Journal of International Business Studies (2010) 41, 21–26

www.jibs.net

RETROSPECTIVE

Knowledge transfer in international acquisitions: A retrospective

Julian Birkinshaw[1], Henrik Bresman[2] and Robert Nobel[3]

[1]*London Business School, Regents Park, London, UK;* [2]*INSEAD, Singapore;* [3]*IFL, Stockholm, Sweden*

Correspondence:
J Birkinshaw,
London Business School, Regents Park, London NW1 4SA, UK.
Tel: +44 (0)20 7000 8718;
Fax: +44 (0)20 7000 7001;
E-mail: jbirkinshaw@london.edu

Abstract

In this Retrospective, we summarise and discuss the findings of our 1999 *JIBS* paper "Knowledge transfer in international acquisitions", and we consider how research in this area has evolved over the last decade. The paper's key contribution was to show how the post-acquisition integration process in a sample of three international acquisitions led to the creation of a "social community", characterised by two-way knowledge-sharing between the acquirer and acquired companies. We discuss how the timing of this publication, as an early contribution to the knowledge-based perspective on the firm, helped its visibility; and we consider the boundary conditions around our findings.

Journal of International Business Studies (2010) **41,** 21–26.
doi:10.1057/jibs.2009.71

Keywords: international acquisitions; knowledge-based view of the firm; qualitative research

INTRODUCTION

It is a great honour to win the *JIBS* Decade Award for the most influential article published in *JIBS* during 1999. In this Retrospective, we provide some reflections on the origins of the paper, we discuss its contribution to the international business literature, and we consider some of the broader issues it raises for the field.

ORIGINS OF THE PAPER

The paper emerged through the confluence of related streams of research when the three of us were working at the Institute of International Business (IIB) at the Stockholm School of Economics in the late 1990s. IIB was already well known as one of the leading places in the world for international business research, with such influential scholars as Jan-Erik Vahlne, Gunnar Hedlund, Udo Zander, and Örjan Sölvell in the group. In 1995 Julian joined the group as an assistant professor and Henrik started as a research associate, while Robert was in the latter stages of his doctoral studies.

In 1996 Julian and Henrik became involved in a project on the post-acquisition integration process that had been led by Lars Håkanson and Lena Zander. This study had been following three large Swedish MNEs (ABB, Alfa Laval, Eka Nobel) in their acquisition of R&D operations in the US and the UK, with a particular focus on the "human side" of the acquisition process.

Received: 29 July 2009
Revised: 23 August 2009
Accepted: 23 August 2009

Lars and Lena had done the initial round of interviews and a questionnaire survey in 1992. Julian and Henrik did the second round of data collection in 1996. This process story was published in the *Journal of Management Studies* (Birkinshaw, Bresman, & Håkanson, 2000).

The same year, Julian began working with Robert on a study of international R&D units. Based on Robert's database with detailed information on 100 R&D subsidiaries of Swedish MNEs – 42 of which had been acquired – Julian and Robert published two papers looking at issues of control, coordination, and knowledge flows in R&D networks (Birkinshaw, Nobel, & Ridderstråle, 2001; Nobel & Birkinshaw, 1998).

In 1997 we had the bright idea of combining the insights from these two research projects. The first provided deep insight into *how* international knowledge transfer had transpired (or not) in three case-study companies; the second provided systematic evidence about the correlates of knowledge-sharing between 42 acquired R&D units and their parent companies. We could see that there were useful complementarities in the two projects, especially as the sampling frame (acquired international R&D units of Swedish MNEs) was identical in both. More pragmatically, we also recognised that neither body of data was an easy "sell" to a leading journal on its own. It was considered difficult back then (as now) to publish qualitative research, and a sample of 42 units was on the lower end of normal acceptable practice in quantitative studies. But we reasoned that, by pulling the two bodies of data together, the reviewers might "buy into" our story. And so it proved.

