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Acquisition of marketing knowledge in small and medium-sized IJVs

The role of compatibility between parents

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Abstract

Purpose – This paper aims to examine the effects of compatible characteristics between parent firms on the extent to which international joint ventures (IJVs) acquire marketing knowledge. Compatible organisational characteristics are a particularly important component for absorptive capacity in that it may play a pivotal role in extending the prior relevant knowledge base and promoting a favourable learning environment. A series of hypotheses based on the literature is tested, which suggests that: there is a close association between IJV size and the level of knowledge acquisition, and compatible characteristics between parents positively influence marketing knowledge acquisition in IJVs.

Design/methodology/approach – The data were obtained by a survey. Questionnaires were posted to the CEOs of IJVs in Korea. A total of 688 questionnaires were sent out and 128 were returned, giving a response rate of 18.6 per cent.

Findings – The paper finds that the marginal differences in mean values indicate that firm size does not significantly influence the extent of knowledge acquisition in IJVs. A series of regression analyses was undertaken and it was found that the impact of compatible organisational culture on knowledge acquisition was positive and significant.

Research limitations/implications – There are some limitations to the study. First, the data used were collected from only one country. Second, only marketing skills were considered, leaving aside other important types of knowledge that can contribute to IJV operations. Third, the measurement used for the acquisition of marketing knowledge has some drawbacks, in that it is based on the perceptual judgements of key managers, without employing objective measurements. In addition, the relatively low response rate and the low number of responses from large firms are clearly further limitations.

Practical implications – The findings suggest that compatible culture should be a crucial partner selection criterion for both local and foreign firms.

Originality/value – Very few studies have analysed small and medium-sized IJVs, and fewer have focused on marketing knowledge acquisition particularly in a dynamically energetic environment (South Korea in this case). The paper also contributes to the current literature by confirming the positive relationship between compatible organisational culture and marketing knowledge acquisition.

Keywords Small to medium-sized enterprises, Compatibility methods, South Korea, Joint ventures, Knowledge transfer

Paper type Research paper



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Introduction

One of the most widely cited motives for the international joint venture (IJV) is the acquisition of new managerial knowledge or technological capabilities from parent firms (Geppert and Clark, 2003; Kandermir and Hult, 2005; Richards and De Carolis, 2003). The organisational learning perspective suggests that the IJV is the catalyst of choice for firms attempting to seek the transfer of tacit, embedded knowledge (Shenkar and Li, 1999). Although tacit knowledge is often referred to as having sticky characteristics, which makes it difficult to spread into other firms (Szulanski, 1996), the IJV attracts attention as an effective vehicle to access or acquire new technologies and tacit knowledge beyond firm boundaries. Thus, the equity-based co-ownership structure is emphasised as a better mechanism that is suitable for learning organisationally embedded knowledge (i.e. marketing knowledge in this research) from partners, as compared to non-equity-based contractual arrangements (Mowery *et al.*, 1996).

A similar line of the learning argument that the IJV provides a superior means to acquire valuable technology or complex knowledge is, in fact, found in much literature. For example, Kogut (1988) suggests that the IJV is a means to exchange or transfer organisationally gluey knowledge, which is difficult to be blueprinted through, say, licensing or market transactions. Inkpen (2000) also highlights the IJV as an efficient learning device, which is very different from those associated with research and development (R&D) collaborations or licensing agreements, in that the joint mechanism does not have a planned termination in order to acquire or seek to absorb the capabilities of partners. Based on these discussions, it can be said that the IJV not only plays a part in achieving the distribution of knowledge or technology among partners, but also is a requisite organism for research dealing with knowledge acquisition.

A number of previous studies highlight the role of technology in enhancing firm performance (e.g. Stuart, 2000). However, marketing knowledge is another pivot contributing to organisational competitiveness. In discussing the importance of marketing knowledge, Hill and Jones (1995), for example, stress the circular relationship of the marketing function with the technical core of an organisation. They highlight that the point of contact with customers can be the primary source of valuable information on new products and their design, and that the development of manufacturing and R&D speed commercialisation of new products in the market. Aydin and Terpstra (1981) suggest that firms are not able to identify customer preferences without the possession of marketing knowledge. In this situation, firms will find it difficult to offer appropriate products, resulting in customer dissatisfaction. According to Aydin and Terpstra (1981), an increasing number of firms perceive marketing as an important device for gaining competitive strength due to the previously mentioned reasons.

