National cultures and the knowledge sharing process in International Joint Ventures

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Management Summary

Nowadays, companies seeking for new opportunities to enter foreign markets have several alternatives available. A strategic alliance in the form of an International Joint Venture (IJV) is one of the options. When doing business abroad, firms need to take into account that national cultures differ. Next to that the partners in the strategic alliance should be aware of the role that knowledge, according to Grant (1996) the most important strategic resource of the firm, plays.

This thesis explains how differences in national culture affect the knowledge sharing process in International Joint Ventures. First the concepts of knowledge sharing, IJVs and national culture are described in a literature review. The explanation of the knowledge transfer process is based on the SECI model (Nonaka and Toyama, 2003) and five conditions that are needed to keep the process moving. Next to that, an overview of incentives to start an IJV is given. In order to provide a good understanding of culture, the dimensions of Hofstede (1980) are used. He derived five different dimensions of culture from his research. Finally the relation between the different concepts is discussed.

The results of this thesis conclude that the knowledge sharing process in IJV is influenced by the different dimensions of culture as described by Hofstede. The dimensions of individualism, masculinity, uncertainty avoidance and short-term orientation negatively impact the knowledge transfer process. Generally, a high level of power distance negatively impacts the knowledge transfer process, except for certain conditions. Next to understanding the effect of differences in national culture, the organization should understand the impact of the conditions necessary to keep the knowledge transfer process moving. Those conditions are intention, fluctuation and creative chaos, autonomy, redundancy and requisite variety. Overall, a high level of trust between the partners in an IJV will lead to a better understanding. Throughout the life of an IJV, knowledge plays an important role. Unfortunately the results of this thesis were not empirically tested due to time constraints.

Keywords: Knowledge transfer process, International Joint Venture, National Culture
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Chapter 1: Introduction

1.1 Introduction

In this first chapter an introduction will be given on the topic of this thesis. After the problem indication, the problem statement and the research questions will be provided. The introduction ends with a discussion on the research design and the structure of the thesis.

1.2 Problem Indication

The last two decennia, new markets, containing millions customers and opportunities for cheap labour, opened up foreign firms. Many of those new markets transformed from a Soviet type economy towards a market based economy, creating new opportunities for Multinational companies (MNC) competing on an international level. Those opportunities also came with new challenges such as dealing with a new national culture and local institutions.

When doing business abroad, the MNCs need to adapt to the foreign national culture (Barkema, Bell & Pennings, 1996). In order to gain this knowledge of the other culture and its institutions, many MNCs start IJVs (International joint ventures). Even though lack of knowledge of a specific market and its culture is one of the motivators to start an IJV cultural differences may eventually create potential problems and even conflicts (Barkema & Vermeulen, 1997).

When entering those new foreign markets, several modes of entry such as greenfield investment, acquisition and joint ventures can be used. All entry modes come with different risks and different payoffs. In many cases, a joint venture is chosen in order to transfer organizational knowledge (Kogut, 1988). Research not only shows that knowledge is the most valuable resource of an organization (Grant, 1996), but also the success of IJVs is to a large extent determined by the ability of IJVs to acquire the knowledge of a partner (Lyles & Salk, 1996). In IJVs, MNCs can use their knowledge and apply it in new markets (Inkpen & Dinur, 1998).

Although a considerable amount of research has been done on the process of knowledge sharing, still more needs to be done on the relationship of national cultures with knowledge sharing in International Joint Ventures (IJVs). This thesis will examine this relationship. This thesis is relevant from a managerial perspective since it provides a clear understanding of the potential barrier that a different national culture can be in a knowledge sharing process. Managers will gain new insights on successful knowledge sharing practices in IJVs and can therefore use this thesis for strategic decision-making.
1.3 Problem statement

To what extent do differences in national culture effect the knowledge sharing process in International Joint Ventures?

1.4 Research Questions

1: What is the knowledge sharing process?
2: What are the incentives to start an IJV?
3: What are the different characteristics of national cultures?
4: Which factors influence the knowledge sharing process in international joint ventures?
5: How do differences in national culture influence the knowledge sharing process?

1.5 Research design and data collection

1.5.1 Research design

This bachelor thesis has as goal to better understand the nature of a problem that regularly occurs in an organizational setting (Sekaran, 2003). Next to that, the research will be descriptive. According to Sekaran (2003), a descriptive study is used to describe the characteristics of the variables of interest in a situation. This descriptive study will be presented in the form of a literature review. The research will be described and presented in a structured manner.

