

## **Knowledge Acquisition through International Joint Venture in Transitional Economies: the Case of Algeria**

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### **Abstract**

Over the recent decades, African countries have begun to attain the fundamental conditions needed to adapt to the realities of global transition, thus induce the need for acquisition and assimilation of knowledge and skills to gain competitive advantage. However, the lack of means and the absence of accessible local institutions to develop local talents with relevant knowledge and skills have created more difficult challenges for these countries to gain upper hand over their competitors. Realizing the urgent need for competitive advantage, the local firms in Algeria have sought the option of forming international joint venture (IJV) with foreign partner(s) from more developed countries. Unfortunately, the relations between their learning objectives and IJVs' knowledge acquisition have not been studied adequately in transitional economies. Therefore, based on an extensive literature review on the different context of knowledge acquisition, I draw on knowledge transfer and IJVs' innovativeness to propose a conceptual framework on the relative importance of potential determinants of IJVs' knowledge acquisition. The dynamics of IJVs' knowledge acquisition are determined by the potential factors of transfer mechanisms, absorptive capacity, and environmental uncertainty. These potential determinants can facilitate or prevent the acquisition of knowledge, thus enables IJVs to enhance the degree of innovativeness. This paper provides a review of the research literature as well as conclusions and recommendations for future research.

**Keywords:** IJVs' knowledge acquisition, absorptive capacity, transfer mechanisms, environmental uncertainty, IJVs' innovativeness, Algeria.

## 1. Introduction

In the face of uncertain business environments and intensified global competition, the notion of owning potential firm resources, such as knowledge and technology is strategically crucial to generate sustained competitive advantage (Lyles & Salk, 1996). The core objective of firms' acquisition of knowledge is to create new knowledge for innovation which can facilitate firms to generate market performance. These strategies in turn can help a firm to gain advantage of a strong position in the industry, thus sustaining its strength of competition.

Generally, many transition economies experienced difficulties and necessitates greater efforts in accessing knowledge, more often related to the challenges of generating technology and knowledge such as impoverished means, limited infrastructure and weak system (e.g. technological centers, research groups, and private organizations) (Low & Robins, 2014). In battles for emerging markets, firms are being pressured to develop strategies for new growth by learning new skills and developing new approaches as well as obtaining technological, managerial, and marketing capabilities to be able to meet customers' requirements and to compete in market-based economic conditions (Tsang, Nguyen, & Erramilli, 2004). Thus, in order to gain access to knowledge, and the need to assimilate such knowledge, firms have the option of forming international joint ventures (IJVs) with foreign partner(s). Furthermore, the establishment of IJVs is seen as a vehicle to efficiently learn or absorb technology and tacit know-how which are organizationally embedded (Kandemir & Hult, 2004). From the standpoint of knowledge acquisition, the forte of IJVs is to access each other's complementary resources, skills and capabilities embodied within the diverse organizations (Park, 2011).

While the effectiveness of technology and capital transfer by foreign partners within the context of IJVs is most readily observed, it is uncertain that IJVs are effective in accomplishing their learning objectives. In the study pioneered by (Lyles & Salk, 1996), limited attention has been paid to the influencing factors that can facilitate and impede knowledge acquisition of IJVs. Corresponding to that, this study has examined these contributions and developed a framework which suggests that it is not only important to acquire necessary knowledge in IJVs but it is

especially crucial to understand the potential determining factors as well. This framework can help the pairing up of IJVs decisions makers to map their strategic planning, thus allowing greater chance to improve the outcome of IJVs, particularly innovativeness. Previous researchers have unveiled that an average of two in five IJVs is perpetual strugglers or outright failures (Beamish & Delios, 1997), corresponding to this, I feel an innate obligation to conduct such study.

