



**KRISTIANSTAD**  
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# Knowledge Harvesting

from  
International Joint Ventures

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## Abstract

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*”Knowledge is Power.”*

Francis Bacon

*“Knowledge is of two kinds.  
We know a subject ourselves,  
or we know where we can find  
information upon it.”*

Samuel Johnson

This dissertation explores and analyses factors which could facilitate Knowledge Harvesting, and also how important it is for the parent companies. Knowledge Harvesting is one of the knowledge processes within an international joint venture network that has not received much attention from the academic community. After relevant review of the literature in the area of international joint ventures and knowledge management, the authors of the dissertation created a model. The model consists of five factors: Motive, Absorptive capacity, Knowledge characteristics, Trust, and Control. Eight hypotheses are formulated in order to test the model. The empirical study is concentrated on Swedish companies involved in an international joint venture with a foreign company. A deductive approach is chosen in order to answer the research questions, and primary data is collected using an online survey. The results of the questionnaire are analysed in a descriptive manner and several conclusions are drawn.

### Key concepts

International joint venture, equity- and contractual joint venture, knowledge management, knowledge transfer- transformation- and harvesting, tacit- and explicit knowledge

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## Chapter 1

### Introduction

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*The first chapter describes the idea behind this dissertation. The research problem and questions, as well as the purpose of the dissertation are discussed. Later on in this chapter, the limitations and the definitions to the key words concerning the subject will be presented. The chapter ends with a concise overview of the subsequent chapters.*

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#### 1.1 Background

The idea to this subject of “knowledge harvesting from international joint ventures” first came up in an article by Berdrow and Lane (2003). They discussed how international joint ventures create value through successful knowledge management. The authors pointed out how parent companies can manage the behavioural and contextual considerations to create value for success within an international joint venture. Furthermore, they explain different forms of knowledge processes, which differ but still depend on each other. One factor is highlighted among the others and that is the growing focus on knowledge management in companies. One process in knowledge management is knowledge harvesting. The definition of knowledge harvesting is “*managing the flow of transformed and newly created knowledge from the international joint venture*” (Berdrow & Lane, 2003 p.18).

Previous research of knowledge and joint ventures concentrates on how knowledge is created in different kinds of alliances and mostly how it is handled in the newly created joint venture (Beamish & Berdrow, 2003; Berdrow & Lane, 2003). We thought it would be of interest to investigate how the knowledge created and existing in the joint venture (the child) flows back to the parent companies and if the knowledge can be successfully harvested by the parent companies. Therefore we decided to write the dissertation with the focus on international joint ventures and the concept of knowledge harvesting. After reviewing relevant literature in this area we intend to create a model with the help

of existing theories. We hope that the model will provide answers on the factors that facilitate knowledge harvesting and how important it is for the parent companies.

## **1.2 The research problem and questions**

Bearing knowledge management and international joint ventures in mind, three different knowledge processes will be discussed, which are of importance to understand how knowledge can be moved between parents and the international joint venture. Transfer of knowledge (the process between parent companies and from parent back to the international joint venture) and transformation of knowledge (the process within an international joint venture) are well known and described, but according to the existing literature the concept of knowledge harvesting (the process from international joint venture back to parent) is relatively new and the least known (Bemish & Berdrow, 2003; Zack, 1999; Berdrow & Lane, 2003). The discussion of the concept and how important it is for international joint ventures and parent companies is not entirely explored. This brings us to the problem area of this dissertation and the research questions we will try to answer.

1. What important factors facilitate Knowledge Harvesting?
2. How important is Knowledge Harvesting for the parent companies?

The intention of this dissertation will not be to investigate how knowledge is created but we believe it is necessary to discuss and give an overview to be able to understand the topic. The discussion about tacit and explicit knowledge will provide a clear overview of how knowledge harvesting becomes useful for parent companies.

## **1.3 Purpose**

The purpose of the dissertation is to investigate which important factors facilitate knowledge harvesting. It is also of interest to investigate how important knowledge harvesting is for the parent. We will try to create a new model with



possible factors that facilitate knowledge harvesting. The model will be tested through an empirical study.

#### **1.4 Limitations**

In order to fulfil the purpose of the dissertation, our main limitation has to be to read and evaluate the most recognised researches in the fields of knowledge management and international joint ventures. Considering the extensive literature of the subjects it is crucial for the outcome and reliability of the dissertation that we narrow it down to surmountable and relevant theories. Another limitation, we are taking into consideration is the selection of the most important factors which facilitate knowledge harvesting. We will limit our study to Swedish companies engaged in international joint ventures with a foreign company. Further, due to the time constraint, the focus of our research will be on equity international joint ventures.

#### **1.5 Definitions to the key words**

*International Joint Venture* - is a joint venture between two or more parents of different nationality, under a contractual agreement to conduct a specific business enterprise with both parties sharing profits and losses (Inkpen & Beamish, 1997)<sup>1</sup>

*Equity joint venture* - is an alliance that combines resources from more than one organisation to create a new organisation distinct from the parents. The parents remain independent but the newly created organisation is jointly owned (Inkpen & Beamish, 1997<sup>2</sup>; Johnson & Scholes, 2002; Kotler, 2001; Hill, 2003)

*Contractual joint venture* - This type of arrangement is often described as a co-operation, collaboration or consortium agreement. Here, no separate entity is formed; instead the companies agree to associate as independent contractors. The rights and duties of the companies derive solely from the provisions of the joint venture agreement (Wolf, 1999).

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<sup>1</sup> cited by Beamish, 1998

<sup>2</sup> cited by Beamish, 1998

*Tacit knowledge* - is knowledge-in-practice which is developed from direct experience and action. It is highly pragmatic and situation specific, and subconsciously understood and applied. Tacit knowledge is difficult to articulate and it is usually shared through highly interactive conversation and shared experience (Nonaka, 1995).

*Explicit knowledge* - can be formally articulated or encoded. It can also be more easily transferred or shared, and it is abstract and removed from direct experience (Nonaka, 1995).

*Knowledge Management* - is “the conscious and active management of creating, disseminating, evolving and applying knowledge to strategic ends” (Berdrow & Lane, 2003, p.15)

*Knowledge Transfer* - is the flow of existing knowledge between parent companies and from the parent companies to the international joint venture (Berdrow & Lane, 2003).

*Knowledge Transformation* - manages and creates the knowledge flow within an international joint venture (Berdrow & Lane, 2003).

*Knowledge Harvesting* is the flow of newly created knowledge from the international joint venture back to the parent companies (Berdrow & Lane, 2003).

## 1.6 Outline

The following is an overview of subsequent chapters of the dissertation:

*Chapter 2 – Methodology:* In this chapter, the choice of methodology and the theory, as well as the scientific approach will be presented.

*Chapter 3 – Theory:* This chapter will give an overview in the form of literature review about international joint ventures (IJVs), knowledge management and knowledge harvesting. The purpose of this chapter is to provide a general view and understanding of the theories used.

*Chapter 4 – An attempt to create a model:* In this chapter, the possible and most important factors that facilitate understanding of knowledge harvesting are presented. The created model of knowledge harvesting is introduced and described. Eight hypotheses are presented.

*Chapter 5 – Empirical method:* The empirical method will be presented in this chapter. It is a complement to chapter two, which will be continued and completed by the evaluation of different research processes.

*Chapter 6 - Presentation and analysis of empirical results:* This chapter contains analysis and results of our questionnaire. At the end of this chapter the evaluation of the hypotheses will be discussed with support of our findings.

*Chapter 7 – Conclusion:* The conclusions are presented in this chapter. The dissertation is summarised and the factors in the TAP-model are discussed and evaluated. Methodological criticism and future research are also presented.

## Chapter 2

### Methodology

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*In this chapter, the choice of methodology and the theory, as well as the scientific approach are presented. Approach to the problem is deductive in order to gain a greater understanding of the already existing theories. The work procedure and the difficulties during the process are profoundly described and evaluated.*

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#### 2.1 Choice of methodology

The choice of methodology is profoundly influenced by the research goal and the questions of empirical examination (Saunders et al., 2003). Therefore the choice of the right methodology is helpful for answering the research questions and achieving the research purpose.

The main issue of this dissertation was to investigate which important factors facilitate knowledge harvesting. It was also of interest to investigate how important it is for the parent companies. Therefore we studied previous researches in the area of international joint ventures in order to clarify and define potential factors which could facilitate knowledge harvesting. The research was also conducted to different studies on knowledge management and knowledge processes to find out the factors that could explain the concept of knowledge harvesting. It differs from the two other knowledge processes within an international joint venture network. However, none of the researchers could fully explain the concept of knowledge harvesting and the factors that facilitates it. Therefore one of our purposes with the dissertation was to create an explanatory model for the most important factors, which facilitate knowledge harvesting. We hope this model can provide some answers to the concept of knowledge harvesting.

## **2.2. Data Collection**

The research is based both on secondary and primary data.

### ***2.2.1. Secondary Data***

Secondary data has been based on the literature of the topic and different scientific articles found on the Internet. Since the existence of the concept of knowledge harvesting is relatively new and unknown we had to conduct an extensive literature review about the subject and related subjects. Firstly, we had to learn more about the international joint ventures and the concept of knowledge management. Secondly, we had to study these three different knowledge processes within an international joint venture network to be able to identify the important factors that facilitate knowledge harvesting. Some of the most recognised researchers in the area of the subject are Berdrow and Lane (2003), Bemish and Berdrow (2003) etc.

Our research is based on different criteria that it had to meet. It is built up by an up to date literature written in English or Swedish, which is related to the topic and used in other studies with similar character and focus. We primarily focused on the characteristic of knowledge harvesting from the international joint venture and on which factors could possibly facilitate this type of process.

We also collected information about the existing theories of knowledge to see if they could explain the factors that facilitate knowledge harvesting. We analysed different theories such as the SECI model (Nonaka, 1998) which is a model of knowledge creation in order to explain how the tacit and explicit knowledge interact together. The study of the knowledge flows within an international joint ventures by Berdrow and Lane (2003) was also analysed, as well as a model of knowledge harvesting by Wilson (1997) which is about how to keep knowledge up to date in an organisation. The conclusion could be drawn that many of the theories were of limited value when it comes to explaining the concept of knowledge harvesting. However, these theories proved valuable to identify possible factors, which was the purpose of our dissertation.

### **2.2.2. Primary Data**

Collections of primary data have been done with an Internet based research. The questionnaire was published online and linked to an e-mail address. The purpose with the research was to test our model through the questionnaire which was linked to our hypotheses. The participants received a cover letter with their e-mail containing a link to the homepage where they could answer the questionnaire. The letter was created in a way that participants did not have to go further with our survey if they answered No on the following question “*We have an international joint venture with a foreign company*”.

Our first sample consisted of eleven of the biggest pharmaceutical companies that are members of the pharmaceutical industry association in Sweden (Läkemedels Industri Föreningen). We intended to pilot test these eleven companies and to investigate if there were any international joint ventures within this industry, and to test if our questions were understandable. The response rate was low and therefore we decided to send out our questionnaire to a wider range of industries. We sent out the questionnaire to more than ten different industries and about 250 companies. In order to increase the response rate, the companies that did not answer after the first letter got a follow-up letter after one week, also this by e-mail. Thereafter, we decided to remind the participants once again, but the response rate did not increase further.

## **2.3 Scientific approach**

The research philosophy is based on the principles of positivism. “*Positivism is a system of philosophy based on experience and empirical knowledge of natural phenomena, in which metaphysics and theology are regarded as inadequate and imperfect systems of knowledge*” (Encarta Encyclopaedia Deluxe, 2004). The researchers who are connected to principles of positivism have the role of an objective analyst, and they try to collect information in a value-free way. According to Saunders (2003) the adaptation of positivistic approach by researchers make them more independent in what they do, and they do not look for to affect or be affected by the subject of the research. In our research, we

collected information from different sources that we found valuable, and these researchers did not affect us when we created our model.

The deductive or the inductive approach can be used as a research approach. The inductive approach means that you make a study, which is based on the principle of developing a theory after collecting the data for the research. The deductive approach means that you use the literature which helps you to identify the theories and help you to build up hypotheses or propositions, which in return define the research strategy (Saunders et al. 2003). We agreed and chose to adapt a deductive approach by starting with a critical review of the existing literature and with this, as a foundation, we developed our model. Before developing the model, we evaluated the factors that could be of importance to have in it. Thereafter, we set up eight hypotheses that we tested by using them in a survey.

A research can be either quantitative or qualitative. Qualitative studies are researches where data is collected, analysed and interpreted but can not in a meaningful way be quantified, while findings provided by quantitative research (a research expressed in numbers) are therefore conclusive in a way that qualitative research can not be (Troost, 2001). To get the answers on the research questions a quantitative survey, based on a questionnaire has been made.

Finally, our dissertation is an explanatory study because we want to explain and establish the relationships between variables (Saunders et al., 2003).

## **2.4 Summary**

The theoretical framework is based on previous researches in the area of international joint ventures in order to find out what characterises and make these factors important for the parent companies. We also studied knowledge management and different knowledge processes within an international joint venture, to find out the most suitable explanation to the concept of knowledge harvesting. The data collection was conducted using both secondary and primary sources. Secondary data has been based on the literature of the topic and different scientific articles found on the Internet. An online survey has been conducted to collect primary data.

The deductive approach is applied in order to develop hypotheses that will simplify the creation of research strategy and the explanation of our model. The scientific approach is positivism, which refers to scientific knowledge that requires careful observations of social reality.



## Chapter 3

### Theoretical framework

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*This chapter will give an overview in the form of literature review about international joint ventures (IJVs), knowledge management and knowledge harvesting. Furthermore, the chapter will describe different forms of strategic alliances, the difference between equity and contractual IJVs, basic forms of knowledge, as well as the importance of knowledge harvesting. The purpose of this chapter is to provide a general view and understanding of the theories used.*

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#### 3.1 Introduction

In order to get an overview of the research area of knowledge harvesting the concepts of knowledge, knowledge management and IJVs will first be presented. In the beginning of the discussion the concept of strategic alliances will be clarified in order to understand the selection of IJVs as a collaborative form. Tacit and explicit knowledge are also important to clarify, because the procedure of knowledge harvesting depends on their meaning. The process of knowledge creation and the flow of knowledge between IJVs and its parent companies will also be mentioned. Different theories of knowledge management and IJVs will be presented.

#### 3.2 Strategic alliances

A major trend the past several decades has been the growth of collaboration between independent companies. Teaming up with others is a way for companies to expand their own boundaries to engage in activities and access resources outside the company (Grant & Baden-Fuller, 2004). The formation of strategic alliances has increased both domestically and internationally. Strategic alliances have three important characteristics. First, partnering firms remain independent after the formation. Second, the alliance is an ongoing mutual interdependence where there are differences in vulnerability between partners. Third, interdependence leads to shared control and management, which makes the

alliance difficult to manage (Inkpen & Currall, 1998). The organisational arrangement of strategic alliances can take many different forms. According to Grant and Baden-Fuller (2004) the activities included in an alliance may involve contractual agreements (e.g. marketing, distribution, manufacturing, licensing, franchising) and ownership links (e.g. equity holdings and joint ventures). The overriding distinction is defined by governance structure. It can be either equity alliances or contractual alliances (Hennart, 1988)<sup>3</sup>. The difference between equity IJVs and contractual IJVs will be explained in more detail below.

### **3.3 Delineation and meaning of international joint ventures**

It is rather confusing to read the literature because the difference between equity IJVs and contractual IJVs is sometimes not clearly expressed. It is important to remember that the wide range of collaborative forms existing today challenges the academic community's ability to create all-encompassing theories. Therefore if, for example, a licensing agreement and a joint venture fall under the same magnifying glass, the analysis would be rather distorted (Grant & Baden-Fuller, 2004). Considering the fact that we have decided to focus on equity IJVs an explanation is necessary.

First of all, an IJV is a joint venture between two or more parents of different nationality (Inkpen & Beamish, 1997)<sup>4</sup>. The most important distinction between equity IJVs (incorporated) and contractual IJVs (unincorporated) is that equity IJVs involve the formation of a company whereas contractual IJVs do not (Wolf, 1999). Furthermore, equity IJVs involve the transfer or creation of equity ownership either through foreign direct investments or the creation of equity IJV (Gulati, 1995)<sup>5</sup>. The dominant definition of equity IJV in the literature is that it is an alliance that combines resources from more than one organisation to create a new organisation distinct from the parents. The parents remain independent but the newly created organisation is jointly owned (Inkpen & Beamish, 1997<sup>6</sup>; Johnson & Scholes, 2002; Kotler, 2001; Hill, 2003). As mentioned in the previous

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<sup>3</sup> cited by Inkpen & Currall, 1998

<sup>4</sup> cited by Beamish, 1998

<sup>5</sup> cited by Inkpen & Currall, 1998

<sup>6</sup> cited by Beamish, 1998

section, the difference between equity IJVs and contractual IJVs is basically a difference in governance structure (Hennart, 1988)<sup>7</sup>.