1.5.2 Data Collection

I will collect and analyze the relevant secondary resources on the subject. The literature review will be mainly based on papers from high quality academic journals such as ‘the strategic management journal’ and the ‘Journal of International Business Studies’. In order to find the relevant journals, books and cases I will be using search engines like Proquest and scholar.google.com. Furthermore, databases such as JSTOR and ABI/Inform will be accessed by the facilities offered at Tilburg University.

1.6 Structure of the thesis

The thesis is built upon three main concepts: knowledge transfer, IJVs and national cultures. The first three research questions will be answered in the literature review of chapter two. The fourth research question will be answered in chapter three and the last research question will be answered in chapter four. The fifth and last chapter will provide the conclusion and recommendations.
Chapter 2: Literature Review

2.1 Introduction

In this chapter the first, second and third research questions are answered. With those three research questions, the main concepts of the thesis are described in order to answer the fourth and the fifth research question in later chapters. First, a basic understanding of the knowledge transfer process will be provided, followed by a review of literature on IJVs. In end of the chapter, a definition of culture and the dimensions of national culture will be given.

2.2 Knowledge Transfer

2.2.1 Definition of Knowledge

In the mid nineties Grant (1996) defines knowledge as the most strategically important resource of the firm. With his research, Grant (1996) argues that knowledge has more impact on the performance of an organization than the traditional resource based view. Grant emphasizes that the issue of transferability is important both within and between firms. Nonaka and Takeuchi (1995) define this transfer of knowledge as “the capability of a company as a whole to create knowledge, disseminate it throughout the organization, and embody it in products, services, and systems.”

Knowledge differs from data and information, although there is a certain relationship (Davenport and Prusak, 1998). Data is considered as raw numbers or facts, without any meaning or value and is often stored in databanks. Information goes one step further and is seen as organized data that has, in a certain context, a meaning for the person that receives it. Knowledge goes yet another step further and is defined as information that can be used to do certain things, such as making decisions. Knowledge can thus refer to codified information, but also to experiences and management beliefs (Davenport and Prusak, 1998).

2.2.2 Types of knowledge

Two types of knowledge are distinguished: tacit and explicit knowledge (Polanyi, 1966). Explicit knowledge is knowledge that can be readily accessed, shared and stored (Nonaka and Takeuchi, 1995). Within organizations explicit knowledge is often stored and easily transmitted in the form of documents and manuals. The explicit knowledge is expressed in formal language and numbers.
On the contrary, tacit knowledge is difficult to access and to communicate with others, since it is deeply rooted in routines, values, ideas and involvement of individuals in a specific context (Nonaka, 1994). Mastery of a certain manufacturing process and experience with the political climate in a certain country are forms of knowledge that is tacit. In other words tacit knowledge is the know-how of individuals acquired through individuals (Nonaka, 1994).

2.2.3 Knowledge transfer process

The SECI model describes the organizational knowledge creation process as a conversion between Tacit and Explicit knowledge. The interaction between the two types of knowledge is called ‘knowledge conversion’ (Nonaka, Toyama and Konno, 2000). In total there are four different forms of interaction between tacit and explicit knowledge: Socialization, Externalization, Combination and Internalization. In this research the SECI model is used because it is one of the most influential theories on organizational knowledge creation (Popadiuk and Choo, 2006).

**Socialization:** In the socialization process new tacit knowledge is created through shared experience, such as spending time together or working in the same environment (Nonaka, Toyama and Konno, 2000). The knowledge is therefore shared through direct interaction. An example of socialization is on-the-job training (Nonaka, 1994).

**Externalization:** Tacit knowledge is transformed into explicit knowledge through the process of externalization. This allows the knowledge to be shared by others, becoming the basis of new knowledge. The explicit knowledge is created by the development of concepts, images and documents and becomes part of a group (Nonaka and Toyama, 2003).

**Combination:** We speak of combination when explicit knowledge is converted into a more complex or more systematic form of knowledge. New knowledge is created by combining, editing or processing explicit knowledge from inside or outside the organization. Databases and computerized communication can facilitate this form of knowledge creation (Nonaka and Toyama, 2003).