Drawing upon the theories of knowledge-based view and transaction cost economics, the purpose of this study is two-fold. First, I selected the potential determinants of IJVs knowledge acquisition. IJVs' knowledge acquisition is defined as the procedure by which knowledge is attained (P. T. T. Anh, Baughn, Hang, & Neupert, 2006; Huber, 1991). Second, I suggested factors which can mediate the relationship between knowledge acquisition and innovation capabilities.

With regard to the determinants of IJVs' knowledge acquisition, a couple of research studies have maintained that the principle role of IJVs' absorptive capacity as the will to learn in IJV (C. P. T. Anh & Baughn, 2013; P. T. T. Anh et al., 2006; Park, Giroud, Mirza, & Whitelock, 2008; Thi Thuc Anh, 2017). IJVs' absorptive capacity is a prerequisite for organizational learning whereby it refers to the internal resources of IJVs that strengthen their ability to understand, assimilate new knowledge and apply it to commercial ends (Cohen & Levinthal, 1990). Thus, acquisition of new knowledge is the product of organizational capabilities which enable firms to promptly recognize and adequately digest external sources of new inflowing knowledge, hence it replaces or amends existing information.

Another key concept, researchers have absorbed that to achieve organizational learning local organizations need mechanisms to embed and internalize the knowledge depending on its contextual nature (Björkman, Barner-Rasmussen, & Li, 2004; Foss & Pedersen, 2002; Williams, 2007). Transfer mechanisms are recognized as the modes by which firms conduct knowledge transfer activities (Easterby-Smith et al., 2008; Mason & Leek, 2008). Transfer mechanisms are also described as the way that recipient unit involve in replicating or adapting the knowledge from the sending firms (Easterby-Smith, Lyles, & Tsang, 2008; Mason & Leek, 2008). The reason why

firms replicate and adapt knowledge as clarified by Williams, (2007), is because knowledge is ambiguous and adaptive depending on its context.

It should be noted that external environment is also an important perspective that need to be considered. As maintained by Battistella et al, (2016) “inter-actors transfers of knowledge are always positioned in a frame of reference. In this vein, researchers have highly recommended that environmental uncertainty to be a factor which may have an effect on knowledge transfer and acquisition (Battistella, De Toni, & Pillon, 2016; Meier, 2011). Therefore, knowledge exchange can be characterized by variations of its contextual nature such as instability of technology, demand, competitors, and products. Such uncertainties may lead to increased opportunistic risk behavior by its allies, and subsequently decrease the value of relationship-specific properties in a partnership (Gaur et al., 2011). Furthermore, the turbulent environment in developing and emerging markets makes the knowledge acquired quickly become obsolete even before it can be fully utilized (Zhang, Wu, & Chen, 2018).

Previous research studies on IJVs’ knowledge acquisition from foreign partner(s) mostly include absorptive capacity with social capital (Anh & Baughn, 2013; Anh et al., 2006; Dhanaraj, Lyles, Steensma, & Tihanyi, 2004; Lane, Salk, & Lyles, 2001; Lyles & Barden, 2000; Lyles & Salk, 1996; Thi Thuc Anh, 2017). However, to date, researchers have not examined the roles of absorptive capacity, transfer mechanisms, and environmental uncertainty on IJVs’ knowledge acquisition which leaves a gap in the literature. Thus, it is imperative to have a fine-grained understanding of the underlying factors through which an IJV can leverage the benefits of knowledge transfer and conditions under what it may work. Without an adequate understanding of this, it is difficult for IJVs to truly take advantage of knowledge transferred from their foreign partner(s).