### **3.4 Reasons for forming equity IJVs**

According to literature companies engage in equity IJVs for several reasons. The overriding factor why companies engage in alliances in general and equity IJVs in particular is that competition has become more global and therefore more fierce (Inkpen & Beamish, 1997)<sup>8</sup>. To be able to meet demand expectations, development in technologies and increased competition companies must engage in activities and access resources outside their own boundaries (Grant & Baden-Fuller, 2004; Donaldson & O'Toole, 2002). Several reasons are mentioned in the literature. First, companies want to accelerate entry into new markets. Teaming up with a local partner could provide the company with easy access to local knowledge (the economic and political environment) of foreign markets. As competition increases in mature home markets, companies want to expand to other markets. Perhaps entry into certain markets is restricted by the local government, which makes collaboration through equity IJVs the only solution. Second, there are financial purposes for forming IJVs. Companies reduce the risk and costs if they merge together in an IJV. Third, to be able to achieve economies of scale, especially in the pharmaceutical, telecommunication and airline industries, companies can benefit from equity IJVs. Fourth, companies want to obtain new skills and gain access to other companies' organisational knowledge (Donaldson & O'Toole, 2002; Inkpen & Beamish, 1997<sup>9</sup>; Wolf, 1999; Hill, 2003; Steensma & Lyles, 2000).

As mentioned above there are many reasons why companies engage in equity IJVs. However, there are some major potential setbacks as well. For example, companies run the risk of exposing their organisational knowledge to potential competitors. In addition, equity IJVs are recognised as being volatile in terms of control, strategy and goals (Donaldson & O'Toole, 2002; Hill, 2003; Steensma & Lyles, 2000; Dhanaraj & Beamish, 2004).

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<sup>7</sup> cited by Inkpen & Currall, 1998

<sup>8</sup> cited by Beamish, 1998

<sup>9</sup> cited by Beamish, 1998

### **3.5 Knowledge**

#### ***3.5.1 What is knowledge?***

Knowledge is defined as “justified true belief” according to the traditional western theory, epistemology. The definition of knowledge was formulated by Plato in the ancient Greece. The western theory of knowledge can be further divided into rationalism, which states that true knowledge is a mental process, and empiricism where the knowledge can be created only through experience (Nonaka, 1995).

According to Sveiby (1997)<sup>10</sup> knowledge is invisible and impossible to observe. It is only possible to see the effects of it, for example in a new technological innovation. Knowledge is an intangible asset in the organisation and therefore not considered as important as the tangible assets. He argues that knowledge has not been considered that important in many organisations due to the lack of a generally accepted definition and a standard how to measure knowledge. Sveiby further defines knowledge as “the capacity to act”. Other researchers in the area mention knowledge as a source of power in the knowledge based society. Knowledge is also considered to be the most important incentive for a sustainable competitive advantage in an organisation (Toffler, 1990; Cyert, 1993)<sup>11</sup>.

#### ***3.5.2 Knowledge assets***

Knowledge assets are the guidance and support information owned by an organisation. They enhance stakeholders` ability to accomplish important work via the processes of knowledge harvesting, and also through knowledge harvesting help organisation to create knowledge assets and then adapt these assets as new knowledge emerges (Wilson, 1997).

Knowledge assets are comprised of context-specific sets of information (signals, support, information and guidance). They usually exist independently of human memory and are usually deployed via Intranets. The assets` function is to promote

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<sup>10</sup> cited by Nonaka, 2000

<sup>11</sup> cited by Nonaka et al., 2000

understanding, provide guidance for actions, record fact about how important work was accomplished and to create “metaknowledge” about how work changes (Wilson & Fredericksen, 2000).

<b>(Support information</b>		<b>+ Guidance)</b>	<b>x Interpretation</b>	<b>= Knowledge</b>
<i>What Who When Why</i>		<i>How</i>		
Information technology is the medium for these messages.		Individual’s thinking occurs. Meaning is achieved	Capability for action is enhanced.	

Figure 1. The knowledge equation<sup>12</sup>

According to a study by Nonaka et al. (2000) there are four different types of knowledge assets proposed and categorised. The first one is experimental knowledge assets, which consist of shared tacit knowledge through common experiences between members in the organisation, e.g. trust, skills and know-how. The second one is the conceptual knowledge assets that consist of explicit knowledge, which is articulated through images, language and symbols. Systemic knowledge assets consist of systematised and packaged explicit knowledge, e.g. documents, database and licenses. The final type of knowledge assets is called routine knowledge assets and it consists of the routinised and embedded tacit knowledge in the actions and practices, e.g. organisational culture.

### 3.5.3 Knowledge in an organisation

According to Polanyi (1966)<sup>13</sup> knowledge in an organisation can be divided into *explicit* and *tacit* knowledge. Explicit knowledge is stored in manuals and procedures. It can be numbers and words that can easily be shared and codified within the organisation through databases and it can also be transferred electronically. Tacit knowledge is not easy to share. It can only be learned by doing and it is very personal and difficult to formalise. This type of knowledge can be separated in technical and cognitive dimensions, where the technical dimension consists of skills and know-how through experience and the cognitive

<sup>12</sup> Wilson & Fredericksen (2000)

<sup>13</sup> cited by Nonaka & Takeuchi, 2004

dimension consists of values and beliefs. The way of using explicit or tacit knowledge depends much on the geographical location. In the Western part of the world the explicit form of knowledge is used and for example in Japan, where Nonaka conducted a research about knowledge in companies, the tacit knowledge is the primary knowledge. Nonaka does not support just one of the approaches to knowledge. He argues that an adequate theory of knowledge creation should consist of both explicit and tacit knowledge. Further, he conducted a study on how companies have managed to become successful through their skills and expertise at creating new knowledge, and then adapt the new knowledge into the products and systems within the organisations. It has been an incentive for companies to become very innovative, for example, in the area of technology. Through his study he found indications that companies which used tacit knowledge became more innovative and successful. Nonaka also argues that creation of new knowledge will lead to competitive advantages. According to him the organisational knowledge is created in the process where tacit knowledge is translated into words and numbers and takes the form of explicit knowledge and from there it is converted back to tacit knowledge again (Nonaka & Takeuchi, 1995).

Nonaka together with his colleges Takeuchi, Toyama and Konno (2000) made a model of knowledge creation in order to explain how the tacit and explicit knowledge interact together. The model is called the SECI-process and consists of four elements, which form the engine of the whole knowledge process.

#### *3.5.3.1 The elements in the SECI-process*

The SECI process consists of the following elements; socialisation, externalisation, combination and internalisation and they will be further explored. This part of the unified model they created is of interest in the dissertation and therefore described here.

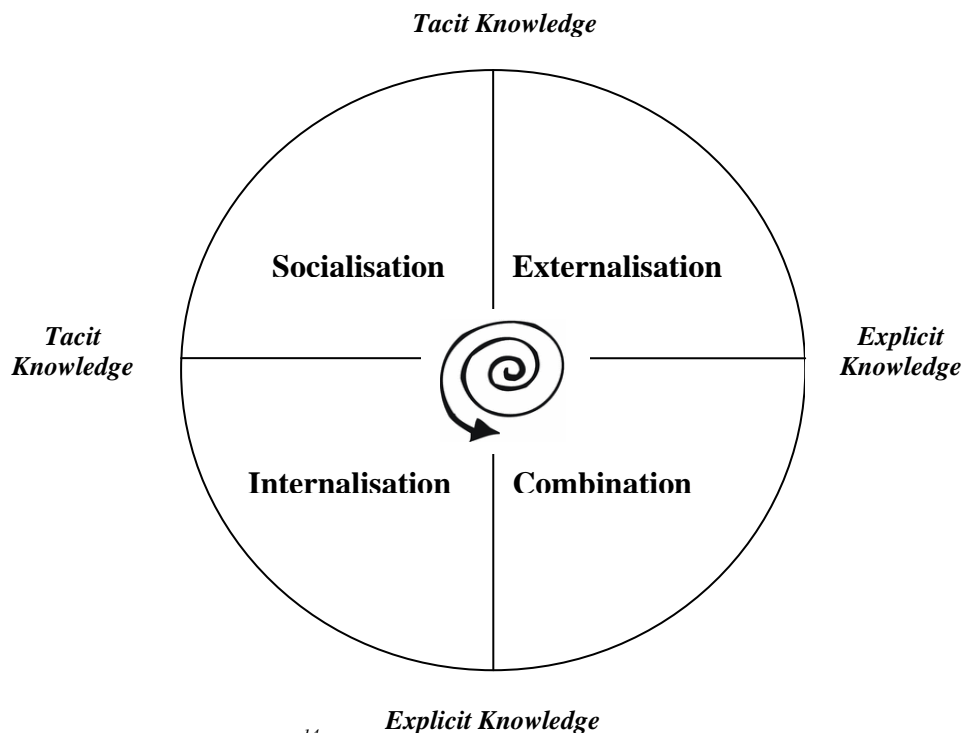


Figure 2. The SECI - process<sup>14</sup>

- **Socialisation** - “*Socialization is the process of converting new tacit knowledge through shared experience*” (p.9). This socialisation can take place through experience in the craft of work but it can also happen outside the workplace in meetings where values and mutual trust can be shared among individuals.
- **Externalisation** - “*Externalization is the process of articulating tacit knowledge into explicit knowledge*” (p.9). The quality control of a manufacturing process is an example of an externalisation where you learn how to improve the future manufacturing process. Another example is when the development of a new product is made.
- **Combination** - “*Combination is the process of converting explicit knowledge into more complex and systematic sets of explicit knowledge*” (p.10). In this case the explicit knowledge from both the inside and outside of an organisation has been gathered and combined into new knowledge.

<sup>14</sup> Nonaka & Takeuchi (1995,p. 71)

- Internalisation – “*Internalization is the process of embodying explicit knowledge into tacit knowledge*” (p.10). This process is closely related to learning by doing, for example in a manufacturing process and when the tacit knowledge (e.g. in the form of technical know-how) among individuals in an organisation becomes a valuable resource.

The SECI-process shows that the four elements interact with each other and create knowledge. The creation of knowledge starts in the element of socialisation and goes through the four elements of conversion and forms a spiral. This spiral of knowledge expands when it moves from the levels of individual to a group of people to the whole organization. In each element in the SECI-process there are different ways of how the knowledge flows and how it is learned; in the socialisation it goes from individual to individual. In externalisation it flows from individual to group and in combination it goes from group to organisation and the last one, called internalisation is the knowledge flow that goes from organisation to individual (Nonaka & Takeuchi, 2004).

#### ***3.5.4 Knowledge management***

The investigations of knowledge management in IJVs will be our main focus, in order to explain which factors facilitate knowledge harvesting.

According to Contractor and Lorange (2002) there has been a rapid growth of alliances the last 15 years. The concept of alliances in this article is used for all kinds of co-operations from relational contracting to equity joint ventures. They argue that the changes in environmental and regulatory factors, for example changes in the business environment and industry practice, have an impact on the rapid growth of alliances. There has been a paradigm shift from an economy based on objects to an economy based on knowledge. In an economy based on objects the focus is basically on mass production, internalised ownership, control and vertical integration. In the economy based on knowledge the focus is on flexibility, customisation, rapid response and disinternalisation of the value chain. The factors facilitating the shift from object based to knowledge based economy are: governmental policy changes, knowledge management in companies, and changes in production and distribution.



This shift highlights, among other things, the growing focus on knowledge management in companies. High-technological and knowledge-intensive businesses are characterised by high fixed cost but very low variable cost. In alliance strategies there is a sequence of creating, codifying and transferring knowledge. In the first step the cost of creating knowledge can be very high. The second step where codifying takes part, cost is much lower. In the third step the cost of transferring the knowledge to other locations is relatively low. Sharing the cost of new knowledge can therefore be particularly important for knowledge-intensive and high-technological businesses. The fast change of technology in the industries of biotechnology, aircraft and telecommunications has forced companies to recognise that their own knowledge and capabilities might be incomplete. The need for external knowledge has therefore lead to collaboration (e.g. IJVs).

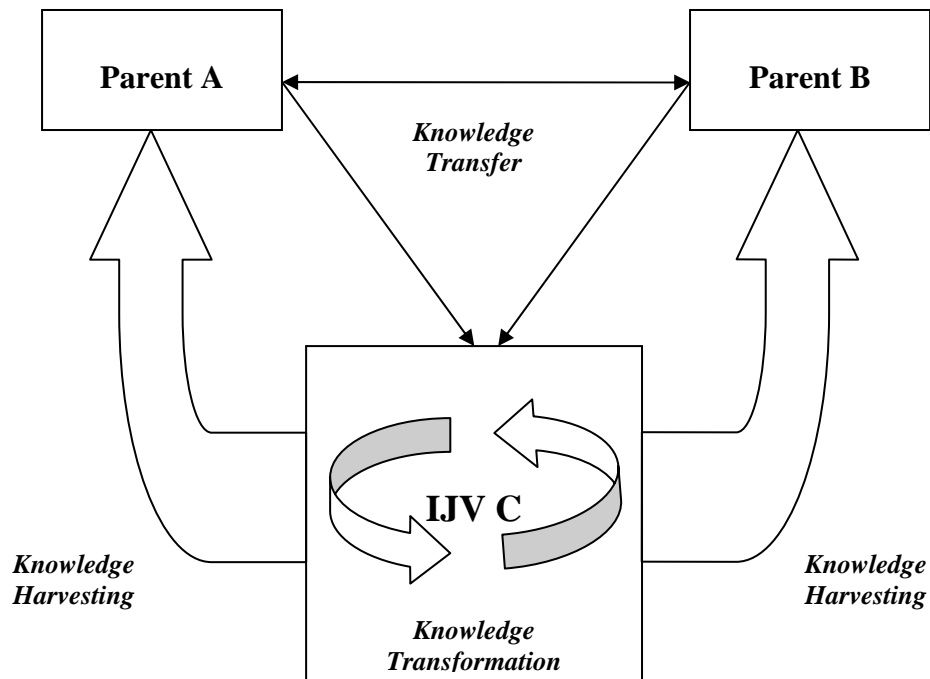
An important issue in knowledge management is to turn the knowledge into an organisational resource and a difficult task for the knowledge manager is how to make the knowledge governable. In order to make knowledge manageable it has to be controlled in some way and it is difficult because knowledge is very abstract. The knowledge manager also has to deal with how to store, transform and make the knowledge suitable for the specific organization. The tools available for managing this are for example databases and computer networks (Davenport & Prusak, 1998; Kreiner & Mouritsen, 2003)<sup>15</sup>.

### **3.6 Knowledge processes within an IJV network**

Berdrow and Lane (2003) conducted a study on knowledge management related to IJVs` activities. They looked at three different processes of knowledge within an IJV network, which can be seen in the following figure.

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<sup>15</sup> cited by Czarniawska & Sevón, 2003



**Note:** Knowledge transfer usually follows the paths AB and/or BA, AC and BC. Harvesting follows the paths CA and CB.

Figure 3. Knowledge flows within an international joint venture network<sup>16</sup>

For the knowledge flow to be a conscious activity of parent and IJV management, two conditions need to be present. The first one is that IJVs must have been formed for the purpose of learning among other motivations. Second, there has to be a conscious intent to learn which will drive learning behaviours. The first is the transfer of established knowledge, second is transformation (Beamish & Berdrowe, 2003). Maybe the presence of these two conditions will enhance and facilitate the knowledge harvesting process, if they are already familiar in the organisations. The explanations of these three processes are important to examine in detail in our research, because of their dissimilarity.

### 3.6.1 Transfer

Most of the literature on collaborative learning has looked at the transfer of firm-specific technology, which does not consider learning of new competencies, only the transfer of existing know-how (Hamel, 1991; Pucik, 1991; Podolny & Page, 1998; Kogut & Zander, 1993; Lyles & Salk, 1993; Reed & DeFillippi, 1990)<sup>17</sup>.

