



Reverse and conventional knowledge transfers in international joint ventures



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ARTICLE INFO

Article history:

Received 3 August 2014

Received in revised form 11 December 2015

Accepted 13 December 2015

Available online 3 February 2016

Keywords:

Knowledge transfer

Reverse knowledge transfer

International joint ventures (IJVs)

Korea

ABSTRACT

We develop and test a theoretical model to examine the dynamics of knowledge transfers from foreign parent firms to their IJVs (conventional transfers) and knowledge transfers from IJVs to their foreign parent firms (reverse knowledge transfers). We estimated a structural equation model using survey data from 199 Korean IJVs. Findings reveal the symbiotic relationships between reverse and conventional knowledge. The transfer of conventional knowledge presents opportunities for interactions between employees of the IJV and the foreign parent firm, creating a platform for bi-directional tacit knowledge flows and a basis for informal mutual learning. Other findings include: a positive impact of shared vision on reverse knowledge that is fully mediated by conventional knowledge transfer; a negative relationship between IJV performance and reverse knowledge flows; and confirmation of prior studies' findings that IJVs' learning intentions and capability to absorb knowledge positively affect conventional knowledge transfers.

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1. Introduction

The ability of an MNE to locate and leverage its knowledge across dispersed foreign subsidiaries and international joint ventures (IJVs) is a necessary but not a sufficient condition for the creation of competitive advantage (Gupta & Govindarajan, 1991). The MNE must also be able to continually expand and renew its knowledge stock. Foreign subsidiaries and IJVs generated by MNEs' foreign direct investment (FDI) are potentially important sources of new knowledge. There is evidence, however, that many MNEs ignore the potentially valuable knowledge they can acquire from their foreign subsidiaries and international joint ventures (IJVs). This is especially the case when the latter are located in what the MNEs perceive to be less technologically and/or managerially advanced countries, or institutionally and culturally distant ones (Beamish & Berdrow, 2003; Inkpen & Crossan, 1995).

Studies of knowledge transfers involving MNEs typically focus on one-way transfers from the parent firm to foreign affiliates. This 'one way' limited view of knowledge transfers fails to capture the complex nature of the knowledge transfer processes within the MNE network, which often involve multi-directional flows (Eden, 2009; Gupta & Govindarajan, 2000). To partially fill this gap, this paper is focused on bi-directional flows of knowledge between parent firms and their IJVs, and the relationships between these flows.

IJVs are equity-based alliances established by two or more legally distinct organizations that are based in different countries (Geringer & Hebert, 1989; Kogut, 1988). As legally independent entities, they have separate decision-making processes, enjoy a large measure of autonomy, and provide platforms through which informal learning that is essential to the transfer of tacit knowledge can occur. Due to their independence, IJVs have the strategic flexibility required to leverage parent firm knowledge (Tallman, 1999) and develop valuable and innovative knowledge that can then contribute back to their parent firms.

The knowledge acquired from IJVs can benefit parent companies in a variety of ways. For example, local knowledge acquired from the IJV can help the parent firms formulate their global strategy to be applicable in local conditions, as well as develop new products and services for both local and global markets (Beamish & Berdrow, 2003). Despite its strategic and theoretical importance, the phenomenon of "reverse knowledge transfer" i.e. the flow of "transformed and newly created knowledge" from the IJV to its foreign parent firms (Berdrow & Lane, 2003: 17) has been understudied. The few studies that have focused their attention on reverse knowledge transfer (Ambos, Ambos, & Schlegelmilch, 2006; Gupta & Govindarajan, 2000; Mudambi, Piscitello, & Rabbiosi, 2014; Nair, Demirbag, & Mellahi, 2015; Rabbiosi, 2011; Rabbiosi & Santangelo, 2013; Yang, Mudambi, & Meyer, 2008) examined internal knowledge transfers within MNEs. Only a few studies have examined how knowledge is transferred from joint ventures to their parent firms (Beamish & Berdrow, 2003; Berdrow & Lane, 2003). We extend the knowledge produced by these studies by considering the dynamics of the relationship between conventional and reverse knowledge transfers in an IJV context.

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We develop and test a model which articulates the dynamics of reverse knowledge flows, highlighting the role of shared vision in facilitating conventional knowledge transfer, and its indirect impact on reverse knowledge transfer through the mediating effects of conventional knowledge. We also examine how IJVs' knowledge stock (R&D) and overall performance impact reverse knowledge transfer.

2. Theoretical approach and hypotheses

Insights derived from several complementary theoretical perspectives inform our theory development. These include the knowledge based and the organizational learning perspectives, as well as the insights contained in the rich literature on joint ventures.

