson, 2008). This is backed by Ferreira and Serra (2010), who consider hybrid forms of outsourcing to be a valid option for achieving sustained competitive advantage.

2.1.3.3 Hierarchical governance

Hierarchical governance, or vertical integration, occurs when a firm internalises transactions instead of relying on the market. This means moving production in-house, reducing reliance on external suppliers. This governance structure is beneficial when transaction costs are high, and firms need specialised investments that cannot easily be transferred between suppliers. By keeping transactions within the organisation, firms gain greater control over quality, costs, and long-term planning. This reduces the risk of opportunistic behaviour from external parties.

Hierarchical governance also requires significant resources and may result in reduced flexibility compared to market-based solutions. It is helpful in industries where efficiency, control, and coordination are critical to success. Williamson (2008) states that as two suppliers become increasingly dependent on each other, their relationship evolves from a simple market transaction to a hybrid contracting arrangement, and ultimately to full vertical integration.

2.1.4 Key determinants of transaction costs

The TCE considers three attributes of transactions that determine the best governance structure to minimize transaction costs. By analysing these determinants, firms can strategically decide whether to source externally, produce internally, or use a hybrid model. These determinants include asset specificity, uncertainty, and transaction frequency (Williamson, 2008).

With asset specificity, the author refers to how specialised an investment is for a particular transaction, which can influence the level of opportunism in the transaction. With uncertainty, he refers to the unpredictability of transactions, including external changes and risks associated with human behavior. Transaction frequency refers to the frequency at which transactions occur, which can have a significant impact on specialized arrangements that increase negotiation costs.

2.1.4.1 Asset specificity

According to Williamson (1985), transaction-specific assets are customised for a specific transaction and cannot be easily repurposed for other uses. He mentions that if the investments required for the transaction are highly specific to the buyer-supplier relationship and cannot be easily used elsewhere, the firm may internalise the activity to protect itself from the risk of the partner exploiting this dependency. High asset-specificity creates bilateral dependency, where transaction participants depend heavily on each other (Williamson, 2008). According to the author, the solution to this problem is vertical integration, which offers better protection through established authority and hierarchical control mechanisms.

McIvor (2009) supports Williamson (2008), stating that asset specificity is the most critical factor in determining a firm's governance structure. McIvor (2009) provides an example showing that high asset specificity often leads to hierarchical governance because

the specific investments are complex to utilize elsewhere. He also suggests that the influence of uncertainty and frequency on governance is less clear than the influence of asset specificity.

Del Bufalo (2021) suggests that when companies invest in specific assets, it can positively impact their performance, especially if the buyer is the one investing. The article finds that although investing in specific assets for a partner can be risky, it also yields positive results, including improved satisfaction and performance. She mentions that sometimes, such investments are necessary to maintain or grow a partnership, such as in franchising. She also highlights the risks involved, such as sunk costs and potential losses, but emphasizes the benefits of specialization, including increased productivity and efficiency.

Williamson (1985) further categorizes asset specificity into four types: physical, human, site, and dedicated asset specificity. Later, additional dimensions were introduced: brand name capital specificity, temporal specificity, and procedural specificity (Delbufalo, 2021). Companies are more likely to outsource when there are significant economies of scale. When asset-specificity is high, companies tend to produce in-house. These findings align with the implications of Williamson (1985), who suggests that to minimize transaction costs, firms will internalize the production of highly specific assets.

Lyons (1995) shows that the interaction between economies of scale and specific assets is important. He states that without economies of scale, specific assets have little impact, and likewise, with higher asset specificity, the significance of economies of scale is reduced.

2.1.4.2 Uncertainty

If the transaction involves significant uncertainty, i.e., it may be difficult to predict future events and thus create complete contracts. If there is potential for opportunism, firms prefer in-house activities to avoid these risks. Uncertainty occurs when it is challenging to foresee important aspects of a transaction (environmental uncertainty) or when it is

hard to verify performance (behavioural uncertainty). Environmental uncertainty leads to adaptation issues, which in turn raise transaction costs. These costs can be mitigated through hierarchical governance. Some believe high environmental uncertainty also demands flexibility, which contradicts hierarchical governance.

Walker and Weber (1984) further divide environmental uncertainty into volume and technological uncertainty. Volume uncertainty refers to the difficulty in accurately predicting the volume needs in a relationship. High volume uncertainty leads to unexpected production costs, excess capacity for suppliers, and stock shortages or surplus inventory for buyers. Hierarchical governance is more effective at managing these fluctuations than market suppliers, making hierarchical governance the more likely option. Technological uncertainty involves the challenge of accurately predicting technical requirements in a relationship. This uncertainty can stem from unpredictable changes in standards, specifications, or overall technological advancements. Unlike volume uncertainty, technological uncertainty is better handled through market governance, which allows firms to change partners and avoid outdated technology. Behavioural uncertainty results in difficulties with performance evaluation, making it hard to verify if contractual obligations have been met. Transaction cost theory recommends vertical integration as a solution, as it provides greater control and better evaluation capabilities.

2.1.4.3 Transaction frequency

Transaction frequency indicates the regularity with which transactions occur. Williamson (1985) suggests that frequent transactions encourage vertical integration. If the firm needs to buy from the same suppliers repeatedly, insourcing the activity might be more efficient, especially when opportunistic behaviour is risky. External transactions are more likely to include the aforementioned transaction hazards, such as uncertainty and opportunism.

Lyons (1995) suggests that economies of scale play a key role in the make-or-buy decision. When transactions occur frequently, firms are more likely to benefit from economies of scale, making it more cost-effective to integrate vertically. Frequent transactions also justify investments in specific assets or customized governance structures, as the costs of those investments can be spread over many transactions. Infrequent transactions may not yield sufficient savings or scale benefits, making market governance a more suitable option in such cases. Therefore, the findings discussed in Lyon (1995) align with Williamson's TCE.

2.2 The Resource-Based View

During the 1980s, in the early stages of strategic management research, understanding how companies can achieve and sustain a competitive advantage became a key theme in the literature. Barney (1991) states that in early strategic management literature, certain assumptions were made, neglecting the fact that firms with a competitive advantage could possess or have access to unique resources. In his article, he introduces the Resource-Based View of the firm, which builds on the assumption that firms within an industry likely have heterogeneous or immobile resources. The article examines the impact of such resources on achieving a sustained competitive advantage and provides a framework for identifying them.

Barney (1991) argues that for a resource to provide a sustainable competitive advantage, it must possess four key traits: it must be valuable, rare, inimitable, and non-substitutable. According to the RBV, firms develop unique resources through their histories and learning processes. These resources can include assets, knowledge, processes, and organizational traits, which determine a firm's activities. Successful firms often rely on superior technology, reliable processes, and strong external relationships. Superior resources help firms achieve higher profits. Grant (1991) views a firm's combination of resources as the source of its competitive advantage, and the governance choice must account for how well these resources can be maintained or leveraged in different settings. Recent literature has built on the RBV by recognising phenomena such as

hyperspecialisation, especially in digital contexts and environments that require deep knowledge (Helfat et al., 2023).

2.2.1 Core assumptions of the RBV

The RBV proposed by Barney (1991) assumes that firms have differences in the resources and capabilities they control, which are key in explaining performance differences between companies. Unlike the TCE, which aims to minimise costs, the RBV aims to maximise value. Barney (1991) views firms as unique combinations of resources, and strategic decisions are made to enhance or protect these competitive advantages.

A company's resources are generally categorized as either tangible or intangible (Barney, 2001). Tangible resources encompass physical assets, including equipment and facilities, as well as financial capital. Intangible resources, on the other hand, are non-physical assets, including intellectual property, brand value, managerial expertise, organisational processes, and the information and knowledge they possess.

Priem and Butler (2001) criticized this definition of resources, for example, stating that it is too broad and unclear, and that the RBV lacks formal structure to be considered a theory due to its prescriptive nature. Another critique the RBV has received focuses on its circular reasoning and lack of empirical testability. For example, Newbert (2007) conducted an empirical review of the RBV, in which the hypotheses of the RBV were supported by only 53% of the studies analyzed. According to him, studies focusing on capabilities and theoretical assessments tend to show stronger support for the RBV than studies examining individual resources. Kraaijenbrink et al. (2010) emphasize the importance of assessing external market conditions and suggest a more dynamic and contextual approach to evaluating resource value, thereby overcoming the static nature of traditional RBV-based thinking. While the prescriptive nature of the RBV is also criticised, strategic management literature has embraced and valued prescription due to its focus on firm performance. Today, it has become one of the most widely accepted and used

theoretical and strategic approaches in strategic management literature (Davis & DeWitt, 2021).

2.2.2 The VRIN framework

Barney (1991) discusses four characteristics that determine the strategic value of a resource. A resource must be Valuable, Rare, Inimitable, and Non-substitutable to provide sustained competitive advantage. The four constitute the VRIN framework, serving as a foundation for identifying which resources provide strategic value. While some of these characteristics may provide temporary or marginal advantages, according to Barney (1991), all four are necessary as a resource to provide a sustained competitive advantage.

In outsourcing, these criteria help firms decide whether a resource should be kept in-house and, conversely, if it would provide more value when outsourced (Barney, 1991). Espino-Rodriguez and Padron-Robaina (2006) categorise the literature analysing outsourcing from the RBV viewpoint into two categories. They notice that some articles explore why firms outsource, and others study how outsourcing affects business performance.

2.2.2.1 Resource value

Resources provide competitive advantage only when they are valuable (Barney 1991). The article defines resources as valuable when they enable a firm to implement strategies that improve operational efficiency and effectiveness, either by capitalising on favourable external conditions (opportunities) or mitigating adverse conditions (challenges). The author argues that firm attributes may possess the other qualities mentioned in the framework, but they only count as valuable resources if they enable the company to capitalize on opportunities and address challenges.

Peteraf (1993) agrees with Barney (1991) that resources must be valuable to provide a competitive advantage. Kimura et al. (2007) discuss resource value from a different

viewpoint, building on Barney's ideas of resource value. They point out that the value of an asset does not have to be based on its market price. They state that resources are valuable if they meet the needs and interests of stakeholders and if the resources are helpful to them. Lockett et al. (2009) argue that resource value heavily depends on the firm's context, managerial actions, and market dynamics. They emphasise the firm's need to actively develop and leverage its resource base through learning, market interaction, and strategic decision-making.

2.2.2.2 Resource rarity

The second criterion Barney (1991) provided is that resources provide a sustainable competitive advantage only if they are scarce. If many competitors also possess valuable firm resources, they cannot be sources of competitive advantage. In such a scenario, all companies can exploit the resource, similarly, thereby giving no competitive advantage. The author mentions managerial talent as an example of a rare, intangible resource that is almost always required to implement effective strategies.

Peteraf (1993) states that in industries with high competition, the rarity of resources can be a good indicator of firm performance. She discusses this from the viewpoint of first-mover advantage, mentioning that if a firm has acquired a unique resource before high competition arose, the resource can provide better returns. The article aligns with Barney's idea that resources must be valuable and scarce to provide competitive advantage.

2.2.2.3 Resource uniqueness

According to Barney (1991), a firm that achieves a competitive advantage with a resource fulfilling the two criteria mentioned above is a good example of a first-mover advantage. He states that the competitive advantage can only be sustained if the resource used is 'imperfectly imitable', i.e., competitors cannot completely replicate it due to unique characteristics. The article mentions unique characteristics: history, complex relationships, causal ambiguity, and social complexity.

As Barney (1991) explains, some resources can derive from specific conditions or events that occurred in their history and thus cannot be recreated. He notes that a brand can have built trust over decades, or a company can be located in a region with rich natural resources. According to him, some resources involve complex relationships, such as a company's culture or a network of customers and customer relations that have been built over time, through many small interactions.