In addition to marketing knowledge acquisition, a crucial sub-theme in IJV research is associated with firm size. Globalisation has been widely credited with provoking the collaborative formation as a predominant strategy in current international business trends (Calantone and Zhao, 2001; Das, 2005; Ding, 1997). This predominant recent phenomenon is closely related with the characteristics of IJVs acquiring knowledge possessed by parents (Kogut, 1988). Due to this, parent firms increasingly aim at using the collaborative formation as a short cut to learn complementary knowledge from

each other (Mohr and Sengupta, 2002; Osland and Yaprak, 1995). However, little is known about the relationship between IJV size and knowledge acquisition. Although the stability of IJVs is a fundamental prerequisite for parents to exchange complementary knowledge, it is typically safe to assume that the survival of small and medium (SM) sized firms in the face of international competition is far less certain than it is for large organisations for various reasons (e.g. lack of internal resources and reputation) (Stuart, 2000). This indicates that we need to know more about knowledge acquisition particularly in SM sized IJVs, as it is not only an important platform for parents to continuously learn new information but also a crucial ingredient to ensure the success of cooperative joint venture operation. By exploring this area, this paper will be useful for managements of both foreign and local parent companies.

This paper aims to fill the research gaps identified by empirically analysing marketing knowledge acquisition in SM sized IJVs. The focus of analysis is one specific aspect of absorptive capacity (i.e. the compatibility dimension), because we posit that similar characteristics between parents may play a pivotal role in extending the prior relevant knowledge base between organisations exchanging knowledge by providing a favourable learning environment which promotes organisational learning from foreign parents in IJVs (Cohen and Levinthal, 1990). By assessing priority conditions for an efficient learning environment, we attempt to contribute to the current knowledge on marketing knowledge acquisition particularly in small and medium sized collaborative formations. We pose two research questions:

- (1) Do SM sized IJVs acquire more marketing knowledge from foreign parents than large IJVs?
- (2) What are the critical determinants affecting the acquisition of marketing knowledge in relation to compatible characteristics between local and foreign parents?

The paper has four sections. We first investigate the impact of firm size on knowledge acquisition, as well as the relationship between potential key factors and organisational learning. Second, we present the sample of Korean IJVs and variable measurements. Third, we use a series of linear regression models to test a number of hypotheses, and discuss results. Finally, the paper ends with conclusions and suggests avenues for further research.

Literature review and hypotheses

This paper departs from a common wisdom in academia that an IJV is a vehicle to acquire knowledge from parent firms. If joint ventures are established between foreign and local firms, the major benefits from the cooperative formation are opportunities to mutually exchange knowledge possessed by each partner (Griffith *et al.*, 1998). Because of the bridge role between the parents, the cooperative formation is considered as a mechanism producing a redistribution of skills among partners and permitting an exploitation of new knowledge, resources and competencies, which are not available in the market (Hamel, 1991). Thus, the new knowledge originating from source organisations such as foreign parents may stimulate the transmission of tacit knowledge to IJVs and local firms (Lyles and Salk, 1996). This explanation means IJVs are used for the transfer of organisationally embedded knowledge (e.g. marketing knowledge), which cannot be easily imitated or blueprinted through licensing or

market transactions (Kogut, 1988). In the same sense, advanced knowledge transferred from foreign parents can be interpreted to assist the IJV to react effectually to its given environment (Lane *et al.*, 2001).

Firm size and knowledge acquisition in IJVs

In discussing knowledge acquisition, SM sized IJVs should be distinguished from large organisations, as there is little evidence to suggest the same extent of learning takes place in both sizes of IJV. Despite the fact that in-depth examination of knowledge acquisition has been proceeding, a thorough review of the literature using EBSCO, Elsevier ScienceDirect and Proquest indicates that empirical studies examining the association between firm size and knowledge acquisition are rare, and thus very little is known about learning mechanisms in SM sized IJVs.

