

**Exploring the impact of transferring procedural
knowledge within MNC-distributor JVs in Saudi Arabia:
A process based approach**

by

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With this document an important mile stone in my journey of scholarship is marked. I truly find myself overwhelmingly lost for words to capture what had happen and whether I had adequately managed to savour such a life changing experience should I ever need to visit such memories. Through such journey I mindfully watched myself transform to a being that is more understanding, tolerant and resilient. From this moment, my surroundings and my path have never been clearer as they are differently seen, observed, assessed and articulated. However, there are certain entities which were instrumental to the development of this chapter in my life and to them, most gratitude need to be paid.

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Abstract:

This thesis explores the process by which procedural knowledge in three different streams (logistics, sales and management accounting) is transferred in joint ventures, from multinational corporations (MNCs) to local partners (distributors) in Saudi Arabia. This research is based on the notion that understanding this process facilitates the understanding of the impact of transferred procedural knowledge on Saudi distributors' competitiveness. The research adopts an "event-and-outcome" approach to process research favoured by Andrew Van de Ven (1992; 2007). Two models, Choo's (1998) sense-making model of knowledge management (KM) and Kim's (1998) organisational learning model for catching-up organisations (OL), were selected to execute this approach to study the process concerned. The research design explores the process deductively guided by the two process models and then extends them to inductively explore further. This design intends to (1) understand the process by which procedural knowledge is transferred in three different streams: sales, logistics and management accounting and (2) explore the process's impact on Saudi distributors' competitiveness. This study found that Saudi distributors reap a range of benefits in each knowledge stream, amongst which are dynamic capabilities and competitive advantages. The findings include a general description of a transfer process which is contingent upon a range of factors (those adopted from the literature and emergent factors) that capture the uniqueness of the relationship between partners in a JV and their contribution to the process. This thesis provides a contribution to knowledge in bridging conceptual gaps in the literature of IJVs, KM and OL. Methodologically, it adopts Van de Ven's approach of process as phenomenon, thereby contributing to this developing strand of methods literature. Practically, it provides valuable advice for Saudi distributors currently facing changes in the World Trade Organisation's (WTO) regulations in the Saudi market which gives MNCs the option to operate individually.

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Chapter-1: The Introduction

i) Background:

Researchers in strategic alliances and management have consistently been attracted to exploring the sources of competitiveness when two firms become partners. Multinational corporations (MNCs) have adopted this strategy to gain access to markets which they have little knowledge about and aspire to expand towards. Therefore, it is important to highlight that the existing gap doesn't only stem from the lack of research about local partners' perspective towards the alliance, but also stems from the lack of research exploring the process by which knowledge is transferred to the local partners and its impact of them. In the past, researchers had extensively explored this business relationship from the MNCs' view, aiming to provide advice and enable MNCs to make the best of their partnerships with local partners (distributors) and thus generate and sustain competitiveness over rivals in the global market. Such research yielded models with which MNCs could purposely design their relationship with their local partners to enable them to generate valuable tangible and intangible resources that enhance the MNCs' knowledge and control of the involved foreign market (i.e., Gupta & Govindarajan, 1991; 2000). For MNCs to reap such benefits, local partners need to operate at a similar professional level, which is often challenging because local partners operate at a local level and have limited access to funds in comparison to MNCs. Especially in Saudi Arabia, local firms struggle to meet the western level of professionalism due to a lack of strong education, training and discipline (Mellahi & Wood, 2001). Therefore, the required procedural knowledge by the local partner (distributor) needs to be transferred from the MNCs. The main purpose of such transfers is to enable the local partner to operate in a more professional way.

The majority, if not all, of the research investigating this area within strategic alliances and international joint ventures (IJVs) has explored and provided advice only from the MNCs' side of the partnership to enable them internationalise and gain competitive advantages when they succeed in managing this partnership. Nevertheless, the literature concerned with studying this partnership, especially in the fields of organisational knowledge, has clearly stated that MNCs' ability to reap competitive advantages is possible but not guaranteed (i.e., Chuang, 2004; Levitt & March, 1988). What is important to note is that the local partners' side of the business relationship remains ill explored. This also suggests the absence of research aimed at investigating the impact of transferred procedural knowledge from MNCs on the local partner's way of doing business and whether this will impact its ability to reap benefits in general.

ii) The aim, objectives and research question:

To bridge the gap in the identified literature, this thesis will focus on studying the impact of the process by which procedural knowledge is transferred from the MNCs on the distributors' competitive advantage in Saudi Arabia. The argument put forward in this thesis is that understanding the process by which procedural knowledge is transferred has a bearing on understanding its impact on the competitiveness of Saudi distributors. Therefore, **the aim of this thesis is** (1) to understand the process by which procedural knowledge is transferred and (2) its impact on Saudi distributors' competitiveness.

