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Knowledge Creation in Strategic Alliance: Case of ‘Child Business’ Learning from ‘Parent Partner’

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Alliance is becoming an essential feature in today’s intensely competitive market as a means of facilitating market entry, acquiring new technology, leveraging economies of scale, and enhancing new product development capabilities. Recently, alliances have been linked to the organizational learning literature where alliances create environments for learning and knowledge transfer. This phenomenon is the main purpose of this paper, where it will define and discuss the key facilitating learning elements in strategic alliances. The study used an in-depth case study method. Two respondent organizations were used to gather data for the purpose of the study. One case was from the manufacturing sector and the other is from the service sector. Both entered into alliances with learning from foreign parent partner as one of the key objectives. The final part of the paper will summarize the findings and suggest key elements promoting learning from foreign parent partner to the ‘child businesses in the case of international strategic alliance which include learning as one of their alliance objectives.

Keywords: Knowledge creation, international strategic alliance, elements promoting learning

Introduction

One of the most important trends in industrial organization of the past quarter century has been the growth of collaboration between independent companies. These inter firm alliances involve cooperative relationships that are not fully defined either by formal contracts or by ownership. As a result, the term ‘strategic alliance’ has been used to refer to ‘agreements of two or more firms to reach a common goal entailing the pooling of their resources and activities’ (Teece, 1992). Furthermore, the intense competition in the recent market has called many firms to rely on international collaboration such as strategic alliance as a strategic necessity for sustaining competitive advantage and creating customer value. Aside from explicit strategic and operational motives, learning has become one of the primary motives in the recent partnership agreement.

Successful strategic alliances are highly evolutionary and grow in interactive cycles of learning, reevaluation, and readjustment. They do so at different levels, e.g., individual, group, and organization. Such are the attributes of learning organizations (Serrat, 2009). Extant literature regarding how alliances could promote and facilitate learning stated that alliances are vehicles of opportunity for creating a laboratory for learning (Inkpen, 2002). In this view, the paper would discuss the findings from two case studies conducted in Malaysia, and would later suggest key success factors that would help

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promote the cross border learning. In summary, the objectives of this paper is: (1) To discuss how international strategic alliance can promote organizational learning, 2) To identify the processes and key elements that can ease and promote organizational learning in international strategic alliance ventures, and (3) To suggest key elements in promoting organizational learning in International strategic alliance.

**Literature Review**

**Organizational Learning (OL) in International Strategic Alliances (ISA)**

Learning has been recognized to promote organizational development and competitive advantage. In this view, knowledge is considered to be an important resource, which linked with competitiveness, either directly or indirectly. As Sharma (1998) noted that it is important for the alliance partner to accumulate knowledge, resources and capabilities, and use them as sources of competitive advantage and sustain their business in today highly competitive market. Serrat (2009) noted that organizational learning occurs when an organization acquires, assimilates, and applies new information, knowledge, and skills that improve its long-run performance and augment its competitive advantage.

In a strategic alliance case, commitment, trust, communications and conflict-resolution techniques are as crucial as organizational structure (e.g., formalization, centralization, and complexity) and control to help promote knowledge. This is because; knowledge can only be acquired if it can be assessed. So, how can organization access the alliance knowledge? Based on the research, knowledge acquisition can take place at least when alliances are structured and placed with the right strategy and systems in a way conducive to the sharing and institutionalization of experience to achieve better learning results.

Additionally, the previous researchers have strongly emphasised the need for quality leadership and management style that extends across the relationship (Morrison and Mezentseff, 1997; Tsang, 1999; Trim, 2003). In this case, managers should act as agents of learning and are able to improve their organization’s learning systems. If a company does not actively manage a learning process, what is learned will become a by-product of normal business operations, and the company will fail to take full advantage of the process.

A consistent management role across the alliance will enable parties in the relationship to be focused and to provide a shared vision within the alliance (Morrison and Mezentseff, 1997). Meanwhile, communication and dialogue (Sharma, 1998; Kale et al., 2001 and Buckley et al., 2002) would enable partners to receive and transmit information across the boundaries. As noted by Lei et al., (1997), learning depends greatly on everyday ‘give-and-take’ among managers and frequent day-to-day contact between all members.