Some scholars who explain knowledge acquisition in IJVs view joint venture size as negatively associated with knowledge acquisition (e.g. Lane *et al.*, 2001). That is, they suggest that large organisations may suffer from inertia and thus retard learning. This view is also highlighted by some international business and economics studies, which propose that larger organisations may gain less knowledge internally, for example from foreign parents, than smaller organisations, because they are able to create knowledge by themselves (Minbaeva *et al.*, 2003) or are likely to have more opportunities to acquire knowledge from external sources (Almeida *et al.*, 2003; Vishwasrao and Bosshardt, 2001). In addition, other researchers shed light on the lack of learning capability in larger organisations, in that they tend to create a bureaucracy that is unfavourable to an atmosphere facilitating knowledge acquisition, and tend to be less flexible than smaller firms (Wagner and Hansen, 2005). Findings uncovered by Sinani and Meyer's (2004) empirical study in Eastern Europe also provide evidence that relatively smaller size organisations tend to experience better knowledge acquisition than larger types of organisation. According to Day *et al.* (2006), this is because SMEs have a propensity to seek out information more eagerly through interactions with knowledge possessors than large firms. Based on these explanations, we posit that firm size does have a potential influence on knowledge acquisition in IJVs.

H1. Firm size will be negatively associated with an IJV's knowledge acquisition from foreign parents.

Role of compatibility between parents in IJV knowledge acquisition

To facilitate knowledge acquisition in an IJV, the relationship between chosen partners and its influences are critical. An IJV is like a marriage between foreign and local parents, because there still exist a distinct set of personalities involved, unlike a merger, for example, where all parts of the two organisations become one, often with incompatible elements being spun off in the process (Rich, 2003). According to explanations given by Rich (2003), the IJV still retains separate characteristics, and these two unique partners cooperate together for the achievement of mutual interests. Thus, IJVs often face cultural differences between the parent organisations. One partner may have explicit practical goals, whereas the other may intend different strategic goals. One may have a manufacturing background, while the other may be based in the service industry. These various differences are often referred to as critical impediments to IJV success (Oliver, 1990), but the collaborative formation established

between compatible parents seems to enjoy better knowledge acquisition (Anh *et al.*, 2006). This is clearly because partner compatibility helps each to understand the other, and this facilitates assimilation and synthesis of recognised knowledge into the long-term memory.

Compatible organisational culture between parents. Most researchers agree that a large proportion of IJV failures stems from cultural factors, not financial or technical problems (Park *et al.*, 2002). In this regard, it can probably be said that the cultural aspect becomes a key to a firm's success in the international marketplace. Such a contention is also supported by, for example, Mead (1998), who suggests that organisational culture can be recognised as corporate identity because every organisation has its own idiosyncratic culture. However, the problem is that culture is inherently conservative, resisting change and fostering continuity (Czinkota *et al.*, 1999). Due to the innate character of the culture, cultural risk is considered as real as political risk in the international business arena (Czinkota *et al.*, 1999). Thus, the proper management of corporate culture is important not only to help individuals understand their own jobs and organisation, but also to contribute to overall competitiveness and effectiveness (Griffin and Pustay, 1996).

The IJV reflects a cooperative formation between foreign and local firms, which internationally share mutual complementary resources within a jointly owned, separate firm. Thus, the cultural similarities are perhaps most noticeable and are an important element which determines the successful operation of the IJV, in that the cultural factors may impact on the cooperation between parents (Deresky, 1999). Similarly, because firms establish the cooperative mechanism in order to remain or improve competitiveness internationally, cultural differences between partners are increasingly regarded as a factor, which requires adequate precautions in order to reduce potential problems and conflicts (Griffin and Pustay, 1996; Parkhe, 1991).

