

## Interpartner relation fit, knowledge transfer, and IJVs innovativeness: The Malaysian context



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### ABSTRACT

Prior IJV performance studies focused more on the onshore IJVs, few studies examined the performance of offshore IJVs. In addition, these studies focused on the IJV survival financial, market performance and etc. Few studies focused on the innovativeness of IJV. Furthermore, the study linking relations fit with performance in respect of innovation is rare particularly in the context of the developing world. Against this backdrop, this paper attempts to explore the impact of inter-partner relations fit on IJV innovativeness. The population in question is offshore IJVs co-owned by firms based in the developing Malaysia. The findings from bootstrap method indicate relations fit as a positive determinant to knowledge transfer. Knowledge transfer, however, does not contribute directly to all types of innovativeness; it only mediates the impact of relations fit on innovativeness pertaining to market and strategy, not behaviour.

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### 1. Introduction

An international joint venture (IJV) is a legally independent firm co-managed by partners with different nationalities. As a result, it is full of tensions by nature and is challenging to manage (Beamish and Lupton, 2009; Meschi and Riccio, 2008). To ensure successful management and performance of IJVs, partner relation plays a critical role. When relationships between parents are good, the partners in the IJV will most probably move in the same direction. This tends to reduce the conflict between partners (Luo, 2002; Cheah-Liaw et al., 2003) and the opportunistic behaviour amongst them (Lin and Wang, 2008). Ultimately, good partner relations lead to better performance.

Nevertheless, there is hardly a consensus on what best represents performance (Das and Teng, 2003). Subjective measures such as perceived satisfaction are often used (Lin and Wang, 2008; Selekler-Goksen and Uysal-Tezolmez, 2007; Lasserre, 1999) while others have emphasized marketing performance (Acquaah, 2009; Ainuddin et al., 2007; Gong et al., 2007; Ng et al., 2007; Mohr and Puck, 2005; Li, 2003;

Boateng and Glaister, 2002; Julian and O'Cass, 2002; Luo et al., 2001) or financial performance (Chiao et al., 2009; Luo, 2002). Survival-termination dichotomy as a representation of performance is also common (Meschi and Riccio, 2008; Lu and Beamish, 2006). In spite of this, relatively scarce studies have looked into IJV performance in the viewpoint of innovativeness.

Given intense competition in the marketplace today, innovation is a fundamental pillar for sustainable economic development (Chou and Wang, 2009; Tomlinson, 2010; Cavusgil et al., 2003). Superior innovation provides firms with opportunities to grow faster, better, and smarter than their competitors (Saenz et al., 2009). For this reason, it has been recognized as a crucial factor in securing sustainable competitive advantage in the global arena (Zhou et al., 2005).

In the face of wide range of knowledge but endowed with limited resources, firms need to share knowledge with various partners to strengthen their innovative capacities (Chou and Wang, 2009). In addition, innovation has become more costly, complex, and risky because of intense competitive pressure, changing preferences amongst clients, and rapid and radical technological advancement. Thus, it has become more and more difficult for firms to internalize innovations (Cavusgil et al., 2003). By forming alliances, firms can not only utilize internal resources but also acquire knowledge-based capabilities from the alliance partners to achieve

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superior innovative capacity (Zhang et al., 2010; Aida and Tey, 2011).

This transfer of knowledge helps a firm to rapidly respond to changes, to innovate, and to achieve competitive advantage (Albino et al., 1999). As a result, forming alliances such as IJVs has become one of the strategies for firms to acquire knowledge and enhance innovativeness. Nonetheless, due to different characteristics of partners, it is near impossible to have successful knowledge transfer without good partner relations (Darr and Kurtzberg, 2000).