<sup>16</sup> Berdrow and Lane (2003, p.17)

<sup>17</sup> cited by Beamish & Berdrow, 2003

Transfer of knowledge occurs between parent firms. It can occur either directly (parent to parent) or from parent to the IJV. Basically, transfer means “*accepting what the partner does, integrating it into one's own systems or changing one's own resources to imitate it without really understanding why or how it works*” (Berdrow & Lane, 2003, p.17). Nonaka (1994) calls transferring knowledge for the internalisation of knowledge in his study that he describes in the SECI process.

Lyles and Salk (1996) considered this inter-organisational learning as a process of grafting and internalising knowledge through the interaction of individuals. In addition to transfer, they recognised the potential for changes in the IJVs` knowledge structure through the interpretation, evaluation and recognition of the transferred knowledge.

### **3.6.2 Transformation**

According to Berdrow and Lane (2003, p.18) transformation is defined as “*the integration, application and leveraging of contributed knowledge and the creation of new knowledge as a result of the joint activities*”. Any time individuals are placed in new situations or are presented with new challenges and new ideas, the potential for knowledge transformation exists. Quinn (1992, p.77) called this “*cross-functional serendipity*” and claimed, “*the interaction between skilled people in different functional activities often develops unexpected new insights or solutions*”. This type of knowledge flow is differentiated from a static perspective of the transfer of existing knowledge.

Hedlund (1994) incorporates a model of transfer and transformation knowledge within a model of knowledge management. According to that model, learning can take place through three processes: assimilation, transformation and dissemination. According to Hedlund, assimilation and dissemination could be the knowledge resources contributed by parents and the new knowledge they gain from the joint activities, so called harvesting. The importance of the transformation process and resources for success in co-operation are emphasised by Doz (1996). He states that alliances bring together companies with different resources and make co-operation more difficult.

### ***3.6.3 Harvesting***

Harvesting is the knowledge process that we know relatively little about. Even if knowledge harvesting is a distinct component of IJV, it has not received much attention from the academic community. Harvesting refers to the flow of transformed and newly created knowledge from the IJV back to the parent and it allows new knowledge to be leveraged, so that improvements can be made in existing operations as well as enhancing other new ventures (Berdrow & Lane, 2003).

Knowledge harvesting is an approach that allows the often hidden (tacit) knowledge or know-how of experts and top performers in an organisation (in this case an IJV) to be captured and documented, so that information can be shared and ultimately used for competitive advantage. This know-how can then be made available to parents in various ways such as through training programmes, manuals, best practices and knowledge management databases (Snyder & Wilson, 1998; Berdrow & Lane, 2003; Beamish & Berdrow, 2003; Eisenhart, 2001). In the SECI-process by Nonaka (1995) the converting from tacit knowledge to explicit knowledge is mentioned as externalisation.

#### *3.6.3.1 The purpose of knowledge harvesting*

The aim of knowledge harvesting is to help organisations to make better and wider use of their existing knowledge by extracting it from the heads of a few key people and making it available to a much wider range of people within the organisation. Knowledge harvesting is about how to make tacit knowledge into explicit knowledge. The ultimate goal of knowledge harvesting is to capture an expert's decision-making process with enough clarity that anybody else could repeat the same process and get the same results (Snyder & Wilson, 1998; Eisenhart, 2001). This process will be described further under the headline of general guidelines for knowledge harvesting.

For better understanding, the purpose of knowledge harvesting is a way to help people talk about what they know so their knowledge can be shared with others

and ultimately used for competitive advantage within an organisation (Wilson, 1997).

### 3.6.3.2 *General guidelines for knowledge harvesting*

Wilson (1997) made a knowledge harvesting model to keep the knowledge in an organisation up to date, because it is an iterative continuous lifecycle. His model is a repeated process of knowledge between knowledge assets and the organisations corporate stakeholders. In order to receive a clear comprehension of the factors of knowledge harvesting we believe it is important to look deeper into the actual concept and the course of action, described by Wilson. His research was not conducted particularly with emphasis on IJVs, rather on organisations in general. However, there are some general guidelines that facilitate the process and these can be broken down into a number of steps.

The model begins by *identifying* the individuals who possess the best know-how and their critical activities within organisations key processes. When experts and activities are identified, an understanding of organisations activities which is gathered from different departments will be *elicited* from the experts. By *capturing* and storing this information, from different departments, the knowledge harvesting process adds value to the future of the corporation. It also makes a permanent copy of the memory of the organisation's top performers. The information from top performers must be further *organised* in a systematic form. This procedure of structuring the knowledge into orderly and functional processes allows anyone in the organisation to retrieve the necessary information quickly and efficiently. The purpose of a knowledge management system in the knowledge harvesting process is to allow all organisational players to *apply* the same expert knowledge to processes as the top performers.

Wilson's knowledge harvesting model proceeds with *recording* the knowledge from the top performers. Once an application has been created it will require refreshing so that it can evolve with use. Recording means that application will never forget what has worked in the past and why. Good documentation helps users understand how to handle a similar situation in the future. According to the model of knowledge harvesting, knowledge that has been captured must be

*shared* or its capture will be irrelevant and the effort and expense wasted. Sharing lead to the seeking and capturing of knowledge, and uses of previous and new knowledge. An *evaluation* process is involved in the knowledge harvesting model and its aim is to be continuous so that the database can be kept up-to-date, relevant, and as small as possible. Evaluation must be performed in order to determine the effectiveness for the organisation. The knowledge harvesting model by Wilson ends by *improving* the process or the flow of knowledge throughout the organisation, the productivity or value to individuals or groups is enhanced.

We can conclude that Wilson's discussion and his model of knowledge harvesting is an analytical development of knowledge creation. The purpose with this dissertation is not to take knowledge creation into consideration. We mentioned before that it is important to look deeper into the actual concept and increase the understanding for the factors that facilitate knowledge harvesting, because we believe that the ability to create and harvest knowledge is a key factor for organisations to gain competitive advantages.

### 3.6.3.3 *Success through knowledge harvesting?*

Johnson and Scholes points out five ingredients that they believe are important in order to be successful in a strategic alliance. Even though these ingredients of successful alliances do not constitute the main purpose of this dissertation we believe the following aspects by Johnson and Scholes (2002) are valuable to mention because of their possible link to knowledge harvesting.

- *Trust*: The absence of trust in a co-operative relationship is a major reason for failure. Trust could be both competence-based in terms of resources and competence and character-based in terms of motives and attitudes.
- *Senior management support*: The widespread range of issues in an IJV must be properly managed to prevent cultural and political obstacles.
- *Performance expectations*: Transparency is important between the parents and the IJV when it comes to financial information and the like.

- *Compatibility*: Strong interpersonal relationships are crucial for success. In an IJV that transcends national borders there are a lot of impediments to success.
- *Evolve and change*: Allowing the IJV to be at the front-line of parental attention will be valuable for both the IJV's and the parent's future performance.

According to Berdrow and Lane (2003) IJVs which are able to create new knowledge, successfully harvested by the parents could achieve positive sales, operational and financial performance. Furthermore, they state there are six descriptors that differ between successful and unsuccessful knowledge management processes, and they are:

*Mindset*, which is the set of attitudes, thoughts and feelings that influence decisions and actions in the organisation and will also influence the relationship and activities between partners. The initial purpose for the parent company to engage in the IJV is the intent, and it is in the terms of mindset also relevant for an effective knowledge management. The intent will influence the resources that the parent company will provide the IJV and how much control the parent will establish on the activities in the IJV. It will also effect the performance and to what level the parent can learn from the IJV. The intent is also claimed to be an important determinant in terms of how much effort a company puts into learning from an IJV partner.

*Control* is the system and structures guiding and monitoring operations, performance expectations, and involvement of the Board of Directors in IJV activities. A successful IJV is supported and guided by common goals of the partners instead of being strictly controlled by behavioural guidelines set up by the foreign parent. This also highlights the importance of a co-operative mindset.

*Strategic integration* is the degree to which IJV activities duplicate parent activities. The strategic importance of the IJVs activities and outcomes is dependent of the core activities of the parent organisation. IJVs that are strongly linked to the parent strategy are likely to increase the interaction and the potential of learning between the parent and themselves.

*Training and development* consists of formal and informal methods of education, training and development of management and employees on a regular basis. The education is also conducted by experts in the parent company and incorporated through experiential training and practices for the employees.

*Resource contributions and integration* concerns the nature of knowledge resources contributed relative to the IJV activities, the process by which those contributions were made, and the degree to which knowledge resources are combined and adapted to local context. IJVs that were successful to integrate the resources of knowledge from the parent and also to create new value from it were likely to provide a better interaction with experts from the parent company.

*Relationship development* concerns the time frame and process by which the partnership was initially started, developed and matured. A good relationship that was established in an early phase between the key people of the parent and the IJV created a strong personal bond between them. One outcome of this personal bond was trust, where people who knew each other felt more comfortable in the daily work.

In summary, effective knowledge management helps the IJVs to avoid crises caused by relationship difficulties, and ability to avoid a chaotic market as well as operational and economic difficulties when collaborating with foreign companies. Berdrow and Lane (2003) find, in terms of harvesting, that the parent company while not necessarily sharing in newly developed technological knowledge, is successful in new partnerships or new business activities as a result of knowledge gained through the relationship.

These ingredients outlined above emphasise the complexity of successfully managing IJVs. The benefits must be seen in the light of this complexity. We also believe that in order to achieve our goal with this dissertation we have to understand both the benefits and costs of IJVs. If successful knowledge harvesting can enhance the overall knowledge base of the parent and performance of future ventures, these issues must be considered.



### **3.7 Different perspectives on IJV**

According to Beamish (1998) the study of strategic alliances and joint ventures has been a major area of research for a couple of decades. Much of the research has taken place from an international perspective, which reflects the complex and competitive environment organisations work in. The previous research can be organised into six sections: IJVs as a mode of entry, performance, control, learning/knowledge accumulation, bargaining power, and theory (Beamish, 1998).

The limited scope of this dissertation prevents us from examine all the six sections. We will concentrate on the learning and knowledge accumulation perspective but we are aware of the overlapping tendencies of the research explained by Beamish (1998). To be able to do so we have to start by examining previous research on IJVs. Although not all the articles below explicitly deal with IJVs or the concept of knowledge harvesting we consider the findings relevant for our purpose.

#### ***3.7.1 Control structure***

The control structure of the venture has long been a key issue in the research on IJVs. Two dimensions of IJV control structure are distinguished: ownership control and management control (Yan, 1998)<sup>18</sup>. Ownership control refers to how much each partner invests in the IJV. Management control refers to decision-making power (Steensma & Lyles, 2000). Despite the fact that ownership control may lead to management control of the IJV other more informal control mechanisms may alter the decision-making power between the parents influenced by the resources that each partner can provide to the IJV. Those resources can include technology, know-how, market access and so on (Yan & Gray, 1994)<sup>19</sup>.

According to Steensma and Lyles (2000) one line of theory suggests that IJVs which have a dominant controlling parent will be the most stable and successful (Killing, 1983)<sup>20</sup>. This approach suggests that if control is divided equally it will

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<sup>18</sup> cited by Steensma & Lyles, 2000

<sup>19 - 23</sup> cited by Steensma & Lyles, 2000

lead to co-ordination problems and high transaction costs, which will reduce the value of the collaboration (Geringer & Hebert, 1989)<sup>21</sup>. However, another line of theory suggests that IJVs with a 50/50-ownership control have a higher level of knowledge acquisition than majority-controlled IJVs (Lyles & Salk, 1996)<sup>22</sup>. This approach suggests that an equally divided or balanced control structure results in better performance as a result of higher levels of trust and forbearance (e.g. Blodgett, 1992)<sup>23</sup>. Evidently there are different and inconsistent approaches to determine the control structure's impact on IJV stability. According to Steensma and Lyles (2000) the link between IJV control structure and IJV outcomes remains inconclusive. Furthermore they argue that previous research has failed to measure the duality of control (i.e. ownership, management).

The findings of their own research in this area concludes that an imbalance in the management control structure between the parents leads to conflict and increased likelihood of IJV failure. However, an imbalance in ownership control structure between the parents had no effect on conflict or survival. In the light of our purpose, possible imbalances in ownership control and management control could have an impact on knowledge acquisition in general and on knowledge harvesting in particular. Although Steensma and Lyles conducted this research in a transitional economy they argue that the findings could be applicable to a variety of economic contexts.

### ***3.7.2 Resource-based view***

As stated before, effective knowledge management can provide an organisation with a competitive edge, hence the importance of proper knowledge management is very often stressed. The literature on competitive advantage is extensive and widespread and goes beyond the scope of this dissertation. However, in the light of our purpose, the resource-based view seems to provide some important insight that has to be considered.

The resource-based view on competitive advantage developed by Barney (1991) examines the link between firm resources (internal characteristics) and sustained competitive advantage (performance). Barney states that in order to create and guarantee sustainable competitive advantage a company's resources have to be

valuable, rare, difficult to imitate, and difficult to substitute. “*These attributes of firm resources can be thought of as empirical indicators of how heterogeneous and immobile a firm's resources are and thus how useful these resources are for generating sustained competitive advantage*” (p. 106). Basically, an organisation's capability (knowledge and competence) equals its resources, and sources of sustained competitive advantage depend on the heterogeneity and immobility of those resources. This means that all the resources in a company, physical capital resources, human capital resources, and organisational capital resources, constitute potential competitive advantage if managed properly.

We believe that the resource-based view could be of some significance when determining factors of knowledge harvesting. If an organisation's entire existence depends on how competitive it is, and if its resources are its only weapon, they have to be managed properly in order to enhance the overall performance. Companies involved in co-operation like IJVs have to make sure that knowledge created within that IJV is transferred back to the parent and harvested. We also believe that knowledge characteristics could be one factor which facilitates knowledge harvesting. If the knowledge created in the IJV is heterogeneous and immobile it could create sustainable competitive advantages for the parent.

### ***3.7.3 Trust and performance***

Inkpen and Currall (1998) set out to develop an understanding of trust in equity joint ventures. Even if the article focuses on equity joint ventures we believe its findings are applicable to IJVs as well. They examine the antecedents and consequences of trust in equity joint ventures. The authors use a definition of trust as, “*reliance on another party under a condition of risk*” (p.2). Furthermore they state that risk has to be present otherwise trust is irrelevant because then there is no vulnerability. The authors' objective is to show that trust is both a consequence and an antecedent concept, and they claim that trust is the most important factor in joint venture management.

<b>Trust antecedents</b>	<b>Trust consequences</b>
Prior co-operative relationships between partners	Partner forbearance
Habitualisation:	Governance structures:
- repeated interactions	- co-ordination and monitoring costs
- length of time the parties have worked together	Relationship investment:
Individual attachment:	- initial relationship investment
- personal relationships between JV managers	- subsequent relationship investment
- tenure of individual boundary spanning managers	Increases in JV scope
Organisational fit:	JV performance
- partner compatibility	
- shared fate	
Assessment of partner competence	

Figure 4. Concepts in the conceptual framework<sup>24</sup>

If trust is the most important factor in IJVs` management and if it depends on experience and performance, the impact of trust on knowledge harvesting would be significant.

### ***3.7.4 Learning through IJV***

According to research from Beamish and Berdrow (2003) learning in an IJV network has been viewed primarily as a transfer of knowledge between partners and from the partners to the IJV. Partners agree to combine their resources and distribute among them what is already known. Knowledge transformation integrates contributed resources and competencies, adapts them to the new context and creates new competencies through the joint activities. It is hard to see how knowledge harvesting interact as a learning process, because it is not yet explored and distributed.

These learning processes can sustain and improve competitive advantages for the IJVs and it has to happen through personal interactions. The personal interactions

<sup>24</sup> Inkpen and Curall, (1998, p.7)

can often be inhibited by differences in language, norms and values. The differences in language can be seen as a fundamental obstacle for the creation of competitive advantage within IJVs. Basically, differences in nationality and corporate culture can affect learning negatively and create barriers for IJVs to achieve competitive advantages. In addition partners contribute knowledge and capabilities learned throughout their histories in the form of technology, people or business processes (Berdrow & Lane, 2003).