**Internalization:** Explicit knowledge is transferred into tacit knowledge when individuals enrich their tacit knowledge base by reading or practicing the explicit knowledge. The knowledge can also be learned through simulations and experiments (Nonaka and Toyama, 2003).
Organizations learn by transferring tacit knowledge to explicit knowledge and the other way around (Nonaka, Toyama and Noboru Konno, 2000). The interaction between the four interaction modes moves in the form of a spiral. This dynamic process starts at an individual level and expands as the spiral becomes larger when it moves within or between organizations. The spiral is present at different levels of the organization (organization, team, individual). Five conditions are present to keep the spiral moving (Nonaka and Takeuchi, 1995) through the interaction modes.

**Intention:** An organization should have a clear strategy or vision for the future in order to facilitate knowledge creation.

**Fluctuation and creative chaos:** A crisis or a certain level of chaos has a positive impact on the level of knowledge creation. This stimulus forces to challenge paradigms.

**Autonomy:** Individuals within an organization should have the freedom to act and to make decisions. There should be no limitations to develop new knowledge.

**Redundancy:** There should be an amount of overlap information in business activities. The extra information provides insights from different perspectives, leading to the creation of new ideas or the combination of existing ideas that would not have existed without the extra information.

**Requisite variety:** The diversity within an organization should match the variety and complexity of the external environment.

In case the conditions are not met, the knowledge creation will slow down or will come to a hold (Nonaka and Takeuchi, 1995). One example is that in case of a lack of diversity, employees have fewer perspectives on projects they are working on and might find less alternative solutions for a problem.
2.3 International Joint Ventures

2.3.1 Strategic alliances

When entering a new market, several alternatives such as acquisition, licensing and contracts are available to the firm. The choice of entry mode generally depends on several factors, such as the risk involved and the level of costs needed for management control (Hennart, 1998). The transaction costs theory explains that the choice among different forms of ownership depends on the expected costs and revenues (Hennart, 1998).

In general, strategic alliances have three characteristics (Inkpen and Curral, 1998): First of all, both partners stay independent once the alliance is formed. Second, both partners will be vulnerable to each other since they depend on each other. Third, trust between the two or more partners is important, as a result of the uncertainty about the behaviour of the other party.

On one side, shared costs and exploitation of the different capabilities are likely to decrease the total amount of investment in a strategic alliance (Kogut, 1991). On the other side, the interdependence of the partners leads to costs in management and control due to the extra costs needed for coordination and administration (Inkpen and Curral, 1998).

2.3.2 Joint ventures

Joint ventures arise when two or more firms pool a portion of their resources within a common legal organization (Kogut, 1988). The organizations share the ownership and control of the new entity, meaning that they share both the benefits and the risk. In general an IJV is created with a specific purpose. A strategic alliance between a foreign company and a local partner provides significant opportunities for both partners (Hennart, 1988). The most important incentives will be explained in the following paragraphs.

Reducing political risk

Reducing political risk is one of the reasons to start a joint venture instead of another foreign entry mode. In order to enter some (developing) countries, partnering with a local organization is required by law or by institutional pressure in the form of social, cultural and industrial norms (Aimin Yan and Yadong Luo, 2001). Another reason to start an IJV can be to reduce negative reactions in the host country, since it partially reduces its visibility and still exploits its advantages (Hennart, 1988).
Pooling knowledge and resources

Some firms see a JV as an opportunity for pooling assets (Shenkar and Li, 1999). Different abilities from the partners are ‘pooled’ together in a cooperation. The value of the alliance is particularly high when the knowledge is complementary (Hennart, 1988). Licensing is also widely used to combine knowledge.

Access to new markets

In order to compete on an international level, MNCs from different sectors need to be present in all main world markets. Partnering with a firm in a local market can be an attractive possibility (Hennart, 1988). MNCs can exploit their knowledge in a market they are not familiar with by contributing with technology and knowledge of business practices. The local partner has specific knowledge on the local market, the consumer behaviour and distribution networks. Compared to starting a JV, accessing this knowledge by starting a Wholly Owned Subsidiary (WOS) or by acquisition can be both expensive and time-consuming (Hennart, 1988).

Economies of scale

Reducing costs through economies of scale is an incentive to start a joint venture (Hennart, 1988). In case of a joint venture, both firms will combine (a part of) their production process, leading to a lower average cost per product as the scale is increased.