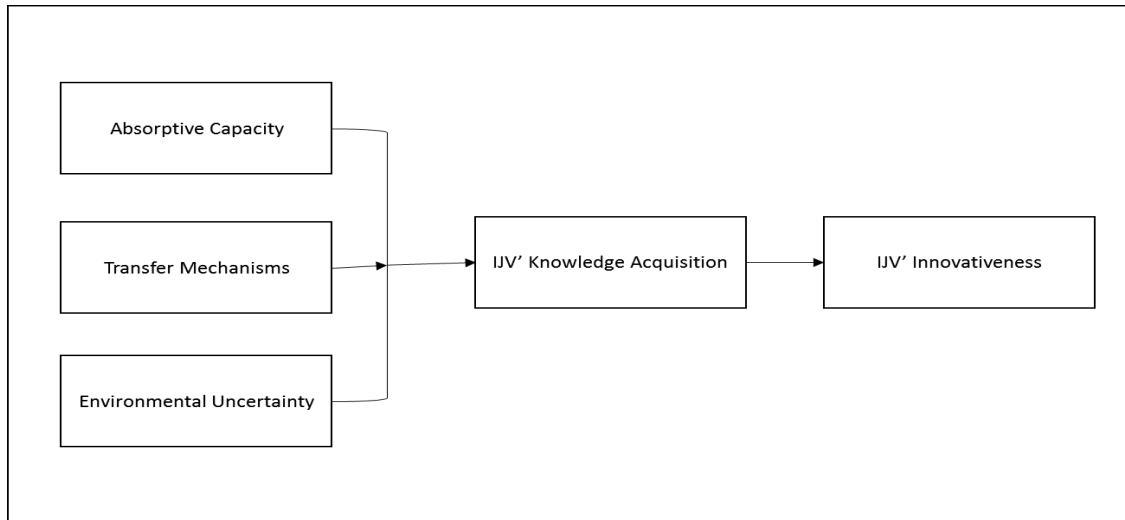
Since its independence and particularly by 1990s, Algeria undertook a transition from planned economy to open-oriented market, policy makers have started to emphasize on foreign direct investment (FDI). FDI is considered as one of the major channels of technology diffusion. Subsequently, FDI has been found to create many new advanced technologies and materials,

organizational management, skills, and systems of production (Bodman & Le, 2013; Osabutey, Williams, & Debrah, 2014). Added to this, capital inflows are eminently needed to facilitate the transfer of advanced technological knowledge, marketing techniques, profits, production methods, and all the necessary tacit and organized managerial know-how to domestic companies (World Bank, 1993).

By 2006, the authorities in the country have imposed the rule 51/49 for all new foreign investments of joint ventures to have at least 51% of local ownership (Guide to Investing in Algeria 2015). With this ruling, the numbers of international joint ventures have trebled within a decade, 2006-2016 (Algeria's National Center for Commercial Record 2017). Despite these developments, report data from the World Economic Forum (2017/2018) and the Global Innovation Index (2017) have revealed that the outputs and innovations of knowledge and technology in the country are very low with the ranking, reflected at organizational level, Algeria ranked 107 out of 127 and 104 out of 137 countries respectively. Researchers have assumed that one of the possible reasons behind these rankings is caused by inefficient knowledge acquisition of entities from their foreign investors(s). Therefore, researchers need to be immersed in investigating the underlying factors that influence the process of knowledge acquisition which can enhance innovation.

Thus, this paper proposes a comprehensive two-fold framework in order to further enrich the existing body of knowledge in the field of IJVs' knowledge acquisition from foreign partner(s) and in response to the call for investigation of the rich aspects of absorptive capacity, (Thi Thuc Anh, 2017), transfer mechanisms (Williams, 2007), and environmental uncertainty (Battistella, De Toni, & Pillon, 2016; Elhachemi & Ahmad, 2018; Meier, 2011) as determinants to IJVs' knowledge acquisition, and IJVs' innovativeness (Idris & Seng Tey, 2011) as a consequence of IJVs' knowledge acquisition. Therefore, by proposing the current conceptual framework (figure 1.1), I posit the following research questions a) do absorptive capacity and transfer mechanisms effect IJVs' knowledge acquisition? Which determinants from the following factors; absorptive capacity, transfer mechanisms, and environmental uncertainty most

affects IJVs' knowledge acquisition? Does knowledge acquisition affect the innovativeness of IJVs? The next section is the literature review.