Barney (1991) describes causal ambiguity as a situation in which even the company itself does not understand the connection between its existing resources and its sustained competitive advantage. The article states that the connection is not well understood, and thus, it is also hard to replicate, but such a situation requires an equally poor understanding of the reasons for success from all competitors. The author also suggests that resources can be unique due to their social complexity, including organizational culture, team dynamics, leadership style, and workforce knowledge. The article states that social complexity is challenging to replicate, as it involves numerous human factors and subtle social interactions that are difficult to quantify or observe.

2.2.2.4 Resource substitutability

The last criterion Barney (1991) mentions is that there must not be a strategically equivalent substitute for a resource that can perform the same essential functions or provide the same competitive advantage. This concept of non-substitutability emphasizes the uniqueness of resources in contributing to a firm's competitive advantage. A non-substitutable resource cannot be replaced without a loss in effectiveness value.

Substitutability can occur in two ways. Sometimes, even though it is not directly possible to imitate another firm, a similar resource can be utilised, and a similar result can be achieved with the same strategies. On the other hand, similar results can also be achieved with very different strategies.

Morgan et al. (2006) point out that it is not just an individual resource that provides a company with sustained competitive advantage, but also how its resources work together, uniquely shaped by its internal dynamics. They claim this unique mix protects a firm from competitors' strategic equivalence.

2.3 Combined effects of TCE and RBV in outsourcing decisions

RBV and TCE have been used together as a theoretical base in strategic management literature and management literature in general. McIvor (2009) states that neither the RBV nor TCE can function as a basis for make-or-buy decisions on their own. Likewise, Lyons (1995) claims that the make-or-buy decision-making process is more complex than what TCE suggests. He emphasizes the importance of supplier relationships and the role of trust and cooperation, bringing elements of the RBV and stakeholder management to his study.

This subchapter will analyse the way TCE and RBV have been used together for a more detailed analysis of outsourcing decisions. Rather than treating the two theories as substitutes, literature has increasingly viewed the two theories as complements to each other. TCE explains governance models with a focus on efficiency and cost-minimisation, while RBV highlights the strategic significance of capabilities, resources, and long-term collaboration.

2.3.1 Empirical insights from previous literature

As mentioned, TCE and RBV are frequently used together in strategic management literature. Combining elements from the two theories acknowledges both cost-minimizing and efficiency-based decision-making, as well as the strategic importance of long-term partnerships and internal capability development. Ferreira and Serra (2010) discuss make-or-buy decisions specifically within the context of mature industries. In younger industries, the circumstances might be more unstable, requiring firms to maintain

control of their value chain. They find it likely that outsourcing dominates in more mature industries and that transaction costs might be much higher. In mature industries, there is an inclination towards efficiency, and thus, the lowest cost is often achieved by comparing suppliers, even though it also makes the company more vulnerable to opportunism (Ferreira & Serra, 2010).

The three cases studied in Ferreira and Serra (2010) include varying types of governance. One company fully vertically integrates, another operates with a wall-to-wall outsourcing model close to clients, and efficiency-driven supplier comparisons. The article emphasises the importance of supplier relationships, collaboration, trust, mutual dependence, and aligning goals, noting that such relationships take time to develop. This finding strengthens the RBV argument: even in situations and companies where cost-based decision-making is the more dominant option, strong supplier collaboration becomes a differentiating capability.

Mcivor (2009) analyses how TCE and RBV influence outsourcing decisions, evaluating how each theory can explain the complexities of outsourcing and what they lack. His findings support the use of TCE and RBV in decision-making, and he provides an instructional framework for outsourcing evaluation. Serrano et al. (2018) agree with this, mentioning that make-or-buy decisions should combine multiple theories, as using only one approach can fail to consider some factors, and different theories often complement each other. Most papers analysed in the article used a combination of multiple theories. In the outsourcing study, McIvor (2009) emphasizes the importance of incorporating operations management concepts, such as performance management, operations strategy, business improvement, and process redesign. In contrast, Serrano et al. (2018) suggest considering strategic and relationship theories. They state that finding a good balance between the theories can be challenging.

Yang et al. (2012) take the combined TCE-RBV perspective into a different context and demonstrate that unique resources, in the form of networks or cultural knowledge,

reduce transaction costs and improve performance. This study discusses both RBV insights, i.e., unique knowledge as a resource, and TCE insights, i.e., cost minimisation in exchange relations, to show the overlap between the two theories and that they can be used to explain the same phenomena from different perspectives. Similarly, Gerbl et al. (2015) discuss that business process outsourcing cannot be understood by analysing costs alone. According to the article, location choices, firm-level resources, and process-level capabilities are all significant, which is why a combined RBV-TCE approach is needed to account for both efficiency and resource-driven determinants.

In contrast to these, Watjatrakul (2005) directly compares the two theories and argues that TCE is a better predictor of outsourcing decisions in cases where the implications of the two theories conflict. This shows the cases where the two theories point to different outcomes, and the article suggests that firms tend to adopt the TCE logic more often when efficiency demands contradict resource logic.

The two theories have been used together, especially in cases where hybrid governance is studied. Gorovaia and Windsperger (2018) analyse franchising contracts and claim that the length of franchising contracts is determined by a combined logic of the two theories, as longer-term contracts reduce opportunism, but also protect immaterial resources. Kim (2007) studied technological alliances and concluded that TCE-based logic is used when the objective of an alliance is to reduce R&D costs, while RBV-based logic is used when the alliance looks to leverage complementary resources. These findings indicate that in some cases, the theories can be used interchangeably based on whether the goal is to minimise costs or create value.

Gylin et al. (2015) provide an example of when solely relying on a TCE-based logic can backfire. As discussed in their case of reverse offshoring, savings were initially lost when exchange rates changed and supplier costs increased, and in-house flexibility had been undervalued. This article demonstrates the risk of relying too heavily on TCE over RBV,

as when strategic resources are disregarded, governance decisions might have to be reversed in the future.

There has also been discussion on how resource heterogeneity challenges some TCE suggestions. Foss and Foss (2005) state that it is possible to think of resources as a collection of property rights, and transaction costs determine how their value is created and allocated. The authors incorporate RBV into TCE to demonstrate that the value of a resource is not only determined by its characteristics but also by the cost of governance. Argyres and Zenger (2012) add to this discussion, stating that TCE assumes that resources begin as generic and become specialised only through deliberate investments. They state that unique and valuable asset combinations can arise without deliberate investment driven by strategic foresight or luck. These ideas support complementing the TCE with RBV.

More recent contributions have taken this logic further by integrating the two into dynamic environments. Davis and Dewitt (2021) believe that, even though the boundaries between firms are becoming increasingly unclear, RBV remains a notable theory to describe the usage of resources, whereas TCE is still used to explain governance costs. Friedrich et al. (2022) use an additive manufacturing case to demonstrate that the ratio between the two theories can change in uncertain environments. They state that intellectual property risks and capability-building (RBV) can outweigh efficiency concerns (TCE) when standards are uncertain and technologies are evolving at a fast pace. They indicate that the relative weight of the theories is highly contextual, and companies in industries with rapid change might benefit from relying on an RBV-based logic.

The complementary nature of the two approaches has been shown in empirical studies. Leiblein and Miller (2003) show that firms with hard-to-imitate capabilities are more likely to integrate vertically, combining the opportunism concerns of TCE with RBV's focus on protecting unique assets. Schilling and Steensma (2002) demonstrate that companies will acquire technology when it enhances their long-term capabilities (RBV) and license when transaction costs are high (TCE). These articles demonstrate in practice how

both theories can apply simultaneously: firms protect their differentiating resources and avoid unnecessary costs.

The literature analysed shows that the two theories are not competing with each other by nature, but complementary views that can be used to analyse outsourcing and governance decisions more in-depth. TCE emphasises efficiency and risks of opportunism, and RBV values unique resources, capability development, and relational assets. The discussion is not about which theory is correct, but how they can be used together and which logic to use in conflicting scenarios. The following subchapters discuss these complementary and conflicting implications in more depth, providing the basis for understanding the case company's decision-making, as they used logic from both theories in the case studied.

2.3.2 Complementary implications

In his article, Teece (1982) discusses themes similar to those of Williamson (1985) and Barney (1991). Teece (1982) suggests that firms might prefer to internalise transactions when market transactions are complex and uncertain. This aligns with the propositions of Williamson (1985). Teece (1982) also emphasizes that firms with strong, unique, non-transferable knowledge may produce products internally to utilize this knowledge. Companies can use these insights to determine whether to diversify by creating new products or acquiring other firms that already manufacture these products. These ideas are similar to Barney's RBV, which says that a firm's competitive edge comes from its unique resources and capabilities.

McIvor (2009) states that the TCE approach helps decide the best way to manage transactions, but he also considers the RBV crucial for outsourcing studies, as a key focus of the RBV is how a company's capabilities develop and impact its competitive edge and performance. According to him, higher asset specificity usually requires vertical integration, while lower specificity assets can be sourced from the market. The RBV implies a similar outcome, as firms will likely internalise assets that fulfil the VRIN criteria.

While the RBV and TCE are based on different theoretical assumptions, their aligned governance structure suggestions have been noted in the strategic management literature (e.g., McIvor, 2009; Ferreira & Serra, 2010; Leiblein & Miller, 2003). The theories are not viewed as mutually exclusive; instead, they complement each other. In an empirical study by Jain and Thietart (2014), value, rarity, and inimitability are viewed as 'shift parameters' determining when high asset specificity requires changes in the company's governance. Mahoney and Pandian (1992) describe the RBV as a complementary perspective to traditional industrial organization economics, highlighting that a firm's internal strengths and resources can be just as important as its market position for gaining a competitive advantage.

One example of shared views can be found in cases with high asset specificity. From the TCE perspective, highly specific investments create a risk of opportunistic behaviour by external suppliers and increase switching costs (Williamson, 1985). This justifies vertical integration as a means to protect the firm from these risks. The RBV has similar recommendations, suggesting that inimitable assets or firm-specific know-how contribute to sustained competitive advantage (Barney, 1991). Vertical integration is preferred to protect valuable assets and reduce dependency on others.

Both theories favor vertical governance when an activity is deemed strategically critical. TCE emphasizes the need for internal control to handle complex and uncertain environments (Williamson, 1985). The RBV states that resources are crucial because they can neutralise threats in a firm's environment (Barney, 1991). Prahalad and Hamel (1990) also discuss the importance of preserving and developing a firm's core competencies.

The theories also seem to prefer vertical integration in frequent or routine transactions. TCE suggests that high transaction frequency justifies vertical integration due to decreasing governance costs over time (Williamson, 1985; Lyons, 1995). From the perspective of RBV, frequent activities can provide learning opportunities that can be leveraged to

develop a firm's internal capabilities and thereby acquire new intangible resources (Barney, 1991).

Both theories recommend outsourcing non-critical, standardised tasks. TCE views this as a decision that minimises costs, as market governance is recommended when asset specificity and uncertainty are low. RBV has similar implications in such cases; for example, if the activity does not contribute to strategic differentiation, there is not much reason to keep it in-house.

2.3.3 Contradicting implications

While the theories generally support each other, there are scenarios where their practical implications diverge. For example, when a firm decides on a trade-off between cost minimisation and long-term value creation, the TCE recommendation is to outsource, while the RBV recommendation is to keep the activity in-house.

The primary distinction between the TCE and the RBV is that TCE regards outsourcing as a means to reduce costs, whereas the RBV perceives outsourcing as a strategic tool for gaining a competitive advantage and leveraging the company's strengths and capabilities (Espino-Rodriguez & Padron-Robaina, 2006). This causes some contradictions between the two. McIvor (2009) states that this leads firms to make trade-offs between cost efficiency and capability development. Conner (1991) compares the RBV to five industrial organisation economics-based theories, including the TCE, stating that the RBV defines firms differently and incorporates but excludes elements from these theories. She compares them by stating that RBV and resource-based literature generally view the firm as 'creator of a positive, instead of 'avoider of a negative'.