The study made by Beamish and Berdrow (2003) focus on the IJVs as a learning vehicle. It focuses particularly on international equity joint ventures engaged in a production activity with partners from different countries. They investigate if learning actually occurs and if learning leads to increased knowledge and enhanced performance. Beamish and Berdrow use three variables to measure IJV network learning:

- *Conditions*: the conditions of learning include Motivation for forming the IJV and the Intent to engage in the learning processes of transfer, transformation and harvesting.
- *Process*: process is the actual occurrence of these learning processes of transfer, transformation and harvesting.
- *Outcomes*: knowledge outcomes are knowledge resources gained. Performance outcomes are financial, operational, and sales outcomes.

Furthermore, they find that although IJVs are not formed under a learning imperative, skills and knowledge are gained. They also find that, although engaging in transfer, transformation and harvesting processes explained knowledge gained, it did not explain the performance of the IJVs. They present several explanations for the insignificant relationship between knowledge management and performance: (1) Maybe learning does not really make a difference to performance in the IJVs. Harvesting, while offering performance potential to the parent, may not improve the financial outcome of the IJVs at all. (2) Managers involved in IJVs may not be able to leverage new knowledge quickly enough to make a difference in performance. (3) Maybe parent managers

and IJVs managers have different views on the impact of learning. This may also explain why harvesting is not considered to be important by most parent managers. (4) Maybe the costs of learning outweigh the financial benefits, particularly if the learning processes are not managed effectively and (5) maybe the IJVs` partners define learning as their foreign partners acquiring proprietary knowledge and hence are wary about using IJVs as learning vehicles.

Inkpen (1995) shows that IJVs do provide the opportunity for learning both within the IJV and between the parent companies. For the parent however, learning is usually a secondary or tertiary motive and learning opportunities are unexploited. In addition, Inkpen together with Crossan (1995) summarise the reasons why parent managers are not so eager to harvest knowledge from the IJV: (1) there is no recognition by parent managers of the importance of the new knowledge; (2) disbelief by the parent managers that the IJV could offer any valuable lessons and (3) the financial performance of the IJV do not convince the parent managers that there is anything worth learning. While, Berdrow and Lane (2003) states that pressure for knowledge harvesting should be on the parent companies, because management has a better overall view of the organisation and its needs.

While Beamish and Berdrow (2003) do not find a connection between learning processes and performance, it is possible to draw some conclusions out of the explanations provided. First, even though learning does not make a difference to performance maybe performance could make a difference to learning. Second, maybe the success of harvesting is on a managerial level and therefore sufficient knowledge pipelines must be created. Third, while this study focuses on production-based IJVs, it does not consider other business areas (more knowledge intensive). Fourth, the control of know-how in high technology businesses is an important factor to harvesting. As mentioned before harvesting is not a strong outcome in the learning process, recognised by the authors. However, they do indicate that they have learned important lessons from the experience, which would help them improve their business.

### ***3.7.5 Learning and knowledge accumulation***

Kogut (1988)<sup>25</sup> compares three perspectives in explaining the motivation to joint venture. Transaction cost theory posits cost minimisation as the main motive, and strategic behaviour theory posits the competitive positioning as a motive to joint venture. While these two perspectives provide compelling economic reasons to joint venture the organisational learning perspective views IJVs as a way for the company to accumulate its knowledge base. Kogut argues that this is a way for the company to transfer organisationally embedded knowledge, which would be difficult to do in, for example a licensing agreement. According to Kogut the transfer of organisational knowledge within a joint venture network will increase the overall knowledge base and hopefully enhance the stability and performance. Joint ventures are, then, a vehicle by which tacit knowledge is transferred dependent on the absorptive capacity of the recipient. Kogut states that these perspectives (transaction cost, strategic behaviour, and organisational learning) provide overlapping explanations for joint venture behaviour. The theories probably will apply differently according to contextual factors and the type of research questions being considered.

A major contribution within the learning stream of researches in this field is Hamel's (1991)<sup>26</sup> work on inter-partner learning. Hamel undertakes a skill-based view of the company. He views the company as a portfolio of core competencies and suggests that inter-firm competition essentially is about acquisition of skills. An important distinction proposed is that gaining access to partners skills is not the same as internalising partners' skills. Skills actually internalised can be applied by the company to new geographical markets, new products, and even new businesses, hence enhance the company's competitiveness. Furthermore he argues that the company's global competitiveness is a function of its overall efficiency and ability to accumulate knowledge. Six determinants of inter-partner learning are suggested: competitive collaboration, learning and bargaining power, intent, transparency, receptivity, and determinants of sustainable learning. One interesting conclusion by Hamel is that the learning process may be more important than structure in determining learning outcomes. Another conclusion is

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<sup>25</sup> -<sup>26</sup> cited by Beamish, 1998

that learning asymmetries can alter the bargaining power between partners. Finally he concludes that there appear to be two mechanisms for extracting value from an alliance: “1. bargaining over the stream of economic benefits that issues directly from the successful execution of joint tasks, and 2. internalizing the skills of partners” (p. 250).

A company’s absorptive capacity is highlighted in this article. Its ability to learn determines its competitiveness because it determines its bargaining power. Basically, what Hamel says is that participating in an alliance is a race to learn, and the partner that learns the fastest dominates the relationship. The difference between Kogut’s and Hamel’s conclusions is, whilst Kogut recognises learning as an explicit goal, Hamel identifies the linkages between learning, dependency and bargaining power.

Inkpen and Beamish (1997)<sup>27</sup> further extract Hamel’s thoughts on the acquisition of partners skills to encompass instability of IJVs. They set out to clarify the reasons for instability of IJVs. Using local knowledge as an important variable grounded in a bargaining power and dependence perspective the authors try to explain IJVs instability. Their findings suggest that instability arise when knowledge acquisition (as opposed to merely accessing local knowledge) shifts the balance of bargaining power between partners. For example, if a foreign partner wants to expand (geographically) the local partner's local knowledge (economic, political environment etc.) will be crucial for the foreign partner. If local knowledge is the only thing the local partner provides and if the foreign partner has the ability to internalise that knowledge, instability will increase. However, if the local partner can somehow make sure its role encompasses more than just local knowledge instability may be controllable. We believe this could have an impact on IJVs overall performance on the one hand and knowledge harvesting on the other hand.

### **3.8 Summary**

As a conclusion, the chapter of the theoretical framework consists of the theories and underlying concept of international joint ventures, knowledge management

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<sup>27</sup> cited by Beamish, 1998



and knowledge harvesting. The SECI – process has been brought up in this chapter for a better understanding of differences between tacit and explicit knowledge and also how they interact within an organisation. This has been reviewed in the light of knowledge harvesting, because the concept is based on how tacit knowledge converts into explicit knowledge, and how it is adapted by parent companies. Further, the different knowledge processes (transfer, transformation and harvesting) are reviewed in addition to comprehend how knowledge is flowing within the IJV network. The differences between equity joint venture and contractual joint ventures are also briefly mentioned.

Finally, we examined different perspectives on knowledge management within a IJV network which we think will help us to find factors that facilitate knowledge harvesting.

## Chapter 4

### An attempt to create a model

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*In this chapter, the possible and most important factors which facilitate knowledge harvesting are presented. The created model of knowledge harvesting is introduced and described, with the purpose to explain the importance of the concept for the parent companies. Furthermore, eight hypotheses are presented.*

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#### 4.1 Introduction

We have in the previous chapter examined a variety of possible factors, which we believe would facilitate knowledge harvesting. In this section we will try to pinpoint and evaluate what we believe are the most important factors facilitating knowledge harvesting. The factors we are describing are sometimes related to each other and dependent on each other and there are strong overlapping tendencies, even though we intend to point out separately how each of them influences knowledge harvesting.

We will try to create a model out of the possible factors facilitating knowledge harvesting. An attempt to formulate adequate hypotheses will then be made.

#### 4.2. The TAP model

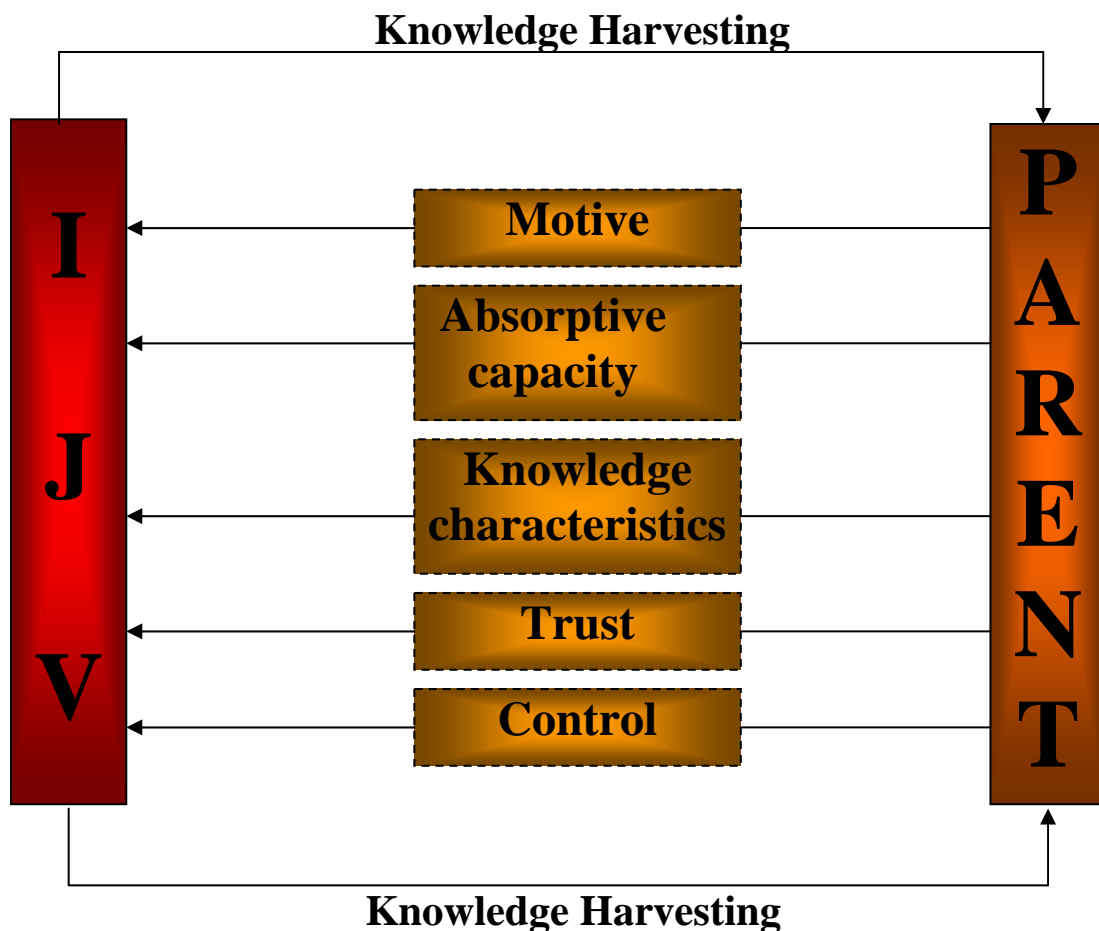
##### 4.2.1 Introduction

One objective with this dissertation is to investigate which factors facilitate knowledge harvesting. It is important to remember that there are probably more factors, which facilitate knowledge harvesting than are examined and incorporated in this dissertation. However, we believe it is not possible to include all existing factors in our model due to the time-constraint and the empirical limitations at hand. Previous discussion on possible factors in our model has led to the creation of this model, which we call the TAP model. TAP stands for

Terese, Annika and Peter. It also symbolise that knowledge is drawn or extracted from the IJV.

**4.2.2 Explanation to the Model**

We have evaluated different perspectives of researches on IJVs and knowledge management and tried to extract possible factors, which facilitate knowledge harvesting. The concept of knowledge harvesting is about extracting knowledge and not creating knowledge. In our model we have tried to visualise this concept with two arrows streaming from the IJV back to the parent. This will indicate that knowledge harvesting is the overriding process encompassing the factors, which will nurture the actual process. In the middle section we have placed the factors. It displays five squares, each containing one factor.



*Figure 5. The TAP model*

The factors are motive, absorptive capacity, knowledge characteristics, trust, and control. An arrow pierces each factor going from the parent to the IJV. The reason for this is twofold. Firstly, it indicates that the pressure for actual occurrence of

knowledge harvesting should be on the parent. Berdrow and Lane (2003) argue that this is important because the parent management has a better overall view of the organisation and its needs. Secondly, it demonstrates how each factor influences the process of knowledge harvesting between the IJV and the Parent.

### **4.3 Possible factors in our Model**

#### ***4.3.1 Motive***

We assume that a major part in explaining factors facilitating knowledge harvesting is embedded in the motive a company has for engaging in IJVs. According to literature there are many reasons why companies engage in IJVs. It could be a way to accelerate entry into new markets, financial purposes, acquire knowledge, achieve economies of scale, cost minimisation, competitive position etc. Researchers suggest it is possible to analyse the motive from different perspectives depending on the theory used. Despite all that, some existing evidence suggests that knowledge acquisition or gaining access to certain knowledge is not a primary reason why companies engage in IJVs. However, important skills and knowledge is gained which are useful in other business areas.

The fact that IJVs are not formed primarily as a learning vehicle does not suggest that it is not a major reason. A company may engage in an IJV with a foreign partner to acquire knowledge about the new market's economic and political environment at the initial stage not caring about future knowledge flows. However, there may also be relationships with a high level of ongoing interdependence between the partners. We assume it all depends on under what conditions the IJV is formed. It is important to remember that there are strong overlapping tendencies when examining this factor. Motive could depend on the line of business, which in turn could decide the level of involvement and the eager to acquire new knowledge from the partner as well as from the IJV. However, the following hypothesis is adequate to fit our purpose. We assume motive is a factor facilitating knowledge harvesting, hence it will be in our model.

H<sup>1</sup>: If acquiring new knowledge is a major reason for forming the IJV, motive is a factor facilitating knowledge harvesting.

### ***4.3.2 Absorptive capacity***

Literature suggests there is a big difference between acquiring new knowledge and actually internalising new knowledge. A company that has the ability to actually internalise the newly acquired knowledge and use it in other areas and relationships would have an effective source for creating sustainable competitive advantages (Hamel, 1991). This could be implemented on more than one level in the company, from the individual level up to the organisational level. It is crucial for a company to have the ability to learn from its environment and internalise it. This is called knowledge management. An important issue in knowledge management is to turn the knowledge into an organisational resource and a difficult task for the knowledge manager is how to make the knowledge governable. How efficiently the tacit knowledge is made explicit is often stressed in previous research (Nonaka, 2000). In order to make knowledge manageable it has to be controlled in some way and it is difficult because knowledge is very abstract (Wilson, 1997). The knowledge manager also has to deal with how to store, transform and make the knowledge suitable for the specific organisation.

Although we do not intend to explicitly distinguish between tacit and explicit knowledge it is somewhat implicitly embedded in the concept of knowledge harvesting. We assume a company's absorptive capacity depends on how well the SECI-process (Nonaka, 1995) is handled, which in turn depends on the level of knowledge management experience inherent in the organisation (e.g. managers). This is a very important factor because it could, as mentioned earlier, affect the level of dependency in a relationship, which in turn could alter the relative bargaining power. Hamel (1991) states in his groundbreaking work that being in a relationship, such as an IJV, is a race to learn and the partner who learns the fastest dominates the relationship. In addition, knowledge gained adds value to an organisation.

H<sup>2a</sup>: An organisation's ability to learn depends on prior experience of knowledge management.

H<sup>2b</sup>: An organisation's ability to absorb newly created knowledge and internalise it, facilitates knowledge harvesting.

### ***4.3.3 Knowledge characteristics***

If the resources created and existing in an organisation are heterogeneous and immobile they could be a source for sustainable competitive advantages, according to Barney (1991). In this case, if the newly created knowledge in the IJV were different from the existing knowledge inherent in the organisation, it would be of interest for the parents to internalise that knowledge. According to literature it depends on the nature of the knowledge (Berdrow & Lane, 2003) and the compatibility between the parents as well as between the IJV and the parents (Johnson & Scholes, 2002). The definitions of heterogeneous and immobile resources (e.g. knowledge) applicable to our context deserve an explanation. Heterogeneous resources, in this case knowledge, should be knowledge different from the knowledge of competitors. Immobile resources, in this case knowledge, should be transferable between entities and individuals within the organisation, but not outside the organisation. The latter condition requires an effective knowledge management, which is an ongoing process explained by Nonaka in the SECI-process (1995) and by Wilson in his knowledge harvesting model (1997). Basically it is about how effectively the organisation captures and collects newly created knowledge and internalises it.

