

A MANAGEMENT CASE FOR

CORE OR NON-CORE?

Strategic EMS outsourcing

Retain strategic control. Test whether non-differentiating factory investment can be avoided or deferred. Direct capital toward products, customers, and technology where it creates greater value.

RETAIN STRATEGY,
IP AND CONTROL

VALIDATE EMS
VALUE AND RISK

DEFER IRREVERSIBLE
CAPITAL UNTIL
THE GATE

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The decision before management

Manufacturing is essential. Owning every manufacturing asset is not.

When a production capability does not differentiate the product, additional internal investment can commit capital to buildings, equipment, fixed capacity, and specialist resources. A qualified electronics manufacturing services (EMS) provider may already have relevant assets and capabilities; availability, fit, and economics must be verified for the selected program.

The internal case should test whether forecast demand, yield, uptime, and shift loading support the required utilization. If assets are underused, the OEM can still carry maintenance, staffing, site overhead, and obsolescence costs while capacity remains tied to one footprint.

Recommendation: Before approving new manufacturing capacity or major asset renewal, compare Internal, qualified EMS, and - where relevant - Hybrid options using the same demand, service, risk, and cost assumptions.

THE COMPARISON SHOULD DETERMINE WHETHER THE BUSINESS CAN:

- Avoid or defer factory capital expenditure.
- Make capacity more responsive to demand.
- Accelerate launches and regional expansion.
- Access greater sourcing scale and manufacturing expertise.
- Evaluate qualified regional production options without assuming that an owned factory network must be replicated.
- Redirect investment toward design, software, technology, and customer growth.

This is a capital-allocation and operating-model decision - not simply a procurement exercise.

Protect the core and fund it properly

Invest where the OEM creates distinctive value.

Protect and fund inside the OEM

Management should define and protect the capabilities that create customer preference, strategic learning, or future advantage:

- Product and technology strategy.
- Customer insight and market relationships.
- System architecture and differentiated design.
- Critical intellectual property and product data.
- Brand, safety, quality, and regulatory accountability.
- Technology roadmaps and future product platforms.

Use EMS for the execution platform

Where production is essential but non-differentiating, a qualified EMS provider may offer installed assets, technical resources, and operating execution while the OEM retains strategic authority.

Subject to provider qualification and an agreed scope, the OEM may retain architecture, customer requirements, critical IP, and roadmap control while using EMS support for design-for-manufacture and test, value engineering, electronics integration, and component life-cycle work.

Keep manufacturing internal, or retain critical process steps, when the process creates meaningful differentiation, protects critical IP, or produces strategic learning that cannot be governed adequately across an organizational boundary.

Capital not committed to non-core infrastructure may instead be directed toward next-generation products, mandatory redesigns, software, customer value, and the capabilities customers actually choose us for.

Why consider EMS outsourcing now?

A qualified EMS model may improve strategic flexibility.

Each value driver is a hypothesis to validate for the selected product family.

Avoided capital

Use established facilities, equipment, systems, and technical resources instead of building them again. Test the value against actual forecast utilization and required shifts.

Variable capacity

Test whether capacity can expand, contract, or rebalance across approved sites, including notice periods, commitments, tooling ownership, and transfer constraints.

Speed

A provider with suitable qualified capacity may shorten lead time versus a new site or line. Include tooling, validation, transfer, and regulatory lead times.

Footprint

Evaluate qualified options near customers and regional markets without assuming that every provider has the required site, capacity, or approvals.

Sourcing scale

An EMS may offer broader supplier access, market intelligence, and leverage. Validate BOM pricing, allocation, lead times, and pass-through rules.

Engineering capability

Evaluate access to manufacturing engineering, automation, quality, test, connectivity or IoT integration, design-for-manufacture, and continuous improvement within OEM-approved boundaries.

Life-cycle support

Evaluate whether the proposed network can support NPI, component end-of-life redesign, volume production, repair, mature products, and end-of-life requirements.

