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Knowledge transfers in Strategic Alliances in China.

Abstract

Based on a mixed methods approach drawing on open and closed questions within an online questionnaire, this research seeks to explore knowledge transfers undertaken by Chinese firms as part of an international strategic alliance. Drawing on the overall importance of international strategic alliances in the Chinese economy, this research seeks to understand what are the key challenges of knowledge transfers in this environment, what do they look like and how can knowledge be used in a manner to sustain competitive success. There is a need to conduct this research in the Chinese context in light of the cultural differences and uniqueness of this market coupled with its transition economy status. The findings of this study highlight the power of knowledge transfers and the intangibility of knowledge that can be used to refresh and revitalise the capability base of the firm. Further, the study reveals the unique challenges related to the Chinese business environment which in particular align to the cultural difficulties and the technological challenges associated with the protection of valuable knowledge.

Key Words: Knowledge transfer, learning, strategic alliance, value.

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#### Chapter One: Introduction

##### 1.0 Introduction

This introductory chapter outlines the central research context and introduces key concepts. In order to understand the nature and importance of knowledge transfers, this chapter defines the meaning of knowledge drawing on both its tacit and explicit forms. In addition it introduces the reader to the growing importance of international strategic alliances, with a central focus on the Chinese market. Recognising that there is a strong link between strategic alliances and competitive success in the literature, this research focuses upon the Chinese market in particular in order to understand what such alliances look like, the nature of knowledge transfers and the specific challenges that exist within this growing and important market. This information is needed to then assess the extent to which Chinese firms are able to use the knowledge obtained to strength their own competitive position.

##### 1.1 Background/Context

China has been predicted by Wilson and Purushothaman (2003) to be the world's largest economy by 2050 and stemming from this has been positioned as one of the BRICS economies (a group made up of Brazil, Russia, India, China and South Africa). As a result of this focus on growth, increased attention has been directed towards China and in particular, an examination of strategic alliances in China, a process by which many Chinese firms are expanding their international markets.

Although strategic alliances offer potential and opportunities for knowledge sharing and the leveraging of knowledge, such exchanges can result in challenges which this research seeks to understand within this unique cultural context.

For the purpose of this research, a strategic alliance can be defined as 'a legal agreement between two distinct organisations that provides for sharing resources collaboratively in pursuit of a mutually beneficial goal' (Financial Times, 2016: 1). Further the very nature of a 'strategic' alliance refers to a variety of criterion ranging from an organisation, which has undertaken an alliance or partnership with another firm critical to the success of that business. A business for example may undertake an alliance to increase capacity for knowledge sharing or capabilities, however to achieve this a firm may have to overcome a great deal of challenges. Second, an alliance often restricts or blocks a competitive threat and as such, alliances are regularly positioned as being a process which enables competitive strength as presented in the research of Brouthers, Nakos and Dimitratos (2015), and Bouncken, Pesch and Gudergan (2015). This research seeks to understand how Chinese firms use the knowledge they have obtained as part of an international strategic alliance to strengthen their overall competitive position. Knowledge transfers and the process of sharing knowledge can be defined as "the exchange of knowledge between and among individuals, and within and among teams, organisational units, and organisations. This exchange may be focused or unfocused, but it usually does not have a clear a priori objective" (Schwartz (2006) cited in Paulin & Suneson, 2015 p. 82). This definition noted in captures the different levels at which transfers may take place and captures the extent to which these may be either formal or informal with challenges coupled with each form. Drawing on this definition, there is a need to think about the context within which knowledge emerges and how such knowledge transfers can be facilitated drawing in particular on challenges which may occur in the Chinese business environment which is notably different to that of the West. A focus on the differences within the Chinese market is important and provides a core rationale for this research due to the increasingly powerful political and economic nature of China.

In this research, knowledge transfers in strategic alliances are examined with a particular focus on the Chinese market. China is positioned as a market of growth something which has been linked in part to their growth strategy underpinned by strategic alliances (Jin, Von Zedtwitz & Chong, 2015). In light of this, there is a need to examine the challenges which Chinese firms face when trying to obtain knowledge as part of the international strategic alliance process and the nature of knowledge transfers which exist. A key question of 'how' therefore emerges.

### 1.3 Justification/Rationale

The first motivation for this research is to understand what knowledge transfers look like specifically within the context of the Chinese market, due to its significant global importance. This is required due to the business approach in China being widely noted to be different to that of the Western markets. Within this context, there is a need to explore if different challenges occur surrounding knowledge transfers within international strategic alliances taking place with Chinese firms. An understanding of what challenges exist is therefore the second motivation for this research. This study will be beneficial in improving the understanding of the Chinese market and will inform businesses both within China and in external economies of the methods and challenges involved in strategic alliances with China. The findings produced should help to improve the success of such alliances.

### 1.4 Research Objectives

This research is underpinned by one central research objective: 'To explore and examine knowledge transfers within Chinese strategic alliances'. This research objective will be achieved through a focus on three research questions:

1. What are the challenges faced by Chinese firms in obtaining knowledge in their international strategic alliances?
2. How much knowledge transfer exists for Chinese firms in their international strategic alliances?
3. How do Chinese firms use the knowledge obtained from international strategic alliances to strengthen their competitive position?

### 1.5 Summary and Structure

This chapter has introduced the concepts aligned to the research objectives and the specific research context within which this research exists: the challenging yet growing Chinese market. The next chapter presents a detailed and systematic examination of the literature drawing on the core theoretical and empirical foundations of the research: knowledge transfers, challenges and international strategic alliances in China. Relevant studies are critically analysed and used to guide and direct the empirical study. Reflecting upon the research context within which this study exists, emphasis is placed on studies from China where possible to further discuss the specific nature of strategic alliances in China and the potential challenges associated with this environment. Chapter three then moves on to present the methodology of the research collect empirical data using a mixed methods methodology. The justification and the details of the methodology employed are presented and discussed in detail. Chapter four then presents the data presentation and the analysis of the data and provides a series of descriptive statistics alongside a more thematic analysis approach. The final chapter then presents the conclusions, recommendations and areas of future research drawing out the central importance of the research presented.

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## Chapter Two: Literature Review

### 2.0 Introduction

This chapter presents the theoretical basis for the research aligned to the research objectives presented in chapter one. This chapter introduces the key theoretical concepts and empirical studies that underpin the arena within which this research sits.