Despite the above, scholars have rarely examined the interconnections between inter-partner relations fit, knowledge transfer, and innovation performance (or innovativeness), particularly in the context of developing countries (Malairaja and Zawdie, 2004; Sim and Ali, 2000; Tey and Gurcharan, 2012). In light of this, the present work argues (1) that inter-partner relations fit directly affects knowledge transfer; (2) that knowledge transfer impacts IJV innovativeness; and (3) that knowledge transfer mediates on the link between inter-partner relations fit and IJV innovativeness.

The rest of the paper is structured as follows. Constructs of the study are first defined and operationalized. A discussion on their theoretical linkages ensues. Several hypotheses are then postulated and subsequently tested using regression analysis with the aid of bootstrapping test. In the last section, findings and implications are revealed.

## 2. Literature review and hypothesis development

### 2.1 Knowledge transfer and innovation performance (Innovativeness)

Knowledge transfer relates to sharing of existing knowledge among partners of a JV under which the sharing facilitates the acquisition of new capabilities through mutual learning processes (Mowery et al., 1996). According to Eisner et al. (2009), benefits of inter-firm knowledge transfer include risk-sharing and networking. While risk-sharing refers to lower fixed costs incurred in R&D, networking provides the avenue for value-adding collaborations. The construct is commonly operationalized by gauging the extent to which a firm has learned or acquired new and critical information, capacity, and ability from JV partners in relation to marketing, operations, finance, administration, human resources, and R&D (Molina et al., 2007). This definition is appropriate for the present study as it allows the examination of all fundamental functions of a business venture.

Since what a firm knows determines what it can do, knowledge is generally recognized as the pillar of organizational performance, particularly in respect of innovative capacity enhancement (Kotabe et al., 2007; Saenz et al., 2009; Thornhill, 2006). The transfer of knowledge from one partner to another can enhance the implementation of new methods and practices that adds innovative value to the

organization (Darr and Kurtzberg, 2000; Marinova, 2004). Advantages in the scope of knowledge can be gained if a firm's internal knowledge is combined with the external one and then applied to a slightly different but related area of business (Nielson, 2010).

For IJVs, Montgomery et al. (1998) found the value of transferred knowledge as the basis of competitive advantage in the host country and the speed of the transfer the basis of first-mover advantage. The greater the value and the faster the speed of transfer, the greater will be the likelihood of attaining higher innovativeness. In this regard, the effectiveness of knowledge transfer facilitates innovation and sustainability of IJV (Malairaja and Zawdie, 2004; Subramaniam and Venkatraman, 2001; Weidenfeld et al., 2010). Along these lines, the following hypothesis is proposed:

H1: Knowledge transfer is positively related to IJV innovativeness.

### 2.2. Inter-partner relations fit and knowledge transfer

Inter-partner relations fit pertains to the match of cooperation, conflict resolution, commitment, and trust between partners with respect to a particular JV (Ozorhon et al., 2008). When cooperation between the parent firms is high, partners in the IJV will most likely move in the same path. This tends to reduce potential conflicts between the partners (Luo, 2002; Cheah-Liaw et al., 2003). Meantime, with high levels of commitment and trust, it is not necessary to put in place complicated control and monitoring mechanisms (Cullen et al., 2000). For this reason, reduction in operating costs can be attained.

Amongst the facets of inter-partner relations above, the dimension of trust is intermingled with the dimensions of commitment and conflict resolution, and hence deserves further elaboration. In a nutshell, trust is related to partner relations in such that the greater the trust, the higher the commitment, the better the inter-partner relationship (Ng et al., 2007). For instance, when an IJV is faced with an uncertain environment, trust encourages partners to work hand-in-hand in overcoming problems encountered in that ambiguous setting.

In another respect, trust contributes to performance by establishing long-term orientations of the partners that could reduce the likelihood of opportunistic act (Lin and Wang, 2008). The lesser the chances of opportunistic act, the smaller the possibility of conflict. This is critical because a conflict is capable of inducing irreversible communication deadlocks within the partnership.