These benefits must be validated for the selected product family; they should not be assumed.

Retain control and manage the risk

Outsource execution - not accountability or strategic knowledge.

Illustrative responsibility model - tailor it to the product, jurisdiction, risk allocation, and contract.

The OEM retains

- Product strategy, architecture, specifications, and critical IP.
- Technology and product roadmaps.
- Quality, safety, regulatory, and brand accountability.
- Approval of material product, process, and supplier changes.
- Data-security, continuity, and strategic-supply requirements.
- Partner selection, performance governance, and exit decisions.

Joint governance

- New-product introduction and design for manufacturability.
- Cost, quality, and productivity roadmaps.
- Resilience, security, and continuity.
- Life-cycle and obsolescence planning.
- Knowledge transfer and change control.

The provider performs within the agreed scope

- Manufacturing engineering, facility and asset operation, and agreed investment.
- Capacity, utilization, staffing, and sourcing within agreed policy.
- Delivery, productivity, and continuous improvement.
- Transfer, repair, life-cycle, and end-of-life execution.
- Agreed engineering, connectivity, and redesign support within OEM approval gates.

Management should require measurable outcomes, audit and information rights, escalation paths, continuity and cybersecurity plans, supplier financial-health checks, and a workable exit or transfer option.

What the business case must prove

Management should require evidence across seven dimensions.

01 Strategic fit

Is the manufacturing process genuinely non-differentiating?

02 Economics

Over a Finance-approved horizon, what are utilization, removable and retained cost, working capital, transition cost, avoided or deferred capex, and terminal or continuing value - not just unit price?

03 Flexibility

Can the model respond better to demand, product-mix, and regional changes?

04 Speed and capability

Can qualified providers offer faster access to technology, talent, IoT or electronics expertise, life-cycle engineering, capacity, and footprint?

05 Supply advantage

Is there credible value from buying power, supplier access, and multi-tier visibility?

06 Risk and control

Can quality, continuity, cybersecurity, compliance, IP, supplier financial health, and geopolitical risks be governed effectively?

07 Reversibility

Can the OEM retain sufficient knowledge and move, rebalance, or exit without unacceptable disruption?

Decision rule: Proceed with an EMS or Hybrid recommendation only when the sensitivity-tested case is stronger than the feasible internal alternative for the selected scope and the required controls are practical.

Hard-stop rule: No numerical score can override unresolved strategic differentiation, critical IP, safety or regulatory feasibility, provider qualification or financial viability, continuity, knowledge retention, or a viable exit path.

Executive ask and next step

Authorize a time-boxed EMS option validation for one selected product family or manufacturing process - not an immediate full transfer. Set the duration to match scope, data availability, and qualification requirements.

1

Select one candidate

Choose one non-differentiating, capital-intensive product family or manufacturing process.

2

Build the internal baseline

Finance validates demand, utilization, cost, capital, capacity, quality, service, working capital, workforce effects, and risk.

3

Test the market

Engage an appropriate number of qualified EMS providers, where market conditions permit, under agreed confidentiality controls.

4

Compare the options

Evaluate Internal, EMS, and Hybrid over a Finance-approved horizon that captures transition, retained cost, downside, continuity, exit, and terminal value.

5

Return to the decision gate

Present the value range, provider proof, risk controls, transition budget, pilot KPIs, and recommendation.

REQUESTED EXECUTIVE AUTHORIZATION

- Name an executive sponsor.
- Assign Operations, Engineering, Supply Chain, Finance, Quality, IT/Security, and Legal.
- Permit confidential RFI/RFQ engagement with qualified EMS candidates in line with company policy.
- Where timing and operational risk permit, defer final factory-capex commitment until the comparison is complete.
- Set a date for the management decision gate.

This authorization does not approve a production transfer, factory closure, or workforce action. No transfer is committed until management approves the completed business case, risk controls, workforce plan, and pilot plan.

