Knowledge Acquisition from Foreign Partners in International Joint Ventures: Determinants and Outcomes

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ABSTRACT

The rapid and profound change in the global economy is creating immense transformation of the economic system in developing countries. Confronted with the increasing pressure for competitiveness, local firms are constantly seeking to adjust by acquiring advanced technology and managerial skills. This can be attained through the formation of international joint ventures (IJVs) with foreign partners. Although IJVs knowledge acquisition has been in the focus of many IJVs researches, insufficient research is yet available, gaps may exist or the issue may have been understudied. This conceptual paper contributes to the literature by presenting a model to describe the relationship between knowledge acquisition in IJVs and its two determinants, transfer mechanism and management practice; and the role of competitiveness as a mediator between knowledge acquisition and the performance of IJVs. This study is in support of the current literature by promoting a better understanding by way of establishing the inadequacy and helping to clarify the predictors affecting this issue. With regard to the research, strategies can be better developed to achieve a desired outcome hence bridging the gap between researches and practice. The current study also explains the methodology applied and offer recommendations for future research.

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1. INTRODUCTION

The uncertainties of international business environment and the pressure of globalization, in the recent decades have seen many of developing economies shifted from planned economy to open market economy. As a consequence to economic liberalization local firms are confronted with significant challenges thus the acquisition of new advanced knowledge is substantial to gain a...
Competitive advantage not only in the local competition but also in the multinational competition, and to strive to satisfy the ever more demanding needs of customers (Tsang, Nguyen, & Erramilli, 2004). However, it is formidable to access and obtain new advanced knowledge for countries with transitional economics (Liao & Hu, 2007). This is often associated with the lack of proper methods or infrastructure and insufficient or weak system or means to build their own research base. Technology, R&D and innovation centers like research consortia and labs are mostly run by public institutions and government, corporate groups, and specialized consultants (Low & Robins, 2014). Therefore, the endeavor to achieve precious advanced knowledge and technology has become eminent and this can be attained through the forming of partnerships between local firms and more advanced foreign firms in international ventures (IJVs) (Anh, Baughn, Hang, & Neupert, 2006; Tsang et al., 2004).

Through these partnerships, not only partners gain the know-how and the benefit of the provisioning technology but also obtain capital. Therefore, it is necessary to advance our understanding on the factors that may affect knowledge acquisition, henceforth achieve the desired outcome.

The international joint venture knowledge acquisition literature has been the limelight of many researches (e.g. Anh & Baughn, 2011; Lane, Salk, & Lyles, 2001; C. Park, Vertinsky, & Minbaeva, 2016; THI THUC ANH, 2017). This study has an obligation to contribute to the literature with a better understanding of the influencing factors and the predictors affecting this phenomenon. Hence; we have selected three research issues upon which this conceptual paper is established.

The first issue relates to the determinants of knowledge acquisition, former studies in the field of IJVs knowledge acquisition have strongly focused on the characteristics of the IJV (e.g. absorptive capacity), relational factors (e.g. social capital), or integrate both (e.g. Anh & Baughn, 2011; Anh et al., 2006; Dhanaraj, Lyles, Steensma, & Tihanyi, 2004; THI THUC ANH, 2017). Therefore, the possible factors that influence knowledge acquisition in IJVs known as the determinants of knowledge acquisition cannot be recognized. Correspond to that, the study suggests to examine and integrate the role of transfer mechanisms (e.g. Williams, 2007) and management practices (e.g. Evangelista, 2009) in IJVs knowledge acquisition. This may provide an insight into potential integrated factors which will improve our understanding of IJVs knowledge acquisition determinants.

Second issue is related to the knowledge acquisition outcomes, based on Knowledge-Based View (KBV) knowledge is considered as the utmost important learning concept in an organization that provides potential strategic value added resources, to achieve sustainable competitive advantage and superior corporate performance (Grant, 1996; Nonaka & Takeuchi, 1995) This study is called upon to address the critical gap that exists in the literature. With some exception, studies on IJV’ competitiveness (e.g. Zhan, Chen, Erramilli, & Nguyen, 2009), and IJV’ performance (e.g. Anh et al., 2006). There were limited empirical studies to ascertain the extent to which acquired knowledge contribute to IJVs competitive advantage and performance. Therefore, there is a need for an empirical study to evaluate the effectiveness of knowledge acquisition.

Third issue relates to the mediating role of IJVs competitiveness. Previous literature found significant relationship between knowledge acquisition and IJVs performance (e.g. Anh & Baughn, 2011; Tsang et al., 2004). However, one cannot overlook the limited literature in demonstrating the actual mediating role of competitiveness in such relationship. This conceptual paper provides an insight on the factors and suggests that an empirical study is crucial for the literature to expand upon the factors highlighted.