Barney (1991) suggests that an organisation's capability (knowledge and competence) equals its resources. If those resources are rare, valuable, difficult to imitate, and difficult to substitute, sustainable competitive advantages could be obtained. We can conclude that if heterogeneous and immobile resources created in the IJV pave the way for sustainable competitive advantages, knowledge harvesting would be considered important for the parents. Therefore this factor will be a part of our model.

H<sup>3</sup>: Knowledge harvesting is more likely to occur if new knowledge is heterogeneous and immobile.

### ***4.3.4 Performance***

According to Beamish and Berdrow (2003) learning through IJVs do not have an immediate impact on the financial performance of the parent. However, skills and

knowledge are gained which may become useful in future operations. There are some indications that the performance of IJVs may have an impact on the parents' involvement and interest in the business methods used by the IJVs. The performance of IJVs may have an impact on parents eager to harvest knowledge. However, we assume that IJVs are formed for a variety of reasons not necessarily connected to performance. Therefore we have decided not to use performance as a factor in our model because it would be difficult to operationalise a possible hypothesis.

#### **4.3.5 Trust**

Inkpen and Currall (1998) highlight the importance of trust on different levels in a relationship. Trust is claimed to be reliance on each other under a condition of risk. Furthermore they argue that trust is the most important factor in IJVs' management and it depends on experience and performance. Experience can consist of an earlier co-operation between the parents, which could facilitate the formation of a more dependent collaborative form in the future (e.g. an IJV). This experience could consist of prior co-operation between partners on an individual level as well as the presence of compatibility on an organisational level. However, considering the fact that organisations consist of people, trust must be present in the personal interactions between managers. We assume that trust between parent companies as well as trust between the parents and the IJV, on a managerial level, is crucial for knowledge harvesting to occur.

It is important to remember that companies might be involved in industries, which contains proprietary knowledge. The results of highly expensive research and development costs may be transferred to an IJV for implementation. IJVs may be formed by two competitors engaged in the same industry or by two companies occupied in different industries. According to Johnson and Scholes (2002) the main point with this discussion is that the absence of trust in a relationship could be a major reason for failure. In conclusion, trust on different levels in the IJV network depends on a variety of personal interactions between managers. Trust is also dependent on how much each partner invests in the relationship and the performance of the IJV. We assume that trust is a factor facilitating knowledge harvesting. Therefore we will use trust as a factor in our model.

H<sup>4a</sup>: Trust is more likely to be inherent in a relationship if the parents have prior experience of working together.

H<sup>4b</sup>: Knowledge is more likely to be harvested by the parents if trust is present in the relationship.

#### ***4.3.6 Control***

According to the previously examined literature, control structure and its effect on IJV survival has been treated with some ambiguity (Steensma & Lyles, 2000). Some researchers suggest that a dominant partner will facilitate the co-operation and keep transaction costs at a low level. However, some researchers claim that a 50/50-ownership or a more balanced control structure will generate a higher level of knowledge acquisition due to higher level of trust between the parents. In addition, previous research distinguishes between ownership control and management control, and suggests that control could be dependent on each partner's resource input into the IJV. Steensma and Lyles find that an imbalance in management control has an effect on IJV survival whereas an imbalance in ownership control does not. We argue that there is a strong link between control structure and knowledge harvesting, hence this factor is important in our dissertation.

We recognise the difficulties in testing this factor because of the variety of dependent variables inherent in the concept. For example (a simplified example), company A wants to expand globally into distant and unknown markets through an IJV with a foreign partner (company B). Company A is the dominant partner whilst company B is in charge of running the joint venture. In this case company B has the informal decision-making power over daily operations, hence controls the existing and newly created know-how. Company A knows initially nothing about the new market and the processes, but has the formal power because of superior equity holdings in the IJV. Our point with this discussion is connected to the concept of knowledge harvesting. Namely, we want to examine (if possible) what impact different control structures have on knowledge harvesting, but we realise that it depends on a variety of macro- and microeconomic variables (e.g.



industry, motive, product, market etc). Nevertheless, control will be a factor in our model.

H<sup>5a</sup>: A high level of ownership control facilitates knowledge harvesting.

H<sup>5b</sup>: A high level of management control facilitates knowledge harvesting.

#### ***4.3.7 Industry***

We assume that the importance of creating and sharing new knowledge is strongly related to what kind of industry the company is involved in. It is very important to share knowledge in high-technological and knowledge-intensive businesses because of the rapid technological development over time and the competitive nature of such environment (Contractor & Lorange, 2002). In order to stay competitive companies have to invest heavily in R&D. The cost of this research and development (new knowledge) in, for example areas of biotechnology, pharmaceutical, and telecommunications is often very high. Therefore companies sometimes find their own resources to be inadequate, hence they are forced to seek co-operation with others through IJVs. It is important to remember the inherent risk in collaborating closely with one's enemies. Proprietary and sophisticated knowledge must be protected from the competitors. Although this discussion makes a good argument as to why this factor should be part of our model we have decided not to take it into account.

We realise that there are many underlying determinants to this factor and that the entire spread of this factor goes beyond the scope of this dissertation. For example, companies active in industries characterised by high research and development costs may be involved in joint ventures with companies in other industries. Hence, the entire relevance of this factor becomes inadequate. Our main point is that if IJVs were established between companies within the same industry, this factor would be relevant in our model. In conclusion, we argue that in industries where research and development costs are high and crucial in order to stay competitive, knowledge harvesting should be an important, inherent process. However, it is impossible for us to know in what industries the IJVs are situated. Therefore we will not include industry as a factor in our model.

#### **4.4 Summary**

In the chapter we evaluate and describe what we believe are the most important factors, which facilitate knowledge harvesting. The factors considered are motive, absorptive capacity, knowledge characteristics, trust and control. These factors are described and discussed in detail, and also why we believe they are important for the concept of knowledge harvesting. Furthermore, eight hypotheses are formulated in relation to the five factors.

We also created a model of the five factors, which we believe facilitate knowledge harvesting. The model is called the TAP model and shows how knowledge is extracted from the IJV back to the parent company, which is visualised with two arrows in the model. The five factors are placed in the middle section of the TAP model and each of them is displayed in a square. Through this square an arrow is pierced going from the parent to the IJV. We believe the TAP model and the eight hypotheses will help to provide us with answers to the concept of knowledge harvesting.

## Chapter 5

### Empirical method

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*The empirical method will be presented in this chapter. It is a complement to chapter two, which will be continued and completed by the evaluation of different research processes. The chapter will start with the chosen strategy of the research and continue with collection of data. Furthermore, the reliability and validity of the research are discussed, as well as methodological criticism.*

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#### 5.1 The Research Strategy

One objective of this dissertation was to investigate which factors facilitate knowledge harvesting. An extensive literature review was undertaken in order to create the TAP-Model. Out of the model we derived eight hypotheses divided into five categories. Each category was equivalent to a factor in the model. The next step was to test the hypotheses. Several different empirical methods were initially considered. For example, we discussed the possibility to conduct case studies on two or three companies in order to dig deeper into the research questions at hand.

According to Saunders (2003) case studies are good if you want to investigate *why* something has happened. However, our intention was not to find out why something has happened. We only wanted to investigate if the factors in our model could explain *if* and *how* knowledge was harvested by the parent companies in an IJV network. Furthermore, we only wanted to find out if these factors could facilitate knowledge harvesting. This is why we decided to use a survey. Since our dissertation is deductive this seemed to be the best way in order to fulfil our needs. The survey is closely related to the deductive approach. Furthermore, it allows a large collection of data in an economical way (Saunders et al., 2003). Our research is also a cross-sectional study. The reasons for this are twofold. Firstly, a cross-sectional study often employs the survey strategy, and secondly the time constraint with this candidate dissertation is rather impending.

### *5.1.1 The Questionnaire*

To be able to test our hypotheses we decided to conduct a survey using a questionnaire. According to Saunders (2003) this approach is preferable if the population is large and if the questionnaire is of a structured character.

The decision to use an online, self-administered survey was based on the fact that we wanted to contact a great number of companies at a minimum cost. Since this study has an explanatory nature it seemed to be the best approach. Furthermore, because of the difficulties we had in finding the right population we wanted to have a large sample in order to find companies involved in IJVs. To be able to reach the right companies a cover letter was sent where we introduced ourselves and the purpose of the dissertation. Furthermore, in order to filter out the companies not involved in IJVs with a foreign partner we asked the respondents to answer if they had an IJV with a foreign partner or not. Respondents which answered Yes on the filter question were asked to click on an attached link, which would guide them to the questionnaire (<http://hem.passagen.se/berislav/>).

The first e-mail was sent out in the middle of the week because we thought that this would be good for the response rate. We figured that the companies have a lot to do in the beginning and in the end of each week. A reminder was sent out the following week because of the very low response rate. Furthermore, a second reminder was sent out a couple of days later to improve the response rate. At this point we were running out of time and therefore decided to stop disturbing these companies. The response rate was embarrassingly low, but we had to be satisfied. The questionnaire was written in Swedish due to the fact that we wanted to reach Swedish companies. Since the dissertation is in English the questionnaire was translated (Appendix 1) and an outsider was asked to translate it back to Swedish. The mistakes were corrected.

When we evolved the questionnaire we used principally two different types of questions. Scale questions were used to determine motives (4), methods (9), outcomes (11), and characteristics (12). Another scale question used was the Likert-style rating scale, where we asked the respondents on a one to five rating scale to either agree or disagree. This type of question was used on questions 10,

16, 17, 21, and 22. In addition we used some quantity questions (2, 3, 5-8, and 18-20) where the respondents were asked to fill in a quantitative figure.

### ***5.1.2 The Pilot test***

Before sending out the questionnaire we wanted to pilot test it. Several questions arose, which were directly connected to finding the right respondents. Since our dissertation deals with IJVs, where one part in the network should consist of a Swedish company, we had to locate the right population. Several inquiries were sent to different authorities and researchers in the field where we asked if they knew in which industries IJVs most commonly emerged. The answers we received showed that nobody really knew where to look for industries with this criterion. However, many of the responses directed us towards the pharmaceutical industry. Therefore we decided to send out the questionnaire to eleven Swedish pharmaceutical companies.

The purpose of this test was to find out if the questionnaire was easy to understand and if we had to make some adjustments. In addition, we wanted to find out if this industry were adequate to fit our purpose. Unfortunately the response rate turned out to be very low partly because the respondents did not have any IJVs. However, the respondents that actually wanted to participate did not have any objections to the questions. Furthermore, we tested the questionnaire on a former business student with the result that no major changes had to be made. We were also running short of time and therefore had to start administer the questionnaires.

### ***5.1.3 The sample***

Considering the fact that we wanted to address Swedish companies, which were involved in IJVs with foreign companies, finding a population consisting only of such companies turned out to be impossible. A sample had to be created. We began to contact different authorities (e.g. Sydsvenska Handelskammaren, SCB) and researchers asking them if there existed some kind of database over Swedish companies that met our criteria. Unfortunately it did not. This excluded the use of probability sampling since it required a complete list of all the known cases in the population (Saunders et al., 2003). Such a list did not exist. A non-probability

sampling had to be used instead. We decided to use a purposive sampling technique because it enabled us to subjectively select cases that we considered appropriate for our survey. According to Saunders (2003) the researcher is dependent on his/her judgement when using this particular sampling technique. Furthermore, it increases the chance of finding the right cases helpful to the research because it provides an opportunity to select your sample purposively and to reach difficult-to-identify members of the population. However, a non-probability sampling makes it inappropriate to generalise about all Swedish companies involved in IJVs.

In order to create a suitable sample we decided to make a list of companies that we wanted to take part in our survey. The decision to investigate several industries was twofold. Firstly, we did not know which industry was the most appropriate. Secondly, we believed that this would help to improve the response rate and the probability of finding companies involved in IJVs. Annual reports from stockbrokers (e.g. Robur) and business sections in newspapers were examined to find appropriate participants. In addition, the homepage of Företagsfakta were located to enhance the possibility of finding suitable cases. Furthermore, we embarked on a rather time-consuming mission to establish if these companies really had an IJV by examine their respective homepage. Our lesson from this mission is that many homepages are rather uninformative when it comes to sharing information with students if they have IJVs or not.

#### ***5.1.4 The Response rate***

Our initial list consisted of 247 Swedish companies. Five companies decided that they did not want to participate, even though they fit our criteria. 106 companies answered that they did not have an IJV, hence they were ineligible to participate. This was rather disappointing because we knew for a fact that some of them did have IJVs, but we have to consider them as ineligible. Only nine companies completed our survey, leaving 127 companies that did not respond at all even after several reminders. Since the filter question in the cover letter would determine if they should participate the only conclusion to be made is that nine companies created our sample. According to Saunders (2003) there are two ways to calculate the response rate. The total response rate is the total number of responses (9) divided by the total number in the sample (247) minus the ineligible

(106). Our total response rate was 6.4%. The active response rate is the total number of responses (9) divided by the total number in the sample (247) minus the ineligible (106) and the unreachable (127). Our active response rate was 64.3%. Even though we anticipated that the response rate would be rather low we thought it would be much higher than it turned out to be. This severely decreases the validity of our investigation. In addition, it makes it impossible to generalise what so ever.

### ***5.1.5 Operationalisation***

According to Saunders (2003) there are several important characteristics of the deductive approach. One characteristic is that concepts need to be operationalised. This operationalisation must be conducted in a way that makes it possible to measure facts quantitatively. By designing a questionnaire we intended to ask the respondents questions we believed suitable for our purpose. The questions were formulated to the best of our ability in order to examine if the factors in our model (motive, absorptive capacity, knowledge characteristics, trust, and control) really would facilitate knowledge harvesting.

The purpose of this dissertation was to investigate which factors facilitate knowledge harvesting. Considering the fact that it is a somewhat complex subject became evident before, during and after the survey was conducted. Our questionnaire consisted of 22 questions divided into five areas (Appendix 1). Questions one to three were meant to provide some background information about the participating companies. Question one was asked to establish that the right person at respective company answered the questionnaire. In our world the first three options would constitute “right persons”. We tried to come in contact with people at the companies we believed should be able to answer our questions by using e-mail. In the companies where an appropriate e-mail address was impossible to obtain the questionnaire was sent to the information desk with a request to pass it on.

According to Saunders (2003) e-mail may offer better control because most users read and respond to their own mail at their computer. The option of “other” was also incorporated if the first three options did not fit the respondent’s position in the company. We are aware of the possibility that people without the right

company information have answered our questionnaire, which will be considered in the analysis. According to Saunders (2003) not reaching informed respondents is a risk one takes when collecting material using a survey. In addition, respondents may answer the questions without thinking. Questions two and three were asked to determine the size of the respondent companies. The initial intention was to investigate if the occurrence of IJVs was only something that large corporations engaged in. Furthermore, we assumed that these initial questions could provide useful information, which could be analysed in the light of the responses to other questions.

Question four was asked to investigate the main motivation the respondents had for forming the IJV. Several options were included: enter new markets, achieve economies of scale, enhance competitive position, acquire complementary knowledge from partners, and knowledge harvesting. The respondents had to rank each option on a one to five ranking scale, where five constituted the main motivation to joint venture with a foreign partner. Because of the merely descriptive nature of this question we decided to link it to question eleven (see below) in order to test the first hypothesis. Question eleven deals with what has happened after the IJV was formed. Basically, if any knowledge harvesting had occurred. In addition, we intended to cross-examine question four and eleven with company size, which we acquired in questions two and three.

Questions five to eight were asked to test the second hypothesis. A company's absorptive capacity depends on prior experience of knowledge management, on an organisational level as well as on a managerial level. Question five was constructed mainly to identify how many IJVs the respondents had. We assumed that this would show a certain level of experience. The respondents' experience of knowledge management, both on an organisational level as well as on the personal level was addressed in questions six and seven. The companies dedication towards knowledge management could be expressed in question eight.

Questions nine to eleven were asked in order to test the third hypothesis. Question nine addressed different options a company may have to store and disseminate new knowledge throughout the entire organisation. The respondents were asked to rank the different options on a one to five ranking scale, which would reflect the



respondents' ability to learn. This question combined with the more descriptive nature of question ten plus the actual outcome of the venture inherent in question eleven could identify a company's absorptive capacity. The latter question was asked to determine actual outcomes of the ventures. The hypothesis states that this would facilitate knowledge harvesting.

Question twelve was asked to test the fourth hypothesis. It addressed different characteristics that the new knowledge should have. The respondents were asked to rank the different options on a one to five ranking scale, where five constituted the most preferable characteristic and one the least preferable.

