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EFFECT OF INTER-PARTNER FIT IN INTERNATIONAL JOINT VENTURE KNOWLEDGE TRANSFER

The firms are engaged in international joint ventures with different motivations. One of the important motivations for the firms to engage in international joint ventures is to seek knowledge. With new knowledge, the firms can create new competitive advantages to sustain in a turbulent market. However, previous literature reveal s that the antecedents of knowledge transfer still remain unclear. This paper highlights the importance of the effect of inter-partner fit in the international joint venture knowledge transfer. A conceptual model is proposed.

Keywords: *inter-partner fit; knowledge transfer; international joint venture.*

JEL Classification: M16.

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ВІДПОВІДНІСТЬ ПАРТНЕРІВ ПРИ ОБМІНІ ЗНАННЯМИ НА СПІЛЬНИХ ПІДПРИЄМСТВАХ

У статті показано, що одна з ключових мотивацій створення спільних підприємств – отримання нових знань. З новими знаннями фірма отримує нові конкурентні переваги, що допоможе їй вижити на вкрай нестабільному ринку. У літературі вказано багато варіантів передумов для обміну знаннями. Тому серед їх різноманіття підкреслюється важливість відповідності партнерів між собою при створенні СП для обміну знаннями. Представлено концептуальну модель такої відповідності.

Ключові слова: *відповідність партнерів; обмін знаннями; спільне підприємство.*

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СООТВЕТСТВИЕ ПАРТНЕРОВ ПРИ ОБМЕНЕ ЗНАНИЯМИ НА СОВМЕСТНЫХ ПРЕДПРИЯТИЯХ

В статье показано, что одна из ключевых мотиваций создания совместных предприятии – получение новых знаний. С новыми знаниями фирма получает новые конкурентные преимущества, что поможет ей выжить на крайне нестабильном рынке. В литературе указано множество вариантов предпосылок для обмена знаниями. Потому среди их множества подчеркивается важность соответствия партнеров друг другу при создании СП для обмена знаниями. Представлена концептуальная модель такого соответствия.

Ключевые слова: *соответствие партнеров; обмен знаниями; совместное предприятие.*

1. Introduction. The firms engage in strategic alliance with the other firms for a number of reasons, including the reduction of costs and risks, knowledge acquiring, products development, markets exploitation, market power concentration, or as a means of survival. Through alliances, a firm has an opportunity to develop resource-integration knowledge and partnering knowledge. Equity joint ventures (JVs) appear to be more effective for the transfer of complex capabilities than contract-based alliances.

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Across emerging economies, it is very common for the firms to engage in JVs to acquire new knowledge and technology. The purpose of international joint ventures (IJVs) is to exploit synergies with the other firms and get access to knowledge. However, due to different organizational and cultural characteristics of partners in IJVs, it is not easy to have successful knowledge transfer across the firms (Darr and Kurtzberg, 2000) and the understanding of its antecedents remains rather unclear (Wijk, Jansen and Lyles, 2008).

In the view of the above, some studies use the concept of inter-partner fit to denote a "matching" or "aligning of partners in IJVs to examine its relationships with IJV performance (see Ozorhon et al., 2008, Heiman et al., 2008; Yan and Duan, 2003). Nonetheless, few studies examine the relationship between inter-partner fit and knowledge transfer, and furthermore, researchers have hardly agreed on the dimensions of the inter-partner fit.

For instance, according to Yan and Duan (2003), inter-partner fit is measured by 4 dimensions, namely congruence of strategic objectives; complementary of resources; partner consensus on operational policies; and co-alignment between bargaining power and management control. At the same time, Ozorhon et al. (2008) operationalize the inter-partner fit into 3 dimensions, that is, strategic fit; organizational fit; and national culture fit. Yet again, in Heiman et al. (2008), inter-partner fit is operationalized into strategic fit, organizational fit, organizational culture fit and national culture fit.

Against this backdrop, this study includes strategic fit, organizational fit, organizational culture fit, national culture fit and inter-partner relations fit to investigate their relationships with knowledge transfer amongst IJVs. The remainder of the paper is structured as follows. In the second section, we will explain each of the dimensions individually. In the third section, we shall proceed with the exploration of the relationships between the dimensions with knowledge transfer, which is also the dependent variable. Finally, the fourth section presents the implications and section five concludes.