#### 2.1 The meaning of knowledge

The crux of this exploratory research seeks to understand the extent to which knowledge transfers exist in strategic alliances and the extent to which these underpin competitive success. For this to be examined, the meaning of knowledge and the nature of knowledge transfers must first be understood. At a basic level, knowledge transfers refer to some exchange of knowledge, which may be either explicit or tacit which is used to enhance learning within the firm. Such knowledge transfers are increasingly positioned as being valuable as a result of their treatment as a capability allowing an organisation to achieve superiority if such a capability is achieved and then focused upon (Calvo-Mora et al, 2016; Suarez, Calvo-Mora & Roldan, 2016). Interpretations of knowledge are often generalised and thus can be interpreted as being ambiguous in tone. As a result discussions of knowledge tend to be coupled with terms such as understanding, experience, and intuition which although useful fail to appreciate the importance of context. Knowledge can take both implicit (also called tacit) forms which may be innate or based on the experience of an individual or it may take a more explicit form where information is depicted and translated easily. For knowledge transfers to promote a superiority and competitive advantage, tacit, implicit information is valuable, and this fundamentally resides within the individual (Rubenstein-Montano et al, 2001). As a result, a strategic alliance must be able to effectively capture tacit knowledge in order to maximise the benefits of the strategic decision.

An alliance is a 'partnership between two or more relatively independent organisations that are united to pursue some on-going activity or process' (Williamson, 1985: 14). Alliances are commonly used as a method of drawing out the value of interfirm cooperation in a manner that supports growth in particularly dynamic and changing markets. Once a firm forms an alliance, it may then be able to benefit from a range of opportunities which may not have been achievable on their own. Entrepreneurial opportunities, innovation and learning within an organisation all require a commitment and extra resources and thus strategic alliances may 'provide an appropriate conduit through which firms can access and utilize such resources that lie beyond their boundaries' (Teng, 2007: 44). If alliances are positioned as a learning mechanism then it is possible to understand that learning flows can transfer from one flow to another.

## 2.2 Knowledge and competitive success

The knowledge based view of the firm suggests that there is a need to focus upon firm specific knowledge and to do this to gain advantage in a way that stimulates success. Knowledge can be a valuable and unique capability that in turn inspires both competitive advantage but also sustainable transfers and growth. Knowledge flows in strategic alliances and the value of such has however been questioned with Jiang et al (2013) arguing that trust and competence are drivers of effective knowledge transfers and yet these two factors are often lacking. Knowledge exchanges regularly take place and often such knowledge exchanges and transfers have been positioned as having the potential to facilitate growth and to promote sustainability (Zhang et al, 2010). However, a great deal of literature has also been directed towards the negative impact of such knowledge flows particularly if they weaken the capabilities or specific knowledge of one firm (Carlile, 2004; Matusik & Hill, 1998). Knowledge leakage (firm specific knowledge that spills out to competitors) could therefore be an issue and one, which may need to be contained for knowledge transfers to be positive. Relating to the concept of knowledge spillover, one important source of opportunity is often deemed to be the facilitation of knowledge transfers to improve an overall focus on learning and development. Knowledge creating firms have to be able to exploit learning opportunities and do so in a way which can allow overall capabilities to be increased. Entrepreneurial opportunities may for example be realised through the potential of spillovers. Inkpen (1998) highlights the importance of learning and knowledge acquisition as part of international strategic alliances and in particular draws out that one of the central areas of importance is that it questions the existing knowledge base within the organisation. Drawing on this Hitt et al (2004) argue that for Chinese firms one of the central motivations relates to a need to learn unique capabilities which support competitive advantage based on Barney's (1991) ideas of intangibility. Relating this to why Chinese firms partake in international strategic alliances to fuel economic growth, Inkpen and Beamish (1997) articulate that this is due to the bargaining power knowledge and capabilities provide which allow for entry into perhaps challenging or unknown international markets. This is particularly the case due to the consideration of China being a culturally different market (Pan & Zhang, 2004). Pan and Zhang (2004) reflect upon such unique cultural considerations by highlighting that Chinese managers have to develop a cultural competence to do business in the West which is vastly different to their own practices. Further exploring the link between knowledge transfers and competitive success, inter-organisational learning theory highlights the notion of the 'boundary paradox' that emerges from a focus within the alliance context. The paradox positions that in order for an organisation to learn they must be willing to open up the transfer of knowledge to the alliance firm and must be willing and receptive to new learning opportunities to stimulate advantage. However, a difficult situation can occur when, once such knowledge boundaries are opened such knowledge could be misappropriated by the alliance firm which in turn thus results in knowledge being protected from the offset. This type of knowledge protection can however greatly reduce the value of learning and access to entrepreneurial opportunities in an alliance context. Inter-organisational theory however highlights the value and thus states the need to work in a co-operative fashion to facilitate knowledge exchanges and learning practice something which the Chinese firm must focus upon across cultural borders (Shu et al, 2013).

## 2.3 The transfer of knowledge

Knowledge is not a physical entity but is instead intangible and it is largely transmitted during international strategic alliances. Whilst information and knowledge can be easily distorted, often through noise resulting from barriers to communication, the flow of knowledge is often facilitated by a wide range of factors including effective organisational communication, trust, and personal values. This facilitation of knowledge transfer is critical in guiding firm level and subsequent individual level interactions crucial to competitive success. However, in light of looking at knowledge transfers which are often intertwined with a discussion of spillover there is a need to think about the extent to which knowledge transfers and knowledge spillovers are different and therefore need to be treated as different constructs: 'While knowledge transfer involves the cross-party compensation of the value of the knowledge flowing between individuals or organizational units in a market-like transaction, knowledge spillovers relates to knowledge flows that are un- or undercompensated. That is, the recipient of the knowledge spillover is able to access the knowledge without completely paying for the value of the knowledge. Further, knowledge transfer may also (though not always) connote rivalness of use, while knowledge spillovers entails that the knowledge is simultaneously available to both parties' (Agarwal et al, 2008: 272).

