

DECISION SCIENCES INSTITUTE
Should Suppliers Choose to be Leading Innovators?

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ABSTRACT

Extant research has clearly shown that customers benefit from having more innovative suppliers. However, do suppliers benefit financially from positioning themselves as leading innovators? Utilizing a secondary data based sample of 1039 supplier to customer base observations, we evaluate the extent to which suppliers are able to benefit from positioning themselves as leading (lagging) innovators within their industry. While in general we find that suppliers which employ a leading innovator strategy have higher levels of financial performance, such an effect is not universal. Further, we find that the ability of the supplying firm to leverage their innovative positioning into increased performance is highly contingent upon not only the innovativeness of their own industry, but also the innovativeness of the industries to which they supply. Our results, therefore, suggest that it would be advantageous for suppliers to take a supply chain perspective and strategically incorporate the innovation characteristics of their customers when determining whether or not to be a leading or lagging innovator.

KEYWORDS: strategic positioning; innovation; supply chain; R&D investment; secondary data