On how the fit of relations affects knowledge transfer, there are two primary ways of which the process can transpire. First, frequent interactions afford the parties the ability to understand and hence satisfy each other's needs (Darr and Kurtzberg, 2000; Cavusgil et al., 2003; Zhang et al., 2010). In the same vein, Park et al. (2009)

discovered that interaction, together with relational capital, brings about knowledge acquisition and skill transfer. Secondly, the time-bound relational assets resulted from long-established inter-firm partnership could produce communication efficiency that enhances the transferring of knowledge (Kotabe et al., 2003). With reference to the above, the following conjecture can be made:

H2: Inter-partner relations fit is positively related to knowledge transfer.

In accordance with the first and the second hypothesis, H1 and H2, the third hypothesis can hence be generated. The third hypothesis postulates the mediating effect of knowledge transfer on the link between inter-partner relations fit and IJV innovativeness.

H3: Knowledge transfer mediates the effect of inter-partner relations fit on IJV innovativeness.

### 3. Methodology

The data used are collected by sending out questionnaires to top executives of Malaysian firms which have engaged in offshore IJVs. In line with previous studies on the performance of IJVs, a firm is considered as a parent of the IJV and included in this study if it has more than 5% but less than 95% equity ownership in the venture (Hennart et al., 1998). Following this definition of population, a list of firms is abstracted from the Kuala Lumpur Stock Exchange. The population comprises of 234 public listed firms that have taken part in IJV overseas. For firms that have more than one IJV abroad, respondents are asked to select one IJV that is most appropriate for this study. Despite the deployment of 2 reminders, only 74 usable questionnaires were returned, yielding a response rate of 31.6%.

The questionnaire contains four parts that respectively measure the dimensions discussed,

namely inter-partner relations fit (the independent variable, IV) which is adapted from Ozorhon et al. (2008), knowledge transfer (the mediator variable, MV) which is adapted from Molina et al. (2007), and IJV innovativeness (the dependent variable, DV) which is adapted from Wang and Ahmed (2004).

On the measuring scale, Hair et al. (2003) recommended scales with more intervals as they could yield more discriminating data than those with fewer intervals. Nevertheless, as a pilot study indicates, respondents find it difficult to make a choice when there are more than 7 scale points. For this reason, this study employs 7-point Likert scales for the items, of which point 1 represents the lowest value whilst point 7 corresponds to the highest value.

A brief description of the 74 IJVs is given here. In terms of duration, 31 (41.9%) of the respondents have had up to 5 years of IJV operations while 43 (58.1%) have had more than 5 years of operations. With respect to location, 58 (78.3%) are located in Asia, 6 (8.1%) in North America, 6 (8.1%) in Europe, 3 (4.1%) in Australia, and only 1 (1.4%) in Africa. Almost three-quarters are in manufacturing, and the remainder is in services. Finally, on revenue, 34 (45.9%) earn more than USD 7 million per annum, another 34 (45.9%) from USD 3 to 7 million, while the rest (8.2%) earn less than USD 3 million.

Exploratory factor analysis and reliability test were applied on the collected data. Table 1 summarizes the factor loadings, variances explained, and Cronbach's alpha for inter-partner relations fit, knowledge transfer, and IJV innovativeness. The variance explained and Cronbach's alpha for inter-partner relations fit are 57.37% and 0.797 respectively. For knowledge transfer, the variance explained is 75.67% and Cronbach's alpha is 0.971 when one item is removed.

