



Transfers of tacit vs. explicit knowledge and performance in international joint ventures: The role of age



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ABSTRACT

This paper studies the transfer of tacit and explicit knowledge from foreign parents to international joint ventures (IJVs) and the impact of these two types of knowledge transfers on the performance of young and mature IJVs. We estimate a structural equation model using survey data from 334 Korean joint ventures and find support for our hypotheses regarding IJV age, knowledge transfers, and performance. Our results show that IJV age is positively associated with the transfer of tacit knowledge, but not with the transfer of explicit knowledge. In contrast, the transfer of tacit knowledge has a significant impact on the performance of both young and mature IJVs, while the transfer of explicit knowledge only has a significant effect on the performance of mature IJVs. These results confirm the important role of IJV age as a driver of knowledge transfers in IJVs, and as a moderator of their effects on performance.

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1. Introduction

Globalization and the intensification of domestic competition have led many firms to seek overseas markets (Elango & Pattnaik, 2007; Kauser & Shaw, 2004; Teegen & Doh, 2002). Geographical diversification, rapid technological progress, and changing social, political and economic environments are creating new challenges for businesses (Culpan, 2002). To meet these new challenges, firms are required to expand their knowledge resources. Few firms possess all of the information and know-how needed to cope effectively with the dynamic and complex business environments of globalizing markets, and often create partnerships across borders to acquire knowledge resources from their foreign partners (Kale, Singh, & Perlmutter, 2000). However, cross-border collaboration between organizations is risky and difficult to manage, and less than half of such alliances achieve their goals (Bamford, Ernst, & Gubini, 2004). Thus, it is important for the field of international business to improve understanding of the factors that may influence knowledge transfers in joint ventures, and their impacts on firm performance (Kogut, 1988; Suseno & Ratten, 2007).

Knowledge transfer is obviously not the only challenge and motive for all international joint ventures (IJVs), but abundant research has shown that effective knowledge transfer is a critical factor for alliances' survival and performance (Lane, Salk, & Lyles, 2001; Lyles & Salk, 1996; Pak, Ra, & Park, 2009; Suseno & Ratten, 2007). To study the process of knowledge transfer and its impact on performance, researchers often distinguish between tacit and explicit knowledge, because the processes for each type of knowledge transfer and their resource requirements differ significantly (Nonaka, 1994). Unfortunately, accumulated research on the performance effects of tacit and explicit knowledge has provided inconsistent results (Becerra, Lunnan, & Huemer, 2008). For instance, in their sample of Hungarian IJVs, Dhanaraj, Lyles, Steensma, and Tihanyi (2004) show positive performance effects for explicit knowledge transfer, but a surprising negative coefficient for tacit knowledge. On the contrary, Anh, Baughn, Hang, and Neupert (2006) find insignificant performance effects for explicit knowledge transfer and a positive impact for tacit knowledge transfer in their Vietnamese IJVs sample. Becerra et al. (2008) conjecture that these inconsistencies in findings may stem from differences in the contexts in which knowledge transfers occur.

In this paper, we want to advance our understanding of the conditions under which tacit vs. explicit knowledge transfers are more likely to take place in IJVs, and their impact on the performance of the knowledge-receiving organization. More

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specifically, we focus on the impact of IJV age as a critical antecedent of knowledge transfers and a moderator of their performance implications. Organizational age is an important contextual variable in management studies that reflects the changing features, capabilities, and challenges of the organization as it matures, which has a wide variety of organizational implications such as the liability of newness and the product-life cycle (Anderson & Zeithaml, 1984; Henderson, 1999). Our study investigates the differences between young and mature IJVs in the amount of tacit and explicit knowledge they obtain from their foreign partners and the performance implications of these transfers for the IJVs. We develop a two stage theoretical framework that recognizes the complementary nature of explicit knowledge (*'knowing that'*) and tacit knowledge (*'knowing how'*). In the first set of hypotheses, we examine the impact of age on the acquisition of explicit and tacit knowledge by IJVs, that is, the transfer and absorption of both types of knowledge by the Korean IJVs in our sample. In the second set of hypotheses, we examine how IJV age moderates the performance consequences of these two types of knowledge transfers (Duguid, 2005; Ryle, 1949).

Specifically, we pose the following research questions: (1) how do young vs. older IJVs differ in the amount of tacit and explicit knowledge that they acquire from their foreign partners? and, (2) how do the transfers of tacit and explicit knowledge affect IJV performance in young vs. older IJVs? We test and find support for our theoretical framework about the important role of IJV age in cross-border knowledge transfers from the foreign parent, using a structural equation model estimated with survey data from a sample of 334 IJVs in Korea.