In short, there are numbers of suggested learning elements that were discussed within the previous organizational learning theory, and most of them are very useful within the ISA context to promote and ease the implementation of the process. However, for the purpose of this paper, the alliance learning process is summarized as in figure 1. The processes are suggested based on the notion that, to have an effective learning process, the partners should start as early as the partner selection process. The learning process should also continue and be lifelong process as long as the partnership took place.

**Research Method**

This study covers research on International Strategic Alliances (ISAs) and the organizational learning (OL) process, which involves strategic co-operation between a local parent partner, foreign partner and ‘child’ alliance company. For the purpose of this study, the child company/business is defined as a company/business that is established upon the formation of alliance, and is based in the local partner country. The focus of the study identified the foreign parent partners as the sources of learning, and the child as the receiver of this foreign partner knowledge. Two case studies were from
a manufacturing company (refer as Case A) and an educational institution (refer as Case B).

Data and information are sought qualitatively which involve visit to the respondent places, observation and in-depth interviews. Data were gathered from semi-structured interviews with selected key respondents, which were the main primary sources, as well as from other sources such as institutional brochures, annual reports, and web-sites. Interviews were conducted with personnel in the alliance ‘child’ business are referred to differently (the questions designed to each of the interviewees are all different to reflect their position and responsibilities).

**Stage 1**  Studies partner selection process and alliance motives

**Stage 2**  Studies processes and strategies in implementing OL

**Result and Discussion**

The two case studies used in this study, a manufacturing company and an educational institution were established not only for traditional ISA motives, but also in support of the Malaysian government’s K-economy objectives. In this respect, alliances with international partners are designed to encourage and promote not only new technology and skill transfer, but also to increase learning and experience (or tacit knowledge). Table 1 shows the summary of findings related to stage 1 and Table 2 summaries the findings for Stage 2.
Table 3. Summary of Results on Key Learning Elements Promoting Knowledge Creation and Learning in Both Case Studies

<table>
<thead>
<tr>
<th>Key learning Elements from theoretical framework</th>
<th>Case A</th>
<th>Case B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning culture and climate</td>
<td>Learning environment was developed through mutually agreed alliance objectives, commitment from the top management, each staff developed knowledge by providing, sharing and expanding useful knowledge and working as a unit.</td>
<td>There was a process of learning even though quite limited</td>
</tr>
<tr>
<td>Shared mental models</td>
<td>Staff shared culture and values of promoting knowledge creation and learning, and give support to colleagues, supervisors or subordinates.</td>
<td>Lack of common philosophy and shared values among the staff</td>
</tr>
<tr>
<td>Systemic thinking</td>
<td>Staff shares company’s objectives and encouraged collective efforts for achieving learning.</td>
<td>Staff share the alliance objectives but not as a whole and most of the time they were working individually to achieve objective</td>
</tr>
<tr>
<td>Knowledge Acquisition, Creation and Transfer</td>
<td>Knowledge acquisition was mostly facilitated through technical training, ‘shadow posting’ at the local plant, on-the-job-training</td>
<td>Contact with ‘flying teacher’ and an administrator, however these people only visited local business in a very short period each year</td>
</tr>
<tr>
<td>Joint Learning Strategies/ Programmes</td>
<td>Provided formal connection and arrangement for training</td>
<td>There was no formal arrangement for training</td>
</tr>
<tr>
<td>Building Learning Relationship</td>
<td>Top management play a role in encouraging and assisting the development of the alliance relationship as well as acting as an agent of learning</td>
<td>Involved bureaucracy, and lack of support from the local top management</td>
</tr>
</tbody>
</table>

*Source: Morrison and Mezentseff (1997: 354)*

Figure 2. Learning Framework for Successful Co-operative Strategic
**Key Learning Elements**

The Morrison and Mezentseff (1997) learning framework as shown in Figure 2 is chosen as theoretical background for continuing research in identifying key learning elements promoting learning in the case of alliance venture. This framework is selected based on the reason that it has suggested a few key learning elements that facilitate learning process in cooperative strategic partnership case. Although the authors of the framework have suggested it for assessing learning in ‘parent to parent’ situation, this study used and adopted for the case of the child partner learning from its foreign parent partner.