Therefore, the aim of this paper is to contribute to the body of IJVs knowledge acquisition by addressing the research issues described above. Based on the extensive theoretical review on what has been advanced in the knowledge acquisition literature, arguments, and logical justifications, the objective of this study is to identify the determinants and outcomes of IJVs knowledge acquisition from foreign partners and to suggest an empirical study on the mediating role of IJVs competitiveness. Thus, this study suggests a conceptual framework that can be empirically examined in future studies. This paper is organized as follows. Following this introduction, the next two sections are devoted to the literature review and the proposed conceptual framework for this study. The last section of this conceptual paper comprises 3 elements, methodology, conclusion, and recommendations for future studies.

2. LITERATURE REVIEW

IJV’ Knowledge Acquisition

Knowledge is a fluid mix of experience, values, contextual information, and experts insights that provides a framework for evaluating and incorporating new experiences and information (Davenport & Prusak, 1998). It contains technology, information, know-how, and skills (Grant, 1996). From the perspective of knowledge-based theory, KBV of a firm relies on the idea that knowledge is critical for value creation and appropriation, to the extent that knowledge is indeed unique, i.e., valuable, rare, and difficult to replicate as a strategic resource (Barney, 1991; Grant, 1996). Due to the scarcity of internal knowledge, firms in developing and transition economics are pursuing into the opportunity of venturing into partnerships (IJVs) with foreign partners from more advanced countries in order to obtain advanced benefits such as technological knowledge and experiences. Therefore, in line with Anh et al. (2006), knowledge acquisition (KA) can be defined as a process by which an IJV attains new technological knowledge, information, know-how, and skills from its foreign partner.

Effective knowledge acquisition by IJVs from foreign partners, however, is not easy to achieve given the varied and complex nature of the challenges and processes involved (Easterby-Smith, Lyles, & Tsang, 2008). Previous literature
has attempted to empirically examine the determinants influencing knowledge acquisition / learning of the IJVs (e.g. Anh & Baughn, 2011; Dhanaraj et al., 2004; Hamel, 1991; Lyles & Salk, 1996). These studies, however, have been mainly concentrating on the determinants from the perspectives of IJVs capabilities (e.g. absorptive capacity) and/or relational factors (e.g. social capital). Thus, the current study is based on the findings from a number of empirical studies on knowledge transfer in different contexts, such as knowledge transfer between partner firms in strategic alliances, supplier and buyer, inter-firm collaborations, and knowledge transfer within multinational corporations; the current study also proposes to examine transfer mechanisms (e.g. Williams, 2007) and management practices (e.g. Evangelista, 2009) as determinants of IJVs knowledge acquisition. The next section is to describe the literature reviews of both determinants.

The determinants of IJV’ Knowledge Acquisition

Transfer Mechanisms

During the process of knowledge acquisition, IJVs have to generate a broad transfer mechanism by adopting and embedding it with local sitting. Therefore, as defined by Easterby-Smith et al., (2008) and Mason & Leek, (2008), the mechanisms of transfer are the manners by which firms conduct knowledge transfer activities. The justification of the need of transfer mechanisms is that the knowledge gap among the international partner and domestic partner is considerable, so, not all the knowledge that are being transferred to IJV will be ready to be applied. Therefore, according to Easterby-Smith et al., (2008) and Mason & Leek, (2008) the mechanisms of transfer is the method that the recipient company encompasses in replicating or adapting the knowledge form the source company. Further definition, replication, and adaptation are modes by which organizations accomplish the acquisition of useful unit of information or practices (Williams, 2007).

Empirically, in his study, Williams, (2007) has developed a model of replication and adaptation of knowledge transfer performance. In his model, he has demonstrated that firms replicate because knowledge is ambiguous and adapt because knowledge depends on the context. The model also described that firms replicate more when knowledge is discrete and adapt more when the interactions between different areas of knowledge is understood. Furthermore, he has tested the model by using a survey of cross-border knowledge transfer relationships among firms in the telecommunications industry; he has found that replication and adaptation (transfer mechanisms) contribute significantly to knowledge transfer. Successful knowledge transfer leads to improved performance of the receiving unit. Another study has been conducted by test a survey in a sample of 120 knowledge transfer cases; they have found that transfer mechanisms relate positively to cooperative competency with partnering firms, which then improve knowledge transfer performance (Chen, Hsiao, & Chu, 2014). Therefore, the following hypothesis is proposed to be tested:

P1: Transfer mechanisms have a positive effect on IJVs knowledge acquisition.