In the IJV context, Lewis (2002) further sheds light on the importance of culture by arguing that organisational culture may influence the capacity of the IJV to acquire knowledge. Lyles and Salk (1996) find that cultural conflicts and misunderstanding significantly impede knowledge acquisition in two-party joint ventures with 50/50 equity arrangements. Parkhe (1991, 1993a) also finds negative evidence between cultural differences and the success of international alliances in learning. Conversely, Mowery *et al.* (1996), in studying US bilateral alliances, indicate that culturally similar parents show a higher pattern of knowledge transfer in alliances. These empirical findings suggest that cultural compatibility between partners extends the sharing of knowledge and promotes an IJV's learning. These discussions can be applied to the acquisition of specific information such as marketing knowledge in IJVs. Therefore,

H2. Compatible organisational culture between parents will be positively associated with an IJV's marketing knowledge acquisition from foreign parents.

Compatible organisational goals between parents. One of the motivating factors in forming an IJV, and one of the criteria by which its success is judged, is knowledge transfer between the participating partners (Si and Bruton, 1999). However, this motive is probably influenced to some extent by other strategic factors such as compatible organisational goals. That is, compatible goals between parents can be an efficient component for knowledge acquisition in IJV structure. This is because, in the situation

that both IJV parents' strategic intents are similar, they generally have a propensity to attempt to rapidly achieve their mutual interests (von Krogh *et al.*, 1994). Knowledge transfer is often fostered to do this.

For example, both foreign and local parents form IJVs to improve competitiveness through partnering, and thus they are likely to want to see the evidence of this in performance enhancement (Johnson and Scholes, 2002). In this case, where parents attempt to achieve mutual interest, knowledge acquisition between parties is likely to be stimulated. This is also confirmed by Lyles and Salk (1996). They find a positive association between an IJV's knowledge acquisition from foreign parents and concentration on the same vision and mission between relevant entities. Following these explanations, this paper expects that compatibility of organisational goals between IJV partners may also promote the rapid acquisition of new marketing knowledge by the IJV.

H3. Compatible organisational goals between parents will be positively associated with an IJV's marketing knowledge acquisition from foreign parents.

Compatible business background between parents. Prior related knowledge is important to recognise and assimilate knowledge (Cohen and Levinthal, 1990). Similarity of previous related knowledge between parents, in fact, forms the keynotes of an IJV's essential capacity to acquire new knowledge, as Cohen and Levinthal (1990, p. 128) emphasise: "We ... suggest that [absorptive capacity] is largely a function of the firm's level of prior related knowledge". Thus, an IJV's prior related knowledge confers an ability to synthesise new information, as well as an ability to recognise it. Logically, it is most likely that the synthesis of new information flow will be difficult when the knowledge acquirer's past knowledge is dissimilar to its knowledge transferor. One of the efficient means to check the degree of related knowledge may be examination of the relatedness of business between teacher and student firms. According to Richards and De Carolis (2003), this is because firms sharing a similar business background have related knowledge to each other through similar value chains and processes and compatible norms of behaviour.

Lane and Lubatkin (1998) propose that a student firm's ability to digest knowledge is greater when it has a similar processing system and norms to the teacher firm. Thus, when the business between parents is similar, the IJV playing a bridge role connecting parents may not need to respond in an experimental way, and subsequently, knowledge acquisition is much more feasible. Inkpen (1997) argues that IJV establishment is unlikely to be a reasonable decision if the business between parent firms is unrelated. Glaister and Buckley (1997) provide the rationale by stating that similar business background assists effective assimilation of new knowledge, which again results in smooth operation and eventual success. From these contentions, the following hypothesis can be inferred:

H4. Compatible business background between parents will be positively associated with an IJV's marketing knowledge acquisition from foreign parents.

Methodology

Research method

The sample for this study is IJVs established between MNEs and Korean local firms. Details of such IJVs were obtained from Foreign Direct Investment (2002), published by

