

How can small and medium enterprises leverage supplier partnerships for breakthrough innovations?

Maximizing innovation: the role of supplier relationships in SME product development

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In the global economy, SMEs represent over 95% of businesses and are crucial for economic growth, innovation, and employment. However, resource scarcity often constrains their ability to compete, particularly in the realm of product innovation. Unlike larger firms with abundant internal resources, SMEs must rely on external partnerships to enhance their innovative capabilities. Suppliers play a pivotal role in providing knowledge, materials, and access to cutting-edge technologies.

Supplier Logistics Integration (SLI) involves the combination and coordination of resources between a firm and its suppliers. While this partnership offers opportunities for innovation, excessive integration can trap SMEs in rigid routines and reduce their flexibility to adapt to changing market demands. This article investigates how SMEs can strike the right balance in supplier integration and explores how learning orientation and environmental dynamism influence the success of these partnerships.

WHAT WE STUDIED

This study utilized data from Swedish SMEs to examine the impact of SLI on product innovation. Researchers employed the resource orchestration framework, focusing on how external supplier resources can be combined with internal ones. The study also considered two moderating factors:

- 1. Learning Orientation:** The organization's capacity to embrace new knowledge.
- 2. Environmental Dynamism:** The rate of change in market and industry conditions.

The research aimed to uncover whether these factors mitigate the potential downsides of deep supplier integration.

KEY INSIGHTS

1. The Double-Edged Sword of Supplier Integration

Moderate Integration Spurs Innovation: SLI enables SMEs to access valuable supplier resources, including materials, technologies, and expertise. Coordinating these resources effectively allows firms to develop innovative products and adapt to market needs.

Excessive Integration Hinders Flexibility: Over-reliance on suppliers can lead to rigid processes and dependency, reducing the firm's ability to innovate. This is particularly detrimental in rapidly changing markets, where agility is essential.

2. Learning Orientation Enhances Outcomes

Firms with a strong learning orientation leverage supplier resources more effectively, creating novel combinations that lead to groundbreaking products.

Learning-oriented SMEs avoid the pitfalls of excessive integration by continuously reassessing supplier relationships and incorporating diverse knowledge.

3. Environmental Dynamism Amplifies Benefits

In dynamic environments, SMEs benefit from higher levels of SLI, as these partnerships provide the flexibility and resources needed to respond to rapid changes.

Conversely, in stable environments, high levels of SLI can lead to complacency and inhibit innovation.

TAKEAWAYS

1. Optimize Supplier Relationships

SMEs should aim for a balanced level of integration that facilitates resource sharing without becoming overly dependent. This balance ensures agility and innovation while maintaining operational stability.

2. Foster a Learning Culture

Developing a strong learning orientation encourages openness to new ideas and ensures that supplier relationships remain dynamic and productive. Regular training sessions and collaborative workshops with suppliers can foster mutual growth.

3. Stay Attuned to Market Changes

In volatile markets, SMEs should frequently reassess their supplier partnerships to ensure alignment with changing customer needs and technological trends. Environmental monitoring and flexibility are critical in such contexts.

IMPACT

This research has profound implications for SMEs aiming to enhance their innovation capabilities. By strategically managing supplier relationships, SMEs can overcome resource constraints and compete effectively in their industries. The findings also highlight the risks of rigidity in over-integrated supply chains, emphasizing the need for a proactive and learning-oriented approach.

Policy-makers and industry leaders can draw on these insights to develop frameworks and training programs that support SMEs in optimizing their supplier partnerships. Moreover, the study sheds light on the importance of tailoring supply chain strategies to the unique dynamics of each industry and market environment.

RECOMMENDATIONS

For SME Leaders

- 1. Monitor Supplier Relationships:** Regularly evaluate the quality of supplier partnerships and their contribution to innovation goals. Avoid becoming overly reliant on a single supplier.
- 2. Invest in Learning:** Encourage a culture of continuous improvement by promoting knowledge sharing and collaboration within the supply chain.
- 3. Embrace Environmental Dynamism:** Use market changes as opportunities to innovate, leveraging supplier expertise to stay ahead of competitors.

For Policy-Makers

- 1. Support Training Programs:** Provide resources for SMEs to develop learning-oriented practices and improve their supply chain management capabilities.
- 2. Facilitate Access to Diverse Suppliers:** Enable SMEs to explore alternative supplier networks, reducing dependency and fostering innovation.

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