Whilst knowledge transfers are often examined within organisations little attention is often directed towards the nature of knowledge transfers in strategic alliances and as a result there is a need to focus on this area for this study. As a result, emphasis must be placed on how a strategic alliance can improve their transfer or knowledge to exploit knowledge in an effective manner. Unexploited knowledge could, in this vein be considered a lost opportunity (Krylova, Vera, Crossan, 2016). Alliances in themselves can be viewed as a critical source of external knowledge which can be accessed in order to obtain advantage. Alliances arise when an opportunity exists and one signal of opportunity can be underpinned by knowledge transfers and the value they yield. The learning opportunity that results from strategic alliances can then be used to promote an overall focus on dynamic interactions and competitive advantage.

## 2.4 International Strategic alliances: explore or exploit

Drawing on the knowledge based view of the firm, resources or capabilities may be shared in an alliance in order to reduce costs and associated risks (Qian & Qian, 2013). Across the international business literature, a great deal of attention is directed towards the motive for alliances stemming from this focus on access to resources and access to knowledge. In particular, as noted by Qian and Qian (2011) alliances may be the central strategy used in an attempt to mitigate environmental dynamism. More recently, in the work of Jiang et al (2016) knowledge flows in strategic alliances were examined from a contingency perspective which highlights the importance of knowledge acquisition in both types of alliance: those intended to explore opportunities and those intended to exploit. What runs throughout both is a focus on knowledge and the power of knowledge to facilitate opportunity (Jiang et al, 2016).

Two different motivations for carrying out an alliance are referred to in the international business literature. As noted by Yamakawa, Yang and Lin (2011) whilst strategic alliances are often positively related to firm performance, little is known about the conditions, which in part facilitate superior and long-standing competitive performance. In order to deal with increased uncertainty and dynamic conditions, a firm may undertake an alliance, which has to align to either flexibility or stability, which March (1991) positions as 'exploration or exploitation'. Exploration as a strategic alliance motivation aligns to a way of thinking where emphasis is placed on the importance of searching, exploring, discovery and innovation. On the other hand more of an exploitation approach examines a focus on activities such

as execution and implementation which adopts a more short-term focus to the alliance procedure. Those alliances, which are motivated from an exploratory basis, may be those which have the potential to facilitate longer-term relationships, something key to sustainable success (Si & Bruton, 1999).

#### 2.5 Learning/Knowledge as a capability

More than just a capability, learning can increasingly be viewed as something, which when facilitated by knowledge transfers promotes evolutionary capabilities that stimulate competitive success. This in turn places great importance on the need to consider the way in which alliances can foster the environment needed for such transfer to take place. Reflecting upon the very notion of a capability, Helfat and Peteraf (2003) argue that for knowledge to be a capability it must 'change a resource base, be embedded and form a routine' (p.34). In this instance, knowledge needs to do something in the alliance and is therefore an active process to facilitate change. Taking this one step further, knowledge and learning can be positioned as a dynamic capability, a capability that allows an organisation to mitigate dynamism in the external business environment.

A focus on learning within the alliance can be a positive thing for change and a commitment to such learning has been noted by Easterby Smith and Preto (2008) to be something which harnesses individual level employee commitment. During an alliance, there may be concerns surrounding the viability or security of the alliance and thus a focus on learning allows for employees to feel invested in to then invest in the alliance. A commitment of learning in this vein is therefore needed to be able to foster individual level passion and motivation to actively share knowledge in the first instance.

To view learning and the exchange of knowledge as a capability further requires a focus on treating the alliance from a systems perspective to ensure that knowledge transfers or a commitment to knowledge are not contained within one part of the organisation only. The systems view therefore entails that all members of the two firms are committed to learning and have been facilitated to exchange knowledge to enhance capabilities.

Knowledge transfers within strategic alliances have been strongly linked in the literature to performance (Hamel, 1991; Howard, Steensma, Lyles & Dhanaraj, 2015). In order to examine this type of knowledge exchange, emphasis has to be placed on the need to look at and consider intra-organisational knowledge which is defined by Calantone, Cavusgil & Zhao (2002: 520) to be 'the collective beliefs or behavioural routines related to the spread of learning among different units within an organisation'. This is a core part of knowledge exchange where knowledge transfers must be open and fluid. This may be achieved by the facilitation of sharing knowledge throughout departments perhaps, for example, through mixed representation at departmental meetings. As seen in the work of Moorman and Miner (1998) this is a necessary and fundamental foundation upon which knowledge transfers must be built.

#### 2.6 Challenges of international strategic alliances in China

China is a transitional economy and as a result any interaction with this country is as Tian (2016) articulates 'a daunting challenge' (p.23). Such a strategic decision in an emerging economy can in itself raise a number of challenges, which a firm has to respond to in order to draw out the benefits of international strategic alliances. Johnson et al (2014) argue that firms have to 'navigate challenges' in light of the transitional environment and thus that policy vision and the political arena are central challenges in international strategic alliances with China. However, as argued in the work of Ahlstrom and Ding (2014) international strategic alliances promote entrepreneurship and innovation, something which although beneficial is challenging due to the protection of knowledge and the intangibility of such knowledge creation.

Eisemann, Heginbotham and Mitchell (2015) position external challenges as being an issue particularly in the case of international relations between countries. The decision as to who to undertake an international strategic alliance with is therefore important in particular due to the cultural dynamics that exist between China and international partners. The more culturally different an organisation is the more likely it may be for challenges to occur. Such cultural challenges as noted by Schein (2012) may be fundamental to action and change.

Doz (1996) argues that cooperation within international strategic alliances is a learning process and therefore despite being faced with challenges, the approach to such challenges will be dependent upon solutions put in place aligned to the business environment. An organisation may for example have to accept challenges as a natural part of the process when dealing with strategic alliances on an international basis due to heightened cultural conditions.

#### 2.7 International Strategic alliances in China

An alliance is often considered to be a strategic move and this is widely the case in China where alliances are considered to fuel not only organisational level growth but also economic growth. Referring to a wide body of literature across the international business field, alliances may stimulate improved international connections, which in turn allow for organisations that undertake alliances to perform better than those who don't. In particular, as noted in the work of Jin, Von Zedtwitz and Chong (2015), in the Chinese mobile telephony industry alliances have become the 'cornerstone of global competition' and have so due to the focus on capabilities and sharing of resources capable of dealing with increasingly dynamic business environments. The sharing of technology and the capabilities surrounding technology are particularly prominent due to the technological capabilities of China as a whole which in turn opens up international opportunities. Xu and Hitt (2012) argue that Chinese firms aim to often align with Western firms in order to support the difficulties they may face as part of the internationalisation process. Dunning (2015) argues that in light of this focus on strategic alliances there is a need to reappraise the way in which firms undertake foreign direct investment. Firms strategically look for alliance partners and then use alliances as a way of tapping into previously unexplored markets. This is therefore an example of a valuable knowledge exchange, which takes place to support different international markets and the unique knowledge required almost as a pre-requisite to entry (Lew & Sinkovics, 2013).