**The Findings**

Theoretically, the findings from both case studies supported the suggested elements within the learning framework by Morrisson and Mezentseff (1997). There were positive relationships between all elements – ‘shared mental models’, ‘systemic thinking’, ‘joint learning strategy/structure and process’, ‘knowledge acquisition/creation/transfer’, ‘learning relationship’ and learning culture and climate and overall organization learning outcomes and performance; be they at individual, team or organizational levels. Table 3 shows the results on key learning elements proving knowledge creation and learning in both case studies.

In another point of view, from the findings of both cases, the research would like to suggest original Morrisson and Mezentseff (1997) framework to highlight these following elements and single them out in their framework so that their importance in helping promoting knowledge creation and learning can be seen. Those elements are:
1. Communication and network
2. Knowledge connection
3. Knowledge management
4. Learning mechanisms such as teamwork, reward systems, and feedback
5. Leadership commitment

---

**Table 4. Summary of Findings Showing How Those 5 Elements were Highlighted in Both Cases during the Interviews**

| New suggested key learning elements | Findings for Case A | Findings for Case B | Findings for new suggested key element _the benefits_
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication and network</td>
<td>Regular meetings</td>
<td>Annual meetings</td>
<td>Reduce communication barrier and culture gaps</td>
</tr>
<tr>
<td></td>
<td>Informal communication and discussion via e-mail</td>
<td>Communication via informal meeting and e-mail</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Formal networking (via expatriate staff at local plant)</td>
<td>Formal networking (via expatriate administrator)</td>
<td></td>
</tr>
<tr>
<td>Knowledge connection</td>
<td>Loaned managers</td>
<td>Flying UK teachers/lecturers to the local institution</td>
<td>Help promote learning, and achieve new skill and experience</td>
</tr>
<tr>
<td></td>
<td>Assigned ‘shadow posts’ to work closely with local staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge management</td>
<td>A database system for operating instructions and procedures, problem-solving and technical reports, qualification and certification was developed</td>
<td>A formal and published report on programme via electronic device.</td>
<td>Reports are used for future references and prepare training manual/programme</td>
</tr>
<tr>
<td>Learning mechanism</td>
<td>Encourage staff to work as a unit, Provide specific budget for training</td>
<td>Feedback and annual evaluation/assessment.</td>
<td>With proper learning mechanisms, learning absorptive capacity would be highly promoted</td>
</tr>
<tr>
<td></td>
<td>Design specific staff performance evaluation tools</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership commitment</td>
<td>Management design a focus learning objective</td>
<td>Head of Department communicated regularly with subordinates</td>
<td>Commitment from top management to help promote learning culture is very important. Bureaucracy must be cut. Communication must flow easily and managers must work closely with staff to identify and solve problems. (Extant literature)</td>
</tr>
<tr>
<td></td>
<td>Management allocated specific budget for training and development programme</td>
<td>HOD worked closely with staff</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Managers worked closely with the staff</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
This suggestion is based on the argument that, even though the situations related to those elements can be identified and related to the elements as suggested in Morrisson and Mezentseff (1997) framework, but looking from another point of view, these elements are underemphasized and often incorporated and subordinated to other designated key factors or elements. For example, respondents from both Case A and Case B continuously referred communication, formal and informal, as very important tool to enable them to help them communicate and learn. However, in original Morrisson and Mezentseff (1997) framework, the communication and network element were discussed only under the term knowledge con-

Figure 3. Key Elements Promoting Learning Via International Strategic Alliance or Collaboration
nection, creation and acquisition. Table 4 shows the summary of findings on the importance of these elements.

**Conclusion**

Based on the arguments and supported by the findings in both case studies, it is undeniable that there are many determinants for helping the process of knowledge creation and learning. In summary, it is assumed that the parent partners in each case were at least assisting the child business to achieve learning. However, the differences in both organizations, in term of types and structures, required some balancing of the key learning elements. For example, in the manufacturing organization (Case A), most key elements seemed to apply strongly (the organization has a well-planned learning objective with an organized alliance-structure since the beginning of the alliance negotiation), thus the learning process was greatly facilitated. Whereas in the education institution (Case B), apart from a much different learning culture and environment, there was some internal management conflict, which according to the key respondents, if solved and positively highlighted, would clearly create mutual benefit to learning, as well as to the alliance relationship.

Finally, the paper highlights the key elements that would help to promote effective learning process for child business from its foreign parent partners. The summaries of those key elements are shown in Figure 3.

**References**


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Three or More Authors:

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