Management Practices

Andreeva et al., (2012) have defined KM practices as the set of management activities conducted in a firm (e.g. IJVs) with the aim of improving the effectiveness and efficiency of organizational knowledge resources. Knowledge management practice is one of the important indicators of knowledge processes and firm performance (Inkinnen & Inkinnen, 2016). Inkpen and Dinur (1998) have recommended that distinctive knowledge is more successfully exchanged between partners with various knowledge management practices. Management practices is designed to facilitate to the organizational features to efficiently achieve cross-cultural technological knowledge transfer (Nguyen & Aoyama, 2015). Once an organizational learning occurs, the facilitating factor will promote the new knowledge acquisition, creation, and organizational learning (Appelbaum & Reichart, 1998).

Empirically, limited studies have explored the effects of management practice on the implementation of technology transfer/ knowledge acquisition. In their studies on 223 Japanese manufacturing subsidiaries in Vietnam, they have categorized management practice into five elements (training, management commitment, quality practices, sharing and understanding, and team-based work) which are mostly significant to adverse impact of cultural difference and organization culture on efficient technology transfer (Nguyen & Aoyama, 2012, 2014, 2015).

With the same sample and context, another research has found a significant relationship between management practice and efficient technology transfer (Nguyen & Aoyama, 2013), a qualitative study on Japanese manufacturing subsidiaries in Vietnam, the authors used in depth interview to assess management practices (management commit, quality practice, and training) to national culture on efficient technology transfer, they have found that management commitment is assessed as average influence, quality practice and training are assessed as good on technology transfer achievement because of their operating items are strongly synergizing the cultural similarities and compatibilities between Japanese and Vietnamese management perspectives. Another study by Felicitas Evangelista & Le Nguyen Hau (2009), on a survey data from 219 IJVs in Vietnam, they have found that management practices (management commitment and teamwork) have a significant effect on tacit and explicit marketing knowledge acquisition. Therefore, the following hypothesis is proposed to be tested:

P2: Management practices have positive effect on IJVs knowledge acquisition.
The Outcome of IJVs Knowledge Acquisition

IJVs Competitiveness

Firm (IJV) competitiveness is defined as the degree to which a firm performs in a marketplace, compared to its major competitors (L. Y. Wu, Wang, Chen, & Pan, 2008; W. p. Wu, 2008). In order to gain competitive advantage, firms must amplify their abilities to assimilate knowledge and apply it (Grant, 1996b); and to sustain competitive advantage, firms must learn to guard its knowledge against imitation and expropriation by rivals (Liebeskind, 1996). Thus, firm competitiveness (IJV) can be attained by having knowledge management advantage and concentrated learning (Liu, Chen, & Tsai, 2004).

A key justification for companies to form IJV or any kind of alliances is to obtain a combination of knowledge, expertise and other similar elements since insufficient knowledge does not constitute a credible deterrent to the firm’s abilities. The acquisition of knowledge for the IJV partners not only improves a firm’s abilities but also advances its comparability with its allies. By integrating essential know-how with its internal knowledge, sustainable competitive advantage can be achieved through the firm’s compatible marketing abilities, intense responsiveness to market changes, and innovative product offerings (Fang & Zou, 2009; Zhou & Li, 2012). Therefore, enhanced competitive capabilities are significant to help a firm to strengthen its competitive position and to further gain competitive advantage.

Theorists have proven that knowledge (KBV) is a strategic source to enhance the firm competitiveness and performance (Grant, 1996; Liebeskind, 1996). A number of empirical studies have given positive results in this context, a study on knowledge flow and competitiveness conducted from a survey among 205 partners of strategic alliances have found that firm competitiveness increases with knowledge acquisition in competitive alliances, but decrease in non-competitive alliances (Jiang, Bao, Xie, & Gao, 2016). Another study of knowledge acquisition activities (licensing data, licensing patents, competitive intelligence, soliciting knowledge from external sources, reviewing professional literature, monitoring technological advances, receiving external training, participating in collaborative acquisitions, and indirectly acquiring knowledge) have found that activities in the knowledge acquisition can be performed by contributing to a firm’s competitiveness (Holsapple, Jones, & Leonard, 2015). Another research by Pratali (2003), he has found that advanced technological innovations help improve company’s competitiveness with the aim of increasing the company’s value. Therefore, the following hypothesis is proposed to be tested:

P2: IJVs knowledge acquisition has a positive effect on competitiveness.

IJV Performance

The Knowledge-Based View (KBV) considers knowledge as the utmost strategic resource of an organization with the potential to generate sustainable competitive advantage and superior corporate performance because it is socially complex and, usually, difficult to imitate (Grant, 1996a, 1996b).