Luo (1996) conducted a study to evaluate the performance of strategic alliances in China and referred to the power of global strategic alliances in the automotive industry. Luo (1996) noted that strategic alliances can be thought of as an organising framework where partnership and relationships facilitate the knowledge and capabilities required to sustain an international growth strategy. Perceptions of strategic alliances from a Chinese perspective have also been explored with Dong and Glaister (2007) exploring the cultural differences from a Chinese perspective. One key determinant Dong and Glaister (2007) note in the relationship is the importance of trust in facilitating success in this relationship. This reinforces the work of Das and Teng (2001) who articulate the resource based theory of strategic alliances in pooling technological knowledge, something considered central to the Chinese context to facilitate a growth strategy.

Examining the nature of strategic alliances in China, international strategic alliances are a dominant strategic choice in a number of industries including telecommunications, automobiles and pharmaceuticals. Emerging as a strong strategy since the 1990s, strategic alliances stimulate globalisation and allow for achievement of a global scale to stimulate research and development and thus innovation/capabilities. As seen in the work of Zhang, Duysters and Fillippov (2012) Chinese firms have recently been undertaking international strategic alliances in Europe and have been doing so in order to enhance technological and internationalisation competence. The evidence supports a rising number of international strategic alliances in the Chinese market and this is supported by

substantial links between this strategic choice and performance as confirmed in the work of Yan and Gray (1994) and Li et al (2016).

Li et al (2016) provide an interesting and recent study examining China-UK strategic alliances in higher education. Li et al (2016) argue that despite a notoriously high failure rate of international strategic alliances, one industry that has achieved success is the higher education sector and strategic alliances between Chinese and UK partners. Despite cultural differences, a focus of mutual interest is highlighted by Li et al (2016) to be important in stimulating connections which achieve commonality and collegiality across a given vision. Li et al (2016) argue that in order to overcome challenges and weaken the possibility for failure, international strategic alliances explored have to be structurally supportive (in terms of both resources and employees) of the alliance and thus be receptive to deeply rooted changes within the organisation.

### 2.8 Scale Development

In order to examine, and importantly measure, knowledge within the firm, six different types of knowledge transfers have been identified within the literature. The Learning Capability Scale by Gomez, Valle-Cabrera & Lorente (2005) captures learning in a previously validated manner and this scale is underpinned by attention to commitment to knowledge transfers within the firm, systems perspective of learning, knowledge transfers and innovation and learning outcomes from the strategic alliance. Further, scale items have been influenced by the intra-organisational knowledge sharing scale which was first developed by Calantone, Cavusgil and Zhao (2002) to capture knowledge sharing between organisations. Part of a wider scale, the scale items in this scale in particular can be used to determine the relationship between firms within an alliance which is an important contribution to the field.

### 2.9 Summary and Research Gaps

The literature review presented in the subsequent chapter drew on the importance of knowledge transfers and yet recognised how little attention had been directed specifically towards the nature of knowledge transfers in strategic alliances. As a result, the empirical study was carried out in order to identify what those exchanges look like but to also understand how knowledge transfers can be facilitated due to the strong empirical link between knowledge transfers, innovation and competitive advantage. A starting point and foundation for this research was to therefore gain clarification on the concepts and to move towards a point of concrete measurement.

## Chapter Three: Research Methodology

### 3.1 Introduction

This chapter presents the methodological approach undertaken and in doing so discusses the justification aligned to decisions presented. This chapter presents the philosophical orientations of the research, its design, research instruments used, data analysis and finally concludes with a focus on research ethics and limitations.

### 3.2 Research Philosophy

The methodological approach presented in this chapter whilst largely positivist in nature does draw on the value of interpretivist thought and as a result, uses open-ended questions to complement the statistical analysis of closed questions in the questionnaire administered to participants. Positivism aligns itself to the power of objective thought and measurement (Knoke & Nichols, 2013) and this has value to this research due to the need to quantify the nature of knowledge transfers. Positivism can be used to inform the design of the empirical tool to measure knowledge transfers in the form of closed, quantifiable questions. Positivist research promotes the importance of real world application based on fact and the methodology employed here feeds into recommendations developed towards firms with regards to how to improve the knowledge transfer process (Gray, 2013). The interpretivist element of the methodological approach stems from the use of open-ended questions which are used to gain important and valuable detail. Whilst some may consider the two philosophical to be incompatible, this research employs a mixed methods approach and does so to overcome some of the weaknesses aligned to any one dominant paradigm. By combining quantitative and qualitative interpretation it is possible to overcome some of the weaknesses of quantitative research alone most notably the inability to delve deeper into responses provided (Johnson & Onwuegbuzie, 2007).

#### 3.2.1 Mixed Methods Research

The basic characteristics of mixed methods research is that such research draws on both quantitative and qualitative perspectives. The use of mixed methods research and the main justification for its use is due to its ability to overcome limitations which may be associated with the use of a single design. Thus, mixed methods facilitate an ability to explain and interpret based on different perspectives to explore a phenomenon in more detail. It is this coupling of quantity and quality which strengthens the research outcomes (Creswell & Clark, 2007; Tashakkori & Teddlie, 2010).

In order to move towards a greater understanding of mixed methods research the work of Schwandt (2000: 210) can be reflected upon who notes:

'All research is interpretive, and we face a multiplicity of methods that are suitable for different kinds of understandings. So the traditional means of coming to grips with one's identity as a researcher by aligning oneself with a particular set of methods (or being defined in one's department as a student of "qualitative" or "quantitative" methods) is no longer very useful. If we are to go forward, we need to get rid of that distinction.' (p. 210).

In light of this quote above, mixed methods research can be viewed as something which draws together the flexibility of mixed methods research and its ability to promote a coupling between previously distinct approaches.

