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Strategy's effect on knowledge sharing in host country networks☆

Waheed Akbar Bhatti^{a,*}, Jorma Larimo^{a,b}, Inmaculada Carrasco^c^a Department of Marketing, University of Vaasa, Wolffintie 34, Vaasa, 65200, Finland^b Department of Marketing, University of Vaasa, Vaasa, Finland^c University of Castilla–La Mancha, Spain

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ABSTRACT

This study investigates how knowledge strategy affects multinational firms' knowledge sharing in host country networks. Network interactions are a source of learning and knowledge acquisition for firms to fill their knowledge gaps. The research presents a quantitative study of organizational-level learning with structural equation modeling on Asian and European telecommunications multinational firms operating in Pakistan. The results suggest that a clearly outlined knowledge strategy positively affects firm's knowledge sharing in host country networks. The acquired knowledge leads to effective market intelligence and improvement in firm's process innovation and consequently in its performance. The knowledge sharing positively affects research and development integration of past projects; however, research and development integration of past projects has no significant effects on firm performance. The implication for managers is to accept failures and remove barriers to knowledge sharing that prevent employees from using their expertise, and to encourage and engage them in solution finding.

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1. Introduction

To enter a market and stay competitive, multinational firms require knowledge and access to the host country environment resources. Andersson, Dellestrand, and Pedersen (2014) acknowledges knowledge and resources in host country networks as country-specific advantages. They provide opportunity for the subsidiary to upgrade its competencies and to evolve (Birkinshaw, 1997). The exchange of knowledge through interactions is essential for new knowledge acquisition (Jonsson, 2015). The revised Uppsala Model (Vahlne & Johanson, 2013, p. 195) explains that internationalization process consists of two subprocesses, “experiential learning” and “commitment building.” These subprocesses take place at both ends of the network relationships. In order for learning to take place, trust is an essential prerequisite.

Johanson and Vahlne (2011, p. 489) define business networks as a “set of connected relationships.” They consider business relationships and connections among them as crucial in the network. The access of a subsidiary to its network resources affects that subsidiary's competitiveness in the market (Andersson, Forsgren, & Holm, 2002). The growth of network relationship depends on knowledge sharing, by

learning through interaction and acquiring knowledge (Kogut, 2000). The acquisition of new knowledge identifies opportunities that are not accessible to outsiders (Johanson & Vahlne, 2009). Firms operating in host country environment, as opposed to those operating from a distance or outside the network, reduce uncertainty about the future.

Managers of firms operating in a network of business relationships may apply an inter-firm perspective toward change expectations. The learning and knowledge sharing is an ongoing process between network members. Knowledge sharing is crucial to stay competitive. Firms may learn new work techniques and/or identify opportunities in host country networks (Zander & Kogut, 1995). These advantages may relate to new product or innovation in service (Johanson & Vahlne, 2009). In the era of discontinuous change, firms must apply knowledge benefit quickly and effectively and take advantage from that knowledge before competitors do. Firm's learning capability positively affects both firm's working and competitive advantage (Amiri, Jandghi, Alvani, Hosnavi, & Ramazan, 2010).

Recent studies (Table 1) focus on knowledge transfer within multinational firms (Michailova & Mustafa, 2012; Song, 2014), on the influence of subsidiary and knowledge transfer (Najafi-Tavani et al., 2014), or on competence development of multinational units through local subsidiary environment (Andersson et al., 2014). Yet evidence on learning of multinational subsidiaries in host country networks is scarce (Dimitratos et al., 2014; Sirén et al., 2012). Furthermore, seemingly, no studies focus on understanding relationships between learning and sharing for subsidiary co-evolution in host country networks (Jonsson, 2015), acquiring new knowledge and identifying opportunities in their host countries (Vahlne & Ivarsson, 2014).

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* Corresponding author.

E-mail addresses: wbhatti@uva.fi (W.A. Bhatti), jorma.larimo@uva.fi (J. Larimo), Inmaculada.Carrasco@uclm.es (I. Carrasco).

Table 1
Recent research on knowledge sharing in multinational firms.