2.3.3 Trust in IJVs

Trust is the reliance on another party, which can be a person, group or a firm, under a condition of risk (Currall and Judge, 1995). In every type of alliance that is formed, a certain level of trust needs to be present. There are several factors that influence this level of trust. One of the factors affecting the level of inter-firm trust is the level of prior experience with the partners involved or with JVs in general (Inkpen & Currall, 1998). In case the partners worked together before, there will be less initial uncertainties with regard to cooperation. When a partner doesn’t have prior experience with the partner, but does have prior experience with JVs, this also limits the perception of opportunistic behaviour.

Having inter-firm trust in a JV has several benefits. The partners will have lower transaction costs and show more desirable behaviour. Next to that, the number of formal contracts is reduced and conflicts are managed in a more efficient way (Das & Teng, 1998). During the alliance, the partners
involved learn about each other along the way. Therefore the level of trust will also change. As the relationship ages, the level of mutual understanding will grow because of shared previous successes and failures (Inkpen & Curral, 1998)

2.4: Differences in national culture

2.4.1 Definition / Culture Defined

Culture can be defined in many different ways. Most researchers agree that members of a certain culture share the same values and beliefs. Schein (2004) defines culture as: a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.

2.4.2 Dimensions of culture

Probably the most influential researcher on national cultures is Geert Hofstede, as he is cited by many popular researchers such as Kogut and Singh (1988) and Barkema, Bell & Pennings (1996). Hofstede (1991) defines culture as something that is learned, as the members of one group are distinguished by collective programming of the mind. Culture consists of several layers that are represented in an onion model. Values, the deepest layer of the model, is also the most difficult layer to understand and to change. In his book “Cultures and Organizations – Software of the mind (1980)” Hofstede describes four bipolar dimensions of culture: Power distance, individualism, masculinity and uncertainty avoidance. Hofstede gathered his data by spreading a survey among 117.000 IBM employees from 72 countries. In a later research, Hofstede adds a fifth dimension: Long-term orientation. This dimension was not found in the initial survey, but was derived from a survey that was held among students from 23 different countries (Hofstede & Bond, 1984).

**Power distance**

Power distance is the extent to which less powerful members of organizations and institutions accept and expect that power is distributed equally (Hofstede, 1994). Members of a culture with a high power distance accept the perception of inequality more easily than cultures with a low power distance. Members of a culture with a low power distance will approach their boss more easily.
Individualism - Collectivism

The dimension of Individualism – Collectivism describes the relation between individuals and the group. Opposed to collectivist cultures, a member of an individualist culture is expected to look after him/herself and his/her immediate family. A culture scoring high on collectivism consists of strong, cohesive groups that offer protection in exchange for unquestioning loyalty (Hofstede & Bond, 1984).

Masculinity – Femininity

Masculine societies tend to have more dominant and assertive values. In feminine societies, values such as caring and modesty are more dominant, both for men and women. Furthermore people are more focused on the quality of life. Social gender roles are more distinguished in masculine societies (Hofstede & Bond, 1984).

Uncertainty avoidance

The level of uncertainty avoidance indicates to what extent members of culture feel either comfortable or uncomfortable in unstructured situations. A culture with a high level of uncertainty avoidance tends to minimize those unstructured situations by laws, rules and safety measures (Hofstede, 2001).

Long-term orientation

Long-term orientation or Confucian dynamism stands for the values of thrift and perseverance. On the contrary, short-term orientation stands for the fostering of virtues related to the past and present, such as respect for tradition and preservation of ‘face’ (Hofstede, 2001). Members of a long-term oriented culture are more motivated to achieve long-term goals.

For each country the dimension of culture are different. One culture can have a high degree of a certain dimension, while another culture has a low degree of that same dimension. Several researchers (Bhagat et al., 2002; Hofstede, 1991) define the degree of individualism as the key distinguishing cultural characteristic, as this dimension has most impact on how individuals work. Since individualism and collectivism (IC) can have many forms, Triandis (1995) argues that IC may be vertical or horizontal. In vertical cultures, people see themselves as different from others in terms of social status. Therefore, they are expected to accept the differences in privileges that go with rank. In horizontal cultures people see themselves as more or less similar to others.
When combining those distinctions with the original model, four cultural patterns are formed: vertical - individualistic, vertical - collectivist, horizontal – individualistic and horizontal – collectivist.