2. Theoretical Underpinnings of the Dimensions. The discussion begins with the review on the criterion variable, knowledge transfer, followed by that on predictor variables of strategic fit, organizational fit, organizational culture fit, national culture fit, and inter-partner relations fit.

Knowledge Transfer. Knowledge can be categorized into two broad groups, tacit knowledge and explicit knowledge. Tacit knowledge refers to knowledge that is difficult to codify, communicate, transfer, and is generally exchanged through action, commitments and direct involvement. While explicit knowledge refers to knowledge that can be easily codified, shared, transmitted, retrieved, reused, and transferable in a formal or systematic language.

For a firm, according to Wijk, Jansen and Lyles (2008), knowledge transfer is defined as the process through which information exchanges between individuals, units, departments or firms take place. Knowledge transfer is also referred to as knowledge sharing, knowledge flows, knowledge exchange, and knowledge acquisition. There are two broad categories – intra-firm knowledge transfer and inter-firm knowledge transfer (Wijk, Jansen and Lyles, 2008). Intra-firm knowledge sharing can be defined as an interaction which involves exchange of employee knowledge, experiences, and skills within a department or between departments in an organization, while inter-firm knowledge transfer is the interaction which involves exchange of employees' knowledge, experiences, and skills across firms or organizations.

There are challenges to knowledge transfer (see Simonin, 1999). Knowledge transfer is built on numerous individual exchanges which rely on effective communication and hence, organizational cultural distance between the IJV partners can hinder information exchange and increase the potential misunderstanding and conflicts, this not only increases the difficulty of knowledge transfer but can also lead to the deterioration of joint efforts needed for successful knowledge transfer. Meantime, national cultural differences produce difficulties and challenges for the managers, who must spend more time on communication, design of compatible work routines, and development of common managerial practices to reduce the conflicts between the partners. As a result, great differences in national cultures are a significant barrier to the introduction of integration intensive manufacturing techniques, which hinder the knowledge transfer process.

Why is knowledge transfer so significant? As put by Weidenfeld, Willaims, and Butler (2010), knowledge transfer is not only a key determinant of IJV business performance but also generally facilitates innovation performance and promotes innovations in new methods and practices. Also, transfer of knowledge between partners in an IJV enables the development of new capabilities which may not be possible for a single partner operating on one's own (Zhang et al., 2010; Park, Giroud and Glaister, 2009).

Strategic Fit. Heiman et al. (2008) define strategic fit as the congruence of partner-objectives and complementary resources of the partners with respect to the particular JV. Strategic fit is one of the common and rational explanations for the way in which strategic needs of alliance partners are met. It is a source of inducements to collaborate through alliances (Bierly III and Gallagher, 2007). Following Douma et al. (2000), to achieve strategic fit, individual's interests are weighed against the anticipated advantages and potential risks of an alliance. Besides congruent objectives, Ozorhon et al. (2008) also emphasize that previous experience in a host country, prior experience with similar projects, adequacy of management skills, technical skills, and human resources, are also critical in considering the strategic fit of JV partners.

Organizational fit. Organizational fit is defined as the matching of parent firms' size, and national/international workload/experience with respect to a particular JV (Ozorhon et al., 2008). The size of a parent firm affects IJV performance and makes an important contribution to economies of scale, market power, and process innovation (Luo, 1997). It affects the degree of organizational fit between two partners which in turn affects the magnitude of synergistic effect on the IJV. Other than size, the national and international experience of the partners also contributes to the performance of IJVs (Barkema, et al., 1997). Partners with similar international experience will be easier to communicate with each other. Nonetheless, business atmosphere and commercial practices in developing and developed countries are quite different.

Organizational culture fit. Organizational culture involves perceived common practices, such as symbols, heroes, and rituals that carry specific meaning within an organizational unit (Hofstede et al., 1990). Meanwhile, organizational culture fit is defined as the underlying similarity in organizational cultures between two firms in IJV (Pothukuchi et al., 2002). According to Douma et al. (2000), alliance feasibility can be determined by organizational culture fit. Organizational culture fit is different from organizational equality because it is very common that alliance partners always differ in terms of market position, organizational structure, management style, and corporate values.