The factor of trust as a prerequisite to facilitate knowledge harvesting was addressed in questions 13 to 17. Questions 13 and 14 were asked to give a general idea of the respondents' experience of co-operation with foreign companies, both on an organisational level as well as a managerial level. Question 15 was asked to determine whether collaboration with the IJV partner had occurred prior to the forming of the IJV. If the answer was *Yes* on this question an additional question was asked to investigate if trust was based on experience. This question should test the fifth hypothesis. We intended to test the sixth hypothesis with question 17. It investigated if the occurrence of trust between the partners had facilitated knowledge harvesting.

The concept of control as a factor facilitating knowledge harvesting was addressed in questions 18 to 22. Question 18 was asked to provide information about the size of the respondents IJVs. We believed this would help us determine the actual size of the percentage in questions 19 and 20. Questions 19 and 21 were asked to test the seventh hypothesis. Question 21 contained a statement, which the respondents were asked to agree or disagree with. The statement would test if a high level of ownership control facilitates knowledge harvesting. Questions 20 and 22 were asked to test the eighth hypothesis. Question 22 contained a similar statement as in question 21, which the respondents were asked to agree or disagree with. The statement would test if a high level of management control facilitates knowledge harvesting.

## **5.2 Validity**

According to Saunders (2003) validity is about whether the results of a study really are about what they appear to be about. It also concerns the casual relationship between variables. Since our study was about knowledge we believe there may be some threats to validity. Knowledge management in general and knowledge harvesting in particular are rather abstract concepts and maybe unknown to some respondents in our survey. Although we tried to the best of our ability to operationalise the different factors into quantifiable questions, misunderstandings may have occurred.

One issue that became evident to us was the fact that questions six to eight were difficult for the respondents to answer. They simply stated that it was impossible to answer questions concerning experience of knowledge management. Furthermore, we wanted to measure the companies' absorptive capacity by asking them what they did to store and disseminate new knowledge. In retrospect, it seems that questions like that are likely to be misunderstood and not entirely truthful. Since operationalisation has a major impact on validity it is difficult for us to establish a high level of validity to this study. It may be that due to the abstract characteristics of some questions the respondents were confused which may have affected the validity.

## **5.3 Reliability**

According to Saunders (2003) there are a lot of threats to the reliability of collected data. One threat to reliability is participant error. In our study we tried to reduce this threat by sending out the questionnaire in the beginning of the week when employees are neither on a "high" nor on a "low". In addition, we tried to find the right persons at each company by searching for adequate addresses and enclosing a request to pass it on to informed persons. Even by doing so we cannot be sure that informed persons answered the questionnaire. There is always the risk that uninformed people are told to participate in these kinds of surveys. This constitutes a threat to the reliability as well as to the validity of the study.

Furthermore, participant bias constitutes a threat to reliability. In our case, the respondents were asked to describe what their respective company did to store

and disseminate new knowledge. In addition, they were asked to describe what they had learned from the experience of having an IJV with a foreign partner. According to Saunders (2003) they may have answered and described a scenario that they would prefer, not what actually had happened. We tried to reduce this threat to reliability by ensuring the participants complete anonymity. Observer error is not likely to have occurred because we used a structured questionnaire where the questions only could be interpreted in one way.

#### **5.4 Generalisability**

Generalisability is referred to as external validity. It addresses to what extent the findings of a study can be generalised to a larger population (Saunders et al., 2003). The purpose of our study is not to generalise to all populations, it is simply to find out what is going on in our particular research setting. Furthermore, it would be impossible to generalise considering the very low response rate on our survey.

#### **5.5 Methodological criticism**

Over the course of this education at Kristianstad University we have been asked to conduct a variety of assignments, but not one of them were as complex and difficult as this one. Our view of this dissertation is that it is a way for us to learn through our mistakes. The mere fact that we are aware of the mistakes we have made indicates that we have learned something new and valuable. This is good.

Considering the outcome of our survey it is fair to say that the empirical method used may not have been the right one to use. In retrospect we believe it would have been better to conduct a few case studies on companies we knew were involved in IJVs. By using semi-structured - or in-depth interviews maybe we would have been able to paint a better picture of the concept of knowledge harvesting. Perhaps the response rate could have been improved if we had called a vast number of companies that refused to answer our e-mails. However, the time constraint at hand made it impossible to spend more time on getting more respondents.

Another lesson we have learned is that questions of the kind we were asking may be easily misinterpreted. Furthermore, they may be hard to answer truthfully because the respondents simply do not know. It made operationalisation difficult, which would affect the validity and reliability of the dissertation. These are additional reasons why case studies may have been preferable. Nevertheless, what is done is done and we can only learn from our mistakes and take comfort in the fact that we did the best we could.

## **5.6 Summary**

This chapter describes the chosen research strategy, which is conducted from a deductive research approach. We decided to use a survey in order to investigate if the factors in our model could facilitate knowledge harvesting. This type of research is a cross-sectional study, where a survey often is conducted and the time is very limited. A questionnaire was created in order to test the hypotheses. It was conducted online in order to find a great number of Swedish companies to a low cost. This approach was used to be able to reach companies involved in IJVs. Therefore, we used a purposive sampling technique because it enabled us to select companies that we considered appropriate for our survey. Furthermore, the validity, reliability and generalisability of the research are mentioned. Finally, a critical review of the methodology used is discussed.

## Chapter 6

### Presentation and analysis of empirical results

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*This chapter contains analysis and results of the questions from the nine different (IJV) companies. The questions connected to the factors in the TAP-model will first be presented in general, then they will be analysed and criticised. Further, the results of our research will be discussed and analysed in a descriptive way, because of insufficient response rate in the survey. At the end of this chapter the evaluation of the hypotheses will be discussed with the support of our findings.*

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#### 6.1 Introduction

This dissertation is explicitly about finding the answers to the hypotheses that have been presented in chapter four as well as confirming the factors that the TAP-model is built upon. We are aware that the response rate is too low to prove our model, and because of that it is impossible for us to draw any statistically significant or insignificant conclusions. It is therefore impossible to accept or reject the model, but even so, the study of the nine respondents in the survey will be concluded in this chapter. The mean value of the respondents' answers will be our main tool in describing the results.

The questionnaire was sent out to 247 companies. The analysis is based on nine respondents that answered positively to our survey, 106 answered negatively to it, and 127 was not participating at all.

#### 6.2 Motive

As we assumed before in our dissertation a major part in explaining factors facilitating knowledge harvesting is embedded in the motive a company has for engaging in IJV. Therefore we set up the hypothesis H<sup>1</sup>: *“If acquiring new knowledge is a major reason for forming the IJV, motive is a factor facilitating knowledge harvesting”*. To be able to test the hypothesis we aimed at cross-

examine questions four and eleven with company size, which are questions two and three (question 2-4 and 11).

### 6.2.1 Analysis of the hypothesis on Motive ( $H^1$ )

According to our questionnaire there are five different motives that may influence a company's decision to engage in an IJV. The motives that we took into consideration were; (a) the desire to enter into new markets, (b) to achieve economies of scale, (c) to enhance the overall competitive position of the company, (d) to acquire complementary knowledge from the partner, and (e) to harvest knowledge generated within the IJV. In the table below the respondents answers for forming an IJV are summarised.

<b>Company</b>	<b>Motive A</b>	<b>Motive B</b>	<b>Motive C</b>	<b>Motive D</b>	<b>Motive E</b>
<b>A</b>	3	3	5	4	4
<b>B</b>	5	3	4	2	3
<b>C</b>	5	2	5	2	2
<b>D</b>	4	5	5	2	2
<b>E</b>	3	2	5	4	5
<b>F</b>	5	5	4	1	2
<b>G</b>	4	4	5	2	3
<b>H</b>	4	1	4	2	2
<b>I</b>	4	4	4	4	4
<b>MEAN</b>	4,11	3,22	4,56	2,56	3,00

Table 1: An outline over motives for a company to form an IJV (Question 4)

The study of these nine companies shows that the major motive for forming an IJV is to enhance the overall competitive position of the company (Motive C). All companies agree that this is a motive of extreme importance, followed by the desire to enter into new markets, which is a motive that is important to a great extent (Motive A and B). However, three respondents stated that acquiring complementary knowledge from the partner and harvesting new knowledge generated within the IJV were of great importance. Additionally, we wanted to cross-examine the respondent's motives for forming an IJV with the actual outcomes of question eleven.

The potential outcomes of question eleven were intended to investigate if the companies; (a) have learned much about how to co-operate with foreign companies, (b) have acquired important new knowledge from foreign partners and

also (c) have learned much about how to run an IJV. Furthermore, we wanted to find out if (d) important lessons have been learned that would not had been possible without this experience and also if the companies (e) have acquired new knowledge from the IJV which are used in other activities in the company. In the table below the outcomes after forming an IJV are summarised.

<b>Company</b>	<b>Outcome A</b>	<b>Outcome B</b>	<b>Outcome C</b>	<b>Outcome D</b>	<b>Outcome E</b>
<b>A</b>	4	4	3	4	5
<b>B</b>	3	2	4	2	2
<b>C</b>	4	3	5	4	3
<b>D</b>	4	3	5	3	4
<b>E</b>	3	5	4	4	4
<b>F</b>	4	3	4	3	4
<b>G</b>	4	2	4	4	2
<b>H</b>	3	2	3	3	2
<b>I</b>	3	4	4	4	4
<b>MEAN</b>	3,56	3,11	4,00	3,44	3,33

*Table 2: An outline over potential outcomes after forming an IJV (Question 11)*

Three respondents stated that knowledge transfer and knowledge harvesting constituted major reasons for forming an IJV (table 1, Motive D and E). Their respective outcomes of question eleven reflect their main motives for forming an IJV. This indicates that our hypothesis may have some value. We assume that the actual outcomes companies gained after forming the IJV are linked to the major motives companies have for forming an IJV. Furthermore, the respondents who answered that acquisition of new knowledge were of minor importance for forming an IJV, had learned important lessons from the venture. This is equivalent to the study conducted by Berdrow and Lane (2003) where they concluded that even though learning did not constitute a major reason for forming an IJV, important knowledge could be gained. We are aware of the fact that this does not increase the value of our hypothesis, but it confirms to some extent the findings of previous research.

One of the results of question eleven is that the main outcome for the companies was that they have learned much about how to operate an IJV (c). We may conclude that this outcome is of great value because some companies in our research are not used to the concept or aim of an IJV. It is important for them to first learn something about an IJV before they can acquire newly created

knowledge. The advantage for some companies in our survey is that they are large in size and therefore more experienced in co-operation on foreign markets, but we can not draw a conclusion that small companies are less interested in engaging into different IJVs. We may say that companies take advantage by complementing their own knowledge with partners through an IJV. In addition, knowledge can be harvested by parent companies and composing a major motive for forming an IJV.

### **6.3 Absorptive capacity**

The absorptive capacity is the second factor in the TAP-model. The aim of this part in our model was to clarify the importance of knowledge management and its intention on the organisational level. We believe it is crucial for a company to have the ability to learn from its environment and internalise the newly acquired knowledge. A difficult task concerning this statement, for the knowledge manager, is that knowledge is very abstract and hard to make governable. Based on this assumption we set up two hypotheses. The first one intended to clarify the experience of knowledge management in the organisation. The second one intended to clarify the organisations' ability to absorb newly created knowledge and internalise it.

#### ***6.3.1 Analysis of the first hypothesis on Absorptive capacity ( $H^{2a}$ )***

The response to the questions for hypothesis  $H^{2a}$  "*An organisation's ability to learn depends on prior experience of Knowledge Management*" failed. Question five to eight aimed at confirming this hypothesis, but because the response rate was too low on these questions it is impossible to conclude anything. In question five we asked how many IJVs they are involved in at the moment; two of them did not know the answer to this question. The answers on the rest of the participating companies differed a lot (figure 6). Questions six to eight are of no value to examine because of a very low response rate. We are aware that these questions are maybe complex and difficult to give an answer to, or maybe because companies do not know what the purpose of knowledge management is. It also seems as if some companies do not document much about the knowledge management, and therefore could not answer these questions (questions 6-8).



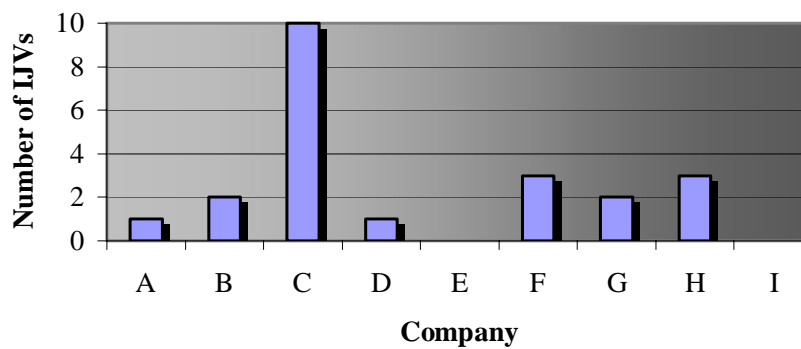


Figure 6: Number of IJVs of each respondent (Question 5)

### 6.3.2 Analysis of the second hypothesis on Absorptive capacity ( $H^{2b}$ )

In order to test the hypothesis  $H^{2b}$  “An organisation’s ability to absorb newly created knowledge and internalise it, facilitates Knowledge Harvesting”, we asked the participants how they store and disseminate new knowledge (question 9). In addition, we wanted to ask what the actual outcomes were after forming the IJV (question 11), basically, what they have learned. The combination of these two questions would provide some indications of an organisation’s absorptive capacity. We also asked them if an IJV should generate new knowledge that could be applicable to other activities in the organisation (question 10). This was more of a general statement, which received a mean value on the level of agreement of 3,56 (max. 5).

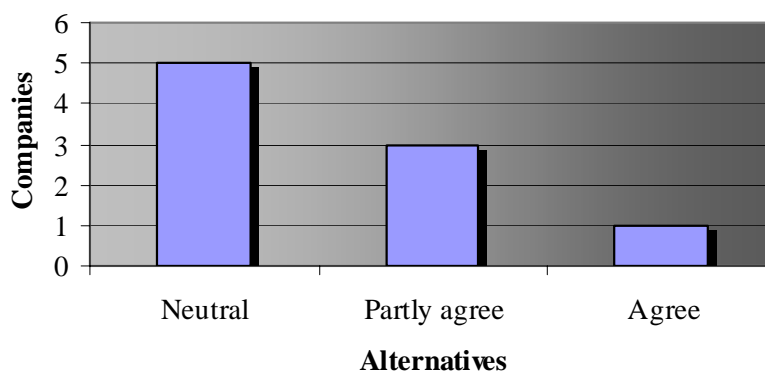


Figure 7: IJV should provide new knowledge transferable to other activities (Question 10)

The main method for storing and disseminating new knowledge within a company is through personal meetings with the employees and through continuous education

like conferences and different courses. The Intranet is also to a great extent important within companies as a method for how they can store and disseminate knowledge. However, it was not important for companies to update and evaluate work-descriptions (b) and to handle new knowledge through a particular knowledge manager (e). This shows that knowledge is abstract and difficult to spread throughout the entire organisation in other ways than through personal interactions with employees, and through courses and conferences. We believe question nine tells us something about how organisations internalise the new knowledge. In the table below the respondents grading of methods for storing and disseminating new knowledge are summarised.

<b>Company</b>	<b>Meth. A</b>	<b>Meth. B</b>	<b>Meth. C</b>	<b>Meth. D</b>	<b>Meth. E</b>	<b>Meth. F</b>
<b>A</b>	5	1	4	4	1	4
<b>B</b>	5	3	4	3	1	3
<b>C</b>	5	1	5	2	1	5
<b>D</b>	5	5	4	2	1	3
<b>E</b>	5	4	3	2	1	3
<b>F</b>	4	1	4	2	1	4
<b>G</b>	2	2	4	3	1	2
<b>H</b>	4	2	4	4	2	2
<b>I</b>	5	3	5	5	4	5
<b>MEAN</b>	4,44	2,44	4,11	3,00	1,44	3,44

*Table 3: An outline over methods for storing and disseminating new knowledge within the company (Question 9)*

In question eleven we wanted to examine the learning outcomes of the collaboration. If the outcomes in question eleven were highly graded in general, this would be equivalent to a good absorptive capacity. The outcomes were overall highly graded with mean values over 3 (table 2), which would indicate that the organisations have a fairly high absorptive capacity. Even though we admit that it turned out to be a rather weak link between questions nine and eleven in order to test the hypothesis, we believe that absorptive capacity is a factor facilitating knowledge harvesting.