**Table 1:** Results of reliability test and exploratory factor analysis

Variable	Factor and Item (Label)	Factor Loading	Variance Explained	Cronbach's Alpha
Inter-partner Relations Fit (IRF)	Commitment to the JV and the partner is important to the success of JV. (IRF_1)	0.697	57.366	0.797
	Communication between the partners is important to the success of JV. (IRF_2)	0.824		
	Trust among partners is important to the success of JV. (IRF_3)	0.713		
	Previous cooperation among partners is important to the success of JV. (IRF_4)	0.707		
	Reaching a consensus in making strategic decisions is important to the success of JV. (IRF_5)	0.834		
Knowledge Transfer (KTT)	Learn or acquired capacity or ability from JV partners related to marketing, operation, finance, administration, human resource, and R&D (KT2)	0.946	75.67%	0.971
	Improve capabilities and abilities of marketing, operation, finance, administration, human resource, and R&D (KT3)	0.954		
IJV Innovativeness	<b>Factor 1 Market Innovativeness (MIT):</b>		26.57%	0.953
	New products and services in our company often take us up against new competitors. (IP10)	0.883		
	In comparison with our competitors, our products' most recent marketing programme is revolutionary in the market. (IP11)	0.909		
	In new product and service introductions, our company is often at the cutting edge of technology. (IP12)	0.875	21.40%	0.892
	<b>Factor 2 Behavioural Innovativeness (BIT):</b>			
	In our company, we tolerate individuals who do things in a different way. (IP18)	0.866		
	We are willing to try new ways of doing things and seek unusual, novel solutions. (IP19)	0.874		
	We encourage people to think and behave in original and novel ways. (IP20)	0.926		
	<b>Factor 3 Strategic Innovativeness (SIT):</b>			
	Our firm's R&D or product development resources are not adequate to handle the development need of new products and services. (IP13)	0.910		
Key executives of the firm are willing to take risks to seize and explore risky growth opportunity. (IP14)	0.910			
When we see new ways of doing things, we are last at adopting them. (IP16)	0.838			

For the 20-item IJV innovativeness, factor analysis yields 3 factors or components. 11 items that cross-load over multiple components are omitted whilst the remaining 9 items that are distinctively assigned to different components are retained for subsequent analysis. To facilitate interpretations, the resulted 3 factors are respectively labelled as market innovativeness, behavioral innovativeness, and strategic innovativeness. The corresponding variances explained are 26.57%, 21.40%, and 21.15% while the respective Cronbach's alphas are 0.953, 0.892, and .892.

To check for normality, the skewness and kurtosis statistics show that all variables are reasonably normally distributed. Given that all figures fall within the range of 1.96 and -1.96, no transformations are required for the variables (see e.g. Hair et al., 1998).

To examine the direct effect of inter-partner relations fit on knowledge transfer, a correlation analysis is used. As for the indirect effect of inter-partner relations fit on IJV innovativeness, a bootstrapping method (with n = 1000 bootstrap resamples) is adopted.

Briefly, bootstrapping is a nonparametric resampling procedure that generates an empirical approximation of the sampling distribution of a statistic from the available data (Shrout and Bolger, 2002). Specifically, the bootstrapping sampling distributions of indirect effects are empirically generated by taking a sample of size N from the full data set and calculating the indirect effects in the resamples. The steps for establishing mediating effect by using bootstrapping analysis are as follows:

1. Using the original data set of N cases as a population reservoir, a bootstrapping (pseudo) sample of N cases by random sampling with replacement is created.
2. a, b, and a x b based on this sample are computed (a is the unstandardized regression coefficient for

- the path from IV to MV, and b is the unstandardized regression coefficient for the path from MV to DV).
3. Steps 1 and 2 are repeated for a total of K times.
4. The distribution of K estimates is estimated, and if  $p = 0.05$ , the 2.5 and 97.5 percentile values of a x b are determined.

This way, point estimates and 95% confidence intervals are predicted for indirect effects. As a stringent test of the hypotheses, the indirect effects are significant in the case that zero are considered not contained in all confidence intervals.

The choice of bootstrapping test is motivated by the following reasons. First, the commonly used method recommended by Baron and Kenny (1986) for testing mediation suffers from low statistical powers (MacKinnon et al., 2002). It has Type I error rates that are too low in all the simulation conditions, unless the effect or sample size is large. Second, according to Shrout and Bolger (2002), bootstrap method can offer better statistical power, especially when sample sizes are not large.