On the contrary, organizational culture distance refers to the underlying differences in organizational culture between two firms (Cui et al., 2006). When two or more firms are communicating with each other, the relative level of consistency of core elements between organizational cultures can directly affect the effectiveness of communication and increase the mutual understanding. Hence, organizational culture similarity significantly affects the satisfaction of partners (Pothukuchi et al., 2002). Furthermore, the difference in organizational culture of JV partners is always perceived to cause conflict in the JV which ultimately affects the performance of IJVs (Heiman et al., 2008; Avny and Anderson, 2008).

National culture fit. National culture can be defined as the collective programming of the mind (the value) which distinguishes the members of a country from those of another. The differences in a national culture can be assessed through 5 dimensions, namely power distance, individualism, masculinity, uncertainty avoidance, and long-term orientation (Hofstede, 1994). Meantime, national culture fit is defined as the underlying similarity in national cultures between two firms in IJV (Pothukuchi et al., 2002). Interactions of people with one another and with organizations and institutions are determined by national cultural attributes. Differences in race, social norm, religions, and language create distance between two countries which extensively affect the trade (Ghemawat, 2001).

Formed by partners of different nationalities, IJVs are affected by differences in national cultures. According to Meschi and Riccio (2008), large national culture differences between local and foreign partners increase the instability of IJVs. A common belief states that the greater the cultural differences between the parents firms are, the more difference their management practices will be (Heiman et al., 2008) which could cause conflict in a JV (Park and Ungson, 1997). On the other hand, the greater the perceptions of similarities in national cultures between IJV parents, the higher the IJVs performance (Cheah-Liaw, Petzall, and Selvarajah, 2003).

Inter-partner relations fit. Inter-partner relations fit is defined as the fit of commitment, communication, cooperation, trust, and conflict resolution between the partners with respect to a particular JV (Ozorhon et al., 2008). When cooperation between parents is high, the partners in an IJV are in the same direction. It will reduce conflicts between the partners and ultimately increase the performance of IJVs (Cheah-Liaw, Petzall, and Selvarajah, 2003). According to Cullen, Johnson and Sakano (2000), development and management of relationship capital, namely mutual trust and commitment, are critical for alliance success. With a high mutual trust and commitment, it is not necessary to have a complicated control and monitor system between the partners. It will lower the costs of monitoring and enhance the profits of an alliance.

Ng, Lau and Nyaw (2007) reveal that trust has a significant impact on the financial and non-financial performance of IJVs. When trust between the partners increases, their commitment will also increase, which in turn will enhance the partners' relationships. The influence of trust seems to be more obvious especially when an IJV faces an uncertain environment. Under the circumstances, trust between the partners plays an important role for partners to work hand in hand to overcome problems encountered in an uncertain environment.

3. Relationship between the Variables and Knowledge Transfer. Firstly, the firms with higher levels of strategic fit between the partners would have a more effective knowledge transfer between them (Murray, Kotabe and Westjohn, 2009; Darr and Kurtzherg, 2000). This is because the partners with congruent objectives usually seek the same (Heiman et al., 2008) and hence are more willing to help each other in joint activities, especially in knowledge sharing to achieve their objective. Based on the argument, it is proposed as:

Proposition 1. Strategic fit is positively related to knowledge transfer

Secondly, knowledge transfer also depends heavily on the partner's organizational fit (Albino, Garaveli and Gorgoglione, 2004). The partners with similar characteristics almost inevitably have similar long term strategic objectives because of their similar competencies. The partners with more international experience always possess more relevant knowledge and well developed acquisition capabilities. Thus, they get more new knowledge than less experienced partner in an IJV (Park, Giround, and Glaister, 2009). Symmetrically large organizations not only have more resources to devote to knowledge transfer, but also more diverse knowledge resources that enable absorption of new knowledge (Wijk, Jansen and Lyles, 2008). Based on the argument, it is proposed as:

Proposition 2. Organizational fit is positively related to knowledge transfer

Thirdly, knowledge transfer is also influenced by organizational culture fit. A successful knowledge transfer builds on numerous individual exchanges that rely on effective communication. However, misunderstanding and conflicts always arise when organizational culture distance is large. This not only increases the difficulty for knowledge transfer but can also lead to deterioration of joint efforts needed for successful knowledge transfer (Cummings and Teng, 2003; Simonin, 1999). Based on the argument, it is proposed as:

Proposition 3. Organizational culture fit is positively related to knowledge transfer