**Figure 1.1 Conceptual Framework of the Paper**

## 2. Literature Review

### Knowledge Acquisition

KBV theory describes knowledge as a crucial factor to strengthen firms' competitiveness and performance (Grant, 1996; Narteh, 2008; Nickerson & Zenger, 2004). Generally, the need of basic learning and the importance of information and technology of knowledge acquisition can facilitate organizations' efficiency and effectiveness (Park, 2010). Consequently, in this study, knowledge acquisition is considered as the course through which new knowledge is acquired. Whereas, new knowledge is the one which is new to the organization and not newly created (P. T. T. Anh et al., 2006; Huber, 1991). Hence to determine the degree of knowledge acquisition in an IJV, the comprehension of different skills, capabilities and consequences involved in the process of knowledge acquisition is necessary.

Various meta-analysis and literature reviews (Andersson, Dasí, Mudambi, & Pedersen, 2016; Battistella et al., 2016; Meier, 2011; Michailova & Mustaffa, 2012) have suggested that acceleration and hindrance of knowledge exchange is dependent upon various factors in various

perspectives. These factors and perspectives can be organizational capability, contexts and channels, and also contextual reference. Hence, an IJV should possess the organizational capability of adequate absorptive capacity to accelerate organizational learning. Absorptive capacity is much more important when the transfer of managerial knowledge is difficult due to its adhering features (Zhan, Chen, Erramilli, & Nguyen, 2009).

Moreover, knowledge transferred from a foreign partner to an IJV is often contextual in nature and can be ambiguous depending upon context (Lippman & Rumelt, 1982; Winter & Szulanski, 2002). Therefore, in this study, researchers analyzed transfer mechanisms through replication and adaptation. Replication and adaptation are the components of transfer mechanisms through which recipient firms process the knowledge of parent firm (Easterby-Smith et al., 2008; Mason & Leek, 2008).

From the perspective of contextual reference, another key factor which can have negative effect on knowledge acquisition is environmental uncertainty. Environment dictates an enterprise's development and survival (Narver & Slater, 1990). As environmental uncertainty increases, complexity increases as well, in fact, political and social developments and associated changes in technological and industrial in the practice can impact an organization's competitive strategies (Flannery et al. 1994; Caputo et al. 2002; Toni et al. 2011). Furthermore, the degree of IJVs' environmental uncertainty and unpredictability will lead to the increase of knowledge requirements for better task innovation and partner communication. To add up, more researches have begun to explore environmental uncertainty in the context of knowledge exchange (Battistella et al., 2016; Epple, Argote, & Devadas, 1991; Meier, 2011).

### **Absorptive Capacity**

One of the primary objectives for a local firm forming IJV is to access relevant knowledge and capabilities from their partners. However, the formation of alliance itself does not necessarily induce successful knowledge transfer. In fact, a firm must have the absorptive capacity to identify new knowledge (Cohen & Levinthal, 1990; Lane et al., 2001). Cohen and Levinthal (1990) have further argued that an IJV should have the capability to formulate new knowledge and the ability to absorb such knowledge depends on its resources which are required and can be accumulated over a period of time. Thus, the possession of absorptive capacity is significant in

determining IJVs' growth (Park, 2010). This is due to the fact that absorptive capacity is the ability of any firm to recognize, process, and apply valuable external knowledge (Cohen & Levinthal, 1990).

Furthermore, absorptive capacity is also an important enabler of learning in relation to a firm's internal resources to enhance its organizational capabilities as well as to gain new knowledge for commercial use. Thus, in order to achieve efficient and effective knowledge acquisition requires the ability of an organization to acquire new information, technology and learn capability. The ability to acquire such new information which is not available internally, can assist in formulating effective client network and identifying needed daily organizational tasks to support services (Cohen & Levinthal, 1990). Furthermore, absorptive capacity is dependent on existing knowledge. Existing knowledge includes; educational background of staff, expert abilities and experiences. Given that, the importance of absorptive capacity keeps on growing and the dynamic concept of absorptive capacity has been increasingly drawn by researchers (e.g., Jansen, Van Den Bosch, & Volberda, 2005; Volberda, Foss, & Lyles, 2010; Zahra & George, 2002). Volberda, Foss, and Lyles (2010) have argued that absorptive capacity is an important determinant of knowledge and innovation process in an organization because the level of external knowledge is fixed regardless of the environment that they operate in.