the Korean government's Ministry of Commerce, Industry and Energy (2002). This provides comprehensive data about more than 2,300 IJVs across all industries in Korea. This source of information has been employed in previous studies examining Korean IJVs (e.g. Choi and Beamish, 2004; Pak and Park, 2004). Two sampling criteria (first, IJVs with American (i.e. USA), European, and Japanese parents and second, IJVs in which the foreign partner/s holds at least 20 per cent and no more than 80 per cent of the equity) are suggested for sample selection. With respect to the criteria, Pak and Park (2004) indicate that the majority of MNEs, which have established IJVs with Korean local partners are from three national origins represented by Japan, US and European countries. This is also confirmed by government figures. The 2002 edition of Foreign Direct Investment also indicates that 96 per cent of FDI in Korea is by those three major investors. Second, although a foreign partner equity share of less than 20 per cent is considered to be an IJV by some researchers (e.g. Dhanaraj and Beamish, 2004), when a partner has such a small equity share the level of participation may not appropriately mirror the characteristics of a cooperative relationship (Demirbag and Mirza, 2000), but may generate bias towards knowledge exchange by the dominant partner. Where the foreign partner has an equity share of at least 80 per cent this is considered to be a wholly owned subsidiary in terms of management control.

After careful research to identify whether any of the IJVs listed were no longer applicable to this research (e.g. because of liquidation, termination of contract, switchover to wholly foreign owned subsidiary or domestic firm) a total of 688 Korean IJVs was identified for further study. Direct telephone contact was made to ask CEOs to participate in the study, the survey questionnaires were posted to them. The survey was carried out between December 2005 and February 2006 and a total number of 128 questionnaires were returned, with 26 responses from large firms and 102 responses from SM sized organisations, giving an overall response rate of 18.6 per cent. While this may appear to be a relatively low response rate, Harzing (2000) analyzes mail surveys internationally and finds that response rates vary between 6-16 per cent on average. However, it is true to say that Korean companies are often reluctant to share information with outsiders by responding to surveys (Park *et al.*, 2008). Other reasons why more responses were not received may include lack of interest, fear of disclosure of company information and length of questionnaire.

We tested the final sample for non-response bias and found no significant difference between the responding and the non-responding IJVs with regard to two key parameters (detailed industry classification and ownership configuration). We therefore conclude that any non-response bias present is minimal.

The objective of this paper is to identify the critical determinants affecting the acquisition of marketing knowledge in the compatible characteristics between local and foreign parents, with a particular focus on learning in SM sized IJVs. According to Renuka and Ventakeshwara (2006), the definition of SME by size is not the same across the globe. The way it is defined is dependent on the stage of economic development of the country concerned. The Korean Small and Medium Business Administration (2007) classifies SMEs into two groups: manufacturing and service industries. Companies, which employ fewer than 500 people are classified as SMEs in the manufacturing industry. On the other hand, companies, which employ fewer than 100 people are classified as SMEs in the service sector[1]. Based on these criteria, 102 of the 128 firms responding are defined as SMEs.

Measurement of variables

Dependent variable: Following Lane *et al.* (2001) and Lyles and Salk (1996), the dependent variable was measured by using a five-point Likert scale. Respondents were asked to answer the question “To what extent has your IJV acquired (marketing knowledge) . . . from your foreign parent(s)”, with 1 = very little up to 5 = to a great extent. Four different elements of marketing knowledge were assessed (i.e. customer relationship management, development of powerful brand, promotion strategy, and sales forecast) as suggested by, for example, Aydin and Terpstra (1981) and Capron and Hulland, 1999. Internal validity of the dependent variable was assured using Cronbach’s alpha (with a value of 0.963 being obtained).

Independent variables: This paper employs four independent variables related to the hypotheses. Three independent variables (i.e. compatible organisational culture, goals, and business background) are measured using a five-point Likert scale (from 1 = very little; 5 = to a great extent). Following Simonin (1997) and Tsai (2001), IJV size was measured by the number of employees.

Control variables: There are four control variables in this paper (i.e. industry characteristics, foreign origin, equity ownership, and IJV age). Lane *et al.* (2001) suggest that IJVs in service industries are different from manufacturing IJVs, in that services are likely to be more culturally specific than products. Thus, they posit that IJVs in service industries have a propensity to face different incentives for knowledge acquisition from foreign parents, compared to manufacturing IJVs. In this regard, this paper creates a dummy variable for service IJVs (1 = IJV in service industries, 0 = otherwise). Parkhe (1993b, p. 308) points out that Japanese firms are often reluctant to “open the kimono”. Thus, this is divided into dummy categories (1 = IJV with Japanese parents, 0 = otherwise). As foreign parents are expected to possess better knowledge, foreign majority IJVs may acquire more marketing skills. Hence, another dummy variable was constructed (1 = IJV with foreign majority ownership, 0 = otherwise). Following Anh *et al.* (2006), IJV age was measured by the number of years in operation up to the time the survey was conducted.

