Journal of World Business 50 (2015) 220–233

Contents lists available at ScienceDirect

Journal of World Business

journal homepage: www.elsevier.com/locate/jwb

Outcomes of learning through JVs for local parent firms in transition economies: Evidence from Russia

Irina Mihailova [1,*]

Department of Management and International Business, Aalto University School of Business. P.O. Box 21230, FI-00076 AALTO, Finland

ARTICLE INFO

Article history:
Available online 21 May 2014

Keywords:
JV parent
Learning measurements
Capabilities
Restructuring
Russia

ABSTRACT

The outcomes of learning for JV performance have been studied extensively. However, benefits of learning for JV parent firms in transition economies are not well understood. In this paper I develop a two-phase approach for the assessment of learning outcomes for local JV parent firms by integrating concepts from innovation and strategy studies. I argue that at the first phase learning outcomes should be evaluated at operational level as changes in functional types of technological capabilities and managerial capabilities. At the second phase these changes have to be linked to strategic level outcomes for the modernization, restructuring and long-term competitiveness. I illustrate the applicability of these measurements in an explorative case study of Russian JV parent firms.

1. Introduction

Learning through Joint Ventures (JVs) in transition economies has become one of the central research areas in the last two decades (Child & Yan, 2003; Jiang & Li, 2008; Lyles & Salk, 1996). The rationale behind this interest is a belief that JVs provide an excellent opportunity for local parent firms to access foreign firms' capabilities and knowledge (Evangelista & Hau, 2009; Lane, Salk, & Lyles, 2001; Liu, Ghauri, & Sinkovics, 2010). The need to acquire knowledge came about as a result of the transition from centrally planned to market economies. This transition put pressure on local firms to undergo profound organizational transformation and to learn new skills and approaches to doing business in order to become successful in market-based economy (Peng & Heath, 1996; Roth & Kostova, 2003). In particular, local firms needed to obtain technological, managerial, and marketing capabilities to be able to meet customers' requirements and to compete in market-based economic conditions (Meyer & Peng, 2005; Tsang, 2002). Thus, local firms were motivated to enter the JVs with foreign firms to learn such skills and knowledge (Anh, Baughn, Hang, & Neupert, 2006; Tsang, Nguyen, & Erramilli, 2004). However, we still know little about the performance implications of learning through JVs for the local parent firms. While the impact of JV learning on the performance of a JV as an entity has been studied (e.g. Child & Yan, 2003; Lyles & Salk, 1996; Zhan & Luo, 2008), I argue that it is important to examine how local JV parent firms in transition economies have benefited from JV learning in their own operations and how this learning has assisted the development of their competitive advantages outside JV boundaries. Furthermore, there is a need to develop appropriate measures to achieve this objective.

The literature review shows that there are measurements to assess JV learning outcomes for the JV parent firms from developed countries (e.g. Inkpen, 2005; Jiang & Li, 2008). However, I argue that they cannot be directly applied for understanding of implications of JV learning for local parent firms in transition economies. This is because local firms in transition economies differ from developed countries firms in their level of knowledge and capabilities, technological sophistication, and other resources required for building their competitive advantages (Meyer & Peng, 2005; Wright, Hoskisson, Filatotchev, & Buck, 1998). The difference in resources and strategic goals between local firms in transition economies and developed countries firms also reflects their incentives for cooperation in JVs (Hitt, Dacin, Levitas, Arregle, & Bozra, 2000). Yet, the literature still lacks a framework for how to assess the performance outcomes of JV learning for local parent firms in transition economies and in this research I aim to fill this gap.

I develop a comprehensive set of measurements to evaluate the performance implications of local JV parents firms attributable to JV learning. Due to the fact that JV literature alone does not offer sufficient tools for this evaluation, I integrate relevant concepts

* Tel.: +358 40 353 8351; fax: +358 9431 38 880.
E-mail address: irina.mihailova@aalto.fi

[1] Irina Mihailova has previously published under her former surname Jormanainen.

http://dx.doi.org/10.1016/j.jwb.2014.04.004
1090-9516/

from the innovation and strategy in transition economies studies with those from JV learning area. I suggest that implications of learning should be assessed in two phases: first at the operational level, and then at the strategic level. I propose that at the operational level changes should be measured in specific functional types of technological capabilities and managerial capabilities. I use the classification of technological capabilities from the innovation studies that specifies three functional types of technological capabilities: investment, production and linkages (Bell & Pavitt, 1995; Lall, 1992). Also, I adopt the view that managerial capabilities can be reflected in managerial values, systems and cooperation capabilities (Danis, 2003; Gulati, Lavie, & Singh, 2009). In the second phase of assessment of learning outcomes, I suggest that the impact of changes in operational capabilities should be linked to the strategic development in terms of changes in processes of modernization and restructuring. The implementation of these processes was described in research on strategy in transition economies as being important long-term goals for local firms and vital to become competitive (Clark & Soulsby, 1999; Filatotchev, Wright, Uhlenbruck, Tihanyi, & Hoskisson, 2003; Suhomlinova, 1999).

