An analysis of vendor innovation capability in the contract electronics manufacturing industry

Limited academic research has been given to analysing the innovation capabilities of vendors in outsourcing contracts. This paper seeks to address this gap in the literature by enhancing our understanding of how the innovation capability of vendors is deployed to win, run and renew outsourcing contracts with their customers. Employing the resource-based view as a theoretical basis and undertaking in-depth case study analysis of three vendors in the electronic manufacturing services industry, the research shows that to achieve the outsourcing objectives of winning, running and renewing the contract, vendors can use different configurations of the competitive priorities of cost, quality, delivery and flexibility. The research aggregates the capabilities that influence the innovative capability of a vendor into the innovation-related capabilities (IRCs) of design, new product introduction and manufacturing. Three strategies are identified for vendors on how to deploy these IRCs, and a number of propositions are developed to indicate the suitability of the three deployment strategies for different operational contexts.

General information
Publication status: Published
Organisations: Department of Management Engineering, DTU Executive School of Business, University of San Francisco, Ulster University
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Number of pages: 13
Pages: 797-809
Publication date: 2016
Peer-reviewed: Yes

Publication information
Journal: Production Planning & Control
Volume: 27
Issue number: 10
ISSN (Print): 0953-7287
Ratings:
BFI (2016): BFI-level 1
Scopus rating (2016): CiteScore 2.45 SJR 1.109 SNIP 1.34
Web of Science (2016): Impact factor 2.369
Web of Science (2016): Indexed yes
Original language: English
Keywords: Industrial and Manufacturing Engineering, Computer Science Applications, Strategy and Management, Management Science and Operations Research, Capabilities, competitive priorities, delivery, innovation, new product introduction and outsourcing, Electronics industry, Industrial research, Manufacturing, Outsourcing, Product design, Competitive priorities, Electronic manufacturing services, Electronics manufacturing industry, Innovation capability, Innovative capability, New product introductions, Resource-based view, Quality control
DOIs:
10.1080/09537287.2016.1139210
Source: FindIt
Source ID: 2291838355
Research output: Contribution to journal › Journal article – Annual report year: 2016 › Research › peer-review