2.5 Summary

In chapter two the first, second and third research question were answered. First the knowledge sharing process was explained, answering the first research question. It became clear that knowledge transfer is relevant in business and that knowledge is different from data and information. After tacit and explicit were distinguished as different types of knowledge, the theory of Nonaka (1994) was used to describe the forms of interaction in the knowledge sharing process. In addition to that, five conditions that are necessary to keep the knowledge sharing process moving were mentioned.

After an explanation of the knowledge sharing process, the second research question “What are the incentives to start an IJV?” was answered. The general characteristics of strategic alliances were described, followed by overview of the most important incentives to start an IJV. Besides this, the role of trust in IJV was shown. We saw that trust plays a crucial role in the IJV as the parties involved heavily depend on each other.

The third research question was answered in chapter 2.4 by, as the characteristics of national cultures were explained. It was discussed that most researchers agree that members of a certain culture share the same values and beliefs. Furthermore the characteristics of national cultures were explained with the cultural dimensions of Hofstede. From his research, five dimensions of culture are derived: Power distance, Individualism, Masculinity, Uncertainty avoidance and long-term orientation. Several researchers argue that the individualism dimension has most impact on how individuals work.
Chapter 3: Knowledge sharing and International Joint ventures

3.1 Introduction

Chapter three will give an answer to the fourth research question “Which factors influence the knowledge sharing process in international joint ventures?” Findings of the first research question on the knowledge sharing process and the second research question on international joint ventures will be used to investigate to what extent knowledge sharing and IJVs are related.

3.2 Which factors influence the knowledge sharing process in international joint ventures?

The creation of knowledge is a significant payoff that comes from a strategic cooperation such as an IJV (Inkpen & Dinur, 1998). Although the creation of knowledge does not always impact the performance in the short term, it generally does strengthen the competitiveness of a firm in the long run. Looking back at the incentives to start a joint venture, we saw that the search for knowledge is a reason to start an IJV in at least two ways. The role knowledge plays in the IJV differs from the early stages of formation towards the end of the cooperation. However, at all stages the partners should value knowledge of the other party (Inkpen & Dinur, 1998).

During the formation of the IJV, the interactions between the two or more partners are between individuals (Miller et al, 1997). In the negotiation process of the joint venture agreement, the conditions for technology transfer are especially important for the industrial county partner. In the agreement, the terms and the technologies (and technologies not yet developed) made available for the IJV are defined as precisely as possible (Miller et al, 1997). During the process at the formation of a joint venture, problems can arise due to the buyer’s uncertainty (Hennart, 1988). Especially in case of tacit knowledge, the exact characteristics and the value of the knowledge will not be told to the other partner. The seller, on the other hand, will not reveal the all information on the characteristics before the agreement. In that case he would give away the information free of charge (Hennart, 1988).

After the formation of an IJV, knowledge is transferred from the IJV to the parents. In this next stage of the knowledge transfer process in IJVs, a key determinant of the success comes from the ability to acquire and adapt the new (local) knowledge. An IJV provides the opportunity to access knowledge previously not available to the organization, a type of learning referred to as ‘grafting’ (Huber, 1991).
This process of ‘grafting’ is closely related to the internalization process as described by Nonaka and Takeuchi (1995). According to Nonaka and Takeuchi, this form of knowledge transfers has the most impact on the process of organizational learning. In addition to the internalization process, Lyles and Salk (1996) emphasize the importance of socialization and combination. In order to keep the upward spiral moving, as described in the SECI model (Nonaka, Toyama and Konno, 2000), the knowledge creation process should be amplified. This process is at least partly responsive to the influence of management (Inkpen & Dinur, 1998).

Problems in acquisition of knowledge generally occur in a later stage of the joint venture, since the interest of the partners are subject to change over time. A foreign partner might view the local partner as unnecessary once the knowledge of the local partner is acquired. This situation might lead to the instability of the joint venture (Inkpen and Beamish, 1997). The other way around, the local partner is also likely to acquire knowledge from the foreign partner. After a certain point of time, this contribution of resources might no longer be needed. Although the commitment of both partners to the IJV might decrease, it does not always mean that the strategic alliance is stopped.

