

# **The relationship between governance and performance: Implications for network formation and management**

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## **Abstract**

The adoption of open innovation strategies is increasingly considered a key factor for the success and sustainability of organisations. While the nature and performance of informal and formal inter-firm relationships in a supply chain context have been widely studied, the management of inter-organisational relationships in the formal setting of a learning and innovation network, and its impact on the performance of the network entity, have received less attention to date. This study investigated network governance from a managerial perspective, which focused on the influence of governance modes and related governance functions on formal network performance. The management and membership of 23 formal innovation networks were surveyed across six European countries. K-means cluster analyses identified three distinct groups of organisations with similar perceptions of network goal attainment satisfaction and network interaction performance for their respective networks. Hierarchical multiple regression analysis was then used to investigate the relationship between network governance-related factors and the two dimensions which conceptualised network performance. The findings from this study suggested that modes of governance, network funding, network member selection, and relationship management were mutually reinforcing, and important determinants of performance. Network governance should be viewed from both a design and strategic orientation perspective, which prioritises flexibility in order to take advantage of opportunities in the external environment.

**Keywords:** Governance; Formal networks; Performance; Hierarchical multiple regression; Innovation

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