Journal of Business Research xxx (2017) xxx–xxx

Contents lists available at ScienceDirect

Journal of Business Research

Knowledge transfer in buyer-supplier relationships: The role of transactional and relational governance mechanisms☆

Yi Liu [a], Yao Li [b,*], Linda Hui Shi [c], Ting Liu [d]

[a] Antai College of Economics and Management, Shanghai Jiao Tong University, 200240 Shanghai, PR China
[b] School of Management, Tianjin University of Technology, 300384 Tianjin, PR China
[c] The Gustavson School of Business, University of Victoria, Victoria, BC V8W2Y2, Canada
[d] School of Management, Shanghai University, 200444 Shanghai, PR China

ARTICLE INFO

Article history:
Received 1 August 2015
Received in revised form 1 September 2016
Accepted 1 December 2016
Available online xxxx

Keywords:
Contract
Transaction-specific investment
Trust
Personal relationship
Knowledge transfer quantity and credibility

ABSTRACT

Transferring a quantity of credible knowledge is a key competitive advantage for vertical relationships in an emerging economy. Distinct from extant research focused on the relational performance of and opportunism in channel relationships or knowledge transfer in horizontal alliances, this study investigates knowledge transfer in vertical relationships and considers how transactional and relational mechanisms differentially affect knowledge transfer quantity and credibility. Hierarchical regression analyses of 225 paired buyers and suppliers in China revealed that both transactional and relational mechanisms effectively improve quantity and credibility; within a transactional mechanism framework, contracts more effectively increase quantity, whereas transaction-specific investments do not increase credibility more effectively than contracts; and trust more effectively improves both quantity and credibility in the relational mechanism framework than personal relationships. These findings provide new insights for the knowledge management literature and practices in vertical relationships.

1. Introduction

When faced with increasingly uncertain market demands and intense competition, firms need to acquire valuable knowledge from all possible sources (Frazier, Maltz, & Antia, 2009; Hau & Evangelista, 2007). Knowledge transfer between exchange partners is an important practice that significantly improves a firm's competitive advantage (Li, Poppo, & Zhou, 2010; Nielsen, 2010) and performance (Bonner, Kim, & Cavusgil, 2005; Martinez-Noya, Garcia-Canal, & Guillen, 2013; Walter, Lechner, & Kellermanns, 2007). The literature on knowledge transfer has investigated the antecedents of knowledge transfer performance, such as managerial oversight, incentives, and training programs (Inkpen, 2008; Lane & Lubatkin, 1998); trust and shared values (Dhanaraj & Lyles, 2004); and knowledge characteristics, such as relatedness, ambiguity, and complexity (Lane, Salk, & Lyles, 2001; Szulanski, Cappetta, & Jensen, 2004; Zander & Kogut, 1995). Recent research has adopted a governance mechanism perspective to investigate knowledge transfer in inter-firm relationships. For example, Mayer and Argyres (2004) suggest that *the transactional mechanism* (i.e., contract) efficiently governs knowledge transfer in PC industry alliances because it serves as a platform for two partners to effectively communicate. Several studies have argued that *relational mechanisms*, such as trust and personal relationships, provide a reciprocal network through which partners can frequently communicate and exchange credible knowledge (Li et al., 2010; Park & Luo, 2001).

A thorough review of the knowledge transfer literature reveals three significant improvement areas. First, although the literature has investigated the role of governance mechanisms (i.e., transactional and relational) in knowledge transfer, their relative effects on transferred knowledge *credibility* versus *quantity* have received scant attention. Distinguishing between knowledge credibility and quantity is crucial because they represent two different dimensions of transferred knowledge, and the effects of various mechanisms on each dimension may vary. *Quantity* refers to the degree to which transferred knowledge is sufficient and complete (Martinez-Noya et al., 2013). *Credibility* refers to the degree to which transferred knowledge is reliable and trustworthy (Maltz, 2000). Most empirical studies have mixed different attributes of transferred knowledge into one single category (Nobeoka, Dyer, & Madhok, 2002). Ignoring the distinction between the quantity

☆ We thank the editors and three anonymous reviewers for their constructive feedback during the review process. We acknowledge the financial support of the Program for Changjiang Scholars and Innovative Research Team in University (IRT13030), National Natural Science Foundation of China (71572109; 71602145) and the Foundation for Innovative Research Groups of the National Natural Science Foundation of China (71421002).

* Corresponding author.
E-mail addresses: liuyi76@sjtu.edu.cn (Y. Liu), goodluckly75@163.com (Y. Li), lshi@uvic.ca (L.H. Shi), tingliu@shu.edu.cn (T. Liu).

http://dx.doi.org/10.1016/j.jbusres.2016.12.024
0148-2963/© 2017 Published by Elsevier Inc.

and credibility of transferred knowledge implies that all transferred knowledge is credible. This is especially untrue in the channel relationships of an emerging market, as credible knowledge is not readily available in emerging markets due to the unpredictability of the institutional change and general lack of information-seeking channels (Li, Poppo, & Zhou, 2008). Recent work has investigated the effectiveness of transactional and relational governance mechanisms in transferring tacit versus explicit knowledge (Li et al., 2010) and external versus internal strategic information (Frazier et al., 2009). However, the issue of how various governance mechanisms differentially affect transferring credible knowledge versus massive knowledge remains unexplored.