The paper came together quickly. In terms of framing, we observed that there had been several studies of international knowledge transfer in alliances and joint ventures, as well as several studies of international acquisitions as a phenomenon in its own right. However, no prior research had looked at knowledge transfer specifically in the international acquisition context. This gave the paper a nice clear focus, and it gave us a licence to develop our theory in whatever direction we saw fit. We chose, with little hesitation, to build on the concept of the firm as a social community. Bruce Kogut and Udo Zander (1993, 1996) had recently published two interesting papers on the firm as a vehicle for knowledge-sharing. It seemed appropriate to take their ideas forward, and to argue that MNEs integrate acquired R&D units from overseas by fostering the development of such a social community. This argument was not intended, of course, to suggest that the creation of a social community was the only motivation or mechanism for implementing overseas acquisitions, but we felt it was a relevant one in the context of our empirical data, and it was also an exciting debate to take part in within the international business fraternity.

We submitted the paper to *JIBS* in late 1997. We never thought of submitting it to any other journal: the focus of the paper made it clear to us that our audience was the IB research community, so *JIBS* was the logical first choice. After two rounds of revisions, taking about a year, it was accepted for publication by *JIBS* Editor Tom Brewer. The reviewers did an excellent job of helping to sharpen the paper's contribution. One of them pushed us to delineate exactly what it was about our context (international acquisitions) that made our study unique; a second challenged us on how we were measuring knowledge transfer. These and other comments helped us to clarify our arguments for how and under what conditions a social community forms, and for why we ending up seeing different factors predicting our two different dimensions of knowledge transfer (technological know-how sharing and patenting). The paper came out in autumn 1999 (Bresman, Birkinshaw, & Nobel, 1999).

CONTRIBUTIONS

We made three contributions with the paper. First, we mapped out the territory. By comparing knowledge transfer in international acquisitions with knowledge transfer under other modes of governance (within the firm, alliances, joint ventures, between independent firms), and by taking an explicit knowledge perspective, we offered a way of looking at the phenomenon on which others have built.

Second, we showed that different factors facilitated the sharing of "technical know-how" on the one hand, and patent-based knowledge on the other. The former was driven primarily by personnel exchanges, visits, and other forms of communication, and the latter by the "articulability" of the acquiree's knowledge base and the recency of the acquisition. This is not exactly surprising, especially looking back on it now, but it was nonetheless important to be able to show empirically that different forms of knowledge flows were facilitated in different ways. Many subsequent studies have built on this distinction between different types of knowledge transfer.

Third, and most importantly, we shed light on the mechanisms of knowledge transfer in the context of international acquisitions, and specifically that post-acquisition integration was a multi-phase process. The three case study situations were very different: Eka Chemicals was seen as a benevolent and thoughtful acquirer; ABB was very experienced in making acquisitions, and imposed a structured and rigorous approach; and Alfa Laval was viewed as heavy handed and entirely unwelcome. Notwithstanding these differences, the three companies were all doing similar things, and with the same broad long-term objectives, so we were able to do a compare-and-contrast analysis, out of which came some useful insights into how a social community – a single coherent organisational culture – emerged over time. Perhaps the most fascinating data in the whole paper was Table 5, which showed that the attitudes of the acquired employees in all three cases grew more positive over time, while the attitudes of the employees in the acquirer companies grew *less* positive. We explained this in terms of outcomes relative to expectations, but there may well have been other things going on there as well.

The findings emerging from the two different research methodologies were consistent and complementary, and allowed us to come to our fairly unequivocal conclusions about how these acquiring firms were able to build a social community in which spontaneous knowledge transfer could occur. However, we did not discuss in any detail how generalisable these findings would be to a broader population. Looking back on it now, we would have to conclude that the Swedish MNEs we studied were somewhat unusual, a point we pick up again below.

SOME BROADER PERSPECTIVES

In the final part of this Retrospective we would like to make a few broader points, relating to the theory and methods we used, and to the contributions of the paper.

Theory

Our application of the knowledge-based view of the firm to the study of international acquisitions was obvious and straightforward – but only because we were in the right place at the right time. We were surrounded by colleagues who had made early contributions to the knowledge perspective, including Hedlund (1994), Kogut and Zander (1992, 1993, 1996), and Nonaka (1991), the latter a frequent visitor to IIB in Stockholm. This gave us early access to the papers written by these academics, and the ability to discuss our ideas with them. It also meant we had decent measures of such things as know-how sharing and knowledge articulability a few years before others who did not have these personal connections.