Results and discussion

The correlation matrix in Table I presents no strong correlations between independent variables (correlations of all variables are in the range of ± 0.3). Thus, as there is no evidence of multicollinearity, all variables were retained for further analysis. The primary focus of this paper is on the relationship between IJV size and knowledge acquisition from foreign parents. Figure 1 indicates a marginal association between the two, and thus *H1* is not supported. The statistical results in Table II confirm that firm size does not significantly influence the extent of knowledge acquisition in IJVs. Despite this unexpected outcome, Figure 1 still reveals an interesting propensity. SM sized IJVs demonstrate higher mean knowledge acquisition levels than large IJVs particularly in development of brand. This is probably because SMEs usually have difficulties in promoting themselves in the market, and thus they are more eager to acquire marketing knowledge to facilitate the escalation of brand recognition than large firms.

A further objective of this paper is to uncover critical factors affecting the acquisition of marketing knowledge, focussing on the role of compatible characteristics between parents. Three variables are tested to examine the association between

Table I.
Descriptive statistics and
correlation matrix

	Means	SD	1	2	3	4	5	6	7	8
Industry characteristics	0.32	0.470	1.000							
Foreign origin	0.49	0.502	-0.049	1.000						
Equity ownership	0.39	0.491	0.045	0.016	1.000					
IJV age	16.42	10.890	-0.122	-0.016	-0.079	1.000				
IJV size	85.77	91.157	-0.268**	0.101	-0.049	0.043	1.000			
Compatible organisational culture	2.71	0.792	0.090	-0.066	0.049	-0.125	0.077	1.000		
Compatible goal	3.11	0.817	0.059	-0.080	0.097	0.013	0.075	0.337**	1.000	
Compatible business background	3.56	0.885	0.013	-0.288**	0.015	0.040	0.005	-0.002	0.263**	1.000

Notes: $n = 102$; * $p < 0.05$; ** $p < 0.01$

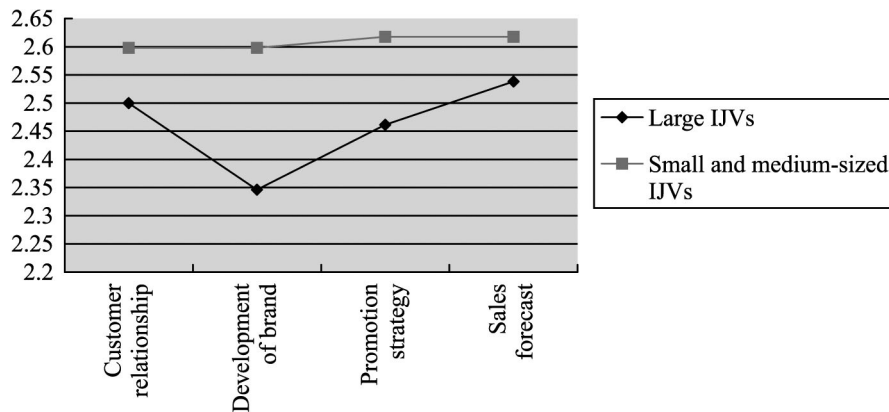


Figure 1.
Mean values in knowledge acquisition

Note: $n = 26$ (large IJVs) and 102 (SM sized IJVs), respectively

compatibility and knowledge acquisition. Among those variables, compatible organisational culture emerges as an important factor, being both positive and highly significant. This finding is consistent with the argument made by many previous studies discussing barriers to knowledge sharing created by cultural differences, diversity, distance, and other factors. For example, Tsang (1999) suggests that cultural differences may cultivate feelings of distancing and conflict between the local and foreign parents, and thus influence their children's knowledge acquisition activities. Bodur and Madsen (1993) also find that cultural diversity can impede understanding between collaborative partners leading to IJV's difficulty in knowledge acquisition. According to Fabry and Zeghni (2003), cultural distance can result in tensions and hostility between partners and to a lack of knowledge circulation.