#### **6.4 Knowledge characteristics**

The third factor considered in the TAP-model is knowledge characteristics. Here the intent was to investigate which knowledge characteristics the respondents

prefer. Basically, we wanted to find out if certain characteristics would facilitate knowledge harvesting. If the knowledge resources in an organisation are immobile and heterogeneous, it may create competitive advantages. We set up a hypothesis in order to test the statement above.

#### **6.4.1 Analysis to the hypothesis on Knowledge characteristics ( $H^3$ )**

Question twelve that was connected to this hypothesis should give us an answer if new knowledge differs from existing knowledge in the organisation (a), and if it differ from knowledge that competitors have (c). Furthermore, it aimed at answering if new knowledge should be difficult to imitate (d) and transferable to other activities in the organisation (b). Therefore we set up the hypothesis  $H^3$  "Knowledge harvesting is more likely to occur if new knowledge is heterogeneous and immobile". In the table below the answers to the question of knowledge characteristics are summarised.

<b>Company</b>	<b>Character A</b>	<b>Character B</b>	<b>Character C</b>	<b>Character D</b>
<b>A</b>	1	5	3	3
<b>B</b>	2	2	2	2
<b>C</b>	4	4	4	4
<b>D</b>	3	3	4	4
<b>E</b>	4	4	5	5
<b>F</b>	2	4	5	5
<b>G</b>	4	4	3	2
<b>H</b>	3	3	3	3
<b>I</b>	4	4	4	4
<b>MEAN</b>	3,00	3,67	3,67	3,56

*Table 4: An outline over knowledge characteristics (Question 12)*

According to the participants in the survey, an important characteristic of new knowledge is that it should be possible to transfer to other activities in the organisation. Furthermore, it should differ from the knowledge of competitors. These characteristics received a mean value of 3,67 each (Character B and C). In addition it should also be difficult to imitate and copy outside the organisational borders (mean value 3,56). The result of these nine companies shows that more than half of them consider the characteristics of heterogeneity and immobility to be important. If new knowledge have these characteristics, it would be a factor facilitating knowledge harvesting. In addition, the resource-based theory states

that companies which are able to harvest new knowledge with these characteristics could gain competitive advantages.

## 6.5 Trust

Trust is the fifth factor in the TAP-model. It is highlighted by many different researchers and is considered to be the most important factor in IJV management. It takes time to build up a good relationship within an IJV network and trust is the key to it. Trust has to be present on a personal level between individuals as well as between organisations.

### 6.5.1 Analysis of the first hypothesis on Trust ( $H^{4a}$ )

We set up the hypothesis  $H^{4a}$  "*Trust is more likely to be inherent in a relationship if the parents have prior experience of working together*" in order to test if trust could be a factor in our model. We intended to test this hypothesis by asking the respondents if the prior collaboration with the current partner had increased the level of trust, and as a result facilitated the co-operation (question 16). Questions 13 and 14 would provide an overview of the experience, both on an organisational level as well as on a managerial level in the company. These two questions are of a general nature and only enclosed to provide a better view of the respondents' experience. Question 15 was a filter question to find out if the respondents have had prior co-operation with the current partner before forming the IJV. Unfortunately, only two of the respondents had prior co-operation with the current partner before engaging in the IJV (figure 8). However, these respondents agreed (mean value 4,00) with the statement in question 16, which would approve our hypothesis.

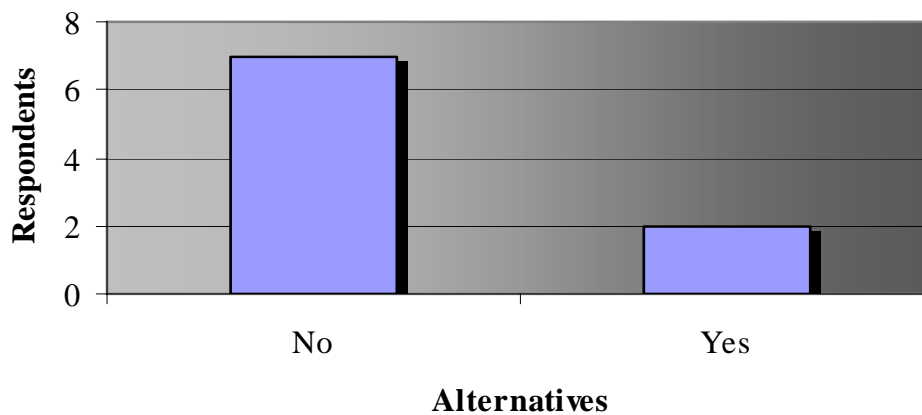


Figure 8: Earlier co-operation with the partner before forming an IJV (Question 15)

### 6.5.2 Analysis of the second hypothesis on Trust ( $H^{4b}$ )

The next hypothesis  $H^{4b}$  "Knowledge is more likely to be harvested by the parents if trust is present in the relationship" is connected to question 17. Here we intended to test if trust between the parent companies would facilitate knowledge exchange within the co-operation. Unfortunately, only two of the respondents had prior co-operation with the current partner before engaging in the IJV (figure 8). However, these respondents agreed (mean value 4,00) with the statement in question 17, which would approve our hypothesis. The overall result, although insignificant because of the very low response rate, is that trust between parents would facilitate knowledge harvesting. However, as mentioned earlier there are no conclusions to be drawn from this question. We can only evaluate the respondents' answers, and according to the respondents, trust is a factor facilitating knowledge harvesting.

## 6.6 Control

Control is the last factor in the TAP-model. Previous research on IJVs distinguishes between ownership control and management control. Ownership control refers to how much each partner invests in the IJV, and management control refers to the decision-making power in the IJV.

### 6.6.1 Analysis of the first hypothesis on Control ( $H^{5a}$ )

Our intention was to connect the respondents answers to question 19 with their level of agreement to the statement in question 21. This connection was meant to test the hypothesis  $H^{5a}$  "A high level of ownership control facilitates knowledge harvesting". The respondents have similar ownership structures in their IJVs, except two outliers (figure 9). A majority of the respondents had an ownership structure in their IJVs of 50% or more. The respondents with majority ownership did not agree that a high level of ownership control facilitates knowledge harvesting (question 21). However, the respondents with a 50/50 ownership structure or less were spread over the scale which makes it impossible to conclude anything from this question. The mean value on the level of agreement to this statement was 2,89, which would indicate that ownership control in our research setting do not facilitate knowledge harvesting.

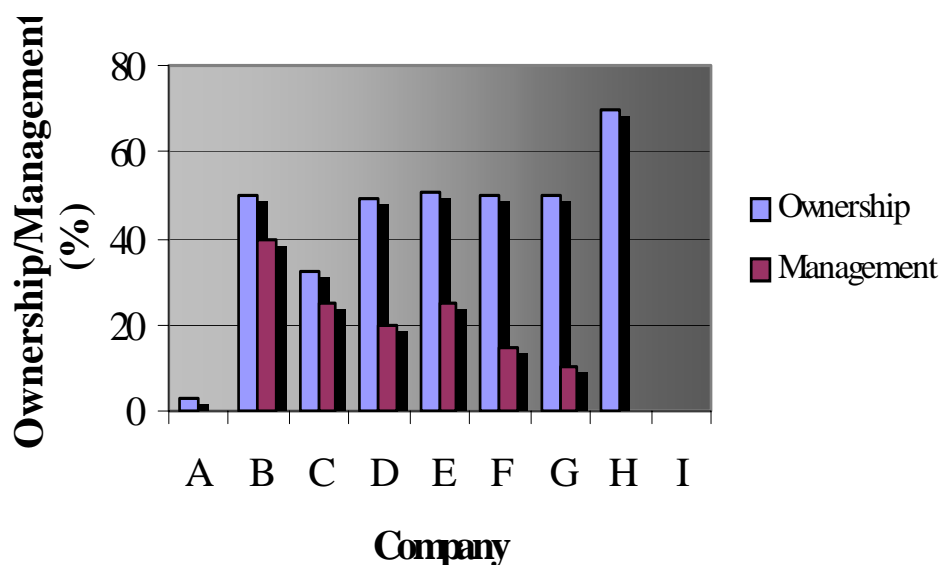


Figure 9: Level of ownership and management control (questions 19-20)

### 6.6.2 Analysis of the second hypothesis on Control ( $H^{5b}$ )

The second hypothesis on control is  $H^{5b}$  "A high level of management control facilitates knowledge harvesting". We tested this through questions 20 and 22 in our questionnaire. The purpose of question 20 was to ask how many managers from the parent company were active in the IJV. According to the respondents the

level of management control is rather low in their respective IJVs. There are some difficulties in analysing this question, because we do not know in what industry the IJVs are active in. In addition, we received some strange answers to this question, which indicates that it may have been misinterpreted. However, the mean value on the level of agreement to this statement was 3,67, which could indicate that a high level of management control facilitates knowledge harvesting. Even though we were unable to connect or find any valuable connections between these two questions, we believe there are some indications supportive of our hypothesis.

In conclusion, we found no indications that would support ownership control as a factor facilitating knowledge harvesting. However, we found some indications that a high level of management control would facilitate knowledge harvesting, but not enough to come to any conclusions. Maybe control in some way is a factor which facilitates knowledge harvesting.

## **6.7 Summary**

In this chapter the analysis of the empirical results is presented. The analysis is done as an attempt to answer the hypotheses that are set up and also to confirm the five factors that the TAP model is built on. A questionnaire was sent out to 247 companies, but only nine of them answered positively to the survey. Due to the low response rate, it was not possible to draw any significant conclusions. Therefore, it was also impossible to accept or reject the hypotheses and the TAP model. The only possibility in this case was to investigate the response that we received. The answers from the nine respondents are therefore analysed and presented based on the hypotheses and each factor in the TAP model.

## Chapter 7

### Conclusion

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*In this chapter the conclusions are presented. The dissertation is summarised and the factors in the TAP-model are discussed and evaluated. Methodological criticism and future research are also presented.*

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#### 7.1 Introduction

The idea behind this dissertation was to investigate possible factors, which could facilitate knowledge harvesting. As mentioned earlier, knowledge harvesting is a process defined as “*managing the flow of transformed and newly created knowledge from the international joint venture back to the parent companies*” (Berdrow & Lane, 2003 p. 18). We made a choice not to include all possible factors, because that would be impossible to manage. However, we are aware of the fact that this limitation may have important implications on the validity of our research.

The research strategy can be divided into four different stages. Firstly, an extensive literature search was conducted in order to find possible factors. Secondly, a model was created (the TAP-model) consisting of five possible factors (motive, absorptive capacity, knowledge characteristics, trust, and control). Thirdly, eight hypotheses were formulated in order to test the significance of the model. Finally, a survey was conducted to test the model and provide some answers to our research questions. We wanted to find out which factors facilitate knowledge harvesting, and how important knowledge harvesting is for parent companies in an IJV network. This was the content of our research questions. Previous researches have expressed how important proper knowledge management is in today's business world. Competition theories emphasise the importance of storing and disseminating new knowledge throughout an organisation in order to stay competitive. In the sections below each factor will be discussed in more detail based on the empirical results and previous theories.



## **7.2 Summary of factors in the TAP-model**

### ***7.2.1 Motive***

The first possible factor in our model was motive. We wanted to identify what the main motivations were for forming an IJV. The hypothesis was formulated and tested in order to, some extent, contradict previous findings. Previous research states that IJVs are not formed primarily as a learning vehicle, even though important knowledge is gained. Our intention was to connect major motives with actual outcomes, and through this connection determine if motive could facilitate knowledge harvesting. Basically, if a company's motive for forming an IJV were profoundly influenced by the desire to acquire/harvest new knowledge, the actual level or applicability of that knowledge gained would be higher. The results of our empirical study showed that the three respondents whose main motives were to acquire/harvest knowledge had a high level of outcomes as a consequence. However, respondents whose main motives were, for example, to reach new markets or enhance the competitive position also had a high level of outcomes. This unable us to come to any conclusions regarding this factor's existence.

Our intention was to find out if any differences would occur between motive and outcomes. However, no major differences were found that could support motive as a factor facilitating knowledge harvesting. This will have to be done with another research setting and through a different operationalisation. In retrospect it turned out to be rather fruitless to make this connection between motive and outcomes in order to support motive as a factor facilitating knowledge harvesting. Even though a company may have other initial motives for forming an IJV, they might assess the different options in question eleven with a high mark because important knowledge has been gained through the venture. Therefore, it was not the right way to test this factor.

### ***7.2.2 Absorptive capacity***

The second factor in our model was absorptive capacity. A company's absorptive capacity is often stressed in previous research as a crucial determinant to success. If a company's ability to learn and internalise new knowledge is good, it could positively affect the level of dependency in a relationship. Furthermore, it could in turn alter the relative bargaining power. We wanted to establish the respondents'

experience of knowledge management as well as how they store and disseminate new knowledge in the organisation. We figured that this information combined with the actual outcomes of the venture would help us establish absorptive capacity as a factor facilitating knowledge harvesting. The results of the empirical study showed that we could not make any conclusions about the first hypothesis.

The concept of knowledge management was perhaps too complex and not something these companies consciously allocated resources on. Maybe it could have been operationalised in some other way. As mentioned earlier, we wanted to test the second hypothesis on absorptive capacity by asking the respondents how they internalise new knowledge. More importantly, we wanted to get their opinion on what the actual outcomes of the venture had been. The results were that they mainly internalise new knowledge through personal interaction and education. In addition, the outcomes in question eleven were overall highly graded, which would establish the factor's importance for knowledge harvesting.

### ***7.2.3 Knowledge characteristics***

The third factor in our model was knowledge characteristics. Our intention with this factor was to establish if knowledge harvesting is dependent on the characteristics of the new knowledge. The resource-based view of competition states that if a company's resources (e.g. knowledge) are heterogeneous and immobile, they could be a source for sustainable competitive advantage. In the light of our research setting, newly created knowledge in the IJV, with the above-mentioned characteristics, would increase the parents' interest to harvest. The results of the empirical study confirmed our assumption made in the hypothesis that knowledge is more likely to be harvested if it is heterogeneous and immobile. However, there is a possibility that this question (12) have been somewhat misunderstood. It does not clearly state that this new knowledge should come from the IJV. Despite of any presumed misunderstandings, we believe a parent company's interest to harvest newly created knowledge is dependent on its characteristics. Therefore, this factor would facilitate knowledge harvesting.

#### ***7.2.4 Trust***

The fourth factor in our model was trust. We wanted to establish if prior collaboration between the parents had increased the level of trust. Furthermore, we wanted to find out if that trust would facilitate knowledge harvesting. The results of the empirical study showed that, even though only two respondents have had prior experience of co-operation with the current partner, trust could be a factor facilitating knowledge harvesting. The two respondents agreed to the statements in questions 16 and 17, which would approve our hypotheses about trust.

#### ***7.2.5 Control***

The sixth factor in our model was control. Our intention was to establish if control in general would facilitate knowledge harvesting. We wanted to test two different aspects of control, namely ownership control and management control. Basically, this was a way to determine if the process of knowledge harvesting had anything to do with how much each partner invests in the IJV, or if the partner with decision-making power also controlled the newly created knowledge. The results of the empirical study showed that the respondents considered management control to be the best facilitator of knowledge harvesting. However, the results were rather ambiguous and difficult to analyse. In general the respondents with ownership control did not agree that this would facilitate knowledge harvesting.

Furthermore, all the respondents seemed to lack management control in their respective IJVs. Yet they stated that management control would facilitate knowledge harvesting. We believe it all depends on the purpose of the IJV. If an IJV is formed to facilitate distribution of goods, the above mentioned would make sense. In that case, maybe the company owns a majority of the IJV, but have no input in the daily operations due to its relatively minor importance in the value chain. Our intention was not to investigate what kind of IJVs the respondents had, but we realise that it may reflect the answers connected to this factor. Nevertheless, in our research setting control in general and management control in particular would facilitate knowledge harvesting.

### 7.3 Evaluation of the TAP-Model

The TAP-model consists of five factors; motive, absorptive capacity, knowledge characteristics, trust, and control. Each factor has been derived from previous research in the actual subject and related subjects. The TAP-model was empirically tested using an online survey.