The knowledge based perspective views the IJV largely as an instrument of organizational learning. "In this view a joint venture is used for the transfer of organizationally embedded knowledge which cannot be easily blueprinted or packaged through licensing or market transactions" (Kogut, 1988: 319). Such knowledge which is embedded in organizational routines and principles by which people cooperate, is largely tacit and focuses on 'know-how' (Polanyi, 1966). It is transferred in organizations that exist as "communities within which varieties of functional expertise can be communicated and combined by a common language and organizing principles" (Kogut & Zander, 1992: 390). IJVs often exist as such communities that include not only their employees but also the employees of their parent firms, thus permitting a high degree of informal learning and sharing that is particularly important to the transfer of tacit knowledge between the IJV and its parents. They can maintain such communities by creating opportunities for repeated face to face informal interactions between employees of the IJV and the parent firms. These interactions facilitate the emergence of a common vision, as well as trusting relationships.

The organizational learning perspective highlights differences in the modes of knowledge transfer for tacit and explicit knowledge, and the fluid roles of "teachers" and "students" in this process. When partners possess different types of knowledge, they may frequently swap "teacher" and "student" roles. This perspective also highlights the critical role that "intentions to learn" and "related

absorptive capacities" play in the transfer of knowledge between the organizations.

Oxley and Wada (2009) state the widely accepted idea that equity joint ventures are particularly effective vehicles for tacit knowledge transfer in comparison to more arm's length contractual agreements. Equity joint ventures promote a shared identity and vision (Kogut, 1988) as a result of repeated interactions between their members (Gulati, 1995, 1998). They provide a forum for interaction between the IJV and its parents, allowing for trusting relationships to develop, relationships that promote informal sharing of knowledge. The contractual arrangement between the parents contributes to the alignment of incentives and a reduction in the likelihood of opportunistic behavior emerging. Joint venture partners are likely to cooperate more intensively in alliance related issues than in the case of "bare licenses", having more control over knowledge flows; they have the ability to more effectively prevent undesirable information leakages (Gomes-Casseres, Hagedoorn, & Jaffe, 2006; Oxley & Wada, 2009).

While joint ventures provide effective platforms for mutual learning, the degree to which this potential is realized depends on the learning intent and capabilities of the partners. Our theoretical framework (see Fig. 1) explores the antecedents of both conventional and reverse knowledge transfers and the relationships between them.

2.1. Learning intention

Arguably, IJVs are formed in part to leverage their parent firms' knowledge. It is not sufficient, however, that valuable knowledge is available; the IJV employees' intent to learn is critical (Hamel, 1991; Hau & Evangelista, 2007). Without the motivational dispositions to learn, barriers to knowledge transfer tend to arise, hindering the learning process (Gupta & Govindarajan, 2000; Szulanski, 1996). The presence of learning intent often provides that vital, initial push needed to eliminate organizational barriers which impede effective learning (Kalling, 2003). Motivation for learning generates also the impetus for better, faster learning (Hau & Evangelista, 2007). Thus,

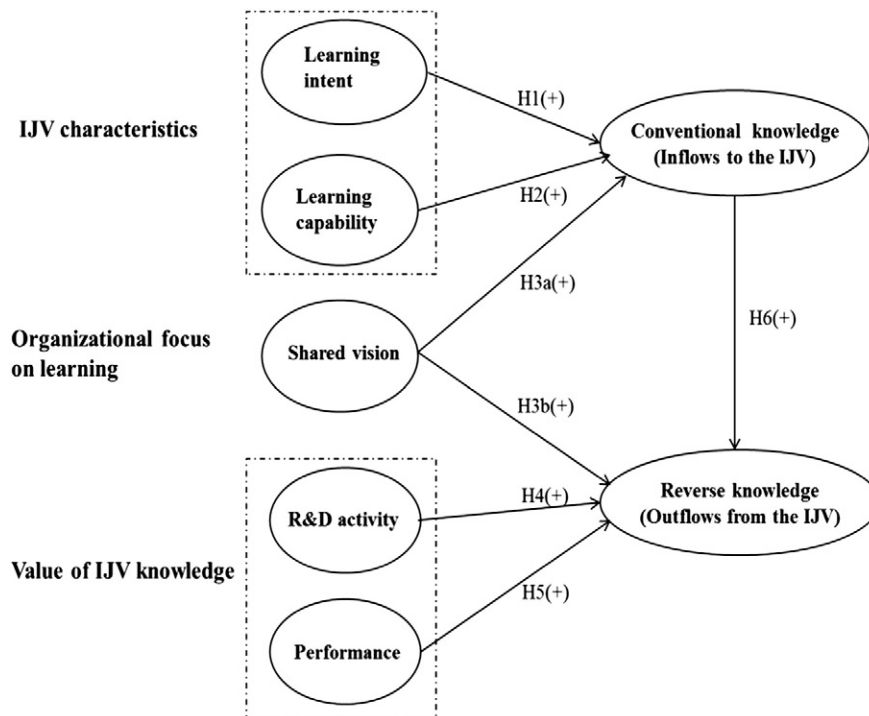


Fig. 1. Research model.

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