



5th international conference on opportunities & challenges in MANAGEMENT, ECONOMICS & ACCOUNTING

29 – 31 August , 2019 Berlin, Germany

Strategic Sourcing: Developing A Progressive Framework for Make-Or-Buy Decisions

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Abstract

Make-or-buy decisions represent a critical dilemma faced by many firms. The appropriate decision between designing and manufacturing parts or services in-house, buying them from external providers or combining both is a fundamental firm process. This paper seeks to address this question by updating the traditional make-or-buy literature with new academic insights, developing a make-or-buy framework with a tool for its operationalization to help professionals evaluate sourcing decisions. Our study not only validates the proposed framework through a set of in-firm make-or-buy decisions, but also provides a structure for its implementation and design a decision matrix with a pairwise comparison tool for helping practitioners to put the framework into practice. This paper aims to contribute to the study of the make-or-buy literature in supply chain management through the graphical representation of why and how make-or-buy decisions are made. Interestingly, the paper presents relevant dimensions and factors to be studied and evaluates possible outcomes when approaching make-or-buy decisions. Our results suggest that practitioners should combine this framework with a comparison matrix and a multi-criteria decision analysis based on the TOPSIS methodology to assess strategic sourcing decisions.

Keywords: decision-making; hybrid sourcing; make-or-buy; outsourcing; plural sourcing