Exploring the motives and determinants of innovation performance of Malaysian offshore international joint ventures

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Abstract
Purpose – The existing literature indicates that in developing countries, much remains to be done in terms of improving understanding of international joint venture (IJV) issues such as the motives for firms to pursue IJVs and the factors which affect their performance. In view of this, the present paper seeks to identify the motives of Malaysian firms for engaging in offshore IJVs, and analyze the interplay among four key variables – motive, strategic fit, knowledge transfer and innovation performance – from the perspective of Malaysian IJVs.

Design/methodology/approach – Based on a literature review, theoretical linkages among the variables and relevant hypotheses were developed, then subsequently tested using bootstrapping analysis. A total of 234 questionnaires were sent to managers of Malaysian IJVs abroad and 74 usable responses were returned, yielding a response rate of 31.62 percent.

Findings – The results suggest that Malaysian firms pursue IJVs abroad mainly to expedite profit generation and market penetration, while acquiring knowledge is considered only as a secondary motive. At the same time the results affirm that knowledge transfer mediates the effect of strategic fit on the innovative capacity of the IJVs. This implies that although knowledge transfer is very important to IJV innovation performance, that importance is seriously underestimated by Malaysian businesses.

Research limitations/implications – The study highlights the need to incorporate moderating factors in the future when examining the effect of motive and strategic fit on innovation. Results of the reliability tests also question the generalizability of existing strategic fit and knowledge transfer scales in a Malaysian setting.

Practical implications – The findings provide lessons for foreign businesses by improving understanding of what Malaysian businesses seek most in an IJV, which in turn will help foster better strategic fit between partners. For Malaysian firms and policy makers, the study should serve as a reminder that knowledge transfer is very important in improving innovativeness and deserves greater attention and commitment.

Originality/value – Research on IJV suggests interesting differences between firms from developed and developing nations. The current paper helps to enrich the literature on IJVs, particularly from the perspective of knowledge and learning orientation in developing nations.

Keywords Motive, Strategic fit, Malaysian, Knowledge transfer, Innovation, Malaysian international joint ventures, Joint ventures, Developing countries

Paper type Research paper