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Governing Interorganizational Relationships for Innovation

The Case of the Italian Automotive Industry

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CHAPTER 1

Introduction

Abstract The realm of interorganizational relationships and their influence on firms' innovation have garnered significant attention, underscoring the crucial role of governance mechanisms in determining firm success. Performance disparities among firms engaged in IORs have become evident, with some effectively managing these partnerships while others struggle with high failure rates. The rise of technological disruption has emerged as a formidable force impacting the value of such relationships. The chapter explores the dynamics of governance mechanisms and their interplay with disruption, with a particular focus on the rapidly evolving automotive industry undergoing a transition to electric vehicles. By examining various forms of governance and their implications within this context, we seek to enhance understanding of how firms can effectively govern IORs in the face of disruption. This research contributes to filling the existing gap in the literature regarding the relationship between governance mechanisms, disruption, and firm performance in the realm of IORs.

Keywords Interorganizational relationships · Governance mechanisms · Technological disruption · Automotive industry · Electric vehicles

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1.1 Governance Mechanisms and the Impact of Disruption on Interorganizational Relationships

The realm of interorganizational relationships (IORs) and their impact on firms' innovative output has been widely acknowledged, highlighting the pivotal role of governance mechanisms in determining firm success (Zollo et al., 2002). As more firms recognize the specific advantages of engaging in IORs, it becomes evident that there are notable performance disparities among them, with some effectively undertaking these partnerships while others struggling with high failure rates. Although several theoretical perspectives have generated mixed and inconclusive findings (Cao et al., 2013; Keller et al., 2021), the question of how firms define effective IOR governance strategies remains partially unanswered.

In today's ever-changing business landscape, the significance of performance disparities between firms that actively participate in interorganizational relationships and those that neglect such engagements cannot be underestimated. Technological disruption has emerged as a formidable force capable of significantly impacting the value of these relationships. In the field of management, the language of disruption has been consistently used to explore the emergence, evolution, and transformation of industry ecosystems. Within these ecosystems, the success of firms relies on the coordination and strategic alignment not only with traditional suppliers but also with other ecosystem members who function as "complementors" (Brandenburger & Nalebuff, 1997). The existing literature has primarily concentrated on the ways in which IORs can assist firms during periods of disruption. For instance, Ansari et al. (2016) study exemplified how alliances can be utilized to disrupt established ecosystems. Kapoor and Lee (2013) research uncovered that alliances play a pivotal role in fostering trust within an industry. Additionally, Furr and Shipilov (2018) work provided insights into the construction of new ecosystems through the formation of alliances.

Past literature on IORs has highlighted the significance of governance in determining their successful outcomes. Understanding how to effectively govern IORs is crucial for aligning them with a changing competitive landscape.

The longstanding debate originating from transaction cost economics, as proposed by Williamson (1979), has discussed the management of IORs through formal or informal mechanisms, or a combination of both.

To assess the value of these mechanisms, previous studies have examined firms' utilization of formal contracts and other tangible documents that serve as evidence of partners' formal agreements. Examples of such documents include business plans, service level agreements, and performance monitoring systems that extend beyond the scope of the alliance contract (Hoetker & Mellewigt, 2009; Poppo & Zenger, 2002). Within this line of research, scholars interpreted relational norms as a complementary tool to legal contracts, jointly contributing to IORs' governance.

In a separate line of research influenced by sociology and organization theory, previous literature has underscored the importance of utilizing both formal and informal mechanisms in governing IORs. Within this field, formal structures encompass explicit organizational arrangements, while informal patterns involve implicit and uncodified rules of interaction and social dynamics for coordination. However, despite the extensive examination of the value and combined effects of formal and informal governance on firms' performance, the literature has often neglected to consider the significant influence of disruption on these mechanisms (Keller et al., 2021).

This chapter aims to examine various forms of governance and their implications for IORs, taking into account the impact of disruption. Additionally, we will explore the value of these different governance mechanisms. To provide concrete examples and insights, we will focus on the dynamic and rapidly evolving automotive industry, which is currently experiencing a disruptive technological change characterized by the transition to electric vehicles (EVs). The automotive context is particularly interesting as it allows us to consider not only the substitution of existing relationships but also the transformation of relationships with partners within a single industry. By studying the automotive industry, we can gain a deeper understanding of the dynamics and interactions between governance mechanisms and IORs in the face of disruption.

1.2 Exploring the Landscape: Unravelling the Typology of Governance Mechanisms in Interorganizational Relationships

The typology of governance mechanisms for IORs provide a comprehensive framework for understanding the diverse approaches taken to govern these complex collaborative arrangements. In this section, we delve into