The healthy number of citations of the paper (approximately 85 at the time of writing this) can be explained in large part by our timing. The idea that the internalisation of intangible asset transfer is an important *raison d'être* for the MNE dates back to Hymer (1976), but of course it was Kogut and Zander's (1993) article, another *JIBS* Decade Award winner, that placed knowledge *per se* at the heart of internalisation theory. Since the mid-1990s this knowledge perspective has steadily grown in influence, such that there are probably more international business papers being written today from a knowledge perspective than from a transaction-cost perspective. And of course it was our good fortune to be writing about knowledge transfer in the context of international acquisitions at just the time the knowledge "wave" started to break.

However, let us sound a note of caution here. The knowledge perspective has considerable merit, but we worry that the field has become too enamoured with it. This year's AIB conference (2009) had 12 sessions with the word "knowledge" in the title, suggesting there were around 50 competitive papers all seeking to apply a knowledge perspective to some aspect of international business. This obsession with knowledge sits at odds with what is happening in the world of practice. For senior executives, knowledge transfer, knowledge-sharing, and social communities are interesting nice-to-haves, but they are rarely strategic imperatives. Senior executives are far more worried about such issues as emerging competitors, risk management, organisation complexity, strategic flexibility, corporate social responsibility, and so on. Of course, we should not define our research agenda solely in terms of what senior executives worry about; but we should not allow our research to become completely disconnected from that world either. Our argument is simply that the IB research agenda needs some rebalancing: we would not like to see the knowledge perspective closed down, but it would be very healthy if we could find some alternative lenses through which to look at the world of multinational enterprises as well.

Methods

We acknowledged earlier that our mixed-method approach was a pragmatic way of pulling two complementary studies together, rather than something we designed at the outset. There are genuine merits in such an approach – it allowed us to generate new insights *and* validate them in a single paper. We believe this is one of the key reasons why the paper was so well received.

However, again, we need to offer a note of caution. Like many papers of its era, this paper might not be accepted in *JIBS* today. The quantitative data were collected from a single respondent, and the statistical analysis had its limitations. The qualitative data were reasonably good quality, but they were presented in a way that probably would not be acceptable to reviewers today. So mixed-method research is undoubtedly a good thing, and we would like to see more of it, *but it has to be well done*. Reviewers are not going to compromise their beliefs about what represents high-quality research just because a paper uses multiple methodologies. So, for research of this type to find its way into *JIBS* and other top journals, we need to become experts in more than one methodology, and we need to train our doctoral students likewise.

More broadly, we would like to see more creative approaches to research methodology in international business. More than 90% of the articles published in *JIBS* are based purely on quantitative data, often from secondary sources. But the cross-disciplinary and phenomenon-driven nature of IB makes it highly conducive to non-quantitative methods such as case studies and ethnographies. Indeed, many of the landmark studies in our field were based on such methods (e.g., Bartlett & Ghoshal, 1989; Hedlund, 1986; Johanson & Vahlne, 1977).

There is also scope for a more experimental approach to international business research. Consider the notion of a field experiment, in which the researcher reports on the active manipulation of certain variables in a real-life setting. This is an established methodology in the social sciences (e.g., Dalton & Mesch, 1990; Schweiger & DeNisi, 1991), but we have never seen field experiments reported in *JIBS*. Action research is a related methodology with a long history (Lewin, 1946; Susman & Evered, 1978), whereby the researcher is a reflective advisor, influencing and also reporting on changes that are made within an organisational setting. But again, action research is rarely seen in the international business literature. Of course these methodologies have their own challenges, both in terms of how they are conducted and how they are written up, but that does not mean we should shy away from them altogether (cf. Birkinshaw, Hamel & Mol, 2008; Van de Ven, 2007).

Contributions

Finally, it is interesting to review our study's findings 10 years on. The quantitative findings make sense, and have been validated in subsequent studies, but they are not groundbreaking. The more interesting – and controversial – findings are the broader arguments we make about how MNEs' executives integrate their acquisitions. Alain Verbeke's Commentary in this volume argues that we got this wrong, and perhaps that we did not fully understand what was happening in the MNEs we were studying. Our view is that in fact we were simply looking at one "model" of acquisition integration that was particular to the empirical context of our research.

