

Formal and relational governance in open innovation projects

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Introduction and research question

Open innovation is decisive for competitiveness companies (Küppers and Pyka, 2002)

Opportunities

- Access to knowledge, resources, capabilities, finance
- Involves learning and experience building
- Sharing of innovation costs
- Reduction of innovation time
- Support for the innovation (societal or regulatory)

Challenges

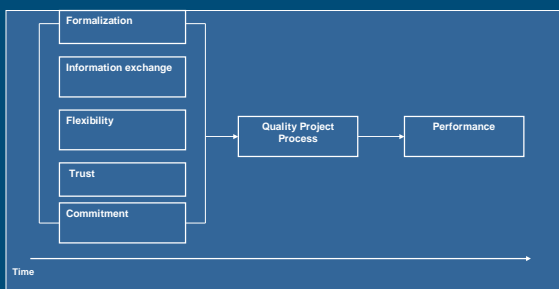
- Heterogeneity, Uncertainty, Interdependence:
- Knowledge mobility and information exchange
- Appropriation of results of cooperation (opportunism)
- Stability of the innovation network (Dhanaraj and Parkhe, 2006)
- Conflict

Question: how to arrange effective governance in open innovation projects?

Theoretical perspectives

	Structural perspective Formal governance	Relational perspective Informal governance
Theoretical roots	Transaction cost theory Williamson (1991) Parkhe (1993) Drey (1997) Sampson (2004)	Social capital theory Social exchange theory Ring and Van der Ven (1992) Zahra and Venkatraman (1995) Gallet (2003, 2007) Uzzi (1997) Dyer and Singh (1998)
Assumptions	Partners behave opportunistically Performance inter-organisational cooperation determined by quality initial design of agreements	Partners show trustworthy behavior Performance inter-organisational cooperation determined by quality of cooperation process
Governance mechanisms	Formal agreements/contracts	Trust Commitment
Shortcomings	Focus on single transactions Too little emphasis on human interaction and socialization Restrictions to pre-planning in innovation processes	Too much emphasis on social interaction and social mechanisms as regulators of inter-organisational cooperation

Research model and operational definitions



Data and methodology

- Preliminary conclusions from research into a greater no. of
 - sustainability-oriented innovation projects in agr-food sector
 - moderate to high uncertainty, interdependence and heterogeneity actors
- In-depth case-study approach into a failed and a successful project
- Development cooperation process over time
- Triangulation of data
 - Interviews with project managers
 - Project documents, such as meeting notes and evaluation papers

Data and methodology

	Goal and activities	Partners
Failed	<ul style="list-style-type: none"> •set up new company •commercialisation new agricultural system 	7: agricultural equipment company, trader newly product, intermediary organization, 3 universities and a societal organization.
Successful	<ul style="list-style-type: none"> •spatial clustering and new bio-energy plant where farmers and an installation company exchange energy, waste flows and water 	10: engineering company, 2 intensive farming companies, an installation company, intermediary organisation, municipality, province, ministry of agriculture, 2 universities

Results

	Failed	Successful
Formalisation	Low	High
Information exchange	Low	High due to project leader
Flexibility	High to lower over time	Low to higher over time
Trust	Moderate to high. Reliance on previous relations and reputation.	Moderate to high. On basis of reputations and visits to farms.
Commitment	Low mutual adjustment and low commitment of one of the main partners	Increase in alignment, mutual understanding and adjustment over time.

Results

Quality project process	Low	High
Performance/outcom	Low	High
Adaptations during the project	Increased attention to: -formalization of governance -commitment partners	Increased attention to: -flexibility formal structure -commitment partners

Conclusions

Main differences successful vs failed projects

- Both projects problems related to delay and stability of the network, but deal with this differently

Successful project (in contrast to failed project):

- High initial commitment by the partners
- High formalisation at the start of the project strengthening initial trust levels
- Increased flexibility later in the project
- Knowledge and information flow high

Conclusions

- Successful project shows shortcomings structural perspective:
Initial planning and formalisation of cooperation provides a platform for more flexibility later
 - Failed project demonstrates shortcomings relational perspective:
Social mechanisms and interaction insufficient for successful governance of inter-org. cooperation without planning and formalization
 - Successful project managed to combine over time both the formal and informal governance mechanisms successfully
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- Strength lies in combination of trust and formalisation or relational and structural governance

Thank you for your attention

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