McIvor (2009) suggests evaluating whether the function contributes to the company's competitive advantage and relative capability compared to the subcontractor. In TCE-based decision-making, such assets would typically be outsourced; however, due to

capability development and strategy, the RBV considers the long-term benefits of keeping production in-house.

Ferreira and Serra (2010) argue that the various outsourcing models contradict the TCE idea that companies should keep activities in-house to minimize risks associated with making significant investments. They argue that the benefits and downsides of outsourcing extend beyond TCE, as factors specific to the company also need to be taken into account. According to the article, these factors can include the company's resources, skills, ability to maintain stable business relationships, industry maturity, strategic goals, and economics of its products. They suggest combining TCE and RBV to better understand companies' decisions regarding outsourcing and in-house production.

TCE may recommend outsourcing a task if the product is relatively standardised, has low transaction risks, and external suppliers offer economies of scale (Williamson, 1985). In this scenario, the RBV suggests keeping the activity in-house if it can develop unique capabilities, provide learning opportunities, or help protect the company's core knowledge (Barney, 1991; McIvor, 2009). Mayer and Salomon (2006) also argue that when a company possesses good technological capabilities, it lowers the costs of in-house production and the costs of outsourcing that production safely, even in hazardous environments.

Another scenario where the implications might be different is when uncertainty is high. TCE recommends vertical integration in high-uncertainty scenarios to protect the firm from opportunism and imperfect contracts (Williamson, 2008). From the RBV viewpoint, firms can manage environmental uncertainty also by utilising partnerships or other hybrid sourcing models in addition to vertical integration (Espino-Rodríguez & Padrón-Robaina, 2006). While TCE emphasises strict control in such scenarios, RBV may encourage external collaboration.

Such supplier relationships also raise the issue of supplier dependency, which TCE views as a risk, particularly when asset specificity is high. RBV seeks close supplier relationships when these partnerships enhance the firm's relational capabilities, facilitate knowledge exchange, or provide access to complementary resources (Gerbl et al., 2015).

Transaction frequency can also be viewed differently, as TCE recommends in-house production in cases of high transaction frequency, but from the RBV viewpoint, frequency by itself does not justify vertical integration. In such scenarios, RBV recommends in-house production only if it supports the firm's strategic learning or capability development (Barney, 1991; McIvor, 2009). From the RBV viewpoint, recurring transactions can still be outsourced, or hybrid sourcing models can be utilised.

2.4 Conceptual framework for make-or-buy decisions

In this chapter, the thesis will combine suggestions from TCE and RBV and provide a practical framework for outsourcing decisions. Scholars such as Moschuris (2007) and Serrano et al. (2018) mention that companies would benefit from a structured decision-making process and a strategy related to outsourcing decisions. Often, firms' outsourcing decisions can be intuitive and lack planning, deriving from a need to cut costs or address quality issues rather than a strategic approach (Moschuris, 2007).

Moschuris (2015) mentions that cost and quality have the most impact on make-or-buy decisions. As minimising costs is the central outcome of TCE, the determinants from TCE should have significant value in decision-making. This supports McIvor (2009) and Williamson (2008), who emphasise asset specificity as the most important determinant within the TCE framework.

2.4.1 The initial structure of the framework

The decision-making framework developed in this chapter is structured around four main themes identified in TCE and RBV, grouping situations where the two theories provide similar suggestions and help inform decision-making when their implications differ.

In the two theories, four main themes can be identified.

2.4.1.1 Specialisation

The first area of the framework will be referred to as Specialisation in this thesis. It aims to assess how much an activity involves asset specificity, customised investments, or inimitable knowledge. High specialisation suggests vertical integration from both theories' perspectives. TCE focuses on the risks of opportunism and high switching costs (Williamson, 1985), while RBV emphasises the strategic value of specialised assets (Barney, 1991).

Its primary position inside the framework is justified by McIvor (2009), who sees asset specificity as the most crucial factor in make-or-buy decisions, and Jain and Thietart (2014), who argue that a significant part of RBV factors influence asset specificity. Jacobides (2008) states that differences in firms' capabilities at various stages of the value chain can lead them to specialise in areas where their capabilities are strongest, even if transaction costs are not very high. In recent literature, Helfat et al. (2023) note the modern trend of hyperspecialisation, where tightly integrated and intangible resources become increasingly important for a company's competitive advantage.

2.4.1.2 Strategic importance

The second area will be referred to as Strategic importance. It focuses on how an activity contributes to a company's long-term development of competitive advantage, such as innovation, differentiation from competitors, and the development of core capabilities. TCE supports internalising strategically important activities due to their sensitivity to

environmental uncertainty (Williamson, 2008). From the RBV perspective, internalising strategically valuable activities is necessary to preserve the company's unique capabilities and develop new ones (Prahalad & Hamel, 1990). In this thesis, the definition of core competencies by Prahalad and Hamel (1990) is used. They define them as activities based on valuable, rare, inimitable, and non-substitutable resources, and part of a firm's long-term competitive advantage. Ferreira and Serra (2010) further argue that in mature industries, strategic alignment becomes as important as minimising costs in outsourcing decisions. As Strategic importance is insufficient to justify decisions, it is positioned after Specialisation in the framework to evaluate whether the activity involves unique investments or capabilities that make internal production more beneficial.

2.4.1.3 Standardisation

The third area will be referred to as Standardisation. This focuses on the routine, repetitive, and low-variance nature of an activity. This dimension evaluates whether outsourcing would be more efficient due to economies of scale and contract simplicity. In TCE, frequent transactions with clear procedures and low asset specificity support market governance (Williamson, 1985; Lyons, 1995). The RBV partially aligns with these ideas but does not recommend outsourcing if the standardisation process involves opportunities for capability development or strategic differentiation (Barney, 1991; McIvor, 2009).

2.4.1.4 Operational context

The fourth area, Operational context, aims to identify nuanced and industry-specific considerations that could affect the governance structure. In literature, Williamson (2008) acknowledges that governance choices are often context-dependent, and Espino-Rodríguez and Padrón Robaina (2006) state that RBV should consider external environments better. The goal is to evaluate the suggestions of the three other areas in light of the firm's environment and modify the governance choice accordingly.

When evaluating a company's operational context, it is essential to consider factors such as the uncertainty of the firm's operational environment, industry maturity, and potential need for strategic flexibility. The same governance structure may not be universally applicable across different contexts, even when they possess characteristics that might suggest a particular outcome.

For example, a company might favour outsourcing even for semi-specialized activities in mature industries where cost efficiency is key, due to well-established supplier networks and a stable environment (Ferreira & Serra, 2010). On the contrary, even standardized or lower-volume activities may be kept in-house in emerging or technology-intensive industries to minimize risks and build capabilities (McIvor, 2009). Grant (1991) supports this, stating that a company's strategy should focus on what it can do better than its competitors in uncertain environments. Combs and Ketchen (1999) find that firms are more likely to cooperate when facing scarce resources, even when cost-based decision-making is not recommended. Friedrich et al. (2022) also support contextualising decisions to account for environmental influence.

The purpose of this area is not to serve as a primary driver for decisions, but to evaluate the suggestions of other factors in the firm's competitive and operational environment. This ensures that the governance structure aligns with theoretical logic and external realities.

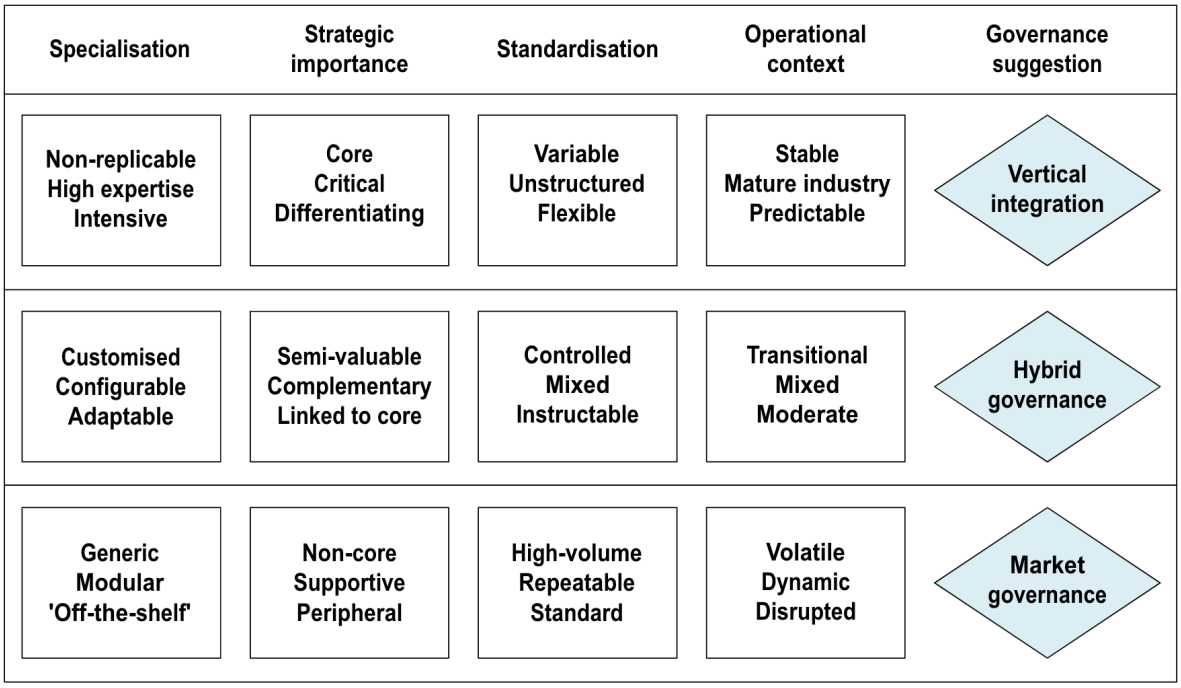

Figure 2. Theoretical framework

3 Methodology

In this chapter, the thesis will explain the methodologies used in research in general and specifically in this thesis. The first subchapter will describe the research approach used in this thesis, and the second subchapter will introduce the case company. The third, fourth, and fifth subchapters will describe the data collection process, analyse the data, and assess its quality.

To ensure a solid foundation for the findings of this thesis, it is essential to present the methodological choices of the research. Therefore, this chapter serves as a foundation for understanding the findings presented in Chapter 4.

3.1 Research approach

As this thesis and the studied case were both assigned by the case company, this thesis employs a qualitative, single-case study as its central strategy. The methodological structure that is used follows the research onion model introduced by Saunders et al. (2023, p. 131). The research onion outlines the various stages of designing research, encompassing philosophical foundations, methodological choices, and data collection techniques.