However, knowledge gap is minimal between partners of IJVs from developed market economies, thus employees can work together to equally learn from each other because the partnering firms have similar skills, knowledge and level of learning capabilities as discovered in a study of Dussauge, Garrette and Mitchell (2000), between partnering firms of an automobile IJV from Japan and USA or Europe. However, this paper explores the IJVs in Algeria. Algeria is classified as a developing economy and foreign investments are mainly received from more developed countries such as Europe and USA. This implies a noticeable knowledge gap between partners in the same sector. Given that, the capacity to absorb and receive a given knowledge is different between the transferring and receiving partners, thus such IJV is likely to fail. This is proven in the Global Innovation Index (2017) which revealed that the absorptive capacity of knowledge in Algeria is very weak. Many studies have investigated IJVs in developing and transitional economies and have supported that local employees may not be able to acquire and



assimilate the new given knowledge if the local absorptive capacity lack the capability to receive it. Hence, in order to overcome the challenge associated in learning, the receiving employees can be motivated by adequate knowledge provision of the giver (Anh et al., 2006; Lyles & Salk, 1996a; Park, Giroud, & Mirza, 2007; Anh, 2017).

### **Transfer Mechanisms**

To facilitate knowledge transfer, an IJV must ascertain the nature of knowledge transfer practice in order to generate broad transfer mechanisms needed to embed foreign knowledge in local setting. Transfer mechanisms are described as the ways through which firms transfer knowledge (Mason & Leek, 2008; Smith et al., 2008) and transfer mechanisms dictate how firms will interact transfer knowledge (Jasimuddin, 2007; Prévot & Spencer, 2006). In transfer mechanisms, replication and adaptation of knowledge are the main elements (Chen et al., 2014; Jasimuddin, 2007; Prévot & Spencer, 2006; Williams, 2007). More precisely, transfer mechanisms are utilized methods of an acquiring firm to replicate and adapt the given knowledge of a parent firm (Easterby-Smith et al., 2008; Mason & Leek, 2008).

Replication involves the alteration of existing operating procedures in compliance with the partner (Chen, Hsiao, & Chu, 2014; Williams, 2007). Replication of knowledge is crucial due to the inherent causal ambiguity of complex production processes (Lippman & Rumelt, 1982) to the point that restrains the firm to identify basic operating knowledge. Hence, replication enables the firm to exactly replicate the activities of its parent firm without indulging in understanding the underlying phenomenon and resultant consequences of those activities (Williams, 2007).

Adaptation on the other hand, deals with the modifications of processes to adapt to the new setting (Chen et al., 2014). The criterion for adaptation of knowledge exchange is when knowledge is compatible with the new setting. Hence, knowledge must be altered according to the firm's operating environment because the environment shapes the impact of knowledge (Penrose, 2009). However, knowledge gathering depends on tracks (Cohen & Levinthal, 1990), and it is incorporated into the firm's routines through replication over a period of time (Nonaka, Krogh, & Voelpel, 2006). There is also a possibility that transferred routines might not have beneficial

impact on IJV (Madhok, 2006). Exchanged knowledge is altered within the organizational contexts due to various factors, including; divergent areas, novel relationships and unique organizational settings (Szulanski & Jensen, 2006).

