Cultural fit, knowledge transfer and innovation performance: a study of Malaysian offshore international joint ventures

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Research on joint ventures suggests that cultural fit between ally organizations facilitates knowledge transfer, while knowledge transfer enhances their innovativeness. Yet, from the perspective of developing nations, the antecedents and consequences of knowledge transfer remain underexplored. This study examined the mediating effect of knowledge transfer on the relationship between cultural fit and joint-venture innovation performance among Malaysian offshore international joint ventures. It made two contributions, first by examining three different constructs of innovation, namely market, strategic and behavioural; and second by using bootstrapping to test the mediating effect. The results affirm that both organizational and national cultural fit are positive determinants of knowledge transfer. However, knowledge transfer mediates the effect of cultural fit only on market and strategic innovativeness, while behavioural innovativeness is not significantly enhanced. The findings suggest that in developing countries, the effect of knowledge transfer on behavioural innovativeness is possibly moderated by other factors such as internal managerial values and government policies.

Keywords: cultural fit, knowledge transfer, innovation, international joint ventures, Malaysia

1. Introduction

International joint ventures (JVs) have become one of the most important strategies for firms to gain access to markets and resources, and exploit business opportunities in the global arena. However, JVs — conceived as legally independent firms and co-managed by partners of different nationalities — face many challenges. Many firms have learnt that the performance of their joint ventures (JVs) does not meet their expectations (Geringer and Hoegl 1991; Mohr and Puck 2005). Even more disturbing is the instability rates for JVs which range from 28.8% to 70%. Many JVs have been sold off, dissolved or brought out before the end of the period at risk (Park and Ungson 1997; Kogut 1989; Kole and Anand 2001; Meschi 2005; Meschi and Ricco 2005).

According to Das and Teng (2003), it is important for a firm to evaluate the effectiveness of its strategies in terms of the JV success at the end of the day. As a result, research on how to enhance JV performance has gained significance in recent years. In a knowledge economy, innovation is needed for sustainable development (Cavusgil, Czinkota, and Zhao 2003; Chow and Wang 2009; Tomlinson 2010). Thus, firms have to develop their innovative capacity continuously to ensure their survival. Yet, previous studies on JV performance have largely focused on market performance, financial performance, overall business performance, or partner satisfaction. Very

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