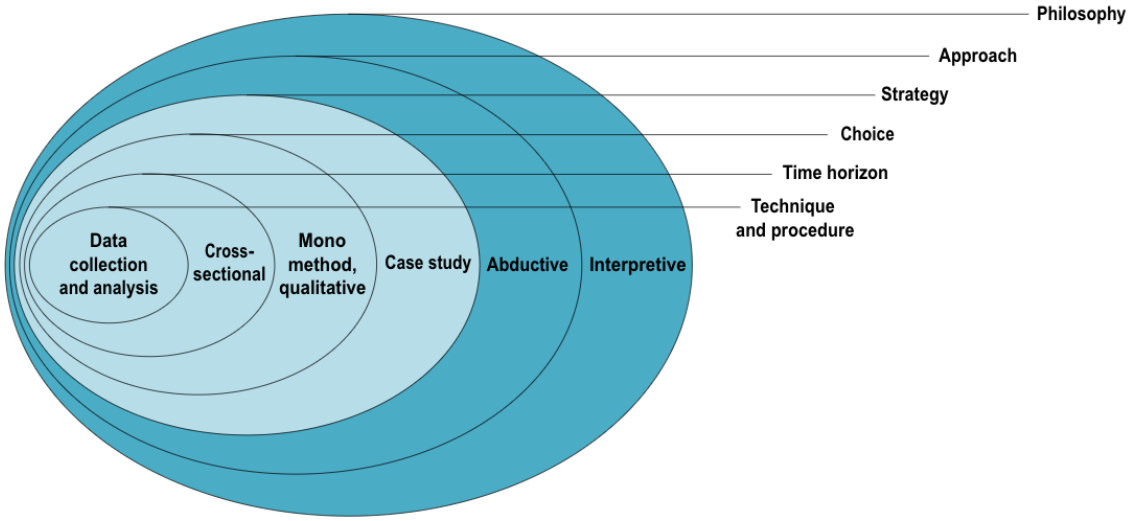

Figure 3. The research onion (based on Saunders et al., 2023, p. 131)

At the philosophical level, this research is positioned within the interpretivist paradigm. The interpretivist paradigm examines human behavior and its nuances in various contexts. According to Saunders et al. (2023, p. 143), interpretivism is suitable for situations where the differences between humans as social actors are studied. The authors view organisational processes as social constructions, and state that the best way to understand them is by studying the interpretations of the people involved in them.

This study employs an abductive logic, as the theoretical framework from Chapter 2.4 was used in analyzing the data, rather than developing a new theory from the interview data. Following the guidelines of Saunders et al. (2023, p. 185), the methodological approach in this study is a mono-method qualitative design. There is only one formal method for primary data collection, the semi-structured interviews. Additional data sources, such as reports, tools, and process description documents, are considered secondary data sources that can be used in addition to the interview data if necessary. Qualitative research enables the examination of processes, meanings, and experiences in their natural, real-world settings. Edmondson and McManus (2007) describe this approach as suitable in scenarios where deep and detailed insight is required to develop new conceptual understanding.

As mentioned, this thesis employs a single-case study strategy, allowing for a comprehensive analysis of a specific organisation and its practices. According to Woodside (2016), case study research is particularly suitable when the goal is to gain an in-depth understanding of actors, interactions, and processes in their development over time. Case study research can reveal both the conscious and subconscious nature of decision-making and behavior, which is an advantage of this research method (Woodside, 2016)

The time-horizon of this thesis is cross-sectional, meaning that the focus is on a 'snapshot' of practices at a specific point in time. While longitudinal research would provide benefits in examining changes over time, this study aims to identify and understand the current state and perceptions within the selected organisation, making a cross-sectional study design suitable for this study (Saunders et al., 2019, p. 212).

3.2 Case company and case description

The case company chosen for this study is a global corporation listed on Nasdaq Helsinki, operating in the marine and energy sectors. The company operates in over 70 countries and over 230 locations worldwide. In 2024, it reported net sales of approximately EUR 6.4 billion and employed around 18,300 people. In their operations, they emphasise sustainability, environmental and economic performance, and reducing carbon emissions.

The charge-air receiver (CAR) module is a standard component installed in the engines of the case company. In the existing model of operation, the module production is outsourced to another supplier. The case company offers the required raw materials, and the supplier does the assembly work. The arrangement is carried out with a supplier that the case company has previously worked with and has already been acquainted with. The module is delivered back to the case company as a fully assembled subassembly that is ready to be installed into the engine.

The selection of the case organisation was a combination of aligning the study programme's goals with the organisation's operations and a personal connection to the organisation. The specific research topic was shaped in cooperation with the case organisation, and thus, a suitable case study was also found. This approach ensured that the study discusses both relevant theoretical questions and practical considerations within the organisation.

The research question guiding this thesis asks how firms can use theoretical insights and practical cases to evaluate their outsourcing decisions. The chosen case is particularly suitable to answer the research question, because the decision-making process in the case, although not perfect, was thorough and received good feedback from those involved. The process was detailed and well-documented, which helps retrace the steps taken in the decision-making process. As the case organisation aims to develop the decision-making process more widely and throughout the company, the case offers comprehensive information to provide insights into future decisions as well. On an organisational level, such decisions can have a significant operational and financial impact. On a larger scale, such decisions can impact employment, economies of regions, and the public sector, especially when discussing large, multinational corporations, such as in this case.

3.3 Data collection

The primary data for this thesis were collected through semi-structured interviews. This method was chosen as it is suitable for studying complex and context-specific topics, especially in situations where the goal is to understand individual perspectives and reasoning (Saunders et al., 2023, pp. 450-451). The interview structure was guided by a predefined set of questions from various themes (Appendix 1), allowing for follow-up questions and in-depth analysis by participants as needed. This flexibility was valuable in this research context, as participants' reflections, explanations, and experiences provided the most meaningful insights. Due to the participants' different positions in the organisation's hierarchy, their answers provided diverse views on the challenges of this

topic from their perspective, but also common themes throughout the organisation could be identified.

Semi-structured interviews are considered adequate for research that aims to study underlying processes, decisions, and interpretations. They have sufficient space for participants to discuss their experiences and opinions in great detail, while also keeping the discussion focused on the topic (Saunders et al., 2023, pp. 450-451). This aligns with the interpretive approach of the thesis. The approach also allows participants to discuss areas they see as relevant to the topic, even if they are not included in the original structure of the interview.

A total of six individual interviews were conducted in this study. Participants were selected based on their involvement in the case being studied or in outsourcing decisions in general. A key contact person involved in this case provided a preliminary list of potential interview participants within the company, which was later adjusted due to scheduling limitations.

The interviews were conducted with individuals in various roles within the case organisation, selected from a cross-functional and multi-level pool of candidates. The participant group included representatives ranging from operational staff to managers, controllers, and directors. The goal was to gather diverse perspectives across functions and hierarchical levels. This also helps reduce bias and improve the data quality, as recommended by Patton (2015, p. 243). In this case, it helped show how outsourcing affects different organisational levels in different ways. The interviewees, their roles, and interview durations are presented in Appendix 2. The interviews ranged in length from 12 to 36 minutes. The shorter duration can partly be explained by the participants' preparation in advance, as the interview questions had been shared beforehand. All questions were asked of each participant. In a few cases, participants chose to skip questions when they felt they could not provide an informed answer. This did not affect the overall analysis, and all main themes were still covered across the interviews.

The interviews were conducted individually and scheduled to accommodate the participants' schedules. Each interview was conducted via Microsoft Teams. With the participants' consent, all interviews were recorded and automatically transcribed, and notes were taken to ensure accuracy in recording the answers. As advised by King (2018, p. 71), recording and transcription increase the accuracy of the data and enable more systematic analysis. A clear overview of the purpose, duration, and confidentiality of the interview was shared in advance to ensure transparency for the participants. Five of the interviews were conducted in Finnish and one in English, depending on the participant's preference.

While the primary data was gathered through interviews, supporting information, such as internal reports, tools, and analytics from the case, provided additional context. These materials were not analysed as separate data, but instead provided background for a better understanding of the case and for interpreting the themes emerging from the interviews. The materials included decision-making tools and calculations from the cost evaluation phase of this case. The accompanying information thus supported interview answers related to costs and strategic decision-making.

Participation in the study was voluntary, and interviewees had the right to skip any question or end the interview at any point. The goal was to create a space where participants felt comfortable sharing their experiences and views openly. Using this approach, more detailed answers and thus a deeper understanding of the topic were gained.

3.4 Data analysis

The analysis of the interview data follows an abductive approach, which is well-suited to a qualitative single-case study and the overall interpretive nature of the research. Each interview was recorded and automatically transcribed using the tools in Microsoft Teams. The transcripts were reviewed and corrected to ensure clarity and accuracy. Notes were

also taken during the interviews to ensure that all nuances and areas of emphasis were captured.

The data were analysed using the Gioia methodology, a structured and widely acknowledged approach for conducting qualitative analysis. The methodology was first formalized by Gioia et al. (2013) and has been elaborated upon in subsequent publications (e.g., Gioia, 2021; Magnani & Gioia, 2023). It is widely used in organisational research due to its transparency and structured logic. In this study, the Gioia methodology was employed in a theory-informed manner: while the first-order coding remained close to participants' own terms, the organization of themes into higher-order categories was guided by a pre-existing framework (Specialisation, Strategic Importance, Standardisation, Operational Context). This allowed the findings to both confirm and refine the initial framework.

The analytical process of this study followed the main steps of the Gioia et al. (2013) and is visualised in Appendix 3. The process started with first-order coding, during which the raw data gathered from the interviews were analysed to find repeated words, thoughts, or themes in the answers. The aim of this phase was for the participants to describe their ideas using their own words, without attempting to link them to any existing theories or frameworks. This made sure that the findings were based on how the participants themselves perceived the case. According to Gioia et al. (2013), this step makes the participants' own voices more visible and keeps the initial stage of data analysis more closely linked to real-life experiences.

Once the first-order coding was conducted, the research moved to second-order coding. In this step, similarities between responses were grouped. This step aims to find meaning in patterns observed in the data. The objective was not to describe what the participants answered, but to consider any larger ideas or themes behind the answers. This phase involved the researcher providing more active input to interpret the information and begin relating it to potential explanations or concepts. As suggested by Magnani and Gioia (2023), the process included reviewing the data in light of existing research. The

aim of second-order coding is not to demonstrate any specific theory, but to improve understanding of the interpretation.

The selected method relied on the assumption that participants not only share experiences but can also reflect on them and provide valuable insights into how their organisation works (Gioia et al., 2013). This view of the participants as 'knowledgeable agents' shaped how the interviews were conducted and how their answers were analysed. The Gioia method was well-suited to the goals of this study, enabling an understanding of how outsourcing decisions are made and implemented, both in this scenario and in general.

3.5 Assessment of data quality

Ensuring research quality and credibility requires assessing the validity and reliability of the data. This study follows the framework created by Lincoln and Guba (1985), who provide four major dimensions that are used to assess qualitative research: credibility, transferability, dependability, and confirmability. This framework fits the interpretivist approach of this thesis.

The first dimension, credibility, involves assessing whether the findings of the study are believable and accurate to the participants' perspectives (Lincoln & Guba, 1985). This research pursued credibility by using data triangulation, comparing primary data from semi-structured interviews with secondary sources of data, such as internal reports and decision-making tools. This improves the connection between practical findings and theoretical implications (Saunders et al., 2023). However, due to the confidentiality of the data, the secondary sources cannot be formally analysed in the thesis, which reduces the credibility. The study also aimed to strengthen credibility by using the Gioia methodology (Gioia et al., 2013), which ensured that the participants' statements were reviewed thoroughly before connecting them to larger themes. The accuracy and transparency of the interview statements were facilitated by taking notes, transcribing, and recording the interviews.

Transferability is the second dimension of assessing data quality presented by Lincoln and Guba (1985). It refers to how applicable the findings of the study are in other contexts, even if qualitative research is not intended to achieve statistical generalisation. The goal is to enable the reader to evaluate the applicability of the findings to their contexts. In this thesis, transferability is supported by linking the findings to established theoretical frameworks (TCE and RBV). In addition, participants mentioned other similar cases to the case study in this thesis, which could support the transferability of the findings to other similar cases in the future as well. The case company is a large corporation in the marine industry, and managers in other similar organisations likely discuss similar issues as the case that was being studied.