Broadly stated, there are two different models of post-acquisition integration. One is the "low road" to integration, in which the acquirer acts quickly to impose its systems and rules on the acquired company; the other is the "high road" to integration, in which the acquirer deliberately allows the acquired company to retain autonomy – within certain boundaries – and then gradually encourages interaction and integration between the two sides (Birkinshaw, 1999). The low road works best when the acquired company is being bought for its physical assets and its market presence. The high road works best when the acquired company is being bought for its human assets, because those assets are free to quit if they do not like the approach being taken. A number of studies over the years have picked up on and elaborated on this distinction (e.g., Empson, 2000; Haspeslagh & Jemison, 1991).

While we did not fully realise it at the time, our research reported on a typical high-road acquisition strategy. The three MNEs in question were all buying knowledge-intensive assets, with employees who were free to leave if they were not happy. And, as Swedish MNEs, they were perhaps less ethnocentric in their attitudes towards their overseas subsidiaries than those from other home countries (Bartlett & Ghoshal, 1989; Perlmutter, 1969).

In other words, our study ended up putting forth a very "Swedish" view of the world. The notion of a social community fits very easily into the lexicon of a Swedish MNE, far more easily than it would with an American or Japanese company. Because our research was in large part case based, we reported on what people said to us, rather than relying on hard quantitative data to speak for itself. As we review our work 10 years later, it is important to at least acknowledge the boundary conditions around our findings. These relate primarily to our focus on acquiring human capital (rather than physical capital), and perhaps secondarily to the national context of the study.

As a final point, it is important to ask: to what extent was this really international business research? The international context for this study of acquisitions was a difference of degree, not kind, in that the context exacerbated the challenges of integrating a target company without losing its core asset (its people). Interestingly, the first draft of the paper included nationality and cultural distance measures, but these were taken out in the review process because their predictive power in explaining knowledge-sharing was minimal. We would therefore have to admit, on reflection, that the truly "international" component of this study was rather low. Again, we suspect the current *JIBS* editors and reviewers would have been stricter on this point than they were back in 1999.

Moving Forward

So what's next in the field of international acquisition research? Our bias is always to start with the phenomenon. Certainly, the evidence suggests that international acquisitions continue to be important, and that the challenges in making them work are as big as ever – just look at the unwinding of the DaimlerChsyler merger, the rocky road facing the Alcatel Lucent merger, or the nightmare waiting to happen if or when Magna and its Russian partners take control of GM's European assets. One of the fascinating things about international mergers/acquisitions is that they transpire at multiple levels of analysis – geopolitical, strategic, organisational, and personal – and there is still plenty of scope for additional research at all these different levels. There is also a new layer of complexity being added with the increasing number of cases of developing country MNEs buying assets from developed countries. Recent examples are Mittal buying Arcelor, Tata buying Jaguar Land Rover, and Lenovo buying IBM's PC business, and this is a trend that is likely to grow significantly in the years ahead. Anecdotal evidence suggests these developing country MNEs are predominantly taking a "high road" approach to their acquisitions, imposing some controls but offering enormous autonomy as well, and looking to get the most out of what they are buying. But we have little if any systematic evidence here, so this is an area that could certainly do with more research.

From a more theoretical angle, we do not believe the knowledge perspective is dead, but it is certainly a "mature" point of view that has attracted enormous amounts of interest over the last decade. We would like to see some alternative perspectives brought to bear on the phenomenon of international acquisitions. The concept of a social community, of course, suggests sociology, social psychology, and anthropology as useful lenses. And as Alain Verbeke points out, there is also value in taking an integrative perspective by making use of more than one body of theory to make sense of the same phenomenon.

CONCLUSION

To conclude, it is very nice to have our work honoured in this way. As always, it was the combination of a reasonably thoughtful study plus excellent timing that led to its good citation record. The paper is actually better cited than its sister paper (Birkinshaw et al., 2000), which described the post-merger integration process in detail, which further suggests that it was the "knowledge" angle that was central to our success here. Whether a knowledge-based view of the firm will remain dominant in the years ahead, of course, remains to be seen.