When it comes to evaluating a model you have created, you may want to either approve or reject the respective factor in it. However, in this case it would seem both unfair and unwise to either confirm or alter any factor in the model because of the very low response rate as well as the rather complex operationalisation. We believe it is only possible to assess each respective factor with different levels of validity based on the outcome of the empirical study.

*Motive* is a factor that we had some difficulties to operationalise properly. In addition, we were unable to find any differences between motive and outcome, which would be of great value. As a consequence this factor's level of validity can not be very high in this research setting. *Absorptive capacity* is also a factor that turned out to be hard to operationalise. The consequence has to be a low level of validity. We believe that these two factors existence in the TAP-model is only threatened because of poorly executed operationalisation, and not because they would not facilitate knowledge harvesting.

*Knowledge characteristics* and *Trust* are two factors we believe could be assessed with a high level of validity in this research setting. These factors were more strongly confirmed by the respondents, perhaps as a consequence of a less complex operationalisation. The factor of *Control* turned out to end up somewhere in between of the other factors, in terms of the level of validity assessable to it. In our research setting, management control turned out to be the best facilitator for knowledge harvesting.

In conclusion, we believe it is impossible to modify the model based on already mentioned reasons. However, in terms of the level of validity to this particular research setting, it would be fair to conclude that *Motive* and *Absorptive capacity*

have relatively low validity, *knowledge characteristics* and *Trust* have a relatively high validity, whereas *Control* has a relatively medium level of validity.

#### **7.4 Answers to the research questions**

What important factors facilitate Knowledge Harvesting?

The factors that we consider important are: motive, absorptive capacity, knowledge characteristics, trust and control. The level of validity varies between the factors, which we believe are a consequence of insufficient operationalisation. We are aware of the fact that there are other factors that may facilitate knowledge harvesting, but we believe these are the most important.

How important is Knowledge Harvesting for the parent companies?

Knowledge Harvesting has not been considered very important by parent companies, according to previous research. The answer to this question in our research setting has to be the same. A majority of the respondents in our study did not assess much importance regarding this process, although important knowledge has been gained.

#### **7.5 Criticism of the operationalisation**

An important characteristic of the deductive approach is that concepts have to be operationalised (Saunders et al., 2003). This is something we have never done before and therefore it is more likely that we make mistakes. The complexity of our operationalisation and the mistakes we had made became clear to us when we began to analyse the results. We realise that some of the factors could have been operationalised in a different way. In retrospect we admit that some of the connections we made between different questions in order to test the hypotheses were rather farfetched to say the least. However, we did the best we could and we have learned important lessons from this experience. We think it is safe to say that our absorptive capacity is quite good.

## **7.6 Future research**

As mentioned earlier, it would be interesting to find out if case studies could improve the validity of our model. In-dept interviews would be preferable considering the apparent complexity of the concepts involved. Perhaps a more explicit focus on competitive advantages connected to the process of knowledge harvesting could shine some light on the benefits we believe exists in knowledge management.

Our dissertation focuses on identifying different factors, which may facilitate knowledge harvesting. We believe it would be interesting to explore the actual process of knowledge harvesting in the context of IJVs. In addition it would be of interest to focus more on the process of knowledge harvesting and its occurrence in different industries. Furthermore, the difference between contractual and equity international joint venture, and its impact on knowledge harvesting could be further investigated

We hope our model will provide some guidance as to in what areas to look for improvements. Because if knowledge is power, why not learn as much as you can.

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## Appendix 1

Vänligen fyll i ert verifieringsnummer som var bifogat i ert e-mail

1. Vilken position har ni i företaget?

- Ägare
- Anställd VD
- Chefsposition
- Annan

2. Hur många anställda har företaget?

3. Hur stor omsättning har företaget?

### Motiv

4. I vilken grad var ert företags beslut att forma ett internationellt joint venture (samägd enhet) motiverat av följande behov. Där 1 = inte alls och 5 = i allra högsta grad.

(a) För att få tillgång till nya marknader utomlands

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 1                        | 2                        | 3                        | 4                        | 5                        |

(b) För att uppnå ekonomiska skalfördelar

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 1                        | 2                        | 3                        | 4                        | 5                        |

(c) För att förbättra företagets övergripande konkurrens situation

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 1                        | 2                        | 3                        | 4                        | 5                        |

(d) För att förvärva kompletterande kunskap från samarbetspartners

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 1                        | 2                        | 3                        | 4                        | 5                        |

(e) För att skörda ny kunskap genererad inom den samägda enheten

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 1                        | 2                        | 3                        | 4                        | 5                        |

### Förmåga att lära

Begreppet Knowledge Management innefattar vilka metoder som används för att utveckla, tillvarata och sprida viktiga kunskaper inom företaget. Det handlar om ny kunskap inom t ex. produkt utveckling, distribution, tillverkning, marknader, personal politik o s v.

## Appendix 1

**5.** Hur många samägda projekt med utländska företag medverkar ni i för närvarande?

Antal  Vet ej

**6.** Hur många års erfarenhet har ert företag av Knowledge Management?

Antal år  Vet ej

**7.** Hur många års erfarenhet har ni personligen av Knowledge Management?

Antal år  Vet ej

**8.** Hur stor del ( % ) av er totala omsättning satsar ni på Knowledge Management?

Procent  Vet ej

**9.** Nedan finns ett antal metoder hur ett företag kan gå tillväga för att lagra och sprida ny kunskap inom företaget. Vänligen betygsätt följande metoder baserat på deras respektive betydelse för ert företag, där 1 = inte viktigt och 5 = mycket viktigt.

(a) Genom personliga möten med anställda

1 2 3 4 5

(b) Genom att uppdatera och utvärdera arbetsbeskrivningar

1 2 3 4 5

(c) Genom kontinuerlig utbildning (kurser, konferenser etc.)

1 2 3 4 5

(d) Genom arbetsrotation

1 2 3 4 5

(e) Genom en speciellt utsedd "Knowledge manager"

1 2 3 4 5

(f) Genom Intranet

1 2 3 4 5

**10.** Ett internationellt joint venture skall generera ny kunskap som vårt företag kan använda i övrig verksamhet.

Tar helt avstånd

Instämmer helt

Vet ej

**Appendix 1**

**11.** I vilken grad har följande inträffat efter bildandet av den samägda enheten (IJV)?  
Vänligen betygsätt följande påståenden på en skala från 1 till 5, där 1 = inte alls och 5 = i allra högsta grad.

(a) vårt företag har lärt sig mycket om hur man samarbetar med utländska företag.

                                                 
1            2            3            4            5

(b) vårt företag har förvärvat viktig ny kunskap från vår utländska samarbetspartner.

                                                 
1            2            3            4            5

(c) vårt företag har skaffat sig viktig kunskap om hur man driver ett internationellt joint venture.

                                                 
1            2            3            4            5

(d) vårt företag har dragit viktiga lärdomar från samarbetet som vi inte hade kunnat göra utan denna erfarenhet.

                                                 
1            2            3            4            5

(e) vårt företag har förvärvat ny kunskap från den samägda enheten som vi använder oss av i vår övriga verksamhet.

                                                 
1            2            3            4            5

**Kunskapens karaktär**

**12.** Nedan finns ett antal påståenden som beskriver den nya kunskapens möjliga karaktär. Vänligen betygsätt följande påståenden på en skala från 1 till 5, där 1 = inte viktigt och 5 = mycket viktigt.

(a) Den nya kunskapen bör skilja sig från existerande kunskap i företaget.

                                                 
1            2            3            4            5

(b) Den nya kunskapen bör vara möjlig att överföra på övrig verksamhet.

                                                 
1            2            3            4            5

(c) Den nya kunskapen bör skilja sig från konkurrenters kunskap inom området.

                                                 
1            2            3            4            5



## Appendix 1

**21.** Hur bedömer ni det följande påståendet?

- Den partnern med ägarmajoritet har störst möjlighet att skörda ny kunskap genererad inom den samägda enheten.

Tar helt avstånd

Instämmer helt

Vet ej

**22.** Hur bedömer ni det följande påståendet?

- Den partnern med ansvar för den dagliga driften (flest antal chefer) har störst möjlighet att skörda ny kunskap genererad inom den samägda enheten.

Tar helt avstånd

Instämmer helt

Vet ej

***Önskar Ni mottaga en digital kopia av vårt slutliga arbete? Detta kommer då att skickas till Er via e-mail.***

Ja  Nej

*Klicka när du är färdig. Informationen skickas direkt till oss via e-mail. SKICKA. Om du vill börja om. BÖRJA OM*

*Om det pga någon anledning inte var möjligt att skicka det ifyllda dokumentet så är Ni välkomna att ladda ner motsvarande Word dokument HÄR. I dokumentet finns det kontakt information etc.*

**Tack för din tid och medverkan**

Vänliga hälsningar

Jagoda Maracic, Terese Halfvardsson, Peter Sjöberg

**Appendix 2**

**Please fill in your control number attached to your e-mail:**

**1. What position do you have in the company?**

Owner

CEO

Manager position

Other

**2. How many employees do you have in the company?**

**3. How much is your company's turnover?**

**Motive**

**4. To what extent is your company's reason for forming an international joint venture (co-owned entity) motivated by the following requirements, where 1=not at all and 5= much indeed.**

(a) To accelerate entry into new markets in foreign countries

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1	2	3	4	5

(b) To achieve economies of scale

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1	2	3	4	5

(c) To enhance the company's overall competitive position

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1	2	3	4	5

(d) To acquire complementary knowledge from co-operative partners

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1	2	3	4	5

(e) To harvest new knowledge generated within the joint venture

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1	2	3	4	5

**Absorptive capacity**

The concept of Knowledge Management contains which methods that are used to develop, store and disseminate important knowledge in the company. It can be knowledge concerning product development, distribution, manufacturing, markets, personnel politics etc.

**Appendix 2**

**5.** How many joint activities with foreign companies are you currently involved in?

- Number  Do not know

**6.** How many years of experience has your company of Knowledge Management?

- Number of years  Do not know

**7.** How many years of experience do you personally have of Knowledge Management?

- Number of years  Do not know

**8.** How much (%) of your total turnover do you invest in Knowledge Management?

- Percent  Do not know

**9.** Below are a number of methods of how a company can store and disseminate new knowledge within the company. Please grade the following methods based on their respective importance for your company, where 1 = not important at all and 5 = extremely important.

(a) Through personal meetings with employees

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 1                        | 2                        | 3                        | 4                        | 5                        |

(b) Through updating and evaluating work descriptions

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 1                        | 2                        | 3                        | 4                        | 5                        |

(c) Through continuous education (courses, conferences etc.)

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 1                        | 2                        | 3                        | 4                        | 5                        |

(d) Through work rotation

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 1                        | 2                        | 3                        | 4                        | 5                        |

(e) Through a specially appointed "Knowledge manager"

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 1                        | 2                        | 3                        | 4                        | 5                        |

(f) Through the Intranet

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 1                        | 2                        | 3                        | 4                        | 5                        |

**10.** An international joint venture should create new knowledge that our company can use in the rest of the organisation.

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

Do not agree

Totally agree

- Do not know



**Appendix 2**

**11.** To what extent has the following occurred after forming the international joint venture (IJV)? Please grade the following statements from 1 to 5, where 1=not at all and 5 = much indeed

(a) Our company has learned a lot how to co-operate with foreign companies.

                                                 
1            2            3            4            5

(b) Our company has acquired new important knowledge from our foreign partner.

                                                 
1            2            3            4            5

(c) Our company has gained important knowledge how to operate an international joint venture.

                                                 
1            2            3            4            5

(d) Our company has learned important lessons from the co-operation that would not have been possible without this experience.

                                                 
1            2            3            4            5

(e) Our company has acquired new knowledge from the joint venture that we use in our other activities.

                                                 
1            2            3            4            5

**Knowledge characteristics**

**12.** Below there are a number of statements describing possible characteristics of the new knowledge. Please grade the following statements, where 1=not important and 5=extremely important

(a) The new knowledge should be different from existing knowledge in the company.

                                                 
1            2            3            4            5

(b) The new knowledge should be possible to transfer to other activities.

                                                 
1            2            3            4            5

(c) The new knowledge should differ from competitors knowledge in the field.

                                                 
1            2            3            4            5

**Appendix 2**

(d) The new knowledge should be hard to imitate/copy outside the border of the company.

- 1                      2                      3                      4                      5

**Trust**

**13.** How many years of experience has your company of collaborating with foreign companies?

- Number of years                       Do not know

**14.** How many years of experience have you personally of collaborating with foreign companies?

- Number of years                       Do not know

**15.** Have you co-operated with your current partner prior to the formation of the IJV? If No, please go to question number 18.

Yes

No

Do not know

**16.** Prior co-operation has resulted in an increased level of trust between our companies, and has therefore facilitated the operation of the international joint venture.

- Do not agree                      Totally agree

Do not know

**17.** The increased level of trust between our companies has facilitated the transfer of knowledge within the collaboration.

- Do not agree                      Totally agree

Do not know

**Control**

**18.** How many employees, on average, do you have in your international joint ventures?

- Number                       Do not know

**19.** How much ownership do you have in the international joint venture?

- Percent                       Do not know

**20.** How big proportion of managers from your company is working in the international joint venture?

- Percent                       Do not know

**Appendix 2**

**21.** How do you appraise the following statement?

- The partner with ownership majority has the greatest possibility to harvest new knowledge generated in the international joint venture.

Do not agree

Totally agree

Do not know

**23.** How do you appraise the following statement?

- The partner responsible for the daily operation (largest number of managers) has the greatest possibility to harvest new knowledge generated in the international joint venture.

Do not agree

Totally agree

Do not know

***Do You wish to receive a digital copy of our finished work? In this case it will be sent to You via e-mail.***

Yes  No

*Please click here when you have finished. The information will then be sent directly to us via e-mail. SEND or if you want to start over again, START AGAIN.*

*If it, for some reason, was not possible to send the completed document you are welcome to download corresponding Word document HERE. Enclosed in the document is contact information etc.*

**Thank you for your time and participation.**

Yours sincerely,

Jagoda Maracic, Terese Halfvardsson, Peter Sjöberg

## Appendix 3

**Högskolan i Kristianstad**

Ekonomi institutionen

Halfvardsson Terese 070-5860 430  
Maracic Jagoda 044-213 612, 073-6316 883 [jagodam@hotmail.com](mailto:jagodam@hotmail.com)  
Sjöberg Peter 0479-12314, 070-2791 215

**Hej**

Vi är tre ekonomistuderande på institutionen för ekonomi vid Högskolan i Kristianstad. För närvarande skriver vi vår kandidatuppsats som handlar om kunskapsöverföring från internationella joint ventures (IJV), och partner företagets förmåga/vilja att implementera den i den övriga verksamheten. Ett internationellt joint venture beskrivs som en samägd enhet mellan två eller flera företag med olika nationella bakgrunder. Vi tror att förmågan för företagen att ta till sig ny kunskap genererad inom den samägda enheten beror på olika faktorer. Därför har vi utvecklat en modell baserad på olika faktorer som vi tror kan underlätta denna kunskap att bli skördad. Det skulle vara intressant att testa denna modell och våra förhoppningar är att Ni kan hjälpa oss med det.

Det som vi behöver få veta först är om Ert företag passar in på följande beskrivning:  
*Vi har ett Joint Venture med ett utländskt företag.*

*Instämmer (Ja/Nej):*

- Om Ert svar på frågan är *Nej* var snäll och skicka svaret tillbaka till oss. Vi är tacksamma för Er hjälp.
- Om svaret på ovanstående fråga är *Ja*, hoppas vi att Ni kan medverka i vår undersökning och avsätta 5-10 minuter av Er tid för att fylla i vår enkät. Vi värderar högt Er medverkan i vår undersökning och ber Er vänligen att förmedla denna enkät till vederbörande person inom företaget som har kännedom om detta ämne. Ifall Ni beslutar för att inte medverka i undersökningen skulle vi vilja be Er att meddela oss det via e-mail. Anonymitet garanteras.

Klicka på länken <http://hem.passagen.se/berislav/> för att komma fram till enkäten. Var snäll och fyll i det verifieringsnummer som tilldelats till Er. Detta nummer kommer användas endast i avprickningssyfte. För att delta i denna enkät undersökning bör svaren vara oss till handa senast den **17 november**. Vänligen meddela oss om eventuella svårigheter att fylla i enkäten.

Verifieringsnummer:

Med vänlig hälsning

Halfvardsson Terese

Maracic Jagoda

Sjöberg Peter