The third dimension presented by Lincoln and Guba (1985) is dependability, which addresses the stability and consistency of the research process. A dependable study provides a clear trail of what has been done, allowing future researchers to follow and review the methodological decisions of the study. This thesis aimed to improve dependability by providing clear records of the data collection and analysis procedures. The same semi-structured interview guide was shared with all participants, though it also remained flexible by allowing participants to pass questions. The analysis process followed the steps of the Gioia methodology, which enables tracking the process and repeating it in other scenarios.

Confirmability is associated with how much the findings come from the participants' actual experiences and statements, without being influenced by the researcher's own opinions, preferences, or expectations (Lincoln & Guba, 1985). To improve confirmability, participants' own words were preserved in the initial phases of the analysis, being as close as possible to the data, and then exploring the theoretical interpretation. The researcher's own position and history with the case organisation were noted, and usage of internal documents and existing theoretical models aimed to minimise the effects of personal bias and increase confirmability.

4 Findings

This chapter presents the main empirical findings of the study, based on the six semi-structured interviews held with employees from the case company. The research question to be answered in the study was as follows: How can firms use theoretical insights and evaluate practical cases to decide what should be outsourced and what should be kept in-house? A previous make-or-buy case from the case company was analysed in the research. To answer this question, the interview data were analysed using the Gioia methodology, which allowed for a clear, systematic, and structured progression from first-order concepts (participant statements) to second-order themes (interpretive categories) and finally connected to aggregate dimensions (overarching themes).

The CAR module outsourcing was chosen as a particular case in this thesis at the request of the case company, as they wish to gain a deeper understanding of the current decision-making process and its implications. This case is a strategically critical make-or-buy decision because the company possessed the technical competence to manufacture the product internally; however, other factors influenced the decision. The findings, therefore, provide insight into how outsourcing decisions are made in cases where the division between core and non-core production is unclear.

As this study employs an abductive logic, the interview data analysis was grouped into dimensions from the theoretical framework after first-order and second-order coding.

4.1 Specialisation

The interviews revealed that the case company did not outsource the production of the CAR module due to a lack of internal capabilities. Many participants mentioned that the company had the skills, equipment, and expertise to produce the module internally. Several factors influenced the decision to outsource, including limited space in the facilities, current production flow requirements, and the relatively standardized nature of the product. These aspects are discussed in the following subchapters.

4.1.1 Internal capabilities

Throughout the interviews, there was a consensus that the case company possesses the necessary skills, equipment, and knowledge to manufacture the CAR module in-house.

> *"This item would be easy to produce ourselves, and it is a relatively standardised item. (Interviewee 1)*

The decision in this case was also backed up by previous decision-making.

> *"In practice, there were two main drivers. The first was that, in a somewhat similar case, production had been outsourced, a decision that was made 15 to 20 years ago. This case fell into the same logic. The second was that, when the decision was made to transfer production from Italy to Finland, there were many uncertainties regarding how this would be done in practice. For this component, a lower space is adequate, which made its production not mandatory to be included inside the new facilities. Our general strategy is to carry out the machining of key components, final assembly, and testing in-house. All such modules are at the centre of volume capacity management, where the key question is which of them should be produced elsewhere and which should be made in-house." (Interviewee 3)*

Other interviewees also stated that the company possesses the necessary skills, personnel, and technical expertise to conduct manufacturing in-house. In this case, outsourcing was not due to a lack of expertise, but rather to other operational and strategic factors that will be analysed in the following subchapters.

4.1.2 Quality considerations

In the interviews, quality issues were identified as a risk and a key factor influencing outsourcing decisions. It was mentioned that in-house production would give a greater degree of control.

> *"Generally speaking, producing in-house gives us better control, which usually results in higher quality products. Quality is easier to monitor and maintain in-house. Of course, when we outsource, we lose some of that control, and the quality of the production is harder to oversee." (Interviewee 6)*

In this case, however, there was no mention of significantly worse quality in the production; in fact, the supplier was mentioned as being able to manage the production well.

> "*There were no unforeseen issues with quality in this case. (…) No news is good news; we receive very few complaints about these modules, which is in itself a positive indicator" (Interviewee 3)*

> *"I feel like the outsourcing itself has worked quite well." (Interviewee 2)*

The general view taken from the interviews seems to be balanced. The interviewees were aware of the risks of outsourcing production. In-house production is traditionally associated with high levels of quality control; however, in this case, the supplier was also considered very reliable, with few complaints and consistently good performance. Quality thus became both a primary consideration and an indicator of success; outsourcing was considered a viable, even beneficial option, as long as the supplier maintained the high standard of production. It was also indicated that the supplier regularly communicates and cooperates with the case company. These factors support the current operational model.

4.2 Strategic fit

This subchapter examines the relationship between outsourcing decisions and the company's strategic direction and decisions. This dimension focuses more on general issues of business priorities and positioning rather than practical capabilities.

The following subchapters discuss the distinction between the case company's core and non-core activities and how production of the CAR module is positioned within that scope. The case company's long-term strategic direction is also discussed, along with the potential risks associated with supplier dependency. Together, their perspectives underline that outsourcing is also a crucial strategic decision, in addition to being an operational issue. The following section discusses how these themes emerged in the interviews and what their implications are for defining a company's boundaries between internal and external production.

4.2.1 Core versus non-core activities

There were different opinions among interviewees on whether the CAR module and its production are a part of the case company's core business. On the one hand, participants emphasized that the module is a standard, standardized mechanical assembly that is not central to the case company's distinctive capabilities.

> *"We are considered both a manufacturing company and an assembly company. As we evaluate our performance based on the production speed of the engines, it is obvious that each part plays a significant role in that. However, I would not consider this activity as being our core business." (Interviewee 1)*

> *"These are mechanical modules. It has been communicated openly for the past eight years that they are not part of our core in-house production, and on that basis, it has been established that their production can be shifted according to capacity and volume requirements to provide flexibility." (Interviewee 3)*

Collectively, these viewpoints positioned the module outside of the company's core activities and thus, outsourcing was viewed as an appropriate approach due to the item's repeatability and transferability.

The strategic importance of the product was emphasized simultaneously, and therefore, some perceived that the module belongs to the case company's core business.

> *"I would say these are a part of our core business." (Interviewee 2)*

> *"Without this module, the engine would not function properly, so in that sense it is definitely core." (Interviewee 5)*

These responses demonstrate differing views over the definition of core activities: whether core is understood as activities that are critical to the functionality of a product, or the activities that differentiate the long-term strategic position of the company. From a second perspective, although the CAR module is essential to the engines, it is not considered as strategically central as components that are technically more demanding or more highly customised and are thus kept in-house.

Most participants characterised the CAR module as non-core, as it is standardised, has large volumes, and therefore can be outsourced without compromising the company's unique competences. Some respondents emphasised the module's functional necessity to the engine, which makes the boundary between core and non-core activities not always straightforward.

4.2.2 Long-term strategic direction

Some interviewees stated that the decision to outsource the CAR module was not an isolated decision, but part of a longer-term strategic direction within the case company.

There was continuity when examining this case and comparing it to the treatment of similar mechanical modules in prior cases.

> *"There has been no discussion about rebuilding in-house production. The strategic direction taken with other mechanical modules has continued in this case as well." (Interviewee 3)*

The outsourcing in this case was also viewed as in line with a policy that had been publicly stated for years. As mentioned, the manufacturing of mechanical modules can be transferred and relocated as needed by the company. According to this view, the decision in this case is not only related to short-term constraints of facilities but also has advantages by maintaining flexibility through strategic outsourcing.

By some respondents, the CAR module could be seen as belonging to a broader group of products already considered non-core.

> *"Strategic significance influenced the decision in the sense that from our perspective, this module falls into the category of 'standard mechanical module assemblies,' which have already been heavily outsourced. Strategically, the direction is therefore towards not viewing these as in-house manufactured components." (Interviewee 3)*

The module itself was not considered strategically important to the company; however, other strategic factors had to be considered when making the decision.

> *"It is not core business, and not really strategically important. However, this was not the only factor that impacted the decision. In the new facilities, space is limited. In the old facilities, an 'emergency production line' could have been possible if needed, whereas in the new facilities, the strategy has been to stay inside the four walls and keep what we have and not disrupt the flow, with extra insourced*

production, which has meant that new production has been outsourced. One strategic viewpoint has also been cost control. Cash flow has not been very high in recent years, which has pushed towards buying from a supplier, instead of having to invest in equipment and expanding the existing facilities further." (Interviewee 1)

Another respondent considered the decision in more critical terms, mentioning both the strategic significance of the decision and the fact that there were no realistic alternatives for how the production should be carried out.

"It was crucial that we were able to complete it in this way. Generally speaking, however, I would describe the situation as one where we effectively had no alternatives. In practice, we did not even have a facility where this product could be manufactured in-house, which meant that outsourcing was almost predetermined. Of course, a make-or-buy assessment was carried out, but since there was no real option to produce it ourselves, the process felt somewhat symbolic. In other cases, particularly on the automation side, there have been similar situations where it has not always been clear to me why certain decisions were made. Ideally, there should be a clear evaluation of each case, and if outsourcing provides more value, then that should be the chosen option. Here, however, the lack of alternatives made outsourcing the only feasible choice, which left some of the underlying reasoning rather unclear to me." (Interviewee 5)

At the same time, interviewees were asked whether the in-house production of the CAR module had long-term benefits. The majority of responses were negative.

"I do not think so. The simultaneous 'ramp-up' of the new facilities took many of our resources, and in-house production would not have given major cost advantages or valuable know-how." (Interviewee 1).

Another participant compared the nature of the CAR module to some parts that are still produced internally.

> *"I do not see any particular benefit from producing it in-house. Of course, if we had had suitable 'fit-for-purpose' facilities available, it would have been one possible option. If we compare it, for example, to turbocharger modules, which are still manufactured in-house, those have clearly more customer-specific tailoring and other components with a longer lead time. Naturally, some of those components exist in this module as well, but we handle those ourselves, so I do not see that we are losing anything." (Interviewee 3)*

The trade-off between internal capacity preservation and cost management was also noted.

> *"In general, I believe that in-house production can provide strategic advantages to a company. Of course, it is always a trade-off between maintaining that capability internally and the associated costs. Sometimes the optimal balance might be to keep 60–70% of maximum capacity in-house, while maintaining an external option for volumes that exceed the normal range. This approach also provides flexibility in the event of disruptions to internal production, such as strikes, or region-specific risks, such as typhoons in Asia." (Interviewee 4).*

When discussing whether rebuilding in-house production had been considered, most answers again stressed continuity with the current direction of outsourcing decisions.

> *"Rebuilding internal production has not been discussed" (Interviewee 2)*

> *"There has not been a need to consider rebuilding internal production." (Interviewee 5)*

> *"There has not been a discussion of rebuilding internal production; the strategic direction taken with mechanical modules has continued in this case as well." (Interviewee 3).*

It was mentioned that while such discussions occur regularly, they are also limited by practical realities.

> *"Outside of this case, this is a regular discussion across our departments. Particularly, when there are quality issues, and especially in cases where the supplier is physically located far from us. Reclamations and refunds are challenging, and production issues are even more difficult to resolve elsewhere. However, if we were to do everything ourselves, we would quickly run out of room. I do not see us becoming any more of a manufacturing company than we are right now in the near future." (Interviewee 1).*

These answers reflect that the outsourcing of the CAR module not only aligns with the case company's established strategy but was also justified by what is seen as the limited value of internalizing production, in this case, as well as more generally. Although some interviewees noted the flexibility provided by in-house capabilities in the long term under specific conditions, the overall consensus was that standardised mechanical modules should be outsourced. Historical experiences, facility constraints, the pressure to control costs, and the need to maintain strategic flexibility have all contributed to outsourcing becoming an integral part of the company's long-term direction.