ACKNOWLEDGEMENTS

Editor-in-Chief Lorraine Eden and Anne Hoekman provided thoughtful guidance and helpful suggestions. The authors are indebted to the late Gunnar Hedlund, who was instrumental in creating the environment at the Stockholm School of Economics that made possible the research discussed in this Retrospective.

REFERENCES

Bartlett, C., & Ghoshal, S. 1989. *Managing across borders: The transnational solution*. Boston, MA: Harvard Business School Press.

Birkinshaw, J. M. 1999. Acquiring intellect: Managing the integration of knowledge-intensive acquisitions. *Business Horizons*, 42(3): 33–40.

Birkinshaw, J. M., Bresman, H., & Håkanson, L. 2000. Managing the post-acquisition integration process: How the human integration and task integration processes interact to foster value creation. *Journal of Management Studies*, 37(3): 395–426.
Birkinshaw, J. M., Nobel, R., & Ridderstråle, J. 2001. Knowledge as a contingency variable: Do the characteristics of knowledge predict organization structure? *Organization Science*, 13(3): 274–289.
Birkinshaw, J. M., Hamel, G., & Mol, M. J. 2008. Management innovation. *Academy of Management Review*, 33(4): 825–845.
Bresman, H., Birkinshaw, J. M., & Nobel, R. 1999. Knowledge transfer in international acquisitions. *Journal of International Business Studies*, 30(4): 439–462.
Dalton, D. R., & Mesch, D. J. 1990. The impact of flexible scheduling on employee attendance and turnover. *Administrative Science Quarterly*, 35(2): 370–387.
Empson, L. 2000. Mergers between professional service firms: Exploring an undirected process of integration. *Advances in Mergers and Acquisitions*, 1: 205–237.
Haspeslagh, P., & Jemison, D. 1991. *Managing acquisitions: Creating value through corporate renewal*. New York: Free Press.
Hedlund, G. 1986. The hypermodern MNC: A heterarchy? *Human Resource Management*, 25: 9–25.
Hedlund, G. 1994. A model of knowledge management and the N-form corporation. *Strategic Management Journal*, 15(Special Issue): 73–90.
Hymer, S. H. 1976. *The international operations of national firms: A study of direct foreign investment*. Cambridge, MA: MIT Press.
Johanson, J., & Vahlne, J.-E. 1977. The internationalization process of the firm: A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1): 23–32.
Kogut, B., & Zander, U. 1992. Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, 3(3): 383–397.
Kogut, B., & Zander, U. 1993. Knowledge of the firm and the evolutionary theory of the multinational corporation. *Journal of International Business Studies*, 24(4): 625–645.
Kogut, B., & Zander, U. 1996. What firms do? Coordination, identity, and learning. *Organization Science*, 7(5): 502–518.
Lewin, K. 1946. Action research and minority problems. *Journal of Social Issues*, 2(4): 34–46.
Nobel, R., & Birkinshaw, J. M. 1998. Innovation in multinational corporations: control and communication patterns in international R&D operations. *Strategic Management Journal*, 19(5): 479–496.
Nonaka, I. 1991. The knowledge-creating company. *Harvard Business Review*, 69(November–December): 96–104.
Perlmutter, H. V. 1969. Tortuous evolution of multinational corporation. *Columbia Journal of World Business*, 4: 9–18.
Schweiger, D. M., & DeNisi, A. S. 1991. Communication with employees following a merger: A longitudinal field experiment. *The Academy of Management Journal*, 34(1): 110–135.
Susman, G. I., & Evered, R. D. 1978. An assessment of the scientific merits of action research. *Administrative Science Quarterly*, 23(4): 582–603.
Van de Ven, A. 2007. *Engaged scholarship*. Oxford: Oxford University Press.

ABOUT THE AUTHORS

Julian Birkinshaw is Professor of Strategic and International Management at London Business School. His research focuses on the strategy and organisation of multinational enterprises.

Henrik Bresman is Assistant Professor at INSEAD in the department of Organisational Behaviour. His current research focuses on the dynamics of team learning.

Robert Nobel is Programme Director at IFL Executive Education, The Stockholm School of Economics.

Accepted by Lorraine Eden, Editor-in-Chief, 23 August 2009. This paper has been with the authors for one revision.