### 3.3 Research Design

It was important to capture the voice of the research participant and so the questionnaire was designed in a manner which would allow the opinion of the participant to be captured, using some quantitatively informed questions [closed] and some qualitatively informed questions [open]. Any information gathered as part of the likert scale questions or open-ended questions was then linked back to the literature to develop key themes for the discussion chapter presented in chapter four. The methodology employed and the justification for this methodology stems from the need to balance detail with range to ensure a wide range of perspectives was captured on the value and nature of knowledge transfers as well as the subsequent challenges associated with knowledge transfers in the context of the Chinese business environment.

### 3.4 The Questionnaire

Questionnaires were designed online using Bristol Online Surveys (Bos). This online platform was used in order to ensure the professional look of the questionnaire which was important given the audience it would be administered to. The make up of the questionnaire consisted of a range of questions including Likert scale questions which ranged from strongly agree to strongly disagree (1-7) and such questions were complemented by more open-ended questions lending themselves well to the thematic discussion presented in chapter four. Various different scale items were brought together when designing the questionnaire and such scale items were derived from a detailed examination of the literature presented in chapter two.

Working closely with key contacts in firms where the researcher had a personal connection, responses were collected from a member of the strategy department or senior management team (SMT) in each firm (Bernard & Bernard, 2012). The data was collected across industries in order to capture a range of perspectives and this ensured access was not limited to any one population. To be involved in the research, firms had to have undertaken a strategic alliance in the last 1-5 years, something central to this research to ensure participants were best placed to contribute to the research. The questionnaire focused upon measuring knowledge and learning transfers within the strategic alliance setting, the challenges associated with this process and the link between knowledge transfers and competitive success. Knowledge transfers are considered to be highly valuable and as such there was a need to focus upon the way in which a strategic alliance can facilitate positive knowledge transfers in order to develop a sustainable position in the dynamic, Chinese environment (Teece, 2009) The questionnaire was therefore intended to understand the nature of knowledge transfers and support networks for such to take place to feed this into the recommendations developed.

As a research instrument, questionnaires have a number of advantages including perhaps most importantly that they are easy to administer and allow for a larger sample to be gained than more qualitative research instruments where human interaction is needed e.g. interviews. Their simplicity in administration allows for a greater sample population to be gained. However, as with all research instruments they also have limitations which include their inadequacy at allowing for more detailed responses, missed responses and subjectivity. To try and limit their disadvantages where possible the mixed methods approach has been employed to blend together qualitative and quantitative approaches. This methodology thus facilitates an approach which allows weaknesses to be reduced and thus strengthens the quality of the research produced.

The questionnaire consisted of 12 questions in total and the liker scale questions were based on a 7-point scale, which ranged from Strongly Agree to Strongly Disagree. A 7-point scale was used in order to avoid a dominance of the mid ground, which is commonly recognised as a weakness of more traditional 5-point scales (Bryman & Bell, 2015).

#### 3.4.1 Sample Questionnaire Scale Items\*:

Decision making within the firm is a firm wide process involving all employees where possible.

Employee learning is encouraged between firms.

Errors and mistakes are always discussed and used to learn.

Employees have the chance to talk across the alliance and use this to develop new ideas and creativity within the firm.

The firm has instruments in place that facilitate knowledge transfers e.g. mixed department meetings.

There is a good deal of organisational conversation between the two firms.

The company has acquired new and valuable knowledge from the other firm.

The company has learnt or acquired some form of critical capability they did not have before.

The alliance has helped the company to develop their skills and the overall learning of employees.

\*Please see appendix A for a full copy of the questionnaire.

In support of the above likert scale questions 3 open-ended questions were put to the research participants. These open-ended questions were used to capture a greater level of detail, which could be linked back to the literature but also used to shape the key themes presented in the discussion. The first open-ended question asked participants to describe what valuable knowledge looks like to them based on their experiences of strategic alliances. This question was put to the research participants in order to move towards a more concrete understanding of knowledge allowing for a strategic alliance specific definition of knowledge transfer to be formulated. The second open-ended question asked participants the extent to which they felt that it was possible to facilitate such knowledge transfers. This in turn was used to formulate the recommendations directed towards those firms undertaking in strategic alliances in the final chapter. The final open-ended question asked organisations to comment on the challenges they had faced regarding knowledge transfers within strategic alliances. This was asked in order to be able to reflect upon the barriers and challenges, which could stand in the way of effective and pro-active knowledge transfers.

#### 3.5 Recruitment procedure

Participants were recruited through both online mechanisms and also through personal contacts the researcher had through family connections in the form of a snowballing sampling strategy. LinkedIn was used as a way of targeting participants and an advert was placed on a number of groups on LinkedIn including the Doing Business in China group to facilitate access to a relevant sample group. In the advert the details of the study were clearly stated and the low time expectation was also promoted to encourage the most number of participants and to draw out one of the core strengths of facilitating a questionnaire online. Finally, company and individual details were gathered from LinkedIn and various databases to then contact companies over email to ask for a participant. To join in the research project. In most instances, the researcher offered to provide an executive summary of the results following the study which would be emailed out to encourage firms to participate.

#### 3.6 Data Preparation and Data Analysis

Data was prepared in SPSS and was used in order to develop a spreadsheet which focused upon ensuring the data was presented in the correct format. Data was extracted from the BoS platform and was then transferred into SPSS in order to aid analysis. At this point, missing data was checked for to ensure that all responses were accounted for. Data was analysed within SPSS and the results of the analysis are presented in chapter four. Descriptive statistics were presented first and then simple correlation tests were used in order to determine relationships between variables. In order to analyse the open-ended questions, key themes were taken from the responses given and used to shape a discussion inherently linked back to the literature discussed in chapter two. However, no coding was used and instead a more traditionally qualitative approach was followed where the knowledge of the research and the interpretation of the researcher guided by the literature was used.

#### 3.7 Ethical approach

Due to human participants in this research and despite the remote nature of digital communication there is still a need to consider the ethical approach of this research. Ethical guidelines presented by the Academy of Management (2016) will be followed in order to support the integrity of the research. Such guidelines will be used in addition to the university's own ethical guidelines. In particular, reflecting upon guidelines highlighted by the Academy of Management, three key principles must be focused upon: honesty, responsibility and integrity.