According to these theorists, the acquisition of knowledge is obviously not the only challenge and motive for all international joint ventures (IJVs), but as described in KBV theory, effective knowledge acquisition is a critical factor for performance. Performance can be defined as a measurement of how well an organization accomplishes its objectives. Performance is equal to the target accomplished by originations (Sloma, 1999), or as an assessment of a person’s, group’s, or organization’s effectiveness. Therefore, performance is not only about previous accomplishments, but also comprises the possible capability to successfully reach future objectives.

Empirically, studies have showed that effective acquisition and the use of knowledge is associated with enhanced quality performance, in terms of decreased process variation, increased product quality and reliability, reduced process defects, cost and cycle time, and increased worker morale (General Accounting Office, 1991). In the IJV context, many of previous studies have found that knowledge acquisition is linked positively with performance (Anh & Baughn, 2011; Lane et al., 2001; Lyles & Barden, 2000; Lyles & Salk, 1996; B. I. Park, Giroud, Mirza, & Whitelock, 2008; Tsang et al., 2004). Knowledge acquisition is not, however, synonymous with the performance of the IJV. This is due to the impact on performance by new knowledge may be inhibited by the joint venture’s policies or organization’s terms (Anh & Baughn, 2011). Therefore, it is expected that IJVs knowledge acquisition would bring valued intangible and tangible resources that might sustain IJV's performance, therefore it is important to conduct an empirical research on understanding the relationship between knowledge acquisition and performance. Therefore, the following hypothesis is proposed to be tested:

P2: IJVs knowledge acquisition has a positive effect on performance.

Mediating Role of IJV Competitiveness

As clarified earlier, KBV considers knowledge as a strategic potential source of resources that generates a continued competitiveness and performance. In line with this, empirical studies have found that knowledge is significant to performance (Anh & Baughn, 2011; Tsang et al., 2004) and competitiveness (Holsapple et al., 2015; Jiang et al., 2016). Furthermore, competitiveness is essential to performance (Schiuma et al., 2012; Zain & Kassim, 2012). Thus, it can be understood that knowledge, competitiveness and performance are possibly related to each other. Authors have stated that a mediating effect occurs when an entity embodies the link of independent variables to the mediator, and when another entity embodies the link of the mediator to the dependent variable (MacKinnon & Cox, 2012). However, in IJVs knowledge acquisition literature, one cannot deny noticing the shortage of empirical studies demonstrating an actual mediating role of competitiveness between knowledge acquisition and performance. Thus an empirical study must be done to increase the understanding of mediating role of IJVs competitiveness. Therefore, the following hypothesis is proposed to be tested:

P2: IJVs competitiveness mediates the relationship between IJVs knowledge acquisition and IJVs performance.
3. METHODOLOGY

This conceptual paper highlights a proposed framework on the important determinants and outcomes of knowledge acquisition. The suggested methodology for this study is as follows:

First, in regards with the research design, a quantitative approach is proposed by the authors to test the phenomenon by delivering a questionnaire at the international joint venture level. Secondly, the population of the research is proposed to be the number of international joint ventures (IJVs) that involve in Oil & Gas industry in a particular transition economy (e.g. Algeria). Third, the sample size would be selected based on Krejcie & Morgan (1970) table, if the list of IJVs is provided, the authors suggest the systematic random sampling technique. However, if the list is a non-existent, the sample selection to be applied is the random sampling technique. Finally, to test the proposed model, smart PLS program is suggested, the partial least square-structural equation modeling should be employed to establish the validity and reliability of the measurements and to test the postulated hypothesis.

CONCLUSION

This conceptual paper is to determine the influence of both transfer mechanisms and management practices on knowledge acquisition, which in turn will lead to improve IJVs competitiveness and performance, and also to test the mediating role of competitiveness between knowledge acquisition and performance in IJVs. By delivering an empirical study on these perceptions, this study can provide support to practitioners, mangers and decision makers of joint ventures in recognizing the key sources of knowledge acquisition. Although previous researches has tested different variables of knowledge acquisition, the research on the relationships that integrates transfer mechanisms and management practices as critical antecedents of knowledge acquisition is still insufficient. The aim of knowledge acquisition is to improve performance, thus competitiveness is needed to mediate the relationship. Finally, the proposed model will fill the research gap by previous researchers.

RECOMMENDATIONS

Future studies are strongly recommended to examine this paper model by adding some of the important antecedents such as environmental uncertainties to enrich the literature with new insights to contribute to the body of knowledge on the relationship between the variables. Additionally, future studies should examine the mediating role of IJV innovativeness between knowledge acquisition and performance to offer strong understanding of the relationship.

REFERENCES


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