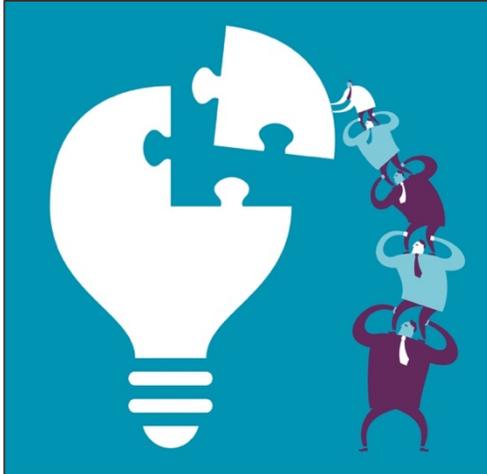




# **Linking Knowledge Transfer & Performance in International Joint Ventures**

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Organizations form partnerships with international firms for a number of reasons. One major reason is for acquiring new knowledge resources where they are lacking in order to mitigate risks in dealing with the complexities of a dynamic and uncertain global market environment. Transferring knowledge is not the only obstacle and reason to form an international joint venture (IJV), however, research has shown that if done effectively, knowledge transfer will be a critical factor in

the performance and subsequent survival of the international business alliance.

A recent study looked at the age of IJV's whether they were mature or newer and the amount of tacit knowledge (learned through experience, embedded in organizational contexts, not easy to teach) and explicit knowledge (documented, relatively easy to communicate) acquired from their alliance partners with the subsequent effect on performance. Here are the main points:

**1. Amount of Knowledge Transferred:**

Mature (older) IJV's will likely receive more tacit knowledge from their foreign alliance partners than younger IJV's, however, their explicit information flows are not impacted by the age of the alliance.

**2. Effect on Performance:**

With regards to performance; tacit knowledge transfers *are* linked to better performance since this is done through sustained interaction between the parent firm and the IJV. This creates little chance for the competition to observe and copy the process. Explicit transfers are not linked to better performance.



Younger IJV's face considerable barriers when trying to absorb tacit knowledge transfers and can get put off from investing in this process even though it is a very important step to achieving competitive advantage. They likely invest in explicit information flows instead, since this is easier

to acquire but may not lead to performance increases. Obtaining explicit information only requires employing standard retention capacity i.e., through shared communities of practice, which works by recruitment and can be done in the early stages with age not being a factor. Mitigation of this dilemma can be done through increased parent company support to improve the young IJV's abilities for retaining tacit knowledge and ensuring there are complementary resources readily available after transferring explicit knowledge.

### **3. The Consequence of Age:**

IJV age is a critical moderator in the relationship between explicit knowledge transfer and *performance* with the link being quite a bit weaker in younger IJV's than with mature ones. The older IJV has complementary resources and more tacit knowledge that has built up over time in order to exploit the explicit information flows between partnerships.

The age of an international partnership alliance positively impacts the amount of tacit knowledge absorbed but not when it comes to retaining explicit information. Transfers of tacit knowledge requires that both sender and receiver commit significant resources and energy to the process, however, in the end they are compensated with important improvements in organizational performance. Age also provides a clear advantage when it comes to exploiting explicit knowledge and its performance implications for IJV's.

## What Can Young IJV's Do?



There is no simple way to increase young IJV performance through explicit knowledge transfer and it is much more difficult to transfer tacit knowledge because of the need for continuous “hands-on” involvement with the parent firm, which takes a lot of time and effort. Hence, the importance of having parent company staffers (managers) at the alliance partners’ branch office as early as possible for performance gains from tacit knowledge retention, since it is

unlikely to come from explicit transfers. Complementary resources/assets are needed for utilizing explicit knowledge to improve performance since this type of knowledge and the strategic actions it generates, are not easy to protect or conceal from competitor firms. Forming mentor/advisor systems between the partnership along with creating exchange opportunities for IJV workers in the parent firm, can provide a platform for effectively transferring tacit knowledge.

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