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The relationship between organizational learning and firms' financial performance in strategic alliances: A contingency approach

Xu Jiang, Yuan Li *

School of Management, Xi'an Jiaotong University, 710049 Xi'an, PR China

Abstract

This study examines the relationship between organizational learning and firm-level financial performance in the context of strategic alliances. The strength of the relationship is also examined in light of possible moderating effects of the form, scope, and competitive regime of the alliance. On the whole, results from a survey of 127 German partnering firms support a contingency approach to firm performance using structural equation modeling. Results suggest a significant, positive, and strong relationship between organizational learning and financial performance. This positive relationship is stronger in joint ventures and weaker in contractual alliances. Also, the relationship is stronger when the partners are based on the same industry and weaker when they are across industries. However, while it is proposed that the above relationship will be stronger in alliances with broader scope, the empirical results only partially support this hypothesis.

Keywords: Strategic alliances; Organizational learning; Performance; Contingency

1. Introduction

The pursuit of superior performance at the partnering-firm level has aroused great interest among researchers. In the context of strategic alliances, it is recognized that firm performance cannot be adequately evaluated without taking into consideration firms' motives for forming alliances. Historically, the purpose of a strategic alliance was to improve performance of the firm through risk sharing and cost reduction. Today, firms strive to pursue superior performance through the development of new products, processes, and services with the help of the partners. As products and services have become increasingly knowledge intensive, the decision to form alliances has gradually come to depend more upon the partners' abilities to effectively and efficiently learn by acquiring each other's knowledge, resources, and capabilities (Ainuddin, Beamish, Hulland, & Rouse, 2007; Bedrow & Lane, 2003; Kale, Singh, & Perlmutter, 2000).

Although organizational learning has often been viewed as an end in itself, from the perspective of shareholders the final objective of many partnering firms should be an improvement in financial results, such as productivity or profitability. This perspective requires us to shed light on some important research questions. For example, while firms are seeking to gain competitive advantage by engaging in interorganizational learning, we need to understand whether the organizational learning has an impact on their financial performance and whether such impact will be conditioned by other factors. In this paper, we attempt to answer these two questions by conducting an empirical study.

* Corresponding author. Tel.: +86 29 82665093;
fax: +86 29 82668382.
E-mail addresses: jiangaini@yahoo.com.cn (X. Jiang),
liyuan@mail.xjtu.edu.cn (Y. Li).

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A great deal of research has emphasized the importance of organizational learning and the processes through which learning occurs (Bruton, Lohrke, & Lu, 2004). The critical role of organizational learning, in terms of learning orientation, learning capability or learning organization, in overall business or economic performance has been widely documented in the literature (e.g., Calantone, Cavusgil, & Zhao, 2002; Prieto & Revilla, 2006; Tippins & Sohi, 2003). This research has identified organizational learning as a key factor for performance outcomes. And the ability to learn from external sources has become critically important for deriving competitive advantage. The research has, however, examined the learning–performance link mainly at the single firm level. We have therefore relatively limited knowledge about whether organizational learning has a similar impact on firms' financial results in the context of strategic alliances (compare Simonin, 1997).

Further, it seems unlikely that organizational learning will affect firm performance equally under all conditions. Indeed, we know that not all learning strategies will always improve performance (e.g., Baker & Sinkula, 1999; Santos-Vijande, Sanzo-Pérez, Álvarez-González, & Vázquez-Casielles, 2005). Researchers are beginning to recognize that the learning–performance relationship may be contingent on other factors. For example, Calantone et al. (2002) propose that the effect of a firm's learning orientation on its performance depends on the firm's characteristics, i.e., the age of the organization. Mohr and Sengupta (2002) argue also that governance mechanisms may moderate the relationship between interfirm learning and the benefits of such learning.

These studies suggest that the effect of learning on performance may magnify under certain conditions but diminish under other conditions. Therefore, it is best to use contingency theory to more accurately examine this relationship. Contingency theory stresses choosing appropriate collaborative settings for enhancing the benefits of learning (e.g., Mohr & Sengupta, 2002; Simonin, 2004). Hence, the present study postulates that the performance impact of organizational learning will be contingent upon three alliance-level contextual factors: the governance form of the alliance, the scope of the joint activity, and the fact that partners may or may not be in competition with each other.

The primary aim of this paper is to present a theoretical model and empirical analysis of the relationship between organizational learning and firms' financial performance in strategic alliances. It also contributes to knowledge about the moderating role of three alliance characteristics in such a relationship. In the next section, the conceptual framework is presented and hypotheses are proposed. Then, the hypotheses of both main and moderating effects are tested on a sample of 127 German partnering firms. Following a discussion of results, we present implications, limitations, and directions for future research.

2. Theoretical background and hypotheses

2.1. Interorganizational learning

A diversity of perspectives and approaches has been used to study organizational learning. Early learning theory researchers argue that learning takes place at the individual level, and individuals learn as agents for the organization (March, 1991; Simon, 1991). Even though learning must be undertaken by individuals, it also depends on different circumstances or situational cues in which the individuals are embedded. Learning occurs also at the group, organizational, industrial, and even social levels (Miller, 1996). Thus, we have to understand learning by putting it in a specific strategic context (Crossan, Lane, & White, 1999).

We would like to stress that whereas most prior studies view learning as a firm-level construct, we extend this unit of analysis to an interorganizational level. The interorganizational learning perspective views strategic alliances as a means to learn or internalize critical skills or capabilities from the partners (e.g., Khanna, Gulati, & Nohria, 1998; Lane & Lubatkin, 1998). Khanna et al. (1998) call such alliances "learning alliances." Learning alliances constitute an important environment for interpartner learning and can be used as important vehicles for accessing and acquiring organizationally embedded knowledge, which because of its tacit character is difficult to transfer and imitate (Kogut, 1988).

In the strategic alliance field, research on organizational learning has been mainly concerned with issues regarding what organizational learning is and how partners learn from each other. While there have been numerous attempts to define and conceptualize organizational learning, at a basic level it is the dynamic process of acquiring, generating, and exploiting valuable knowledge through interaction, communication, interpretation, and comprehension across partners. This process may lead to new knowledge about customers and markets, about technical know-how, about alliance management skills, and about the partners themselves (Zollo, Reuer, & Singh, 2002).

Organizational learning is a continuous, dynamic, and interactive process between individuals, groups,