4.2.3 Supplier dependency

Supplier dependency was a recurring theme in the interviews, though its perceived importance varied. Some participants considered it a systemic issue for the case company.

> *"Supplier dependency is a constant problem for us. I am not sure if this was the case for this specific company, but for some suppliers, we generate a significant portion of their yearly turnover. This creates a dependency on us, and we feel obligated to keep their business running. Also, due to geographical reasons, supplier options are limited in Vaasa and Finland. When it comes to information sharing, it can be tricky as we do not want to disclose more than what is necessary. At the same time, for example, the purchasing of parts needs to be coordinated so that our production lines do not stall due to a lack of materials. On the other hand, we do not want to have too big a storage either." (Interviewee 1)*

Interviewee 1 also mentioned that the case company's practice of distributing raw materials to suppliers sometimes leads to a situation where the company's materials are scattered among different supplier sites, creating another layer of dependency.

Supplier dependency was seen as a risk in the case company.

> *"When thinking about outsourcing in general, a key issue is supplier dependency. In recent years, we have worked to raise awareness of cases where certain critical components were sourced exclusively from a single supplier. We have defined criticality levels for components, and for more critical components, it is essential to maintain multiple options. This is not only important for managing volume and risk but also because a single supplier is aware of their monopoly position and may use it to increase prices." (Interviewee 4).*

> *"We do have some single-source suppliers, which creates risks. Suppliers may take advantage of such situations, and relying on just one supplier is, in my view, a significant risk. For example, they can heavily dictate prices if we are too dependent on them, which quickly creates problems for us." (Interviewee 6)*

Others felt that the dependency risk is less relevant in the case of the CAR module.

> *"In this case, I do not see supplier dependency as a risk as the production is rather easy to transfer either to another supplier or back to us if necessary." (Interviewee 2).*

It was also noted that although dependency could be problematic, in this instance, mergers had reinforced the suppliers' position.

> *"Previously, this would have been an unreasonably large product to be outsourced to one single supplier. However, some mergers made the supplier company larger, making them a more suitable supplier for also producing the CAR module." (Interviewee 3)*

For another respondent, the risk was noted, but efficiency and supplier flexibility were viewed as more important.

> *"There is always a risk when relying on a single supplier. If something were to happen to them, we would naturally be exposed to uncertainty. (…) Ideally, there could have been two suppliers, allowing orders to be split evenly, but in this case, that option was not seriously considered. Instead of diversifying, all activities were placed with a single supplier. The emphasis was more on centralizing production and achieving flexibility through that arrangement, which was considered more important." (Interviewee 5)*

Together, these perspectives suggest that supplier dependency is a recognized risk in the case company's outsourcing practices, although its impact on decision-making varies. While some consider it a long-term structural issue that should be mitigated through a multi-supplier approach, others feel that it is less of an issue for standardised mechanical modules, such as in this case, as production tends to be relatively easy to relocate. Ultimately, centralisation was seen as more important in this case, and the advantages

gained from the efficiency and supplier flexibility in this model outweighed the risks of supplier dependency.

4.3 Standardisation

The CAR module was found to have relatively high levels of standardisation. Some answers indicated that, compared to other engine parts, the part is not as sensitive to customer adjustments.

> *"Often in our sales, the problem is that after we have sold the engines, the customer has many changing demands and requests. In general, however, this module is unaffected and does not require alterations." (Interviewee 1)*

> "*Naturally, there is always some variation in these products between our engine types, but this is a very stable and standardised product. There are far fewer changes than, for example, in a similar product that is outsourced to the same supplier, the production of which they also manage well." (Interviewee 3)"*

The supplier's role was not to fill in missing capabilities. Instead, the high level of standardisation made it easier to move this production to an external, familiar supplier with existing capabilities and an established specialisation in the case company's products.

> *"From what I understand, the scope of this item has already been handled externally for some time, so it felt natural that the production would be handled externally" (Interviewee 5)*

Outsourcing could also be justified by the high production volume of the item, which aligns with the idea of a routine, repeatable process.

> *These are produced at a big volume, so that had an influence, as the costs saved were significant." (Interviewee 2)*

4.4 Operational environment

This dimension discusses the external factors and process elements that influence the outcome. Interviewees revisited issues that included cost expectations and how they were met, the transparency and inclusiveness of decision-making, and the impact of market conditions and the cyclical nature of the industry. Together, these perspectives help to demonstrate that outsourcing is not just about internal capability or long-term strategy, but also about managing financial pressures, organizational practices, and a volatile external environment.

4.4.1 Space and production flow

Multiple interviewees mentioned the significant influence of physical limitations in the outsourcing decision. Although extensive in size, the space inside the case company's new production facilities was still limited. Additionally, a production flow had already been established.

> "*Production of this item would have disrupted our existing flow, and there was not enough room for it either." (Interviewee 2)*

> *"At the moment, our facilities are quite full" (Interviewee 6)*

The nature of the module itself also added to the difficulty of finding space for its production in the new facilities.

> *"Of course, the fact that these modules are produced in large quantities and are physically large in size had a major influence on the decision-making. It was also important to free up material flow and space within our own facilities." (Interviewee 5)*

This lack of available capacity reinforced the need to outsource in order to avoid disrupting existing production flows and maintain efficiency within the already dense facilities. Even though the case company had the technical capability to produce the module in-house, the physical constraints of the plant made it more practical to outsource the module's production.

4.4.2 Cost expectations and outcomes.

Cost evaluation was one of the key aspects that impacted the decision to outsource. In the interviews, the financial implications of make-or-buy decisions were seen as substantial.

> *"Evaluations of this nature have financial implications in the order of millions, making it essential to only produce in-house those items for which it is most sensible to do so, and to outsource those items for which internal production is not economically or strategically justified." (Interviewee 2)*

When discussing the actual outcomes in this case, the interviewees agreed that no significant unforeseen costs came up.

> *"No unforeseen costs," (Interviewee 2)*

> *"Nothing unforeseen, of course, in transferring production there are always challenges, but in my opinion, this was handled well." (Interviewee 3)*

> *"I do not think there was anything unexpected. It is possible that there were some challenges in the beginning." (Interviewee 5)*

While some minor challenges arose, there were no significant deviations from the expected outcomes.

It was acknowledged that the cost assessments themselves were not entirely clear-cut, and one participant referred to the evaluation tools as “kind of textbook examples.”

> *“For example, due to the complicated process and being such a large corporation, the actual costs of production can prove to be surprisingly difficult to evaluate. A framework exists, but the information used in it needs to be evaluated critically. Certain aspects, such as available machinery, production capacity, and workforce availability, may not always be fully accounted for in the tools, despite their relevance for cost outcomes.” (Interviewee 1)*

The accuracy of calculations and available data was considered an area for improvement, as they serve as the basis for decision-making.

> *“Decisions should be made based on thoroughly and accurately conducted calculations.” (Interviewee 2)*

> *“The availability and accuracy of production cost data should be improved. This includes ensuring that production time is properly considered, that data quality is enhanced, and that the information is easily accessible and accurate. At present, the large number of cost centres makes it difficult to compile reliable cost data.” (Interviewee 1)*

The need for cost reduction was also highlighted from a product management perspective. It was noted that the challenge is not just in identifying potential opportunities to reduce costs, but also in ensuring that these reductions are achieved in practice. This involves the systematic realisation of each opportunity to the fullest extent possible while simultaneously balancing cost targets with product performance. Balancing this was described as a cross-functional activity critical to maintaining competitiveness. Retrospective analysis revealed that, although the outsourcing process was generally viewed as successful, the initial cost assumptions were not entirely met.

> *"I feel like the outsourcing itself has worked quite well. However, the actual costs have not been in accordance with the initial calculations, and the decision has not been validated yet (at the time of the interview). While the costs have not been significantly higher in practice, the option originally assessed as the most rational was ultimately not selected." (Interviewee 2)*

This indicates that there was no significant escalation in actual costs; however, the evaluation process compelled the project to follow a path different from the one implied by the initial calculations. It was mentioned that one of the challenges is accounting for additional costs that may arise from process complexity.

> *"One of the more difficult aspects to replicate externally is understanding how the material flows and how it operates. If changes are made, it is essential to anticipate what consequences those changes will bring. Over the years, I have learned that my own strengths lie more in understanding the financial side, such as how time reporting is affected by different approaches, rather than in the material flow itself. In practice, there needs to be either one individual with a comprehensive grasp of all the relevant aspects or a small group of experts representing areas such as logistics, production control, and finance. Together, they can provide a sufficiently broad perspective to determine the best course of action and to anticipate what additional costs might arise under different scenarios." (Interviewee 5)*

These reflections collectively indicate that cost expectations were one of the primary factors influencing this decision, but their initial assessment and fulfilment were not straightforward. Although there were no significant unexpected costs, problems were still encountered in ensuring calculations matched actual business priorities and verifying the selected option was indeed based on the most rational financial outcome. This reflects the complexity of finding the right balance between minimising costs and strategic considerations.

4.4.3 Decision-making process and transparency

Throughout all interviews, there was an emphasis on the need for a straightforward, consistently applied, and consolidated decision-making process for make-or-buy decisions within the case company.

> *"One of the main issues is that a clear process for these types of decisions does not exist at the moment. Decisions are only made when it becomes necessary to do so." (Interviewee 2)*

> *"A process has been drawn, and a make-or-buy handbook has been made, for example, in this case, but I have not been aware of a formal process drawing or a handbook that could be applied throughout the company. Usually, we determine if we have the capacity for an activity, but sometimes requests for production are declined by the factory, even if we have the capacity. This then instantly shifts the focus to looking for a supplier. On occasion, we seek more supplier collaboration to maintain control; for example, a supplier could produce components that we own and operate. The handbook is not used in these cases either." (Interviewee 1)*

It was argued that a formalized decision-making process was not possible due to the complexity of such decisions within a large corporation like the case company.

> *"In make-or-buy decisions, the outcome is the result of numerous factors. In such cases, formally documenting a process (or trying to follow an existing documented process) is neither practical nor even possible due to the large number of variables, making each decision highly case-specific. Now that we are operating inside a single factory, the overall approach has become more coherent. In the past, when we had multiple manufacturing locations, practices could differ between factories as well, and the question was whether to proceed in the same manner or differently. From a procurement perspective, the current situation is better. Procurement*

prefers to view situations consistently, regarding the entirety of the company as one unified entity operating in the same way. In practice, this has never been entirely possible. The current arrangement is more straightforward." (Interviewee 3)

From the perspective of some departments, the process was not perceived as transparent. It was said to take place primarily between delivery management and supply management, with minimal consultation or information sharing, even though the results can make a significant difference to production cost. Some also viewed the decisions in the case company as largely predetermined before specific calculations or analyses were even made. As a result, it is difficult for those outside the process to feel included in the decision-making process.

"At the moment, there really is not a clearly defined process for make-or-buy decisions in our company. To put it bluntly, it often feels like someone has already decided the direction, after which a calculation is prepared to justify that choice, and then the process moves forward on that basis. In the case of the CAR modules, the process was somewhat more thorough, with different options being considered and compared. However, these cases tend to arise rather unexpectedly. Often it feels like a decision is announced and then implemented." (Interviewee 5)

"From the cases I have been involved in, the process has often felt as though the decision was already made before the detailed work began. Many times, no calculations or in-depth analyses are presented. In that sense, we would benefit from a more thorough evaluation process to support the decisions." (Interviewee 6)

"The current decision-making process is very heavily case-by-case, and there are not many repeatable aspects. For example, we lack documentation from previous business cases to utilise in new decisions that are made. Being such a large corporation also brings its own challenges. There have even been some cases where a

different area of our business buys a component from elsewhere, even though we also produce it ourselves." (Interviewee 1)

Despite these concerns, the decision-making process in the case of the CAR module received positive feedback from the people involved, who viewed the process as repeatable and transparent.

