

Abstract

This study examines how technology firms decide whether to make, buy, or ally and which factors shape these governance choices. Building on Transaction Cost Theory (TCT), the study investigates whether classical cost-based predictions adequately explain governance decisions in technology contexts. Empirically, the study adopts a qualitative research design based on six expert interviews with employees in technology firms and one M&A advisor. The interview data are analyzed using the Gioia methodology to identify recurring decision logics across cases. The findings reveal that make, buy or ally decisions in technology firms are shaped by a set of interrelated factors that extend beyond cost minimization. Strategic relevance and competitive positioning guide whether activities are treated as core or non-core. Protection of core assets and knowledge constrains externalization through concerns about data governance, intellectual property, and dependency risks. Complementarity versus overlap functions as a key filter in partnerships and acquisitions, while time pressure and speed of execution often shift decisions toward external solutions under urgency. In addition, capabilities and knowledge availability strongly influence governance choices, particularly in technologically complex areas such as artificial intelligence. Cost considerations primarily act as a baseline constraint rather than a dominant decision criterion. Overall, the results suggest that make, buy or ally decisions in technology firms follow adaptive and reversible logics, highlighting the need to extend classical TCT-based explanations to dynamic, capability-driven, and ecosystem-oriented environments.