Thus, in this paper I aim to contribute to existing literature on JV learning outcomes in transition economies in two specific ways. First, the proposed two-phase approach allows to grasp a full range of short- and long-term outcomes of JV learning in the local JV parent firms and to establish causal links in how and why the changes attributable to learning through JV takes place. Furthermore, this research overcomes methodological shortcomings of the existing studies that, as noticed by Meyer (2007), do not often distinguish between a JV which is a separate entity from both parent firms and JVs that are established as a result of partial acquisition. In the study I focus on JVs that are established as a separate entity by parent firms that have their own operations outside of JV boundaries. Second, I make an empirical contribution by applying these theoretical measurements in Russian context and evaluating how they allow to assess the full value of Russian parent firms' learning from their JVs.

Russia is a very interesting setting for empirical study because it is one of the largest emerging markets (Puffer & McCarthy, 2011), and it has had a long history of JVs with foreign firms (Fey, 1995). In spite of this, we still know little about Russian JVs as most work has been done in the context of Hungary, Vietnam and China (Anh et al., 2006; Lyles & Salk, 1996; Zhan & Luo, 2008). Moreover, compared to firms from other transition economies, Russian firms have a unique bundle of resources combining strong technical capabilities inherited from Soviet times and highly educated employees (Dezhina & Zashev, 2007). However, they often lack skills and capabilities that enable them to develop the advanced products required to compete in the market economy (Narula & Jormanainen, 2008; Radosevic, 2003). The existing Russian-related research is scattered amongst different fields and not well integrated in the JV learning literature. Because of this, it is interesting to examine the nature and extent of outcomes that Russians parent firms can attain through JV learning.

2. Literature review

2.1. Performance implications of JV learning in transition economies

JVs have grown in popularity in transition economies due to the belief that they provide local firms with opportunities to learn from their western partners (Lyles & Salk, 1996; Zhan, Chen, Erramilli, & Nguyen, 2009). The need for and outcomes of JV learning are affected by the specific features of transition economies which witnessed a rapid transformation from centrally planned to market based regimes and a profound change in norms and values of economic activities (Meyer & Peng, 2005; Roth & Kostova, 2003). For several decades prior to the transition most of the domestic firms were state-owned and had been managed through government directives and a supply of all required resources was organized through central planning (Peng & Heath, 1996). After the transition local firms had to establish new governance mechanisms suitable for dealing with the competitive pressures in a market economy, scarcity of resources and challenges of making strategic choices in a continuously changing environment (Bevan, Estrin, & Meyer, 2004; Child & Czeglédy, 1996). One of the major obstacles for the development of local firms was a lack the technological and managerial capabilities needed to successfully innovate and outperform local and foreign rivals (Clark & Soulsby, 1999; Tsang et al., 2004). Another obstacle is that the network of actors being invlolved in innovation creation has become non-functional and local firms have been left with little support for their innovation activities (Narula & Jormanainen, 2008). Yet, market conditions have required rapid development of competitive advantages and local firms sought to establish JVs expecting to acquire advanced managerial and technological capabilities from foreign partners in a quick and efficient way (Fang & Zou, 2010; Zhan et al., 2009).

JV research to date has emphasized potential benefits of JV learning in transition economies (Child & Markóczy, 1993; Kale & Anand, 2006; Si & Bruton, 1999). However, actual evidence of these benefits is scarce. Literature review reveals that scholars examined various aspects associated with JV learning such as the process of learning by local parent firms (e.g. Tsang, 2002), the factors influencing the success of such learning (e.g. Farrell, Oczkowski, & Kharabsheh, 2011; Lane et al., 2001; Yan & Child, 2002) and the types of JV learning (e.g. Markóczy, 1994). There are also studies that investigated the implications of learning and its role in the achievement of superior performance. Yet, these implications have been assessed only at the JV level (Pak, Ra, & Park, 2009; Lyles & Salk, 1996) and at the foreign parent firm level (Jiang & Li, 2008; Tsang, 2002). In this paper I stress that the impact of JV learning on operations of local JV parent firms in transition economies has not been assessed. In other words, the limitation of existing literature is that it deals with acquisition of various types of knowledge from foreign partners in JVs but does not explore whether or not the acquired knowledge has actually translated into competitive advantage of the local JV parent firms.

It is worth noting that there are JV studies conducted in context of developed countries that have assessed learning outcomes for the parent firms and illustrated its strategic value (e.g. Inkpen & Crossan, 1995). However, I suggest that outcomes of learning through JVs in transition economies for local parent firms are very different in nature from those in developed economies and therefore require distinctive measurements. The reason for this is that firms in transition economies have specific types of resources and capabilities that were inherited from the centrally - planned regime and they faced distinctive challenges during the transition period associated with weak institutional support (Meyer & Peng, 2005; Newman, 2000). The conceptualization and operationalization of measurements of learning in local JV parent firm in transition economies have not been attempted, and empirical evidence substantiating the extent of learning is scarce. Thus, in this study I focus on the development of measurements suitable for assessment of the performance implications of JV learning for local parent firms in transition economies.

2.2. Measurements of JV learning

When aiming to develop measurements of JV learning outcomes for local parent firms in transition economies I start with a