#### 4. Findings

##### 4.1. Correlation

To establish the relationships between the variables, a Pearson product-moment correlation analysis was performed. Table 2 presents a summary of the results. As shown in the Table 2, inter-partner relations fit (IRF) has a positive and significant relationship with knowledge transfer (KTT) ( $r=0.314$ ) and strategic innovativeness (SIT) ( $r=0.307$ ), but not with market innovativeness (MIT) and behavioral innovativeness (BIT). Meanwhile, knowledge transfer is positively and significantly linked with strategic innovativeness ( $r=0.935$ ) and market innovativeness ( $r=0.327$ ), but not with behavioral innovativeness.

**Table 2:** Results of correlation analysis

	Mean	SD	IRF	KTT	MIT	SIT	BIT
IRF	6.300	0.571	1				
KTT	5.125	0.718	0.314**	1			
MIT	5.005	0.964	0.004	0.327**	1		
SIT	4.941	0.789	0.307**	0.935**	0.343**	1	
BIT	5.730	0.797	-0.201	0.102	0.378**	0.054	1

Notes: N = 74. \*\* Correlation is significant at the 0.01 level (2-tailed)

In terms of the strength of association as signified by the magnitude of coefficient, the association between knowledge transfer and strategic innovativeness is the strongest at the coefficient of 0.935 whilst those of the other variables are comparably strong (or weak) at coefficients around 0.30. The strong association between knowledge transfer and strategic innovativeness may be due to the cross-border investment (CBI) policy implemented by the Malaysian government. According to the CBI policy, local firms are

incentivized to venture overseas and to obtain foreign intelligence in strategic aspects such as production and supply networking, market entry, synergistic alliance, financial risk-sharing, and minimization of operating costs (Tey and Gurcharan, 2012).

##### 4.2. Hypothesis testing

Recall that hypothesis 1 postulates that knowledge transfer is directly and positively

associated with IJV innovativeness. Since the exploratory factor analysis detected 3 dimensions of IJV innovativeness, hypothesis 1 can be re-defined into 3 sub-hypotheses, as follows:

H1a: Knowledge transfer is directly and positively associated with market innovativeness.

H1b: Knowledge transfer is directly and positively associated with strategic innovativeness.

H1c: Knowledge transfer is directly and positively associated with behavioral innovativeness.

As indicated by the correlation analysis, knowledge transfer maintains significant positive associations with market innovativeness ( $r=0.327$ ,  $p<0.01$ ) and strategic innovativeness ( $r=0.935$ ,  $p<0.01$ ), but not with behavioral innovativeness. On this evidence, H1 can be regarded as partially supported.

Hypothesis 2 predicts that inter-partner relations fit is positively related to knowledge transfer. This conjecture is substantiated by the correlation findings of  $r=0.314$  and  $p<.01$  for the association between these 2 variables. Hence, H2 is supported.

As mentioned earlier, the exploratory factor analysis results have revealed 3 components (or dimensions) of IJV innovativeness. Thus, hypothesis

2 can be further explored using three sub-hypotheses as follows:

H2a: Knowledge transfer mediates the effect of inter-partner relations fit on market innovativeness.

H2b: Knowledge transfer mediates the effect of inter-partner relations fit on strategic innovativeness.

H2c: Knowledge transfer mediates the effect of inter-partner relations fit on behavioral innovativeness.

As bootstrap method (Table 3) revealed, in relation to H2a, the mediating effect of knowledge transfer on the link of inter-partner relations fit and market innovativeness is statistically significant at  $p<0.05$  with 95% confidence interval (CI) = 0.0424, 0.4479 and test statistic = 2.069. H2a is therefore supported. For H2b, at  $p<0.05$ , the mediating effect of knowledge transfer on inter-partner relations fit and strategic innovativeness is statistically significant with 95% CI = 0.0220, 0.8012 and test statistic = 2.766. Hence, there is also support for H2b. Nonetheless, for H2c, the mediating effect of knowledge transfer on inter-partner relations fit and behavioral innovativeness is statistically not significant at  $p<0.05$  with 95% CI = -0.0151, 0.3415 and test statistic = 1.333. Hence, H2c cannot be substantiated.