Fourthly, knowledge transfer is influenced by national culture differences (Cui et al., 2006). National culture differences affect directions and magnitude of knowledge flows. Great culture differences are negatively associated with knowledge transfer, and small cultural differences are positively associated with knowledge transfer (Qin, Ramburuth and Wang, 2008; Evangelista and Hau, 2009). Great national culture differences produce difficulties and challenges for managers, who must spend more time on communication, design of compatible work routines and development of common managerial practices (Cui et al., 2006). As a result, great differences in national culture are a significant barrier to the introduction of integrated and intensive manufacturing techniques, which hinder the knowledge transfer process (Wijk, Jansen and Lyles, 2008; Simonin, 1999). According to Lucas (2006), knowledge transfer efforts will be successful when the parties are culturally aligned. Basing on the argument, it is proposed as:

Proposition 4. National culture fit is positively related to knowledge transfer

Fifthly, the degree of knowledge transfer also depends on inter-partner relations fit. Frequent interactions enables parties understand each other's needs and satisfy them accordingly. As a result, inter-firm relation strength affects the extent of knowledge transfer (Zhang et al., 2010; Cavusgil, Caalantone and Zhao, 2003). Park, Giround, and Glaister (2009) also confirm that the relational capital and interaction between IJV partners bring about the basis for the JV's knowledge acquisition and skill transfer. In addition, the long-established inter-firm partnerships, time-bound relational assets that developed between the partners will result in communication efficiency which will ultimately enhance the transfer of knowledge between the partners (Kotabe, Martin and Domoto, 2003). Furthermore, Darr and Kurtzberg (2000) find that the firms that can better understand each other are more capable of effective knowledge transfer. Basing on the argument, it is proposed as:

Proposition 5. Inter-partner relations fit is positively related to knowledge transfer

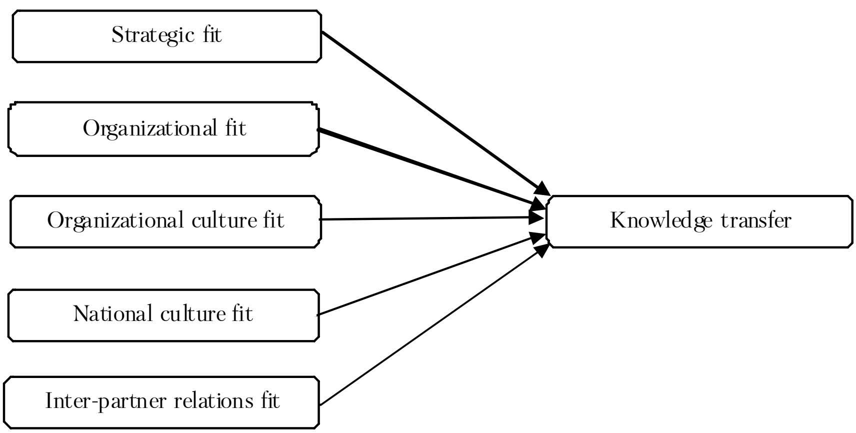

Figure 1. **Conceptual model for inter-partner fit – knowledge transfer**

4. Implications. We have discussed separately 5 dimensions of strategic fit, organizational fit, organizational culture fit, national culture fit, and inter-partner relations fit, and explored the relationships between these predictor variables with the dependent variable of knowledge transfer. Along this line, there are possible implications for theory and practice.

For theory, future scholars can use statistical techniques such as linear regression, non-linear regression, and neural networks to substantiate the relationships between the independent variables with the dependent variable. If associations are indeed statistically significant, this could provide confirmation to the theory. Else, the linkages offered by the literature may have to be revised, and further statistical test be implemented. Also, researchers could apply validity tests to verity if these 5 components do significantly belong to the concept of inter-partner fit.

For practice, knowing the linkages between predictors and the criterion variable, directors and CEOs can better mould their success of their international collaboration and joint ventures, than that without the knowledge of the dimensions. The independent variables can to extents, be manipulated to achieve desirable level of knowledge transfer which is critical for successful joint ventures.

5. Conclusions. This conceptual work could be useful for academics and practitioners, in the sense that it proposes 5 predictors as components of inter-partner fit, to knowledge transfer in international joint venture, more work needs to be done as to which dimensions ought to be added as components of inter-partner fit. Till today, inclusion and exclusion of certain variables as components of inter-partner fit are still disputable.

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