#### 3.8 Limitations

There is a need to consider the limitations of this research and to do so in a manner that allows for action to be taken to remedy any potential limitations. One of the central limitations relates to the validity of the questionnaire, which may be reduced as a result of bringing together different scale items from the literature (Bryman &



Bell, 2015). Further, a second limitation relates to the sample population which failed to reach the statistically significant sample size of 200. This in turn has implications for the generalizability of the conclusions drawn (Bryman, 2015).

### 3.9 Chapter Summary

This chapter has presented the mixed methods research methodology and has presented the design of the empirical research instrument drawing on the value of using an online questionnaire as part of the data collection process. In addition, this chapter has justified the use of a mixed methods questionnaire and has discussed the justifications for this approach e.g. overcoming the weaknesses of one particular paradigm. This chapter concluded with a focus on the ethical approach and limitations. Limitations in particular will be reflected upon in the final chapter of this research.

## Chapter Four: Data Presentation, analysis and discussion

### 4.1 Introduction

This chapter presents the results of the empirical study and discusses the core themes from the research informed by the literature discussed in chapter two. This chapter details the issues surrounding knowledge transfers in strategic alliances and in particular focuses upon the context of the Chinese market to understand what knowledge transfers look like in China and the challenges faced. In addition to the results being presented, intertwined is an active analysis and discussion of the results presented.

#### 3.1 Research Context

Strategic alliances in China have long been deemed to be important (Zhang, Duysters & Fillippov, 2012). Firms may undertake a strategic alliance as discussed in the literature review for either exploratory or exploitation reasons. Knowledge transfers in strategic alliance may be an important determinant of success and thus there is a need to evidence and discuss strategic alliances. The responses to the empirical questionnaire are underpinned by this Chinese context and all responses are from Chinese firms who have undertaken a strategic alliance in the last 1-5 years.

In order to develop the questionnaire before it was administered to the sample population online. Attention was directed towards a pilot study to ensure construct validity where possible. Telephone discussions took place with a number of contacts from the Doing Business in China page who were able to comment on their understanding of the questionnaire. Whilst very minor tweaks were made, the questionnaire was deemed to be understood and was thus administered online once this approval had been sought.

#### 3.2 Descriptive Statistics

100 firms partook in the study with 1 representative from each organisation completing the online questionnaire. In relation to the 9 likert scale questions, part 1 presents the descriptive statistics for the closed questions. 100 individuals participated in the study and 94% of these participants were male. This therefore does raise some concerns over the representativeness of the sample, however as gender was not a variable of interest this does not impact the results of the study. Additional demographic data was not collected but data was collected regarding the time of the last alliance and the number of alliances undertaken in the last 5 years.

The scale employed for reference for the below 9 scale items ranges from '1, low, strongly disagree' to '7, high, strongly agree'.

N

Mean

Std. Deviation

1. Wide Decision Making

100

6.36

1.32

2. Learning from errors

100

5.33

4.56

3. Creativity and new ideas

100

4.56

2.31

4. Facilitation of knowledge transfers.

100

6.76

1.46

5. Organisational conversation

100

5.65

2.43

6. New and valuable knowledge

100

5.57

2.03

7. Critical capability

100

6.67

3.41

8. Overall learning

100

4.57

2.13

9. Intra-organisational sharing

100

5.77

1.89

Correlation analysis was then carried out in order to determine the relationships between the 9 variables listed above.

Variable

1

2

3

4

5

6

7

8

1. Wide decision making

1

2. Learning from errors

0.27

1

3. Creativity and new ideas

0.24

392\*

1

4. Facilitation of knowledge transfers

.632\*\*

.516\*\*

.324\*

1

5. Organisational conversation

.591\*\*

0.31

.260\*

.285\*

1

6. New and valuable knowledge

0.11

0.14

.681\*\*

0.04

0.34

1

7. Critical capability

.597\*\*

.662\*\*

523\*\*

.567\*\*

.615\*\*

.543\*\*

1

8. Overall learning

.452\*\*

.333\*\*

.646\*\*

.391\*

.433\*  
 .414\*  
 .661\*\*

1

\* <0.05, \*\* <0.01

Correlations between variables

The initial, exploratory statistical analysis is intended to examine the relationships between variables, which provide a starting point for future research to expand upon, and also helps to develop recommendations directed towards strategic alliances. As shown in the correlation the two statements 'Employees have the chance to talk across the alliance and use this to develop new ideas and creativity within the firm' and 'Errors and mistakes are always discussed and used to learn' were positively correlated  $r = .392, <0.05$ ). This reinforces the idea stemming from the literature that in order to learn there is a need to promote employee involvement but also create a culture where employees feel able to make mistakes something which might be a lesson learnt from the knowledge transfer process itself which stimulates competitive success. Within the alliance environment this type of focus on mistakes may be needed to develop a future focus on sustainability and vision within the organisation. Mistakes therefore from the perspective of reflective learning are deemed to be part and parcel of long-term learning and thus reinforce competitive success. As also revealed in the table, the facilitation of knowledge transfers measured by the scale item 'The firm has instruments in place that facilitate knowledge transfers e.g. mixed department meetings' and wide decision making measured by the scale item 'Decision making within the firm is a firm wide process involving all employees where possible' were positively correlated  $r = .632, <0.01$ ). At the 0.01 level, this shows a strong correlation and reinforces the need to ensure that knowledge transfers are not contained in certain areas of the organisation but are instead promoted from a systems perspective. This holistic appraisal of knowledge transfers is thus used to stimulate the competitive success of the organisation. Instruments also have to be in place to transfer explicit forms of knowledge but also must be in place to encourage more implicit forms of knowledge, the type and nature of such knowledge was explored in more detail in the open-ended questions. An interesting correlation was found between new and valuable knowledge measured by the scale item 'the company has acquired new and valuable knowledge from the other firm' and all of the major variables measured in this study. Participants only stated this as being high if they were able to reinforce the other factors measured. For example, the lower the answer for 'employee learning is encouraged between firms', the lower the overall score attributed to the extent to which learning has arisen as a result of the strategic alliance. This is an interesting finding and one that highlights the need for learning to be an organisational process and not something that is contained within certain departments or individuals only. This links to the work of Sung and Choi (2014) who highlight the importance of creating a learning context within the organisation.

### 3.3 Open-ended questions

To support the correlational analysis above, three open-ended questions were addressed. These questions will be analysed in a interpretative manner to draw out the key themes to formulate the discussion.