**Table 3:** Summary of mediation results for innovation performance (1000 Bootstrap Samples)

Independent variables (IV)	Mediating variable (MV)	Dependent variable (DV)	Effect of IV on MV (a)	Effect of MV on DV (b)	Direct effect (c')	Indirect effect (a x b)	Total effects (c)	95% CI for mean indirect effect
1. IRF	KT	MIT	.3949	.4845	-.1843	.1914	.0070	.0424, .4479*
2. IRF	KT	SIT	.3949	1.0219	.0211	.4036	.4247	.0220, .8012*
3. IRF	KT	BIT	.3949	.2028	-.3604	.0801	-.2803	-.0151, .3415

\*significant at  $p < 0.05$

## 5. Discussion

In general the above findings have affirmed the significance of inter-partner relations fit and knowledge transfer in improving innovativeness of IJVs. Especially in strategic and marketing functions of the venture, a good match in partners' relations appears to facilitate effective knowledge transfer, which in turn enhances innovativeness.

First, results indicate that inter-partner relations fit is positively and significantly associated with knowledge transfer. These results are consistent with the works of Darr and Kurtzberg (2000), Cavusgil et al. (2003), Park et al. (2009), and Zhang et al. (2010), who find that frequent interactions and closeness of partners afford the allied parties the ability to understand each other's needs better and hence satisfy the needs accordingly, which is a manifestation of knowledge transfer. The finding is also in line with the time-bound relational assets resulted from long-established inter-firm relations that produce communication efficiency and hence enhancement of transfer of knowledge (Kotabe et al., 2003).

Second, the mediating effect of knowledge transfer on inter-partner relations fit and IJV

innovativeness has been confirmed by bootstrap method. Results signify that knowledge transfer mediate the effects of inter-partner relations fit on market innovativeness and strategic innovativeness. In other words, in strategic and marketing areas of an IJV, knowledge transfer is particularly important in mediating the effect of inter-partner relations fit on innovative capacity. The observation is in accordance with Darr and Kurtzberg (2000), Marinova (2004), Saenz et al. (2009), Subramaniam and Venkatraman, (2001), and Weidenfeld et al. (2010). This is probably because knowledge transfer enables firms to overcome resource constraints and to achieve superior innovative capacity through sharing of new managerial knowledge and/or technological capabilities (Zhang et al., 2010).

Why the relationship is particularly substantive in the aspect of marketing? According to the third Malaysian Industrial Master Plan 2006-2020, the benefits of cross border investment include to access global markets, to gain market knowledge, and to explore new investment opportunities. For this reason, they need to place more emphasis on the effectiveness and efficiency of their marketing strategies. They need workable promotion and advertising strategies to compete in new markets. As

to why the influence on strategic innovativeness is especially significant, IJVs need to stretch and leverage limited strategic resources creatively to achieve their initial goals. In a nutshell, firms would look for a “right” and “fit” partner to form IJV in order to acquire the “right” knowledge to enhance their market and strategic innovativeness.

In spite of the above, the mediating effect of knowledge transfer is not observed for behavioral innovativeness. Correlation and bootstrap method results indicate that inter-partner relations fit does not directly encourage behavioral innovativeness. Furthermore, although inter-partner relations fit has a positive effect on knowledge transfer, the latter does not appear to be related to behavioral innovativeness. This is probably due to the nature of the prominent collectivistic culture in Asia that seldom tolerates individuality and originality of views. Hence, despite the transfer of knowledge from foreigners, the behavioral variable may suffer from inertia that makes it hardly responsive to external influences. Another possible reason is institutional and organizational fragmentation (Malairaja and Zawdie, 2004).

