



Antecedents and performance consequences of learning success in international joint ventures

Mark Anthony Farrell ^{*}, Edward Oczkowski ¹, Radwan Kharabsheh ²

Charles Sturt University, Locked Bag 588, NSW 2678, Australia

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ABSTRACT

This study examined a sample of organizations involved in international joint ventures, (IJVs) in Malaysia. Drawing upon the resource based view of the firm this paper investigates the antecedents and performance consequences of learning success of foreign partners in IJVs. Data was analysed using two-stage least squares regression (2SLS). Results suggest that a learning orientation, IJV partner mutual dependency and management control, have a positive effect upon the learning success. Results also suggest that organizations with higher levels of learning orientation and learning success have higher levels of business performance. The findings imply that foreign partners in IJVs that are successful in achieving their learning goals, and improving their knowledge, will be winners in terms of improving their business performance.

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1. Introduction

It is widely argued that international joint ventures (IJVs) provide a platform for organizational learning, creating opportunities for firms to access the skills and competencies of their partners (Kogut, 1988). While the transfer of technology and capital between partners is readily observed, it is not so apparent that firms are successful in achieving their learning goals. There are few empirical studies (Simonin, 2004) in the literature to suggest what factors facilitate successful learning. Similarly, the relationship between the active learning of an organization, (learning orientation), achieving its learning goals (learning success), and IJV business performance is yet to be empirically established. Further, more research is needed on the performance of IJVs following the increase in the reported number of failed IJVs. Beamish and Delios (1997) reveal that an average of two in five IJVs are perpetual strugglers or outright failures.

Drawing upon theories of organizational learning and the resource based view of the firm; the purpose of this study is two-fold. Firstly, we identify the antecedents of learning success in IJVs. In the context of this study learning success is defined as the extent to which the foreign partner achieves its learning goals (Si, 1996; Si & Bruton, 1999). Secondly, we examine the relationship between learning orientation, learning success and IJV business performance. Given the emphasis on learning in IJVs, the absence of a positive relationship between learning

orientation, learning success and business performance would suggest the need to rethink the rationale for IJVs as a mode of entry.

Si (1996) identifies four antecedents of learning success in a strategic management context. These are (1) IJV's partner commitment, (2) partner's mutual dependency, (3) partner's autonomy, and (4) partner's past experience. However, Si (1996) omitted a measure of the organization's ability to learn, such as learning orientation, a concept grounded in the marketing literature and deemed relevant to learning research in general. This exclusion of learning orientation, however, results from a more generic divide between the marketing literature and the IJV literature. For example, Kandemir and Hult (2005), state that there are two streams of research that examine organizational learning and performance. The first stream lies within the strategic marketing literature and initially focused on marketing capabilities (Day, 1994) and market information processing (Sinkula, 1994).

The second stream has emphasized the role of IJVs as an instrument of organizational learning. From a resource-based perspective, organizations are motivated to form IJVs for efficient development and deployment of firm resources. Other than the short-term objectives of generating rents and efficient use of resources, firms may form IJVs in which both partners have clear learning objectives to achieve long-term competitiveness. The differences in partner skills and knowledge provide the catalyst for learning (Inkpen, 2000). Kandemir and Hult (2005, p. 430) continue to argue that "interestingly, those major elements of learning in IJVs overlap the marketing capabilities (Day, 1994) and market-based learning (Slater & Narver, 1995) perspective in strategic marketing." This study addresses this separation by drawing relevant constructs from both the marketing and IJV literature in order to achieve a better understanding of learning orientation, learning success and performance in IJVs. In the following section, we provide the theoretical framework and hypotheses for the

^{*} Corresponding author. Tel.: +61 02 69 33 4370.

E-mail addresses: mfarrell@csu.edu.au (M.A. Farrell), eoczkowski@csu.edu.au (E. Oczkowski), rkharabsheh@csu.edu.au (R. Kharabsheh).

¹ Tel.: +61 02 69 33 2377.

² Tel.: +61 02 69 33 2000.

study. This is followed by the methodology, analysis of data, and conclusions.

2. Theoretical framework and hypotheses

This study draws upon the resource based view of the firm to explain both the antecedents of learning success and the effects of learning orientation and learning success on business performance. In line with [Das and Teng \(2000\)](#), we argue that the resource based view is logical when examining IJVs because essentially, firms use alliances to gain access to each other firm's valuable resources that may enhance performance ([Ainuddin, Beamish, Hulland, & Rouse, 2007](#)).

We argue that a learning orientation enables a firm to out-perform competitors because it satisfies the four attributes posited by [Barney \(1991\)](#). First, a learning orientation is valuable because it allows the firm to exploit opportunities and/or neutralize threats in a firm's environment. For example, a learning orientation enables a firm to more successfully understand the needs of customers better than its competitors, ([Day, 1994](#)). Secondly, a learning orientation is rare. While most firms seem capable of what [Senge \(1990\)](#) terms 'adaptive learning' (learning within the traditional scope of the organization's activities), there are fewer organizations that engage in generative learning, ([Senge, 1990](#)). This occurs when the organization is willing to question long held assumptions about its mission, capabilities or strategy, ([Slater & Narver, 1995](#)). Thirdly, a learning orientation is imperfectly imitable, based on the premise that successful organizational learning is socially complex. Finally, a learning orientation is a source of sustained competitive advantage because it is not substitutable. That is, while competing firms may attempt to emulate the efforts of a learning oriented organization, the complex nature of organizational learning means it is very difficult to create strategically equivalent valuable resources. In the following section, we explicate the construct of learning success.