"A decision-making process could be established based on this case, as I see that the procedure used in this case is very repeatable." (Interviewee 2)

"I would describe this case as rather repeatable; however, there were also some issues. The category manager was not based locally, which contributed to a certain 'not invented here' dynamic. The supplier that was ultimately selected had the most credible plan at the time of the decision-making. This was something that everyone involved from our side agreed with. For a similar case, I expect we would follow a similar process. If the decision concerned another module, I would involve the category team more closely to ensure they have the ownership that they should also have had here. In this case, the supplier might not have met all of their criteria; nevertheless, from the end customer's perspective, the current solution is an excellent implementation." (Interviewee 3)

"I believe the process could certainly be applied again in another case. However, it requires a lot from the person or team leading it, particularly in terms of understanding what information is needed and where to obtain it. In that sense, the process is repeatable, provided the necessary expertise is in place." (Interviewee 5)

The improvement recommendations primarily focused on the need for a more transparent process and the use of better, more established tools.

"A dedicated process should be developed for these cases, and the processes and tools currently in place should actively be utilised, with the same procedures repeated consistently." (Interviewee 2)

"It is essential to define who is actually responsible for make-or-buy decisions because at the moment it is not entirely clear. Transparency is equally important, meaning that everyone should have a shared understanding of what is being discussed and that all relevant facts are brought to the table. These decisions are often highly complex, and a change in one area can create a domino effect elsewhere; therefore, the whole flow and overall impact must be understood. That requires involving the right people with the right expertise to support the process. Finally, it is important to establish ownership of the process, i.e., who leads it and who must be involved, because that clarity is currently missing." (Interviewee 5)

"It is important that we have a more holistic view of the overall strategy for managing these modules. When we decide to produce something, the most important factor is selecting a supplier, usually based on their proposals. In my view, we should focus on three realistic suppliers that we know can deliver, and then run a competitive bidding process between them. In this case, there may have been some urgency, and the supplier market had not been fully mapped, so there were not many credible options from which we could confidently choose, especially when considering financial risks. As the process went on, various factors ruled out certain candidates because they either could not deliver or would have posed too much risk. Once the 'playing field' is clear, it is much easier to make a decision." (Interviewee 3)

Overall, the answers revealed a consensus that, although there are frameworks and examples of good evaluation in outsourcing cases, the case company lacks a proper make-or-buy process, and the procedures are perceived as inconsistent, opaque, and highly case-specific. Several interviewees advocated for a more transparent structure, more

transparency and involvement for all relevant stakeholders, and repeatable tools which would help inform decision-making. The lack of such infrastructure risks limiting inclusiveness and potentially compromising the long-term effectiveness and credibility of outsourcing choices.

4.4.4 Market conditions

The interviews also emphasised the influence of more general market conditions and the cyclical nature of the marine industry. The decision to close a large factory abroad was cited as a notable example of how external and internal factors intersect. The plant was shut down in 2022 during an industry downturn, with the expectation of cost savings and efficiency gains by centralizing production in Finland. In hindsight, this decision has been questioned due to its adverse effects on the company's performance. The demand has increased since then, and production capacity in Finland, as well as joint ventures abroad, is already fully utilized. The closure also provoked widespread industrial and political opposition, with labour disputes, court cases, and public demonstrations impacting the organisation. These experiences have led to a reluctance to consider significant new manufacturing capacity, despite the challenge of sustaining sufficient capacity. Instead, smaller-scale local facilities, sometimes motivated by customer or regulatory requirements for domestic content, have been studied as alternatives. These examples illustrate how global market demands and political conditions influence strategic outsourcing decisions.

Looking specifically at the CAR module case, interviewees did not view uncertainty as particularly impactful. It was noted that the risks would have a relatively similar effect whether the product was manufactured in-house or outsourced. Risks, such as demand fluctuations, were identified; however, it was noted that the company is well-equipped to manage such risks.

> *"I believe the risks and their impact would be similar in-house and outsourced." (Interviewee 1)*

> *"Depending on our sales, there is naturally some fluctuation in demand; however, we can forecast production needs over a relatively long time horizon." (Interviewee 2)*

Some mentioned that supplier relationships would provide flexibility. Although economies of scale are generally important, it was explained that centralising production was more important in this case.

> *"When it comes to outsourcing, economies of scale can often play an important role, since they allow the company to adjust flexibly according to volumes; however, in this particular case, that was not the main driver. The decision was primarily about centralizing production elsewhere, allowing the modules to be delivered fully assembled to us. I do not think that volume considerations or market conditions had a significant influence on this decision." (Interviewee 5)*

Supplier efficiency was also discussed in relation to addressing uncertainties in demand for multiple products.

> *"When there is uncertainty about the proportion of demand between this product and another product outsourced to the same supplier, it makes sense to have both produced in the same location, thereby gaining the advantage of producing them in the same location." (Interviewee 3).*

Analysis of the interviews suggests that uncertainty and market volatility were considered in the CAR module case; however, they were not considered primary determinants of the outcome. The general context of industry cyclicality, capacity constraints, and the organisational impact of the Trieste closure have made market conditions another important dimension in understanding the case company's outsourcing practices.

4.5 Summary of findings and revised theoretical framework

Six semi-structured interviews were analysed, and the data from these interviews were examined using the theoretical framework presented in Chapter 2. Together, the dimensions describe how the interaction of technical competence, long-term strategy, and external conditions shapes the case company's make-or-buy decisions.

The first subchapter revealed that, although the case company had the technical capabilities and production know-how to produce the CAR module in-house, outsourcing was still considered the better option. The module was considered a semi-specialised, relatively stable component, which could thus be managed safely and reliably by an external supplier. At the same time, in-house production was viewed as a less viable option due to facility constraints and the need to maintain the current production flow for strategically more important parts. The finding is that outsourcing is not a result of incompetence, but rather a matter of prioritizing resources.

The second subchapter focused on continuity with the case company's long-term direction of outsourcing mechanical modules. Most interviewees viewed the CAR module as non-core and similar to other outsourced products. Others emphasized its functional importance, stating that without it, the engine would not run. This brought out a dispute over how core activities are defined, whether they should be based on technical criticality or on their contribution to strategic differentiation. The interviews also highlighted the financial and organisational drivers behind this trend: minimising costs, the need for flexibility, and the earlier outsourcing choices in similar cases. The trend has been towards moving routine, standard modules outside the firm to free up capacity for higher-value activities.

The third subchapter discussed the level of standardisation of the module. It was found that the module is considered standardised, even though it has a rather complex nature. Having a competent supplier supported the outsourcing of the complex item.

The fourth subchapter discussed the role of financial expectations, the decision-making process and its flaws, and the industry's cyclicality. There were no significant unexpected costs related to the CAR module being outsourced; however, the evaluation frameworks used were seen as oversimplistic and sometimes detached from practical realities. The decision-making process itself was typically described as non-transparent, case-based, and exclusionary. Market conditions and the nature of the industry were also relevant. The Trieste factory was shut down during an industry downturn, and the resulting capacity shortages demonstrated how external cycles, political pressure, and local content requirements influence strategic choices.

These findings suggest that the case company’s outsourcing of the CAR module can be characterized as the outcome of a dynamic balance. On the one hand, outsourcing is a deliberate long-term strategy for the company to concentrate internal resources on core competencies by outsourcing standardized modules to suppliers. On the other hand, decisions are heavily influenced by operational realities, including facility capacity, cost evaluation challenges, and the fluctuating demands of the marine industry.

Building on the theoretical framework presented in Figure 2, a revised theoretical framework is presented in Figure 4. The structure of the framework remains essentially unchanged, as most of the findings in this study confirmed the relevance of the four original dimensions presented in the initial framework. However, in the analysis, some more nuanced views of these dimensions could be found. Initially, specialisation was mentioned to be linked to the outsourcability of a product. While this was confirmed, it is worth noting that a company’s suppliers can also specialize in the company’s products and suggest hybrid governance, even in high levels of specialisation. In the interviews, the boundary between core and non-core activities was not clear, which complicated the evaluation of strategic importance. As this thesis employs Prahalad and Hamel’s (1990) definition of core activities, the implications of the initial framework for core and non-core activities still stand; however, a mention of ‘only functionally core’ will be added to indicate that such activities can still be outsourced. The analysis suggests that

standardisation drives outsourcing; however, the interviews also indicated that high levels of standardisation do not necessarily mean ‘off-the-shelf’ products, and standardised items can still be highly complex. If the supplier is competent enough, such items can still be outsourced. The impact of operational context was also reinforced. It was discussed that, due to industry volatility, similar decisions can be made differently depending on the industry conditions. The operational context was also discussed on a smaller scale, and it was found that organisational limitations can be a significant, or even the primary, determinant of decision-making.

Evaluating through the framework, the current hybrid governance model is the most suitable for the CAR module. It requires some expertise and a capable supplier, but also requires the supplier to specialise. The module is functionally important to the engines, but producing the modules is not considered strategically core business to the case company. It is relatively standardised and manufactured in large quantities. When evaluating outsourcing, organisational facility constraints did not allow for in-house production, pushing towards hybrid governance.

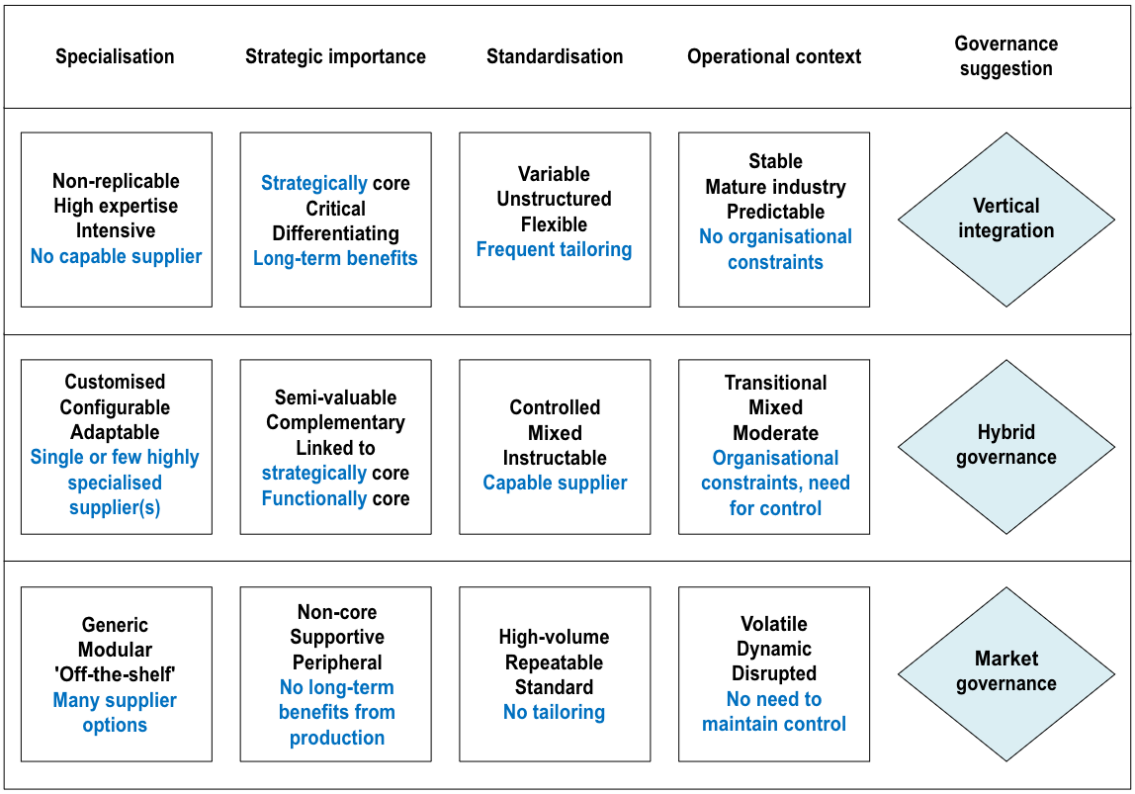

Figure 4. Revised theoretical framework

5 Discussion and Conclusion

This fifth and final chapter concludes this study by discussing the contributions and implications of the paper. The chapter is divided into four parts. In the first subchapter, the theoretical implications of the study are reflected on with the literature on make-or-buy decisions and the combined insights of TCE and RBV. In the second subchapter, the study's managerial implications are presented. The goal of the second subchapter is to identify ways in which the study's findings can support decision-makers in practice. The third subchapter discusses the limitations of this study and its methods. The fourth subchapter provides recommendations for future research.