Yes, the Malaysian government has set up incentives to enhance strategic and marketing innovativeness in this respect but subtle aspects such as that pertaining to behaviour tend to go unnoticed. As a result, Malaysian firms pay lower attention to behavioral innovativeness than the other two types of innovativeness.

## 6. Conclusion

Extensive studies have done on IJV performance. But, most of the studies focused on onshore IJV (Tey and Aida, 2012). This study is one of the few studies focused on the offshore IJV. Whilst research on knowledge transfer and organizational performance has highlighted different perspectives from developing countries (Julian and O’Cass, 2002; Malairaja and Zawdie, 2004; Rahman, 2008; Tsang, 2002), extremely few have explored the relationship between knowledge transfer and IJV innovativeness despite the importance of knowledge transfer to the process of innovation (Kotabe et al., 2007; Saenz et al., 2009; Thornhill, 2006). And, unlike the numerous studies on IJV performance concentrating on survival of IJVs, partner satisfaction, and market, financial, and overall business performances, this work has utilized innovativeness as a representation of IJV performance. Based on data collected from 74 Malaysian offshore IJVs, the study has examined the mediating effect of knowledge transfer on the relationship between inter-partner relations and IJV innovativeness. The findings are expected to offer the following theoretical and practical contributions.

### 6.1. Theoretical contribution

According to Wijk et al. (2008), the understanding of the antecedents and consequences of knowledge transfer has remained rather unclear.

In light of this, this paper has attempted to describe the linkage between inter-partner relations fit and knowledge transfer and that between knowledge transfer and IJV innovativeness. Besides, it has also discovered that knowledge transfer does mediate the influence of inter-partner relations fit on IJV innovativeness. Specifically, the mediating effect is present only for innovativeness in strategy and market, not behaviour. Along these lines, it has enriched the theoretical development on the factors impinging on innovation performance of IJV.

### 6.2. Managerial implications

From a managerial perspective, this paper serves as a piece of reference for firms that intend to engage in IJVs. With performance of innovation in mind, partner selection should be done carefully, not just to capture sales growth opportunities, but also to ensure the fit between partners’ relations. The right inter-partner relations fit is important to facilitate communication and coordination efforts in maximizing the transfer and sharing of knowledge that could enhance innovativeness.

On top of that, since the data were sampled from the Malaysian side of the partnership, the findings are particularly beneficial to those that intend to enter IJVs with Malaysian partners, as it provides information about local managers’ perception towards inter-partner relations, knowledge, and IJV innovativeness. Such information can assist foreign firms to assess their own compatibility with potential Malaysian partners, and prepare action plans to overcome any foreseeable challenges in inter-firm relations.

For Malaysian managers, since knowledge transfer has not been found to substantially impinge on behavioral innovativeness, the findings imply the need to bolster learning from foreign partners in terms of openness to new ways of doing things. Otherwise, Malaysian firms may need to understand that tolerance of new and novel ideas is a function of a broader cultural phenomenon that is beyond the control of individual firms. At the same time though, human resource policies should not focus on standardizing thinking and behaviour, but on promoting individual differences toward greater innovativeness.

Finally, to the Malaysian government, policy-makers should pay greater attention to provision of incentives promoting behavioral innovativeness. While strategic and market innovations enjoy rewards in the form of funding and business opportunities from the government, behavioral innovativeness can perhaps be compensated through awards and tax exemptions.

### 6.3. Limitations

Due to lack of disclosure of the identities of the foreign partners, this study could only sample the Malaysian parents of the IJV management and not the other side (foreign partners) of the alliance dyad.

Thus, the findings could only infer the perception from the Malaysian side. Following this, future studies should consider using informants from both sides of the alliance so that the data collected from both parties can be compared and the information can demonstrate whether both parties share the same perception on the dimensions. The relatively small sample size used in the hypotheses testing is another shortcoming. But then again, it is not uncommon to find this size of sample in the strategic management literature. Lastly, future works need to investigate the framework with a larger sample data to increase the degree of generalizability of the findings.

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