2.1. Learning success

The idea that the acquiring of knowledge and its importance to the organization should be considered simultaneously was addressed by [Si \(1996\)](#) and [Si and Bruton \(1999\)](#), who define learning success as the extent to which the foreign partner achieved its learning goals. A literature review, analysis by experts, and exploratory factor analysis resulted in three categories of learning goals: 1) knowledge of governmental issues; 2) knowledge of culture, and 3) knowledge of the market. A learning success measures to what degree the foreign partner achieved its learning goals. From a resource based view, achievement of learning goals suggests an increase in relevant knowledge for the foreign partner, further strengthening its resources. This is in line with [Barney \(2001, p.648\)](#), who states that "firms that build their strategies on path dependent, causally ambiguous, socially complex, and intangible assets outperform firms that build their strategies only on tangible assets."

Based on the resource based view of the firm and theories of organizational learning, we argue that an organization that achieves its learning goals (learning success) will lead to higher levels of business performance. In this study, the learning goals are specifically concerned with the learning required for a foreign partner in a joint venture. In foreign partners that are successful in achieving these specific learning goals, we expect to see a positive relationship between learning success and business performance. Stated more formally:

H1. The higher the degree of learning success of the foreign partner, the higher the level of its business performance.

In the following sections, we discuss the antecedents of learning success. The integration of a learning orientation with learning success is in keeping with [Lyles and Salk \(1996\)](#) theory that certain IJV char-

acteristics, such as capacity to learn, and knowledge acquisition, which are all resource based assets, are associated with better performance.

2.2. Learning orientation

[Sinkula, Baker and Noordewier \(1997, p. 309\)](#) conceptualize learning orientation as "giving rise to that set of organizational values that influence the propensity of the firm to create and use knowledge." Learning orientation thus affects the information that an organization attends to, interprets, evaluates, and ultimately accepts or rejects ([Dickson, 1992](#)). [Lane, Salk and Lyles \(2001\)](#) argue that the relationship between learning performance and IJV business performance has long been assumed to exist. [Lyles and Salk \(1996\)](#) also found evidence for this link in young IJVs in Hungary. [Luo \(1999\)](#) found that the acquisition of technological, organizational and marketing skills, as well as knowledge of the local environment by the foreign firms, enhanced their financial return and overall performance. [Makino and Delios \(1996\)](#) found that partnering with local firms can be a primary strategy for accessing local knowledge and that the acquisition of local knowledge through joint venture strategy improved joint venture performance. [Kai Ming Au and Enderwick \(1994\)](#) argue that the lack of local knowledge of the host country is one of the major obstacles for MNCs to attain success and business performance in cross-border operations. The above discussion is grounded in the resource based view of the firm that argues that a value generating resource, such as higher order learning skills, will be the source of a sustained competitive advantage, ([Srivastava, Fahey, & Christensen, 2001](#)).

Based upon the preceding discussion we emphasise that the relationship between learning orientation, learning success, and business performance is recursive. Drawing upon the argument by [Lyles and Salk \(1996\)](#), we argue that a learning orientation reflects a capacity to learn, and a learning success reflects knowledge acquisition. From this perspective, learning orientation is directly related to business performance because a capacity to learn is, from the resource based view, a tacit resource underlying a firm's competitive advantage, ([Hamel, 1991](#)). This has been confirmed in several empirical studies, states [Peng \(2001\)](#). Similarly, a learning orientation (capacity to learn) has an indirect effect upon business performance through learning success, (knowledge acquisition). Success at learning in this study is measured by the importance of the learning goals, and whether or not they were achieved. In short, organisations that have the capacity to learn will be more successful in achieving the learning goals that are important to them. Accordingly, we expect that a firm with a higher level of learning orientation will (a) be more successful in achieving its learning goals, and (b) outperform its lesser learning oriented competitors. Stated more formally:

H2. The higher the degree of learning orientation of the foreign partner, the higher the level of its (a) learning success and (b) business performance.

2.3. Commitment

[Cullen, Johnson, and Sakano \(1995\)](#), reported that a successful IJV must involve: a fair financial commitment, commitment to support the partner, a commitment to the IJV, and a commitment to understand the culture, politics and economics of the partner's country. [Lane and Beamish \(1990\)](#) indicated that, if each partner demonstrates these aspects of commitment, the IJV will develop based on the principle of fair exchange. From a resource based view, the relation between the foreign partner and the local partner is fundamentally designed to enable each party to benefit from the resources of each other. An IJV with higher levels of relationship commitment implies that both parties are able to work together more productively to achieve the goals of the IJV. Indeed, social and human-capital, including networks,

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