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The effect of learning approaches on the utilization of external knowledge in strategic alliances

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ABSTRACT

Profiting from external knowledge is crucial for a firm's innovation, and strategic alliances are a well-recognized conduit for bringing the benefit of external knowledge as an input to a firm's innovation processes. This study investigates whether the approach a firm follows for learning from an external partner has an impact on the extent to which the learned knowledge is utilized. By contrasting the exploration and the exploitation learning modes in 114 strategic alliances formed by French firms, the authors show that exploration is positively associated with the utilization of knowledge learned from the partner. Furthermore, the findings show that even when the partners' knowledge profiles are alike, exploration is influential.

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1. Introduction

Today, innovation is increasingly characterized as a knowledge-creation process (Nonaka, 1994). However, existing research suggests that firms often lack the resources to fully develop internally the knowledge needed for successful innovation (Noseleit & de Faria, 2013). Not surprisingly, acquiring knowledge from external partners is regarded as a key to success (Conner & Prahalad, 1996; Teece, 1986). Consequently, firms often form strategic alliances to profit from the external knowledge required for innovation success (Doz & Hamel, 1997; Sivadas & Dwyer, 2000).

Regarded as ongoing formal relationships among independent firms, alliances are a useful vehicle for knowledge creation. They involve exchange, sharing, joint development, or provision of technologies, products, and services (Gulati, 1998) and are significant for exploring and exploiting external knowledge (Grant & Baden-Fuller, 2004; Lavie & Rosenkopf, 2006). Because successful innovation requires information sharing and complementary knowledge, the positive link between alliance formation and the utilization of knowledge in innovation efforts has been well established (Baum, Calabrese, & Silverman, 2000).

However, mere exposure to external knowledge does not guarantee the utilization of that knowledge in innovation processes (Dahlander, O'Mahony, & Gann, 2016), because strategically valuable knowledge is

tacit and context-dependent (von Hippel, 1994). Such context dependency can diminish the contribution of any knowledge that has not been developed in the knowledge-creation process of the firm. If knowledge can be easily replicated in or transferred to other contexts, it does not necessarily yield the same level of utility for problem-solving as it does in its original context (Huckman & Pisano, 2006). For this reason, firms have different approaches to how they might benefit from external knowledge via strategic alliances (Fey & Birkinshaw, 2005; Xu, Fenik, & Shaner, 2014). Some firms *explore* a partner's knowledge and focus their attention and efforts on experimenting with new methods, searching for new solutions, entering into new domains of expertise, and challenging internal processes based on the insights and knowledge they acquired from the partner. Such exploration of external knowledge helps the firm develop new solutions by learning from a partner (Zeng & Hennart, 2002). At the other extreme, a firm may *exploit* a partner's knowledge by using that knowledge without challenging its own innovation process. In this approach, the firm applies the partner's knowledge and solution with the least modification and adaptation to the new context (Grant & Baden-Fuller, 2004). Despite the importance of these two approaches in relation to the effect of a partner's knowledge on the innovation outcome, research on strategic alliances has dedicated scant empirical attention to them, especially where the external knowledge differs considerably from the firm's own knowledge base.

As a corollary, the literature notes that a firm utilizes external knowledge when it differs from that of the firm (e.g., Laursen, 2012; Sampson, 2007). Alliance research considers dissimilarity to be the "novelty" that stimulates the utilization of external knowledge in innovation processes

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(e.g., Phelps, 2010). In contrast, similarity leads to a lack of novelty and consequently reduces the utility of external knowledge (Ahuja, Lampert, & Tandon, 2008). Despite this argument, dissimilarity of profiles of the partnering firms naturally represents the idiosyncratic differences across organizational, social, historical, and technical contexts of their respective knowledge bases. These differences make knowledge mobility laborious and challenges the eventual utilization of partner's knowledge in firm's internal processes (Jensen & Szulanski, 2004; Montazemi, Pittaway, Qahri Saremi, & Wei, 2012; Szulanski, 1996, 2000; Szulanski & Jensen, 2006; von Hippel, 1994).

Although prior studies have provided valuable insights into the role of relevance or difference of partners' knowledge bases on the utilization of learned knowledge, they are anchored on a basic underlying assumption: They assume that a firm that forms an alliance is motivated to acquire and internalize knowledge from its partner in order to utilize it in internal processes (e.g., Hamel, 1991). However, growing evidence shows that utilization is not always the natural result of knowledge acquisition. For instance, despite the presence of new knowledge and other favorable conditions, some studies have found no evidence of a firm's utilization of a partner's knowledge (Inkpen, 1998a; Inkpen & Tsang, 2007). In some cases, even after successful and clear transfer of knowledge, the receiver firm has no motivation to utilize it due to a lack of adaptation (Davenport & Prusak, 1998; Huckman & Pisano, 2006). Consequently, inattention to a firm's choice of learning approach in a strategic alliance—especially without considering partners' dissimilarities in their knowledge bases—limits our current understanding of how external knowledge is utilized.

Against this background, we investigate how a firm's approach to learning from a partner, the dissimilarity of the partner's knowledge base, and the interaction of these two factors influence utilization of the partner's knowledge. More specifically, this study addresses the following questions: What impact does a firm's *approach to learning* have on its utilization of a partner's knowledge in strategic alliances? Does this impact vary depending on the dissimilarity or similarity of the partner's knowledge base?

