
Editorial

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1 Introduction

The past decades have witnessed the struggle of the automotive industry with ever more structural complexity challenges due to the vertical systemic disintegration of production across geographically dispersed locations/networks (Jullian and Pardi, 2013). It is evident that industrial reorganisation has been driven by irreversible technological changes underlying economic transformation. The evolution of global economy under rapid technological advances has required structural adjustments at all levels of socio-economic systems. The old economic institutions of industrialised societies have failed in adjusting their strategies and structures to the changing market dynamics of the emerging knowledge society. On the one hand, traditional hierarchical control system provides weak incentives to create new knowledge depending on the limitations of information flow and processing between organisation and its environment. On the other hand, transactional relationships in quasi-markets without control over intellectual products lead to the dissemination of technological information among industrial partners and hence, results in knowledge transaction costs under opportunism risk (Lin, 2009; Gurcaylilar-Yenidogan, 2014). This situation shows that neither market autonomy nor hierarchical authority provides a relatively efficient mechanism to deal with knowledge-based assets as modern economies are becoming increasingly knowledge intensive. Therefore, collaborative knowledge creation has accelerated the spread of a new paradigm for industrial organisation characterised by flexible production networks. In other words, traditional inter-organisational relationships have begun to evolve into new and more complex forms of governance such as inter-firm partnering and networking (Dilk et al., 2008; Müller, 2009).

The new formation refers to the shift towards more integrated and interdependent economic activities throughout global value chains (GVCs). This paradigm triggers a transformation of inter-organisational governance modes (Helper, 1991) characterised by the 'exit' strategy, which is based on mutual distrust, limited information exchange and short-term commitments associated with an explicit written agreement, to inter-organisational relationships characterised by the 'voice' strategy of inter-firm cooperation as a response to market failure by establishing a close and deeply committed relationship with the network partners. Apart from the static efficiency of the value chain activities, inter-firm cooperation is needed for advancing innovation-based competitiveness resulting in dynamic efficiency (Kasper and Streit, 1998). Consistent with the dynamics of competition and survival, co-development of competencies between network partners allows for continuous technological improvement in achieving product and process innovations (Joshi and Stump, 1999; Wang and Wei, 2007).

For example, the value of an OEM is augmented by component suppliers' specific investments in complementary assets that increase the partner's capacity for developing differentiated products. Accordingly, automotive manufacturers are reducing their supply base and assign more design and innovation functions to them (Dunning, 1998; Koufteros et al., 2007). Despite the use of more market-like coordinating mechanisms through contracts and sector-based standards (i.e., QS and VDA series for automotive industry) for managing inter-organisational relationships in automotive networks, allocation of authority over knowledge-based assets for operations in design, logistic and quality links remains problematic because the interests of the network partners may not always align with the achievement of cooperative behaviour. Codifying and transferring component suppliers' strategic knowledge (i.e., design and process FMEA, production and cost

details) facilitates coordination of interdependent tasks in a way that negatively impacts knowledge creation and emergence of innovations requiring suppliers' investments in firm-specific assets.

Consequently, according to the proactive adaptation approach to the external changes through the development of firm-specific assets, the fundamental transaction cost problem for network forms (Williamson, 1985) is how to coordinate interdependent tasks under high-powered incentives without losing the advantages of decentralised decision making (Gurcaylilar-Yenidogan and Windsperger, 2013, 2015). Whereas there is a trade-off between control and adaptation issues of hybrid governance forms from the transaction cost perspective, in Powell's (1990) view networks are distinctive forms of coordinating economic activity that relieve the tension between incentive misalignment and maladaptation through social mechanisms (i.e., relational norms and trust) fostering collective action. In connection with this, even if assets become more specialised under the lack of formal safeguards, mutual dependence for learning can function for enhancing efficiency in innovation whenever risk perceptions change due to trust building (Nooteboom, 1992). In the dynamic approach to efficiency, the fundamental question is how network partners can operate efficiently under the different configurations of evolving governance structure and strategy over time.

This special issue contributes to the literature on governance of inter-firm networks in the automotive industry by providing new insights on:

- a decision making in innovative alliance networks
- b reconfigurations in adaptive governance due to the changes in competitive and institutional environment
- c international growth and value co-creation through resource integration by using acquisitions, joint ventures and alliances
- d the role of governance mechanisms for new product development.

2 Decision making in innovative alliance networks

The study of Janell Townsend, Simone Balestra and Anja Schulze offers new insights for understanding the distinctive characteristics of project-based alliances in the automotive industry. Project-based alliances can boost partner innovativeness and hence contributes to superior performance. However, developing and implementing a process of project-based innovation precedes its success. Innovation process requires decisions to be taken in various areas of project management practices, such as project integration, resource concerns, communication, time scheduling with the relationship outcomes (e.g., knowledge transfer, organisation design and change, market power, partnership benefits) of project-based organisation. These decisions are most likely to influence the innovation performance. This study investigates the relationship between characteristics of project development process and project type (i.e., innovative and complex product, process, and software development projects) in automotive industry alliances based on the prediction that success factors differ according to project types. Employing dyadic data drawn from 59 new product development project-based alliances, the authors show that product development projects are characterised by more integrated patterns whereas component

interface specifications for software projects is supported by a loosely coupled and more modular systems structure. In addition, the empirical results indicate that characteristics of process-focused projects are unique from either product and software alliance-based projects. As a result, this paper provides a framework of decision making in strategic alliances by explaining the influence of project characteristics on the choice of alliance types for promoting innovation in the automotive industry.