Our study makes three key contributions to the literature on cross border knowledge flows in IJVs. First, we investigate the role of an IJV's age as a determinant of different types of knowledge transfers. We show how age facilitates the acquisition of knowledge from the foreign partner by the local IJV, but only for tacit knowledge that is embedded in its specific organization's routines and practices. Our results with respect to tacit knowledge acquisition confirm the importance of IJV age to increase the local units' ability to learn and utilize information embedded in the partner's organizational routines (Cohen & Levinthal, 1990; Lane et al., 2001), which we refer to as related tacit knowledge acquisition. In contrast, age does not affect the acquisition of explicit knowledge by IJVs to the extent that explicit knowledge is more easily transferred to IJVs due to its inherent codifiability and lower prior knowledge requirement for proper absorption.

By distinguishing in our theoretical framework between tacit and explicit knowledge, recognizing their complementary nature, and identifying differences between different types of tacit knowledge (specific vs. generic), our paper helps us understand the mixed results previously observed for the effect of age in the amount of knowledge transfers from the foreign partner to the IJV (Van Wijk, Jansen, & Lyles, 2008).

Second, we explore IJV age as a moderator of the performance effects of knowledge transfers. Because an IJV's age has not been the main focus of earlier research and has been usually treated as a control variable at best, researchers have not been able to uncover how IJV age may impact the performance consequences of different types of knowledge flows. Though the positive effects of tacit knowledge on performance are well established from a resource-based view (Barney, 1991; Grant, 1996), earlier research has not identified any performance implications for explicit knowledge transfers (Anh et al., 2006; Becerra et al., 2008). We contribute to the literature on organizational knowledge by showing that, when we distinguish between young and old IJVs, we can see important differences in the performance implications of knowledge transfers, especially explicit knowledge transfer, the performance effects of which had not been detected. Our results

confirm that explicit knowledge transfers from the foreign partner to the IJV can indeed have positive performance consequences, but only for older IJVs.

Finally, we add new empirical evidence about the transfer of tacit and explicit knowledge to IJVs in a new context. Our study investigates IJVs located in South Korea, a rapidly growing country that is quickly becoming a leader in various technological fields. Because of differences in locational advantages across countries (Dunning, 1980), it is likely that the type of knowledge transferred to IJVs by multinational parents, as well as its performance implications, may differ systematically across markets with different characteristics. In this sense, the empirical evidence about knowledge transfers to Korean IJVs complements existing research from studies in countries with very different economic and institutional contexts, like Hungary (Lane et al., 2001) and Vietnam (Anh et al., 2006; Tsang, Nguyen, & Erramilli, 2004).

In sum, our study explores IJV age as an important construct for understanding when and why tacit vs. explicit knowledge is more likely to be transferred to IJVs, and their relative effects on IJV performance for young versus older IJVs. These ideas about the different use and relevance of tacit vs. explicit knowledge transfers to IJVs are likely to be of interest not only for researchers in international business, but also for managers in multinational corporations responsible for relationships with their IJVs.

Our paper is structured as follows. In the next section, we present a brief literature review of research on knowledge transfers in international business. Later, we formulate two sets of hypotheses regarding how an IJV's age affects the transfer of tacit and explicit knowledge from the foreign partner to the Korean unit, as well as its performance implications for young vs. older IJVs. In the following two sections, we describe the data, the empirical study, and the results. The paper concludes with a discussion of the main findings and their implications for research on knowledge flows in joint ventures and for their actual management by practitioners.

2. Cross border knowledge transfers within and among corporations

The prior literature on cross-border knowledge transfers focused initially on transfers within multinational corporations (MNCs). This literature provided the foundation that informed extensive literature on cross-border transfers of knowledge between organizations. Firms are generally acknowledged as social communities where individual, social, and collective expertise can be transformed into economically useful products and services (Kogut & Zander, 1992). Among the collection of resources possessed by firms, a key resource in gaining competitive advantages is knowledge (Grant, 1996), and new skill development may lead to further competitive advantages (Inkpen, 1998; Teece, Pisano, & Shuen, 1997). Knowledge-based theories of the firm rely 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). The transfer of knowledge is particularly critical in international business because MNCs serve to internalize within the organization the transfer of such knowledge across borders (Kogut & Zander, 1993).

With the advent of globalization, crucial knowledge that leads to competitive advantage can now be derived from and transferred to foreign markets. Moreover, as business is increasingly being conducted across borders, the importance of effective and efficient cross-border knowledge transfer has subsequently increased (Perez-Nordtvedt, Kedia, Datta, & Rasheed, 2008). As a result, transfers of knowledge from external constituents have become

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