5.1 Theoretical implications

This study adds to the theoretical foundation of make-or-buy decisions by providing refinements and extensions of the combined insights of both the TCE and the RBV. The results can be interpreted through the four dimensions presented in the theoretical framework of this study: specialisation, strategic importance, standardisation, and operational context, all of which received validation in the study.

The research contributes to the discussion on specialisation as a factor influencing governance decisions. In TCE, high asset specificity has been traditionally linked with vertical integration, as outsourcing exposes firms to the risk of opportunism and lock-in (Williamson, 1985; McIvor, 2009). RBV supports this idea as well, as resources that fulfil the VRIN criteria are suggested to be kept in-house. The findings of this study contribute to this discussion by demonstrating that a supplier can also develop a deep specialization in the products of the focal company. Even if high asset specificity would, by itself, suggest vertical integration, in instances where specialized suppliers complement in-house competences, production can be governed through hybrid arrangements. This adds nuance to the theoretical prediction that high specialisation results in vertical integration and emphasises the contribution of supplier-side specialisation to the process of determining the most suitable governance type.

A notifiable observation was made about understanding a company's core competencies. According to the definition presented by Prahalad and Hamel (1990), an activity is considered core if it is based on valuable, rare, inimitable, and non-substitutable resources, and it contributes to the firm's long-term competitive advantage. The product discussed in this case does not fulfil this criterion. TCE does not specify a definition for a company's core competencies. In practice, the RBV-based definition was not used by all participants; instead, some viewed core competencies from a more functional perspective. This suggests a need to distinguish between functionally core and strategically core products. In this case, the CAR module was considered functionally core for the case company, as it is required for the engines' operation; however, it was not strategically core, as it was standardized and similar to other outsourced items. This differentiation sharpens the conceptualisation of RBV by demonstrating how the line between core and non-core activities is challenged in practice. It builds upon prior discussions of how managers operationalize strategic importance in mature industries (Ferreira & Serra, 2010).

The research also connects with the standardisation aspect. TCE links standardisation to market governance, and standardised activities are defined as routine, low-variance, and needing only limited specific investments (Williamson, 1985; Lyons, 1995). RBV partially agrees with these suggestions, but from an RBV perspective, it is only acceptable to outsource activities if they do not offer opportunities for capability building and/or differentiation (McIvor, 2009). To a large extent, the research supported the reasoning of these two theories, as the CAR module was viewed as a standardized product, without significant capability-building opportunities, and thus it could easily be outsourced. Building on this, it was observed that standardised items can remain quite technical and require extensive capabilities from the supplier. Therefore, it is essential to distinguish between standardization and simplicity, and to maintain outsourcing as an option, even in more complex situations. In the literature analysed for this thesis, the role of supplier competence was not analysed in detail.

The research also analysed the role of the operational context dimension in practice. The current literature provides suggestions for governance depending on factors such as uncertainty (environmental and behavioural), industry maturity and flexibility needs (Williamson, 2008; Ferreira & Serra, 2010; McIvor, 2009; Friedrich et al., 2022), the results from this study extend on these by providing additional insight on how contextual factors can override other determinants in real life. In addition, the results indicate that predictability is not necessarily synonymous with stability, as cyclical demand and supplier dependency risks may render even apparently predictable environments unstable. Other contextual factors in this study included the transparency of decision-making processes and the use of overly simplistic or otherwise inadequate cost-assessment instruments. These support the conceptualization of the operational context by emphasizing that internal organizational constraints and decision-making processes act as a finalizing guideline for decision-making.

The research also contributes to strengthening the meaning of both TCE and RBV, as well as their combined use, in the outsourcing literature. The theories highly complement each other, TCE being more efficiency-oriented and numbers-based, and RBV focusing more on strategy, capability-building, and long-term growth. This paper aims to provide empirical support by combining the two theories into a framework that highlights their common themes, addresses their differences, and examines the nuances of these standard dimensions. Combined, they provide a conceptual framework that validates the integration of TCE and RBV for make-or-buy decision-making.

5.2 Managerial implications

Besides the theoretical implications, this study offers some implications to managers involved in make-or-buy decision-making. These implications aim to support decision-makers in assessing and evaluating outsourcing decisions in practice, while also providing examples found in the case company.

The first suggestion for managers is to maintain and develop strong, long-term relationships with suppliers. In this case, a significant factor contributing to the success of the operation mode can be attributed to the seamless collaboration between the case company and the contractor. While the risk of dependency exists, giving the supplier much responsibility can pay off in the long run and free up space for more critical company activities. In situations where specialisation levels are high, cooperation with a supplier that has developed long-term experience in the technologies of the focal company can allow outsourcing without risking performance loss. This implies that, in addition to assessing the capabilities of their own firm, supplier capabilities should be assessed in depth, as it can expand the possible governance structures.

The second suggestion is that firms should enhance their decision-making processes and ensure that any available tools are systematically utilized. In the case studied, the case company had created tools and templates used to assess outsourcing; however, outside of this case, more generally applicable tools or processes did not exist. This inconsistency caused some confusion and made it difficult to compare previous cases. If processes and tools for decision-making exist, they should be established as requirements and integrated into the decision-making process. This also creates a need to take ownership of updating them and ensuring that all concerned stakeholders review and contribute. From this standpoint, outsourcing decisions should not be finalized until relevant departments have verified that the data used is accurate and have approved the decision.

The third suggestion is that managers should have a harmonised understanding of their company's nature and, through that, their core competencies. In this case, there was a discussion about whether the case company should be viewed as a manufacturing company or an assembly company.

The fourth suggestion is that contextual and unique organisational aspects need to be made clear and taken into account in evaluations. In this instance, the case company's facilities underwent a major transformation, which had a significant impact on the final

governance model that was ultimately decided upon. Managers should address contextual factors in decision-making tools and processes, rather than making them an afterthought.

The final suggestion for managers is to make an effort to select suppliers realistically and accurately in outsourcing discussions. In this case, some suppliers were involved in the bidding process, who were later found to be incapable of actually delivering their proposed solution. This way, companies can avoid so-called 'benchmark' bidders. In practice, departments should be synchronised with each other on supplier options as well, which makes filtering through suitable suppliers and identifying possibilities easier. By including only realistic supplier options, extra work and confusion can be eliminated.

5.3 Limitations

Some limitations need to be acknowledged in order to analyse the results of this study critically. The most significant limitation is that the study was conducted as a single-case study. This limitation was partly due to the unavailability of documentation from previous cases at the case company. Using a single case restricts the extent of the analysis and limits the generalisability of the findings, although the object of the study was more analytical than statistical generalisation. The findings help analyse the studied case, but they should be interpreted within the context of the specific organization and industry.

The low number of respondents is also a limitation, although they were chosen to represent a wide range of perspectives from different organisational functions. The discussion was retrospective, potentially including some hindsight bias in the results. Triangulation of internal documents and decision-making tools was employed to ensure the accuracy of the interview data; however, some aspects of the decision-making process could only be verified through verbal confirmation.

The research methodology also includes some limitations. The Gioia methodology is inherently interpretive and relies on the researcher's judgment in choosing, grouping, and

interpreting categories. The hierarchical categorisation of answers may reduce narrative richness, and cross-study replication can be difficult due to the uniqueness of the case. While these are the limitations of most qualitative studies, they must be considered when analysing the strength of the results.

5.4 Suggestions for future research

The limitations of this study also provide suggestions for future research on the subject. Similar cases from the same industry, or different industries, could be studied to determine the applicability of the results. It could also be analysed whether the company size has an impact, and a similar case could be studied in an SME, for example.

Future research could also expand the methodology of this study. Including multiple cases or even extending to quantitative surveys could test the relative weight of the various determinants in make-or-buy decisions and measure whether the results of this study can be generalized to a broader industry. Longitudinal research would be beneficial in tracking outsourcing decisions over time, enabling the comparison of the impact of contextual restraints across similar cases.

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Artificial intelligence tools have been used in this thesis to support writing, structuring, translation, and data analysis preparation. The AI models and tools used included OpenAI's GPT-4 and GPT-5, as well as Microsoft Copilot. AI assistance was utilized for idea development and discussion of themes to test alternative approaches to research questions and themes. AI tools were utilized to assist in structuring the chapters of this thesis, ensuring a logical flow between sections, and to verify the consistency of the terminology used. During the research, AI tools were utilized to create interview transcripts, refine them for more fluent language, and translate Finnish interview transcripts into English. AI tools did not write original research content, decide on methodological choices, or perform the actual analysis of interview data. All AI outputs were reviewed critically, and their accuracy was checked and edited as necessary before inclusion.

Appendices

Appendix 1. Interview questions

Background and context

1. Describe your current role at the case company and how long you have been in this position.
2. In your work, are you typically involved in sourcing or manufacturing-related decisions? How?
3. How would you describe the general make-or-buy decision-making process in the case company, outside of this specific case?

Case-specific questions

4. Could you describe the decision-making process for the Charge Air Receiver module: what initiated the decision to outsource, how the problem was approached, and what was specifically decided?
5. In retrospect, which aspects of the case have worked and which have not gone as planned?

Questions from the theoretical framework

6. How much did this activity require specific knowledge or know-how that is difficult to replicate externally?
7. Did the activity require any specialised investments (such as customised equipment, systems, or processes) specifically tailored to this task or relationship?
8. How much did the strategic importance of the product impact the decision?
9. Do you think producing in-house could have provided any long-term advantages in this case?
10. Was the activity considered part of the case company's core business focus or related to it?

11. How much did the standardisation, repeatability, volume, or process maturity of the task influence the decision?
12. Did outsourcing aim to leverage supplier efficiency or scale advantages for this activity?
13. In the decision-making process, was uncertainty (such as volume fluctuations, market conditions, or technological development) considered?
14. Were any risks related to supplier dependency, information sharing, or long-term flexibility considered?

Process evaluation and future considerations

15. How would you describe managing the supplier relationship after the decision was made?
16. Were there any unforeseen coordination costs, quality issues, or risks that came up after the outsourcing decision?
17. How well does the current evaluation framework (tool, weight values, process) reflect actual business priorities? Were there any relevant factors or dimensions that were not covered?
18. Were there disagreements in the evaluation process? If so, where?
19. How transparent and repeatable do you feel the current decision-making process is across different teams or units?
20. Has there been discussion about rebuilding in-house production in the currently outsourced area?
21. What elements would you consider most important for guiding future make-or-buy decisions?
22. If you could improve one thing about how these decisions are made in the case company, what would it be and why?

Appendix 2. Participant data

Inter-viewee	Role	Experience	Interview length
1	Controller	3 years	36 min
2	Senior Manager	7 years	18 min
3	Director, Logistics	23 years	31 min
4	Head of Strategic Projects	13 years	26 min
5	Business Controller	16 years	23 min
6	Director, Delivery Management	15 years	12 min

Appendix 3. Gioia data structure