This paper initially posited that an IJV's ability to acquire new marketing knowledge from its foreign parent is positively influenced by parents' *similarity in organisational goals*. However, the findings do not support this hypothesis. Indeed, Hamel (1991) has suggested that partner relationships in IJVs are often troubled by contentions, especially when the partners desire similar organisational goals. This is because the possession of the same target, such as inter-partner knowledge acquisition or short-term economic benefits, triggers competition between them, so that managers tend to be recurrently involved in argumentative discussions over value sharing. In addition, there is no doubt that such argumentative discussions bring more detrimental effects particularly in SMEs where interactions among managers are more likely to be critical.

Cohen and Levinthal (1990) suggest that the prior possession of relevant knowledge and new skills is what generates a specific capability, allowing the child's ability to assimilate its parent's knowledge. Researchers have long acknowledged that what can be learned is positively associated with what is already known (Inkpen, 1998, 2000). The relative similarity of prior knowledge permits the effective assimilation of new knowledge. Thus, new knowledge, which is familiar to the knowledge acquirer is generally easier to learn than knowledge about an unfamiliar field. Despite the general

Table II.
OLS regression analyses
for acquisition of
marketing knowledge
from foreign parents

Variables	Model 1 Customer relationship	Model 2 Development of brand	Model 3 Promotion strategy	Model 4 Sales forecast
Industry characteristics	-0.150	-0.059	-0.131	-0.106
Foreign origin	-0.249 ***	-0.233 **	-0.223 **	-0.226 **
Equity ownership	-0.007	-0.048	-0.280	-0.027
IJV age	0.86	-0.160 *	-0.097	-0.120
IJV size	0.39	-0.008	-0.045	-0.043
Compatible organisational culture	-0.260 ***	-0.332 *****	-0.239 **	-0.270 *****
Compatible goals	-0.001	-0.054	-0.104	-0.083
Compatible business background	-0.120 *****	-0.047 *****	-0.006 *****	-0.023 *****
F	7.947 *****	7.579 *****	6.382 *****	7.528 *****
Adjusted R ²	-0.121	-0.163	-0.096	-0.114

Notes: $n = 102$; * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$; **** $p < 0.001$; ***** $p < 0.001$

agreements suggesting the restricted worth of dissimilar knowledge, our experiments suggest exactly the opposite by showing the negative association between similar business backgrounds and the level of knowledge acquisition.

Although this is a surprising result, it is plausible if we change our way of thinking. That is, in the case where both parents own the same skills stemming from similar business background, this is unlikely to stimulate “intent to learn”. In other words, it is common that the possession of familiar knowledge helps to further develop already known knowledge, but acquisition of new information is accelerated by increasing intent to learn when both entities can provide previously unknown innovative ideas. Burt (2004) argues that people connected across groups tend to find better alternative ways of thinking and behaving, and thus the structural holes derived from dissimilar backgrounds provide a vision of options otherwise unseen. In particular, marketing knowledge is one of the primary organisational functions directly affecting firm competitiveness. In this regard, the negative impact of similar business backgrounds, which often has limitations to offer in developing unique ideas, is understandable.

Conclusions

This paper investigated the issues of marketing knowledge acquisition from foreign parents particularly in SM sized IJVs. Although it started from the postulation that IJV size is negatively associated with marketing knowledge acquisition (i.e. SM sized IJVs are better able to acquire new knowledge), the analysis did not confirm a direct relationship. Critical factors in the compatible characteristics of IJV parents, which influenced marketing knowledge acquisition, were also identified. A series of regression analyses were undertaken and found that the impact of compatible organisational culture on marketing knowledge acquisition was positive and significant. However, the results failed to provide support for the view that compatible organisational goals and business backgrounds between parents have a significant effect on the acquisition of new knowledge. The results of the empirical analysis are summarised in Table III.