Open-Ended Question 1: 'What does valuable knowledge look like to you based on your experience of strategic alliances?'

Responses to this question varied and a selection of responses are presented below:

'It is a hard question to define or think about what valuable knowledge looks like but I think ultimately based on our experience it is something which cannot easily be replicated. It is therefore valuable as it might not be easy to obtain and as a result it provides a source of competitive advantage. For us, it was about gaining valuable insight into the German market which we would not have had access to without our alliance partner. We were able to gain experience and knowledge which you simply cannot buy unless you have had the experiences and the more innate knowledge forms'.

'Something you cannot easily copy and therefore it must be protected. Valuable knowledge is often only valuable to those who know how to use it and therefore emphasis is often placed on people within the firm and their ability to interpret the data effectively. It therefore often comes back to the people – knowledge is only valuable if it is interpreted and reflected upon by the right people'.

'Based on our company experiences of strategic alliances, valuable knowledge exchanges are those where both firms are open and honest about what it is they would like to achieve. Once you create this openness you then allow for valuable exchange to take place which moves away from the superficial level alone',

'Tricky. Valuable knowledge in itself is a subjective term as what is valuable to one firm may not be valuable to another. Clear conversations therefore have to take place'.

The above responses paint a picture of valuable knowledge and provide an interesting insight into how those firms who have experienced a strategic alliance view valuable knowledge and the concept of knowledge in itself. The themes, which emerge from these responses, lend themselves to the importance of people, which relates back to the need for employees to have individual agency to learn and interpret knowledge. Valuable knowledge is therefore only actionable with employees within the organisation. This is therefore how individual learning processes translate to the wider, macro organisational setting. Attention must also be directed towards the theme emerging relating to the protection of data if its valuable, which relates to the paradox introduced in the literature review. On the one hand, organisations have knowledge, which they want to protect and yet on the other have to be willing to in some way share this knowledge if they are to receive anything in return.

Open-Ended Question 2 'To what extent do you think it is possible to facilitate knowledge transfers?'

The second question was asked in order to understand the ways in which knowledge can be transferred. This question was put forward to participants in order to understand what is needed for positive knowledge transfers to take place. As in the first question, a number of interesting comments were made:

'Support from management and a commitment to overall learning, this has to be across both firms'.

'Honesty and openness from both firms at the outset of the alliance in order to discuss what is needed and how the two firms can complement each other. This may be easy at times and more difficult at others. Such conversations however need to take place in order to ensure that it is possible to move towards a commitment to overall learning. This honesty enables a starting foundation upon which knowledge can be transferred. A difficulty does however arise with regards to the often-natural want to protect knowledge whilst getting knowledge from others'.

'Open conversations, honesty, trust and something to share in the first instance'.

'Time and trust – we regularly refer to these as the two t's of success'.

The answers above reflect a number of ways in which knowledge transfers can be facilitated. One such way often relates to the need to have an open culture and

for knowledge to be easily transferred across cultures and people. Interestingly, emphasis is placed on trust and time and this needs to be fostered firm wide. One key theme that emerged was the need to create an open culture where both parties are open and honest to facilitate knowledge transfers.

Open Ended Question 3 'What challenges have you faced with regards to knowledge transfers in strategic alliances?'

A number of challenges were discussed which have been used to formulate the discussion in the next chapter. Participants were open to discussing challenges and many of them provided an interesting outlook on the nature of challenges with in some instances, remedies to overcoming them being discussed. A range of responses are presented below:

'Any form of alliance can be challenging and I think often success stems from the identification of the right partner in the first instance – you have to have clear objectives and understand what you need from the firm and why you are undertaking an alliance. If this is not clear then ultimately challenges and barriers will exist which will reduce the success of the alliance. Attention also has to be directed towards people and understanding that people may naturally resist alliances due to the doubling up of roles which can sometimes mean cutbacks or at the very least an additional form of co-operation. With this in mind, emphasis can be placed on the need to examine how people feel and to encourage them or give them an incentive to get talking, get sharing and be creative'.

'Lots of challenges, many of which are people motivated, organisational learning comes from people and therefore you have to be able to motivate people to succeed and motivate people to do more. They have to feel the passion and understand why the alliance has taken place. So yes people as a main challenge. The second challenge relates to the want to protect knowledge that you have and you know is valuable and does this whilst at the same time expecting to be able to get the capabilities of another. Often in an alliance there is some form of power play, which can cause issues'.

The challenges discussed above relate to challenges at different levels including both the individual and the organisational level.

### 3.4 Chapter Summary

To conclude this chapter, this chapter has presented the statistics related to the 9 variables and has shown overall a strong positive link between strategic alliances across the 100 firms and positive knowledge transfers. Whilst barriers have been recognised and discussed ultimately strategic alliances create an environment where knowledge transfers take place which can then be linked to a number of positive outcomes including competitive advantage and innovation. A key theme emerging from this research is however the need to facilitate such knowledge transfers and to learn from the lessons of these organisations. These recommendations are presented in more detail in the final chapter.

## Chapter Five: Conclusions

### 5.1 Introduction

The final chapter of this research presents the central conclusions of the exploratory study and does so with reference back to the research questions presented in the opening chapter. This chapter then draws out the key themes emerging from the study and does so in reference to the development of key recommendations and areas for future research.

### 5.2 Research Aims and Objectives

For clarification, the central research objective was 'to explore and examine knowledge transfers within Chinese strategic alliances'. This central objective was supported by three core research questions:

1. What are the challenges faced by Chinese firms in obtaining knowledge in their international strategic alliances?
2. How much knowledge transfer exists for Chinese firms in their international strategic alliances?
3. How do Chinese firms use the knowledge obtained from international strategic alliances to strengthen their competitive position?

The three research questions have been addressed through an extensive and detailed examination of the literature and through the results of the mixed methods methodological approach employed. Each research question will now be addressed in turn in order to provide conclusions, which are research question specific and linked, back to the literature where appropriate.