Second, whether and how various mechanisms (i.e., transactional versus relational) positively affect knowledge transfer are still highly debatable. Some scholars argue that formal governance mechanisms (i.e., contracts) facilitate knowledge transfer by providing formal platforms to ensure effective inter-firm communication (Lane & Lubatkin, 1998; Mayer & Argyres, 2004), whereas others argue that it is the social connections that overcome the "institutional voids" present in emerging economies to ensure credible knowledge transfer (Park & Luo, 2001). Contracts may suppress an inter-firm partner's intrinsic motivation to share information (Adler, 2001). More recent work has demonstrated that the joint use of both transactional and relational mechanisms curbs opportunistic behavior (Liu, Luo, & Liu, 2009), facilitates information sharing (Luo, Liu, Zhang, Huang, 2011), and governs transferring both explicit and tacit knowledge (Li et al., 2010). Although previous studies have significantly advanced our understanding of the joint use of both transactional and relational governance mechanisms, the question of how specific mechanisms within each governance framework (i.e., contracts versus transaction specific investment in the transactional framework and trust versus personal relations in the relational framework) may differentially affect knowledge transfer remains unsolved. Understanding the relative effects of each governance mechanism may help a firm focus its efforts on the more relevant mechanism (Dhanaraj & Lyles, 2004; Gooderham, Minbaeva, & Pedersen, 2011; Inkpen & Currall, 2004).

Third, comparing with the plentiful research on transferring knowledge in a horizontal alliance context, few studies have investigated knowledge transfer in a buyer-supplier relationship context (Frazier et al., 2009 and Li et al., 2010 are two exceptions). Yet, in vertical relationships, suppliers have to rely on buyers (or distributors) to access external competitor and customer information and internal strategic information for long-term decision-making (Frazier et al., 2009), local knowledge to help foreign subsidiaries address foreign liability issues (Li et al., 2010), and innovative information (Atuahene-Gima, 2005). As buyers (or distributors) may exercise opportunistic behavior and are often unwilling to share credible knowledge due to constrained resources and a perceived lack of benefit of sharing sensitive strategic information (Frazier et al., 2009), understanding the governance mechanisms that lead to credible knowledge transfer is critical for channel relationship success. Therefore, the contextualization of knowledge transfer in a vertical relationship setting and the focus on transferring credible knowledge not only contribute to theory building but also shed light on managerial insights for guiding suppliers to transfer credible knowledge when facing a vast amount of unverified information in an emerging economy context.

Taken together, this study makes three key contributions to the literature. First, many studies have addressed either the occurrence or quantity of knowledge transfer (Liu et al., 2009; Pérez-Nordtvedt, Kedia, Datta, & Rasheed, 2008), but have paid little attention to its credibility. This study fills this gap by using both quantity and credibility of transferred knowledge as outcomes. Second, this study draws on the transaction cost and social exchange theories to compare the relative effects of four mechanisms on both knowledge transfer quantity and credibility in a vertical relationship (see Fig. 1). Third, using matched survey data from 225 buyer-supplier dyads in China's household appliance industry, this study reveals that within a transactional mechanism framework, contracts more effectively increase knowledge quantity than transaction-specific (TS) investments, whereas trust more effectively improves both quantity and credibility within the relational mechanism framework than personal relationships.

2. Theory and hypotheses

2.1. Knowledge transfer quantity and credibility

Various dimensions of information quality, such as quantity, accuracy, completeness, and trustworthiness, have been widely studied in the management information system literature (Maltz, 2000; Martinez-Noya et al., 2013; Stvilia, Gasser, Twidale, & Smith, 2007; Wang & Strong, 1996). In the knowledge transfer literature, source credibility is considered an important antecedent for effective knowledge transfer (Szulanski et al., 2004). However, studies on how to stimulate and improve the credibility and quantity of knowledge transfer, as two outcomes, have not attracted much attention (Del Bosque Rodriguez, Agudo, & Gutiérrez, 2006; Liu et al., 2009; Luo, Liu, Zhang, & Huang, 2009). Against this background, this study focuses on quantity and credibility as two major outcomes of knowledge transfer.

2.2. Transactional and relational governance mechanisms in knowledge transfer

Governance mechanisms for inter-organizational exchanges include both transactional and relational mechanisms (Heide, 1994;

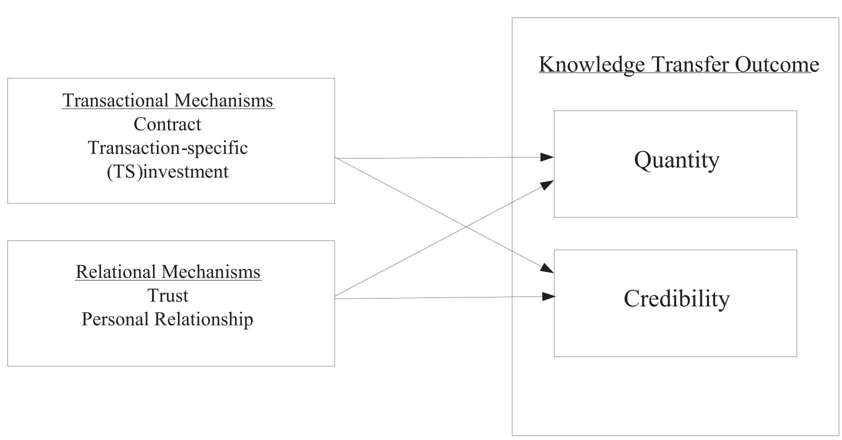

Fig. 1. Conceptual model.