Author	Research focus	Relationship examination	Sample	Data collection method	Analysis method	Future research recommendations
Jonsson (2015)	Knowledge Sharing through practice and logic	Knowledge sharing in practice	Swedish case study	Qualitative	Ethnography	Focus on three logics to explain how knowledge sharing takes place and motivating employees to share knowledge.
Andersson et al. (2014)	Subsidiary locations contribute to competence development of sister units within MNE	Location and competence development	2107 European subsidiaries (7 countries)	Qualitative	SEM (LISREL)	Mechanism that facilitates or impedes the knowledge learning and transfer process in subsidiary and its environment
Dimitratos, Plakoyiannaki, Thanos, and Förbom (2014)	Modes of learning in MNE subsidiaries	Learning modes of MNE subsidiary at host country	Subsidiary case study	Qualitative	Comparative method nudist software	Entrepreneurial and marketing learning performance + investigation of learning agents
Hohenthal, Johanson, and Johanson (2014)	Relationship between experience and business relationship value in foreign market	Early expansion in foreign market networks	1807 Swedish Danish New Zealand	Quantitative	SEM (LISREL)	Knowledge about network actors and relationships is important for understanding network development
Najafi-Tavani, Giroud, and Andersson (2014)	Knowledge-based and network-based activities as determinants of subsidiary influence.	Knowledge-based and network-based activities as internal factors	184 UK Subsidiaries	Quantitative	SEM (LISREL)	Study of internal and external factors of subsidiary for broader view of its influence
Song (2014)	Knowledge transfer between MNC subsidiary	Meta-analysis of MNC subsidiary literature	Multinational subsidiaries	Literature review	Literature review	Research on knowledge transfer to subsidiary from MNE-HQ and that between subsidiaries
Vahlne and Ivarsson (2014)	Globalization of MNEs	Globalization process of MNEs	17 Swedish	Qualitative	Interpretation of interviews and annual reports	How MNEs learning can strengthen capabilities through local environment
Vahlne and Johanson (2013)	Evolution of multinational enterprise (MNE)	Uppsala model	Multinational firms	Theory	Theory development	Evolution: from internationalization to coordination in networks
Sirén, Kohtamäki, and Kuckertz (2012)	Relationship of learning and subsidiary success	Learning entrepreneurial orientation and performance	206 Finland	Quantitative	SEM	New dimensions in relationship of learning and performance

This study investigates the effect of knowledge strategy on knowledge sharing and subsidiary performance. This research focuses on organizational-level learning, where organizational systems such as culture can provide a better understanding of not only organizing but learning as well (Weick & Westley, 1996). This international business study makes three contributions to the literature. First, the study explores the interplay between knowledge strategy and knowledge sharing in host country networks and how they affect firms' learning. Second, the study contributes by explicitly focusing on knowledge sharing's effect on process innovation, market intelligence, and research and development (R&D) integration with past projects through learning from host country networks. Third, analyzing how learning and new knowledge acquisition from host country networks affect firm performance.

The structure of the study is as follows. Section 2 reviews the literature on knowledge sharing and develops the hypotheses. Section 3 describes the sample and the data collection process. Finally, Section 4 presents the empirical findings, a discussion of results, implications, and conclusions.

2. Literature review and hypotheses development

No consensus exists on a definition of knowledge management. Padova and Scarso (2012, p. 288) describe a "hard technology-oriented" and a more "human-oriented" viewpoint to knowledge management. One stream of the literature takes a normative perspective "focusing on how to become successful when implementing a strategy of knowledge management," whereas another stream takes a constructivist perspective "that treats knowledge as a social process" (Jonsson, 2015, p. 47). However, Kumar and Ganesh (2011) emphasize that these two perspectives can complement each other. Yang (2010) highlights that the decisions regarding ownership, structure, process, and environment take place within the firm, thereby affecting performance.

These decisions include allocating resources, developing tools for effective and smooth knowledge transfer, and updating firm's knowledge base to create an environment of sharing and learning, which promotes innovation.

Knowledge strategy is a road map employing firm knowledge (Zack, 1999) to achieve strategic goals in business strategy. Two perspectives exist regarding firm's knowledge strategy, namely, a descriptive and a prescriptive one. The first viewpoint focuses on knowledge-based exploration or exploitation activities (Bierly & Daly, 2007) or developing particular processes to manage various knowledge types (Alavi, Kayworth, & Leidner, 2005). The prescriptive viewpoint highlights theoretical models that assume that managers may develop and implement knowledge strategy for achieving firm's objectives (du Plessis, 2007). Firms should adopt an integrative view of both viewpoints to have a synergetic effect of knowledge strategy (Donate & Canales, 2012).

A firm should improve on its past project experiences by learning from their results and incorporating that information into R&D. Firms can acquire knowledge by learning from failures (Pisano, 2006) and grow through repositioning (Talaga, 2010). Firms cannot develop new capabilities, unless they tolerate failure and insist on openly discussing such failure. To learn from past failures, firms need to first accept and recognize those failures as results of their own actions. In a dynamic environment, firms need to decide how effectively they can use their intellectual capital to create value and achieve competitive advantage.

H1. Subsidiary's knowledge strategy positively effects research and development integration by learning from past projects.

Human capital (Bontis, Crossan, & Hulland, 2002) consists of all attributes related to firms' employees: their exposure, experience, and skills, and their innovative and creative capabilities. Human capital comprises

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