This paper fills the research gaps identified from the following viewpoints. Although the acquisition of various types of knowledge and skills have been examined in the context of IJVs, these studies turn almost invariably to technology absorption where empirical investigation is concerned (Simonin, 1999). In contrast, this paper focuses on the acquisition of marketing knowledge. In addition, these studies pay

Hypotheses		Results
<i>H1</i>	Firm size will be negatively associated with an IJV’s knowledge acquisition from foreign parents	Rejected
<i>H2</i>	Compatible organisational culture between parents will be positively associated with an IJV’s marketing knowledge acquisition from foreign parents	Supported
<i>H3</i>	Compatible organisational goals between parents will be positively associated with an IJV’s marketing knowledge acquisition from foreign parents	Rejected
<i>H4</i>	Compatible business background between parents will be positively associated with an IJV’s marketing knowledge acquisition from foreign parents	Rejected

Table III.
Summary of results

relatively little attention to whether knowledge acquisition is facilitated in large or SM sized IJVs. In discussing knowledge acquisition further, there is a common agreement that compatible organisational characteristics of parents make it easier for IJVs to learn parents' knowledge as it extends the prior relevant knowledge base between parents, which promotes favourable learning environments for the learning organisations and ultimately enhances their absorptive capacity (Cohen and Levinthal, 1990; Lyles and Salk, 1996; Parkhe, 1991; Richards and De Carolis, 2003). However, we do not fully understand the role of compatibility and the prior learning condition particularly in SM sized IJVs. In this regard, this paper contributes to current knowledge on the effects of IJV size and the function of similar organisational characteristics for marketing knowledge acquisition (see Table IV).

Our findings suggest some implications for management decision makers in both local and foreign firms intending to establish IJVs. First, when the objective of IJV establishment is knowledge exchange between local and foreign parents, the results indicate the marginal influence of IJV size on mutual interests. Thus, organisational size does not need to be seriously considered to achieve this objective. Second, successful knowledge exchange between participants is highly dependent on their organisational cultural similarity, which, in turn, facilitates knowledge acquisition in IJVs. This is because parents possessing compatible cultures will more likely reduce misunderstandings in management communications resulting in better collaboration. Thus, less (organisational) cultural distance between parents often results in more efficient operations of IJVs, with positive effects on knowledge acquisition.

There are some limitations to this study. First, the data used were collected from only one country, and hence the findings cannot be fully generalised. Second, this study concentrated on the acquisition of some areas of marketing knowledge. Other important types of knowledge that can contribute to IJV operations were not investigated and should provide a focus for further research. Third, we cannot say that marketing knowledge acquisition is on the agenda of every IJV. Fourth, the measurement used for the acquisition of marketing knowledge is based on the perceptual judgements of key managers. While this is a recognised method of

Variable	Measurement (each item is measured using a five-point Likert-type scale; ranging from 1 = very low to 5 = very high)
Size	The number of employees
Compatible organisational culture	Average of two questions on level of compatibility in organisational culture between two parents, and whether local parent understands organisational culture of foreign counterpart
Compatible organisational goal	Average of questions on extent to which foreign and local parents share organisational goals in key organisational functions such as: R&D/product development, marketing, strategic planning, human resource management, financial management, and information management
Compatible business background	Level of compatibility in products or services of foreign parent(s) compared with local parent(s)

Table IV.

measurement in previous IJV studies, further research might also adopt objective measures. Finally, the overall response rate of 18.8 per cent, although comparable with other studies, and in particular the low number of responses from large firms may be regarded as a further limitation.

Despite these limitations, this paper adds considerable value to the current literature on IJVs and knowledge acquisition. As previously mentioned, very few studies have analysed SM sized IJVs, and fewer have focused on marketing knowledge acquisition, particularly in a dynamic environment such as South Korea. This paper sheds light on the importance of similar organisational culture in establishing SM sized IJVs, suggesting that this is a crucial partner selection criterion for both local and foreign firms. Its further unique contribution is to identify the key influence that compatible characteristics between parent firms have played in IJVs in Korea.

Note

1. The exception is construction, transportation and warehouse industries. Companies are regarded as SMEs when they have a maximum of 300 employees in those industries (see Scope of Korean SMEs, 2007).

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Further reading

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