Recent developments suggest that an increasing number of companies outsource manufacturing with the hope that vendors will help them improve innovativeness. Still, the growing research in the topic has not yet studied two important dimensions of the relationship between manufacturing outsourcing and innovation. The first is the realization that vendor capabilities have been recognized as one of the most important factors for the success of outsourcing. The second refers to the fact that, even though innovation capability is required, vendors are still being selected, and their performance evaluated, by traditional manufacturing capabilities, such as cost, quality, delivery, and flexibility. Taking a vendor’s perspective in outsourcing, we develop and present a conceptual framework for studying vendor innovation capability. We propose to test this framework in the Electronic Manufacturing Services Industry.