

Efficiency versus Value Maximisation in Co-Manufacturing Relationships

Abstract

Purpose – This research examines two co-manufacturing relationships which were efficient with the aim of understanding why they were not value-maximising.

Methodology – The research utilises a methodology designed by Wilding and Humphries (2006) and based on Williamson's (1975) Organisation Failure Framework. Using a case study approach, it is applied in a new context to provide insights into the dynamics within two co-manufacturing relationships in the food manufacturing industry.

Findings - The relationships were judged as operationally efficient by both sides but frustrations and conflicts had emerged over time, leading to a real danger of relationship breakdown. These problems were caused by failure to involve co-manufacturing partners in strategy discussions, shortcomings in relationship management, and lack of recognition of partners' developing capabilities.

Research implications - The research challenges the Transaction Cost Economics (TCE) focus on efficiency in the context of co-manufacturing relationships and advocates a relational perspective to value maximisation.

Practical implications – The findings indicate that an undue focus on operational efficiency in the management of close, long-duration co-manufacturing relationships may result in a reduction in innovation and a failure to maximise value.

Value - The research provides empirical support for arguments in favour of dynamic efficiency, rather than the static efficiency implied by TCE. These findings are of great importance to companies engaged in strategically-important co-manufacturing relationships, as they demonstrate how 'negative spiral behaviours' can develop.

Keywords: Co-manufacturing, Collaboration, Supplier Relationship Management, Transaction Cost Economics, Value Maximisation

Paper type Research paper

Biographies

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