In a study, Williams (2007) has developed an important model that illustrates the effects of replication and adaptation of knowledge transfer. The model has proclaimed that a firm's replication and adaptation are due to ambiguous and contextual knowledge respectively. The model has further proposed that firms are inclined toward replication when knowledge is discreet, whereas adaptation is preferred when exchanged knowledge is understood. Both replication and adaptation of knowledge lead to successful knowledge transfer thus prompt improved firm's performance. Given that, firms not only contribute towards the replication of accurate embodiment of knowledge, but also emphasize the difficult and tedious embodied adaptation of knowledge. Hence, in accordance with the study of Williams (2007), both replication and adaptation have been deemed important to achieve successful knowledge transfer.

In an empirical study conducted by Williams, (2007), replication and adaptation can lead to successful knowledge transfer, which leads to improved performance of the recipient firm. Moreover, Chen et al., (2014) have found that cooperative competency plays a mediating role between transfer mechanisms and knowledge transfer through the process of replication and adaptation and can improve knowledge transfer performance. By examining replication of knowledge transfer process between the JV of Hong Kong and China, (Wang & Nicholas, 2005) have found that Chinese managers' replication was measured by the changes in the local Hong Kong managers' knowledge contribution to the accumulation of JV knowledge. Concisely, the more knowledge the Chinese managers learned through imitation the more contribution they made to the JV level of knowledge. With regard to adaptation, (Pak, Ra, & Lee, 2015) have concluded that knowledge adaptation is a vital step in knowledge management process and in maximizing the fit of transferred knowledge to the new cultural and organizational context of the IJV. Finally, (Winter & Szulanski, 2001) in their empirical evidence has supported an alternative view of replication strategy as a process that involves a regime of exploration in which the business model was created and refined, followed by a phase of exploitation in which the business model was stabilized and leveraged through a large-scale replication.

## **Environmental Uncertainty**

Knowledge exchanges between organizations are often placed in contextual reference (Battistella et al., 2015). A firm's quest for external knowledge is highly dependent on the context of knowledge acquisition and processing (Cohen & Levinthal, 1990). Another important context during external knowledge search is the turbulence in the firm's operating environment (Jaworski & Kohli, 1993; Lichtenthaler, 2009). Since Algeria is the focus of the study, it is a relatively underdeveloped economy whereby matters of legal and state of financial infrastructure also suffer huge deficit, therefore, create environmental uncertainty which include highly unpredictable market and consumer demands, hostile competition, and abrupt changes in legal, political, and economical constructs (Li & Atuahene-Gima, 2001). In addition, the effectiveness of a collaborative strategy is also dependent on environmental constraints (Fynes, De Burca, & Marshall, 2004; Holweg, Disney, Holmström, & Småros, 2005). Environmental uncertainty can be defined as the degree or variation of instability in environmental factors (Wong et al., 2011) or more precisely the extent of turbulence and its effects in products or services, technologies and demand for products or services in the market (Dess & Davis, 1984).

In the context of IJV, prior studies have often limited their attention to knowledge acquisition. One of the most important objectives of a firm is to develop and implement a strategy to cope with external environmental factors that can cause turbulence. Traditionally, this strategic response often emphasized strategic alliances such as IJV in order to acquire external knowledge (Cassiman & Veugelers, 2006). Previous researchers have highly emphasized on the significance of market and technological turbulence within the elements of environmental uncertainty (Chen, Reilly, & Lynn, 2005; Droge, Calantone, & Harmancioglu, 2008; Lichtenthaler, 2009; Song, Droge, Hanvanich, & Calantone, 2005). Technological uncertainty is characterized by the complexity of innovation which makes it difficult to predict the novelty of technology (Song & Montoya-Weiss, 2001) due to the limited knowledge on technological advances (Sutcliffe & Zaheer, 1998). Technological uncertainty is also higher in the market of fast-changing technologies (Chen et al., 2005). On the other hand, market uncertainty depends on the instability or uncertainty of business sectors, changes in market structure, and market rivalry. Furthermore,

markets can become highly volatile largely due to the rapid change in the business sectors or developing markets (Chen et al., 2005).