Dhanaraj et al (2004) show that especially for mature IJVs, trust and shared values play an important role in transferring tacit knowledge. Where trust leads to a growing understanding between partners due to the experiences with prior successes and failures, shared values create a common identity and the formation of collective interpretations (Dyer and Nobeoka, 2000). Those shared values are created through the process of socialization, mainly between executives, and lead to a stronger social bond between the partners.

### 3.3 Summary

When relating the knowledge sharing process to IJVs, we recognize that the role of knowledge changes throughout the life of an IJV. In each stage, the partners need to be aware of the relation they have with the other partner (or partners) as well as the value their knowledge has to the other. Overall, a high level of trust and shared values lead to a better understanding and bond between the partners.
Chapter 4: How do differences in national culture influence the knowledge sharing process?

4.1 Introduction:

In this chapter we are interested in the relation of differences in national culture with the knowledge sharing process. In chapter two the SECI model, explaining the forms of interaction in the knowledge sharing process, was described. Next to that, five conditions were discussed that are necessary to keep the process moving. In chapter 2.4 the five cultural dimensions of Hofstede were discussed. In this chapter we will investigate to what extent the knowledge sharing process is influenced by those cultural dimensions.

4.2 Cultural dimensions and knowledge sharing

When we look at the cultural dimensions of Hofstede, the question arises whether the dimensions have a positive or negative influence on the knowledge sharing process.

Ford and Chen (2003) argue that on the individualism / collectivism (IC) dimension, a high level of individualism is likely to negatively impact the knowledge sharing process. Members of an individualistic culture are expected to look after themselves and will therefore have more difficulty in sharing knowledge, since knowledge can be seen as a tool for power and a measure for success. In collectivist cultures, success of a group has relatively more value, partially because of their clear goals for the group (Ford and Chen, 2003). As a high level of knowledge sharing is beneficial to the group, members of the group share knowledge more easily since it will maintain and strengthen the cohesiveness of the group. Bhagat et al. (2002) argue that in collectivist cultures, people emphasize tacit knowledge. In contrast to collectivist cultures, individualist cultures prefer explicit knowledge that is in line with personal goals.

Similar to the IC dimension, sharing knowledge in cultures with a high level of masculinity might be more difficult compared to feminine cultures (von Krogh et al, 2000). Due to the competitiveness in masculine cultures, people feel less incentive to share knowledge. In feminine societies, taking care of others and helping them to learn is positively effecting knowledge creation, as female managers have a more cooperative working style (von Krogh et al, 2000).

A high level of uncertainty avoidance clearly prevents the knowledge sharing process in terms of creativity, pro-activity and attitudes towards innovation (Olta, 2005). The creation of knowledge is stimulated by the introduction of tension and chaos (Nonaka and Takeuchi, 1995). ‘Creative chaos’
can for example be created by the breakdown of routines, leading to a sense of crisis throughout a firm. In cultures with a high level of uncertainty avoidance, ‘creative chaos’ will be less effective since individuals feel more threatened in uncertain situations (Hofstede, 1991). Organizations in a culture with a high uncertainty avoidance can recognise the uncertainty of the external environment by creating diversity with the organization, so that the internal environment matches with the external variety and complexity (Oltra, 2005).

Countries with a high level of power distance (PD) accept authority and an unequal distribution of power more easily. The effect on the knowledge transfer is that knowledge in a high PD culture comes top-down, leading to a lower valuation of knowledge present in the lower levels of a firm. On the one hand, the result is that top-down knowledge transfer is easier (Oltra, 2005). When the management emphasizes the importance of knowledge sharing, this is more likely to be the case. It is the task of top management to have a clear strategy for the future (intention) and the responsibility of the middle management to translate this vision into goals for the lower levels (Nonaka and Takeuchi, 1995). On the other hand, knowledge in the lower levels hardly flows ‘up the stream’, since individuals will not feel comfortable when sharing their opinion and ideas with their superiors (Ford and Chen, 2003).

The long-term orientation dimension describes the motivation of members of a culture to work for long term goals. Since knowledge sharing is a process with a high payoff in the long-term, it can be said that a long-term oriented culture is more willing to practice knowledge sharing (Ford and Chen, 2003).