3 Evolutionary perspectives on inter-firm governance

In ‘In-house production versus specific forms of supplier governance: testing predictions of the global value chains model’, Alexander Schmitt and Johannes Van Biesebroeck test the predictions of GVC model in manufacturer-supplier relationships. Based on transaction cost economics, property rights theory, network theory and organisational learning, GVC theory provides a configurational approach to the global production that categorises modes of governance relationships associated with varying patterns of interdependence and complexity in interactions and hence coordination of cross-border inter-firm relationships. It determines a three-component kit of transactional decision variables for the choice of governance mode or value chain configuration: complexity of task knowledge, codifiability of task performance, capabilities of suppliers. Applying different transactional patterns to industrial organisation has extended the spectrum of explicit coordination (market-based relationships and hierarchies) to include intermediate modes of value chain governance into the network categories of modular, relational, and captive. However, this typology still produces a static and linear understanding of global production networks. Schmitt and Van Biesebroeck bridge the gap that exists between static and dynamic formation of GVCs. Instead of a time-invariant system, they argue that sourcing patterns may take different forms over time along the stages of technological life-cycle. Empirical results of this study show the dynamic nature of governance that requires a theoretical examination of governance choice from the perspective of evolutionary economic theory. Using a novel dataset on sourcing transactions that contains links between buyers and suppliers for sourcing contracts of individual components, they extend the governance literature to untangle the complex puzzle of theoretical and empirical knowledge on multiple forms of relationship governance that may coexist within the same production chain.

In ‘The exercise of power in inter-organisational relationships in response to changes in the institutional environment: cases from the European automotive industry’, Murat Akpınar takes a dynamic perspective of power as inherent trait or function of the inter-firm relationship and develops a framework that depicts how business partners respond to changes in the institutional environment, which in turn restructures governance strategy and strategic action in the exercise of power over third parties. He considers relationship development as a co-evolutionary process governed by coupled feedback loops among institutional change, relationship strategy and the exercise of power in inter-firm relationships. Based on the predictions of resource dependence theory, he develops a framework that explains how network partners respond to changes in the institutional environment and as a consequence revise their relationship strategies and select the type of power to exercise. Conducting qualitative longitudinal research on two cases from the European automotive industry, Akpınar demonstrates that automotive firms as partners respond to adapt by applying cooperative relationship strategy and

exercise coercive power when the institutional environment provides common exchange opportunities for sensemaking. When they perceive a common threat, the initial response is to avoid risk exposure of undesired environmental demands by applying cooperative relationship strategy and exercise coercive power. In case the common threat cannot be avoided and there exists a strong power difference, the powerful partner perceives an individual opportunity at the expense of the weak partner. Then, the powerful partner responds with opportunism applying competitive relationship strategy and exercises coercive power as the weak partner is forced to adapt or be a victim of natural selection. This study contributes to the resource dependence theory literature by clarifying the connections between strategic responses to changes in the institutional environment, relationship strategies and the exercise of power.

4 Relationship governance: Value co-creation through resource integration

Mário Sacomano Neto, Eliciane Maria da Silva, Andrea Lago da Silva and Charles Kirschbaum analyse the resources, capabilities and advantages of relational processes of acquisitions, strategic alliances, joint ventures and mergers in the automotive sector. They emphasise that geographic expansion strategies evoke the structural and relational changes in new governance forms comprising inter-firm partnering and networking. Furthermore, international expansion through cooperative business strategies can function as a substitute for innovation when partners acquire new knowledge from external resources, implement the acquired knowledge into the progressive change, and expand in new markets and new product areas. Although the role of complementary resources and capabilities in generating relational rents has been extensively studied, this study advances the literature by exemplifying the relationship between internationalisation and flows of relational resources such as physical, organisational, institutional, technological, and geographical resources. By applying a case study methodology (including the cases of GM-Daewoo acquisition, Renault-Nissan alliance, Cherry-Venko partnership, Mogul-TandN-Cooper acquisition, VOSS-Heller partnership), the authors identify resources and capabilities inside and outside of companies based on the resource-based and relational governance view. Generally, this study demonstrates substantial leverage effects of international expansion strategies on value co-creation through gaining access to complementary resources.

5 The role of governance mechanisms on new product development

The study by Jackson Dal Ponte, Jon Charterina and Imanol Basterretxea shows that there is no one best way of inter-firm governance (Western-style adversarial vs. Japanese-style participatory collaboration of governance) for new product development. A specific model of supply chain management dedicated to a particular automotive manufacturer can be formulated with a mixed compound of elements from the two extremes of collaborative governance spectrum. Contrary to the risk-reduction initiatives from the rights-based governance perspective, the interest-based approach to dispute resolution shifts the governance focus of collaboration towards knowledge integration and joint

problem solving that aims at achieving coordination. Conducting in-depth interviews for evaluating supply chain management and new product development in the truck business that differs in a more professionally oriented customer base, a longer period for product development, and a product range with a longer lifespan when compared with the car segment, the authors show that the supplier management model of Volvo is closer the participatory style of collaborative relationships. Volvo works with a single-source supplier policy, which enables longer and closer cooperation with dedicated suppliers, often attached to long-term agreements. Although long-term agreements and the single source policy applied with key suppliers can be interpreted as signs of high trust that help collaboration on new product development, Volvo relies on contracts as the main governance mechanism during execution of the tasks and trust never replaces contracts after constituting the relationship.

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