

## DOCTORAL THESIS

### **Linking foreign parent-transferred knowledge with performance superiority: the effects of distribution capability, absorptive capacity, and market turbulence in emerging economy IJVs**

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## Abstract

Drawing on the dynamic capabilities perspective, this study provides some important insights into the paradox of the knowledge transfer-firm performance relationship in international joint ventures (IJVs) in an emerging market, China. It examines the IJV's distribution capability as the underlying mediating mechanism through which the potential benefits of foreign parent-IJV knowledge transfer can be channeled and transformed into superior IJV performance. In this mediation process, the IJV's absorptive capacity and market turbulence work as two boundary conditions that reinforce the role of foreign parent-IJV knowledge transfer on the IJV's distribution capability. Specifically, this study delineates how the IJV's distribution capability mediates 1) the complementary effects of knowledge transfer and absorptive capacity, and 2) the interactive effects of knowledge transfer and market turbulence, on IJV performance, respectively.

Five hypotheses are proposed and empirically tested based on a random sample of 136 equity-based manufacturing IJVs in China. Overall, the results support the proposed hypotheses except hypothesis 1 which posits the IJV's distribution capability mediates the effect of foreign parent-IJV knowledge transfer to the IJV's ultimate performance. The findings reveal that 1) the IJV's absorptive capacity and market turbulence strengthen the link of foreign parent-IJV knowledge transfer and the establishment of the IJV's distribution capability; and 2) distribution capability mediates two complementary effects (knowledge transfer and absorptive capacity, and knowledge transfer and market turbulence) on superior IJV performance in emerging markets. The plausible explanation for the unsupported hypothesis 1 is the majority of the knowledge transferred by foreign parent is related to product development, organizational management and operational processes, rather than market knowledge. Hence, because distribution capability is an ability closely related to market, the true impact of the knowledge transferred on distribution capability may be blurred and even concealed if IJVs lack sufficient absorptive capacity or are currently operating in stable markets.

In summary, this study makes an original contribution to extant IJV literature by unpacking the black box of the knowledge transfer-IJV performance relationship and reveals that the IJV's distribution capability plays as an underlying mediation mechanism. It also identifies the moderating roles of the IJV's absorptive capacity and market turbulence on the knowledge transfer-distribution capability relationship, and makes important empirical contribution to extant dynamic capabilities literature by substantiating the theoretical claim that dynamic capabilities have an indirect effect on firm performance, and that the existence and use of dynamic capabilities are more effective under rapidly changing environments.

**Keywords:** Knowledge Transfer; Distribution Capability; Absorptive Capacity; International Joint Ventures; China

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Abbreviation: IJVs: international joint ventures