### 5.3 Conclusions

In relation to research question 1 'what are the challenges faced by Chinese firms in obtaining knowledge in their international strategic alliances' this research was able to draw out some of those challenges and subsequently move towards a platform of understanding. What has emerged throughout the research is that each strategic alliance comes with its own challenges and thus the very study of challenges is complex. The strategic alliance process and the changes, which result are inter-dependent in nature and influenced by the context of the firm. Relating to the inertia of change and consequently the deeply rooted nature of change, one of the core challenges related to strategic alliances is employee level resistance. Resistance may be due to a fear of the unknown, which could be heightened by the cultural dynamics between the two organisations a consideration which is paramount when considering the cultural difference between China and the Western world. The very concept of challenges conjures up issues of difficulty and this research supports the work of Chen et al (2014) who highlights the issue of technological challenges in the success of strategic alliances. This research confirms that technological architecture and the merger of such is one of the central challenges of strategic alliances from a Chinese perspective. A second challenge emerging in the literature review and in the empirical results is the challenge of standardisation and procedure in light of cultural differences/dynamism.

Challenges are multi-level in nature and an understanding of this multi-level nature is necessary in order to determine the inter-dependent nature of such challenges. To address organisational level challenges one must be able to focus upon individual level differences thus tackling group norms and root behaviour.

This in turn links to research question 2 where there was a need to think about what knowledge transfers look like as a result of the vagueness and ambiguity surrounding the meaning of knowledge across existing literature. In order to examine what knowledge looks like, participants were asked to describe what valuable knowledge looked like to them based on their experiences of strategic alliance. This form of open-ended question was in itself valuable as it allowed for participants to be more open and detailed about what knowledge looks like. A core theme emerging from discussions surrounding what knowledge looks like stemmed from an appreciation that knowledge is often an individual thing and therefore it can increase the power individuals have. Knowledge therefore only becomes valuable if it can be used by other people and interpreted in a valuable manner. Relating this back to the capabilities literature, a capability - and in this vein knowledge - can only be deemed valuable if it is unable to be easily replicated elsewhere. It is this focus on uniqueness and rareness, which then facilitates and drives competitive advantage. The final research question then sought to examine how knowledge transfers can be positively heightened during strategic alliances. Based on an examination of the literature and the empirical results of the study the next section presents recommendations directed towards future firms undertaking strategic alliances.

With regards to how Chinese firms use international strategic alliances to achieve competitive success, attention has been directed in this research towards the power of international strategic alliances not only supported by economic data but also the power they have in the exchange and transfer of capabilities. The transfer of these capabilities is underpinned centrally by the ability of a Chinese organisation to transfer knowledge in a holistic manner which promotes continuous growth/improvement.

#### 5.4 Recommendations

Based on the discussion thus far drawing on the empirical results and the literature reviewed, the following recommendations are deemed to be important in driving and guiding knowledge transfers in future strategic alliances:

1. Consider the firm you are undertaking a strategic alliance with. A clear examination of capabilities and knowledge can be used to understand what you have to offer and what you have to gain. This is particularly important in exploratory alliances where often there is a focus on the development of capabilities. To establish a purpose and vision can also be used to offset potential resistance to change at the individual level.
2. Create a culture of open and honesty from the offset where clear expectations and wants are communicated across the firms. This openness is required to facilitate a foundation for knowledge transfers to take place and links in turn to the need to stimulate a connection between strategic alliances and continuous improvement.
3. Facilitate conversations across firms – e.g. mixed department meetings, firm wide communications. Firm wide communications aligning to the systems way of thinking are fundamental as they support a focus on ensuring that any knowledge transfers are not contained to one part of the firm only. A systems wide approach is needed to stimulate success and commitment from all.
4. Trust and time must be focused upon. Whilst trust will come over time, there is a need from the outset to be honest and build upon this as the relationship develops. Time is also necessary to ensure that any changes are communicated to limit any potential resistance faced by employees.

#### 5.5 Limitations

As a final consideration there is a need to consider the limitations of the research. One of the central limitations relates to the size of the sample used within this empirical study. Although this does not take away from the conclusions developed and the ideas behind them, it does have implications for the validity and reliability of the conclusions drawn. First, there is a need to consider the validity of the research as a result of bringing together different scale items for the questionnaire. Whilst on the one hand it can be argued that using existing scales in a different way reduces the validity of the research, on the other, attempts were made to carry out a pilot study in the form of discussions with members from the Doing Business in China group and therefore this was carried out to improve the validity of the research instrument used. However, this coupled with a sample size of 100 does result in the research not being generalizable and therefore future studies should seek to gain a sample population of 200+ to avoid implications on the statistical generalizability of the information gained. However, overall, this research has promoted a great focus on knowledge transfers and through an examination of the literature and the empirical study has provided a foundation for future work.

#### 5.6 Future Research

In order to build on this exploratory study there is a need to establish further the ways in which some knowledge transfers work in strategic alliance settings and others don't. As a result, attention must be directed towards deeper level, exploratory research, which is able to draw out the very process by which knowledge is transferred. This research has enabled a focus on the importance of knowledge and that the general consensus is that it exists across the firms sampled who have undertaken a strategic alliance and this could be further developed through a focus on interviews in order to gain more detail and an insight into some of the content explored in this research e.g. how have they created an open culture to facilitate learning, is it possible to truly gain systems wide learning in an organisation. The context of China is also important and needs to come out more strongly in the research, time examining the nature of strategic alliances and provides how they differ from strategic alliances in other countries would be an important area of research.

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Appendices

Appendix A:

Research Questionnaire Example

Please answer the following statements with one of the following:

Strongly agree

Agree

Partly agree

Neither agree nor disagree

Partly Disagree

Disagree

Strongly Disagree

1. Decision making within the firm is a firm wide process involving all employees where possible.

2. Employee learning is encouraged between firms.

3. Errors and mistakes are always discussed and used to learn.

4. Employees have the chance to talk across the alliance and use this to develop new ideas and creativity within the firm.

5. The firm has instruments in place that facilitate knowledge transfers e.g. mixed department meetings.

6. There is a good deal of organisational conversation between the two firms.

7. The company has acquired new and valuable knowledge from the other firm.

8. The company has learnt or acquired some form of critical capability they did not have before.

9. The alliance has helped the company to develop their skills and the overall learning of employees.

Please answer the following questions with open responses:

10. What does valuable knowledge look like to you based on your experience of strategic alliances?

11. To what extent do you think it is possible to facilitate knowledge transfers?

12. What challenges have you faced with regards to knowledge transfers in strategic alliances?

Many thanks for your participation in this questionnaire; your responses are highly valued