The immediate decision is not whether to outsource everything. It is whether to test one credible opportunity before committing more capital to non-differentiating manufacturing.

Request the companion OEM Outsourcing Decision Workbook

Email Ralf Klaassen, Sr. Business Development Director, at ralfk@celestica.com. Include only a brief, non-confidential description. Do not send confidential, personal, export-controlled, customer, pricing, or technical information by email. Put approved confidentiality terms and a secure exchange channel in place before sharing protected information.

Evidence map and publication notes

This framework is informed by the selected sources below. They identify decision criteria, risks, and examples; none determines whether outsourcing is appropriate for a specific OEM program. No EMS company is used as published evidence. Validate every provider capability, financial assumption, and control requirement for the selected scope.

SELECTED SOURCES - VERIFIED 27 AUGUST 2026

- 1 Prahalad and Hamel, 'The Core Competence of the Corporation,' HBR (1990)**
 Maps to pages 1 and 3: foundational strategy lens for identifying core capabilities; not evidence that manufacturing is automatically non-core.
[View the HBR article](#)
- 2 ISO 37500:2014, Guidance on outsourcing**
 Maps to pages 2, 3, 5, and 6: outsourcing life cycle, governance, flexibility, risk, and collaborative relationships.
[View ISO 37500](#)
- 3 OECD Supply Chain Resilience Review (2025)**
 Maps to pages 4 and 6: agility, adaptability, and alignment in resilience; it does not make outsourcing or relocation automatically superior.
[Read the OECD review](#)
- 4 NIST SP 800-161 Rev. 1 Update 1 (2024)**
 Maps to pages 5 and 6: cyber supply-chain visibility, risk assessment, resilience, integrity, and quality controls.
[View the NIST publication](#)
- 5 UK Cabinet Office, The Sourcing Playbook (updated 2026)**
 Maps to pages 2 and 5-7: Internal, External, and Hybrid comparison; whole-life cost, pilots, KPIs, risk, knowledge transfer, and exit. Methodology analogue, not an EMS benchmark.
[Read the Sourcing Playbook](#)
- 6 NetApp Fiscal 2026 annual report**
 Maps to pages 2 and 4: company-specific evidence of lower capital investment, overhead, and expansion flexibility, together with commitment, transition, quality, and delivery risks.
[View the NetApp annual report](#)
- 7 Dell Technologies Fiscal 2026 Form 10-K**
 Maps to pages 2, 4, and 5: company-specific evidence of substantial contract manufacturing, supplier concentration, and supplier and quality controls.
[View Dell Form 10-K](#)
- 8 Apple Fiscal 2025 Form 10-K**
 Maps to pages 2 and 4-6: company-specific evidence that outsourcing can lower operating costs while reducing direct control.
[View Apple Form 10-K](#)
- 9 Branstetter, Chen, Glennon, and Zolas, Management Science (2026)**
 Maps to pages 3, 5, and 6: context-specific Taiwanese electronics evidence that production offshoring can change the level and type of innovation; not identical to EMS contracting.
[View the Management Science record](#)

Publication information

Public edition - August 2026. Independent Executive Decision Guide design; no company logo or endorsement is implied.

Responsible use

OEM filings are company-specific disclosures, not benchmarks. Suggested planning durations, provider counts, and appraisal horizons are optional author choices unless a source explicitly states otherwise.

Review cadence

Review annually and after material strategy, technology, supplier-risk, legal, regulatory, or brand changes.

Companion tool

OEM Outsourcing Decision Workbook - Excel 2016-compatible, with strategic-fit screening, hard stops, named factory-cost build-up, and an illustrative five-year Internal / EMS / Hybrid TCO horizon. Finance should confirm the horizon and terminal or continuing-value treatment for the selected scope. The workbook also includes sensitivity analysis, provider evidence, and decision gates.