### 4.3 Summary

In this chapter it was shown how the dimensions of national culture influence the knowledge sharing process. A high level of collectivism has a positive impact on knowledge sharing because of the cohesiveness of groups. Competitiveness in masculine cultures negatively influences the knowledge transfer. Uncertainty avoidance negatively affects the knowledge sharing process, because innovation and creativity is prevented. The dimension of power distance leads to a limited flow of information that comes bottom-up. However, a high level of power distance can also be used by higher management to emphasize the importance of knowledge transfer. Since effective knowledge transfer is especially beneficial for the organization in the long run, long term orientation is positive for knowledge transfer.
Chapter 5: Conclusion, Recommendations and Limitations

5.1 Introduction

In the second chapter, the concepts of knowledge sharing, IJVs, trust and differences in national cultures were discussed in order to answer the problem statement “To what extent do differences in national culture effect the knowledge sharing process in International Joint Ventures?”

5.2 Conclusion

The result of this literature review is that the knowledge sharing process in IJVs is influenced by differences in national culture. The dimensions of culture have a different impact on the knowledge sharing process.

In order to answer the problem statement, the concepts of knowledge and the knowledge sharing process were first described. Knowledge and especially knowledge transfer is a strategic resource of a firm that has a high impact on the performance of an organization. Two types of knowledge can be distinguished: Tacit and explicit knowledge. Knowledge is shared by interactions between tacit and explicit knowledge in the form of a spiral. In order to keep the spiral of knowledge transfer moving, the firm should hold to the conditions of intention, creative chaos, autonomy, redundancy and requisite variety. Because of the different conditions that are needed in the process, creating an environment in an IJV where knowledge is shared can be challenging.

With regard to IJVs, it became clear that several modes of entry exist for firms when entering a new market. Looking at the incentives to start a strategic alliance in the form of an IJV, we see that the search for knowledge plays an important role in the decision making process. In order to benefit from knowledge sharing once the alliance is formed, all partners need to be aware of their dependent relationships. Trust has a positive effect on the performance of a JV and prior experience with a partner improves the understanding between the partners.

In describing the differences in national culture, the theory of Hofstede was used to distinguish and characterize different dimensions of national culture. In his research, Hofstede defined five bi-polar dimensions of national culture: Power distance, Individualism, Masculinity, Uncertainty avoidance and long-term orientation.

In answering the fourth research question, one important conclusion is that throughout all stages of the life of an IJV, knowledge plays in an important role in the relation of the partners involved.
During the formation of the alliance, both parties are not willing to give away their information about their knowledge due to the buyer’s uncertainty. Once the JV is formed, the ability to transfer and internalize the knowledge is crucial to the success of the IJV. In a later stage, the partners might see the other party as unnecessary since the parent firms already found the knowledge they were looking for.

The dimensions of culture as described by Hofstede influence the knowledge transfer process in different ways. Individualism, masculinity, uncertainty avoidance and short-term orientation negatively impact the knowledge transfer process. The effect of power distance on knowledge transfer can be both positive and negative.

Overall this research has shown that differences in national culture have an influence on the knowledge sharing process in IJVs. Dimensions of national culture that have a positive influence on the knowledge sharing process have been distinguished from the dimensions of national culture that have a negative influence on the process. Next to that it became clear that trust and knowledge transfer is important in relations between IJV partners.

5.3 Recommendations

In order to test the effect of differences in national cultures on the knowledge transfer in IJVs, further empirical research is needed to support the validity of the conclusions. In this thesis, many variables that have an impact on knowledge transfer in IJVs are excluded. The effect of organizational culture on the knowledge sharing process was not taken into account. The influence of management behavior is also not included in this paper. Further research could include both variables.

From a managerial point of view, this thesis contains several recommendations. First of all, managers should be aware of the effect that differences in national cultures have on the knowledge sharing process. Furthermore they should that into account that several conditions hold in order to keep the knowledge sharing process moving. An example is the communication of a clear vision for the future.

5.4 Limitations

This paper has several limitations. First of all this study is only based on secondary resources and therefore it lacks empirical evidence. Next to that, some choices have been made regarding the concepts discussed in this thesis as most concepts are relatively broad. For example, dimensions of
national cultures are described by several researchers such as Hofstede, Schwartz and Trompenaars. In this thesis the theory of Geert Hofstede was chosen because of the impact of his research.

In this thesis the process of knowledge transfer is described with the theory of Nonaka and Takeuchi (1995). Since this theory is based on a study of Japanese organizations (that rely more on tacit knowledge), it might not be fully applicable to other countries.
References

Articles


**Books**