A few studies have suggested that most firms tend to seek out and acquire extensive knowledge due to environmental uncertainty (e.g. Guo & Wang, 2014; Huang, 2009; Lichtenthaler, 2009). Moreover, these studies have operationalized environmental uncertainty in terms of resource based theory (Leiponen & Helfat, 2010) and information processing theory (Downey & Slocum, 1975). On the other hand, transaction cost economic view (TCE) has suggested that environmental uncertainty have a major negative impact on external search breadth. TCE has also suggested that transaction costs can be divided into the costs of searching, costs of bargaining, and costs of supervising contracts (Macher & Richman, 2008). Hence to access the valuable external sources of knowledge, participating firms should construct and maintain strong relationship with their relevant and useful knowledge sources. However, the cost of identifying and locating appropriate external sources of knowledge, commercially useful knowledge in particular, is likely to increase in turbulent environments. In addition to that, the cost of bargaining during knowledge acquisition from external sources also tends to increase. Therefore, firms are conducive to lower their external search breadth in order to maintain their transaction costs during external knowledge search in high turbulent environments.

Due to bounded rationality, firms are driven to follow the principle of satisfaction while seeking knowledge from external sources in an extreme turbulent environment. By means of this, a firm's searching purpose might change its course, rather than looking for better or complete knowledge, the firm would settle on look for useful knowledge that is available at lower cost (Cohen & Levinthal, 1990; Zahra & George, 2002). This change is often resulted from the lack of motivation in order to draw knowledge from vast external sources especially during high environmental turbulence. Therefore, empirical researches have suggested that environmental uncertainty can hinder the activities of seeking and transferring of knowledge under certain conditions (Levine & Prietula, 2012; Prasad & Junni, 2017; Urbany, Dickson, & Wilkie, 1989; Y. Li, Long, Li, & You, 2014).

### **IJV's Innovativeness**

Organizational innovativeness is defined as a firm's capacity to bring in new ideas, products or processes (Hult, Hurley, & Knight, 2004). Innovation is the distinctiveness between a new thing and its substitutes or existing equivalents, particularly distinctive qualities and characteristics. New thing can be referred to idea, attitude, approach, behavior, technique, culture, technology or capability (Damanpour, 1991). Concisely, innovation is deemed as an important part of an organizational strategy (Gunday, Ulusoy, Kilic, & Alpkan, 2011). It drives competitiveness in global markets (Singh, 2009), hence, making innovation essential for globalization (Berry, 2014). Therefore, it is imperative to understand the effects of knowledge acquisition from foreign partner to IJV innovativeness. However, the body of empirical research on the relationship between knowledge acquisition and an IJV's innovativeness is still in its starting phase.

According to the knowledge-based view, knowledge is the most valuable strategic resource to gain competitive advantage and to achieve higher organizational performance (Grant, 1996; Kogut & Zander, 1992; Nonaka & Takeuchi, 1995). Companies need to commensurate with new development of products and technologies and continuously distribute knowledge within and across organizational units for employees are continually improving. (Hung, Lien, Yang, Wu, & Kuo, 2011; Jaguli, Malek, & Palil, 2014). In the context of organizational internal factors, product and process innovation are closely related with technological innovation (Jaguli et al., 2014). Internal factors are comprised of knowledge resources, physical resources, capabilities, values, norms, and management systems. Whereas, external factors include customers, competitors, market position, and technology for required knowledge acquisition (Hung et al., 2011).