Answering these questions will contribute to the literature on learning alliances by underlining the exploration approach as a critical antecedent of external knowledge utilization and by acknowledging the role of partner similarity in this relationship. From a practical standpoint, we argue that a firm utilizes more of the knowledge originated from its alliance partner if it intends to *explore* the partner's knowledge, even if that knowledge is not necessarily new.

To achieve these contributions, the rest of this paper is organized as follows: Section 2 presents the theoretical foundations of the study. Section 3 develops the hypotheses about the role of intent to explore and dissimilarity of partners as well as their interaction on the utilization of external knowledge. Section 4 provides information on the data and methodology used to test our hypotheses. And finally, Sections 5, 6, and 7 present and discuss the results and review the limits and contributions of this work.

2. Theoretical background

To understand the role of the learning approach on the utilization of external knowledge, we adopt organizational search and learning perspectives (Inkpen, 2002; Inkpen & Tsang, 2007; Katila & Ahuja, 2002; Nickerson & Zenger, 2004). The knowledge-based view of the firm considers the firm as a knowledge-creation entity (Nonaka, Toyama, & Nagata, 2000). According to this perspective, a firm defines problems, and to solve those problems, it then generates new knowledge or applies a set of solutions from its existing knowledge base (Gavetti & Levinthal, 2000; Nickerson & Zenger, 2004). A firm's knowledge base consists of accumulated knowledge in diverse domains and helps the firm recognize and evaluate the appropriate problems to solve. Knowledge is therefore considered to be the solution of a particular problem (Nickerson & Zenger, 2004). From this perspective, the firm's two

main tasks are choosing the problem and searching for a solution. Managers have to select a problem that has the potential for the most valuable outcome once it is resolved (Nickerson, Silverman, & Zenger, 2007; Nickerson & Zenger, 2004).

Firms in search of a solution may reach beyond their existing knowledge scope and organizational boundaries (Rosenkopf & Nerkar, 2001). In this case, the firm's capacity to profit from new external knowledge is as critical as its capacity to create internal knowledge (Cohen & Levinthal, 1990). Firms vary greatly in their search strategies. They may look for new knowledge within their existing knowledge boundaries or explore new domains they have not previously investigated (Katila, 2002; Katila & Ahuja, 2002). Each option has its own learning outcomes and drawbacks. Even though searching within existing knowledge increases the depth of experience and learning, it impedes embracing novel solutions from other landscapes by the firm. On the other hand, although searching other landscapes extends the breadth of the firm's knowledge base, integrating novel knowledge domains to the firm necessitates comprehending the path-dependent context from which the novel knowledge has originated.

Inter-firm alliances are among the vital strategies for searching beyond the organizational boundaries (Grant & Baden-Fuller, 1995, 2004; Mowery, Oxley, & Silverman, 1996). As Inkpen (1998a) notes, by bringing together different knowledge bases, the alliance creates unique opportunities for a firm to be exposed to external knowledge. However, realizing the benefits of these opportunities depends on the firm's approach to the utilization of external knowledge (Inkpen & Tsang, 2007).

Earlier alliance research suggests that firms use external knowledge by internalizing their partners' knowledge (Hamel, 1991; Mowery et al., 1996). However, scholars increasingly recognize that utilizing external knowledge via an alliance depends on more than internalization. They note that having access to the knowledge of the partner and combining its service with the knowledge of the firm will also benefit the firm's innovation outcomes (Beamish & Berdrow, 2003; Grant & Baden-Fuller, 2004; Lubatkin, Florin, & Lane, 2001; Zeng & Hennart, 2002). These two approaches are based on March's (1991) dichotomy of organizational learning: exploratory and exploitative learning. Exploratory and exploitative learning differ in their purposes, required mindsets, activities, and organizational practices. While the former is challenging and requires an uncertainty-tolerance mindset, the latter is based on replication of incremental improvement (Levinthal & March, 1981). The ex-post results of exploration are not predictable, but exploitation leads to improvements in existing outcomes.

The first approach reflects a teacher-student relationship, in which the firm seeks a one-time transfer of the partner's knowledge to develop a solution to its problem. Once the knowledge is internalized, the firm either adapts existing processes to utilize the benefit of the new knowledge, or it develops a new solution based on the potential contribution of external knowledge. In other words, the teacher firm provides the knowledge, but the student firm must elaborate on the knowledge to develop the solution to its problem (Lubatkin et al., 2001). On the other hand, if the firm intends to exploit the partner's knowledge, it applies the partner's knowledge and skills but does not necessarily internalize them (Grant & Baden-Fuller, 2004). Exploitation in this context resembles a researcher-researcher relationship, where one firm expects the partner to solve its problem, and in return, the firm will also use its own knowledge or resources to solve a problem the partner has (Zeng & Hennart, 2002).

Despite the insightfulness of these two approaches in alliance research, realizing the benefits of external knowledge via an alliance is bounded by an important limit: the context in which the external knowledge has been originated differs substantially from the context where it is intended to be utilized. This limit resonates with the problem of stickiness of external knowledge to its original surroundings (van de Ven, Polley, Garud, & Venkataraman, 1999; von Hippel, 1994). Research in organizational learning empirically documents stickiness as an issue

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