Therefore, firms in emerging markets such as Algeria often choose to form joint ventures with firms from comparatively advanced countries to acquire necessary knowledge which is not available locally. Many researchers have explained the reasoning behind the establishment of IJVs through KBV. Researchers have suggested that collaborative arrangements (e.g. IJVs) are necessary to support market contracting as the knowledge from local markets is not (Grant & Baden-Fuller, 1995). Therefore, in light of knowledge acquisition from foreign partner, IJVs can contract out similar support to meet mutual benefits (Grant & Baden-Fuller, 1995). On the other hand, organizational innovative capacity depends on its external knowledge acquisition and

possession (Nowacki & Bachnik, 2016). The dynamic process of knowledge exchange between partners (IJV-foreign partner) empowers new capacities for both partners which might not be feasible from working solely (H. Zhang, Shu, Jiang, & Malter, 2010). Transferred knowledge is the key to firm's competitive advantage, and the speed of knowledge transfer defines a firm's first-mover advantage in the firm's operating environment. As the value and speed of knowledge transfer increases, the likelihood of IJVs innovative performance also increases (Sáenz, Aramburu, & Rivera, 2009).

Innovation is often rooted in knowledge absorption in research and design (R & D) unit and other organizational units (Mansfield, 1983). However, the absorption and assimilation of knowledge depends on employees' learning ability (Cohen & Levinthal, 1990). Employees' learning ability also defines an organization's learning abilities and capabilities, as well as the efficiency and effectiveness of innovative activities (Dodgson, 1993). Empirical studies on organizational learning have suggested that firms need to build strong relationship with external partners to promote learning which in turn will generate new product development and innovation (Hung et al., 2011; Hurley & Hult, 1998; Rothaermel & Deeds, 2004). A study conducted in China has also figured out that seeking knowledge through the acquiring of firms will positively influence innovation performance (Wu, Lupton, & Du, 2015). Sáenz et al., (2009) have revealed that knowledge exchange is the key to improve innovative capability of a firm. However, studies on this area are limited in the context of IJVs with the exception for a study of IJV which is based in Malaysia. Results of the study have suggested that knowledge transfer plays a very important role in IJV's innovation performance (Idris & Seng Tey, 2011). Therefore, it can be deduced that there is lack of empirical research in context of IJVs and many of the existing studies is still at its early stage of development in general.

### **3. Conclusion**

This paper has undertaken both practical and theoretical gaps in the context of knowledge acquisition of IJV, which in turn furthers the understanding of potential factors affecting the process of knowledge acquisition. Therefore, through comprehensive literature searches in e-library for meta-analysis and building on critical literature review on the subject of knowledge

transfer and acquisition in transitional economics, this paper proposes a comprehensive two-fold conceptual framework based on knowledge-based view and transaction cost economics theories. The framework contains potential factors such as absorptive capacity, transfer mechanisms, and environmental uncertainty that can affect the process of IJVs' knowledge acquisition, which in turn affect IJVs' innovativeness. Therefore, our research shows that these factors will not only inspire the management and stakeholders to implement strategies and programs designed to encourage organizational learning but also help the decision makers of IJVs to translate transferred knowledge to develop the IJVs' innovativeness.

Obviously, this study is not without limitation and direction for future researches. The current research reflects the practical issues in Algeria (table 1.1) and fills the theoretical gaps in previous literature, spanning our focus on IJVs' knowledge acquisition from foreign partner in transitional economics. Thus, I propose a specific conceptual model which includes absorptive capacity, transfer mechanisms, and environmental uncertainty as antecedents of IJVs' knowledge acquisition. Furthermore, knowledge acquisition can result in IJVs' innovativeness. Therefore, I strongly recommend for future studies to test this model by adding other potential factors from different aspects of knowledge acquisition such as formal mechanisms (Elhachemi & Ahmad, 2018; Liu, Li, Shi, & Liu, 2017) and learning culture (Farrell, Oczkowski, & Kharabsheh, 2011; Kandemir & Hult, 2005) and to provide new insights on the relationship between these variables, thus contribute to the body of knowledge. Furthermore, due to brief empirical studies, it is recommended to test the mediation effect of innovation between knowledge acquisition and performance. Finally, Algeria's oil & gas future are of critical importance to the country economy; therefore, it is also strongly recommended to conduct future empirical study on the industry.

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