It is important to highlight that the initial **research question is: how is procedural knowledge transferred from MNCs to the Saudi distributor and how does this transfer impact the distributor's competitiveness?** However, after consulting relevant literature, understanding the process and the factors upon which it is contingent was partially enhanced, enabling us to

specify how this question can be answered. As a result, the main research questions empirically will be answered from **four angles**: (1) the shape of the process by which procedural knowledge is transferred and its contingency factors, (2) its resemblance to Kim's (1998) and/or Choo's (1998) models, (3) the benefits reaped by the distributor and (4) whether the distributor will reap a competitive advantage. In this sense, the first two angles will answer the first objective of the thesis (understanding the transfer process), while the latter two angles will answer the second objective (the impact of the process on the distributor's competitiveness).

iii) The research design:

Because this thesis studies **"a process" as the unit of analysis**, it will adopt a process-based approach favoured by Van de Ven (2007), which he referred to as "event-and-outcome". This approach uses a "process model" instead of a variance model and asks "how" types of questions. Building on Pettigrew's (1990) work, Van de Ven (2007) promoted investigating the process under study **qualitatively** using more than one process model. He believed that this would reveal the process and its constituting patterns. Because the process involves procedural knowledge, two process models were selected to explain the process by which procedural knowledge is transferred. These models are Choo's (1998) sense-making model of knowledge management (KM) and Kim's (1998) organisational learning model for catching-up organisations (OL). In this sense, we need to **deductively** understand which process model better explains the process by which procedural knowledge is transferred. This will guide the investigation to answer the first question and meet the first objective, and the strategy of inquiry then changes to **induction** to answer the second question and objective: the impact of the process on Saudi distributors' competitiveness. This two-stage methodology needs to be facilitated by adopting a method of inquiry that enables rich data to be gathered and thus extend the investigation inductively to meet the second objective. Following Yin's (2003) advice, the most suitable method of inquiry is **interviewing**. The interview structure is mainly designed to facilitate the adopted strategy of inquiry:

1. Deductive inquiry: guided by the two chosen process models to understand the transfer process. Themes were extracted from the two models (Kim and Choo) and used to judge the process's resemblance to either one of the models based on evidence. The collected evidence is the event that indicates the resemblance of the transfer process to either process model. Because these events are theme-based, they are referred to in this thesis as "thematic events". In addition, some of the contingency factors influencing the transfer process were deductively identified and adopted from literature.
2. Inductive inquiry: to go beyond Kim and Choo's models to identify the emergent contingency factors from the data and understand the impact of the transfer process on Saudi distributors' competitiveness.

It is important to highlight what is meant by procedural knowledge in this thesis. **Procedural knowledge** is defined as the tacit and explicit know-how that explains how an organisation does business. Such know-how is transferred from MNCs to Saudi distributors to enhance their knowledge-base and enable them to meet the MNCs' expectations. Therefore, procedural knowledge is linked to **"agency"** as described by Sztompka (1991) and **"practices"** as described by Sminia (2009a). However, **actual activities** in this thesis are defined as what the Saudi distributor actually does to perform its tasks and serve the MNC. In theory, actual activities are simply modified procedural knowledge, which is customised in a way that meets the MNC's requirements and standards and equally suits the Saudi market. Thus, they can also be labelled as **"hybrid practices"**. In institutional terms, actual activities (hybrid practices) are what are referred to as **"praxis"** (Sztompka, 1991; Whittington, 2006; Sminia, 2009a).

iv) The distinctiveness of the industries involved and the context:

The context of this thesis is Saudi Arabia which has a strong economic presence especially among the Gulf Council Countries (GCC). It has been criticised for being over reliant on the oil industry and lack diversification in the spectrum of sources its revenue. Subsequently, the development of other industries is over shadowed by the leadership's focus on improving the oil industry. This in effect made non-oil industries' ability to compete internationally questionable. To support the survival of local Saudi firms, the Saudi leadership obligated MNCs to partner with Saudi distributors to be able to operate in Saudi Arabia. This has provided the Saudi distributors with sufficient leverage over MNCs and managed to operate regardless of their efficiency for decades. After 2005, Saudi Arabia decided to develop non-oil industries by joining the WTO and activate the regulations it entails. Part of such agreements is to give the MNCs to operate without having to partner with Saudi distributors. This had reduced the leverage that Saudi distributors enjoined in the past and suggests that only efficient and professional distributors will sustain their business. In 2008, there were signs of MNCs ending their partnership with their inefficient distributors and deciding to manage their own distributor operations.

Another aspect that adds to the distinctiveness of the Saudi Arabian market is that all distribution firms regardless of the products they distribute are family owned businesses. This entails that what is being distributed is irrelevant to distribution industry. For this reason, this thesis involved distribution firms dealing with fast moving consumer goods (FMCG), pharmaceuticals, medical and life saving equipment and automotive products. However, the industrial regulations governing each one of these sectors vary in terms of strictness. If we want to rank them beginning with the most regulated, they can be listed as follows: pharmaceuticals and medical and life saving equipment then, FMCG then, automotive. What needs to be noted is that even though they are all family own businesses, the external and internal pressures they are exposed to and the way they react to such pressures are different.

v) What is the case in this thesis?

The thesis focuses on studying the process by which procedural knowledge is transferred “**as a phenomenon**” between two distinct entities (MNC-distributor). That is to understand the manner in which the transfer process is actually realised. However, this phenomenon will be studied to understand how procedural knowledge is transferred in **three different knowledge streams** (sales/marketing, logistics/supply chain and finance/management accounting). This is to avoid falsely assuming that procedural knowledge is transferred similarly in these three unique streams. These unique streams were targeted as they represent the Saudi distributor's core functions, which this thesis aims to pay most attention to and thus provide the most practical advice for the Saudi distributor.

It is important to highlight that **the transfer process will be studied by conducting three case studies according to each investigated knowledge stream (sales, logistics and management accounting)**. Therefore, the research strategy involved grouping the informants (candidates) to capture their account of the transfer process each in their filed or knowledge stream. This is because such strategy is deemed appropriate as it offers benefits to the research. Therefore, a case study is conducted to investigate each knowledge stream.

This research strategy is found appropriate due to two reasons: firstly, the heterogeneity of the structure of MNC-distributors across all streams. For example, some candidates experienced the transfer process in more than one knowledge stream. Their account for each

stream can be capture in the appropriate case, which facilitates comparability in analysis. Secondly, the relationship between MNCs and their distributors are not always symmetrical (one MNC-many distributors, one distributor-many MNCs). For these reasons, it was decided that treating each interview as “a case” in itself is not appropriate. This research design helped the research avoid other problematic issues such as, gaining access to individuals’ counterparts (in MNC or distributor).

vi) The scope of the findings:

Because the process by which procedural knowledge is transferred was investigated in three different streams, the findings can be considered as complex and require a consistent structure to maintain subtlety in explanation. The process concerned was found contingent upon a range of factors that are both adopted from literature (deductively) and emergent (inductively). However, the process in each stream (cases) is found to be influenced by a different set of contingency factors. The variation in the contingency factors impacts: (1) the shape of the transfer process and its contingency factors, (2) its resemblance to either Kim’s (1998) or Choo’s (1998) models, (3) the benefits reaped by the distributor and (4) whether the distributor will reap a competitive advantage in light of the recent WTO changes in regulations in the Saudi market. To maintain consistency, the findings in each knowledge stream (case) will be addressed using this **4-angle structure**. This will answer the main research question and meet the thesis’s objectives.

vii) Announcing the contributions of the thesis:

At this stage it is deemed useful to report on **the main contributions** of this thesis. As this will be elaborated upon extensively in chapter (5), the thesis’s contributions are methodological, conceptual and practical. Methodologically, the research design confirms the effectiveness of Van de Ven’s approach to study ‘process’ as a unit of measure which has been called for by many researchers in several disciplines, such as; Meier (2011) from knowledge management in IJVs, Burns & Scapens (2000) from strategic management accounting and Prim & Butler (2001) from strategic management. Conceptually, the thesis bridge many gaps ideally in the literature of IJVs and organisational knowledge and organisational learning in the context of IJVs. **Firstly**, it complements existing literature investigating IJVs only from the MNCs side based on empirical evidence. Such advice is valuable as it will enables both partners to strategically manage knowledge transfer between them in a way that enable both of them, not only the MNCs, to produce benefits among which is competitive advantage. **Secondly**, the findings contribute to clarifying a popular dilemma (McGuinness *et al.*, 2013) which tackles viewing the local partner (Saudi distributor) as a mere knowledge acquirer. As this thesis investigates three knowledge streams, the local partner’s capability to create knowledge is found to be different and depending on the range of contingency factors which mainly addresses the local partner’s knowledge processing capabilities, the nature of partnership between MNC and distributor adding to them the nature of knowledge being transferred. The last factor was one of the surprising findings of this thesis. In a nut shell, the competitive distributor can contribute to both the process by which procedural knowledge is transferred as well as the creation of new hybrid activities when it is allowed to. For example, due to the tight nature between marketing knowledge (developed and executed by the MNCs) and the sales knowledge (executed by the distributor), the latter will never be given sufficient room to be creative and total compliance is the only solution to sustain the partnership. However, this is not always the case in both the logistics and management accounting knowledge streams. That is because of they are context dependent and MNCs do not have such access to the Saudi social capital. **Thirdly**, as understanding the transfer process requires understanding the contingency factors influencing it in all three streams (cases), the thesis introduces new factors which should be included when studying knowledge transfer in IJVs. More specifically, is the distribution firm owner’s ethos of doing business because all distribution firms in Saudi Arabia are family owned businesses. Also,

it introduces a new type of control within IJVs; the MNC's representation (percentage) of the distributor's portfolio. This is valuable because the notion of leverage and control in literature was addressed from equity ownership (Madhok, 2006), learning capabilities (Hamel, 1991). **Fourthly**, the contribution provided by the findings reported from the four angles suggested by the four sub-questions (highlighted earlier) after consulting the literature. Considering all three case studies, the transfer process consists of three stages (preparation, transfer/exchange and sustainability) shaped by 11-factors (sub-question-1). However, those factors are not equally influential in the three streams (see summary **table 16, p.112**). It is found that as the contingency factors vary, how procedural knowledge is transferred from the MNC to the distributor varies in resemblance between Kim and Choo's model (sub-question-2). As a result, different trajectories are found in terms the distributors compliance strategy which suggests gained benefits (sub-question-3). When considering all the information gathered from the past sub-questions, the distributor's ability to reap competitive advantage is assessed using Barney's (1990) RBV and Teece *et al.* (1997) notion of dynamic capability. It is important to highlight that such predictions are viewed considering the new changes in the WTO regulations in the Saudi market.

Practically, This thesis offers clarity to practitioners considering that literature concerned with knowledge transfer in the context of IJVs are either one sided (from the MNC's side) or vague and of little value to practitioners (Lähteenmäki *et al.*, 2001). As this thesis is focused on the local partner's side (the Saudi distributor) to help its organisation to leverage the process by which procedural knowledge is transferred to enhance its competitiveness. As a result, the findings are aimed to complement the existing literature and subsequently: (1)-provide advice for MNCs to enhance how they transfer procedural knowledge to their distributors and (2)-provide advice for the over looked distributors to enable them take advantage of the transfer process and enhance their competitiveness. To avoid offer vague and generic advice, the thesis offers a deeper level of understanding which stems from both the adopted methodology and conducting three case studies to investigate and thus explain how procedural knowledge is transferred in three knowledge streams (sale/marketing, logistics supply chain and finance/management accounting). In this way, distributors are most enabled to decide on the compliance strategies per knowledge stream as the benefits of such compliance are predicted as part of the findings.

What needs to be taken away is that the distributor ability to reap competitive advantage, as far as procedural knowledge transfer is concerned, is depended on two main elements: (1)-its ability to contribute to the transfer process and (2)-its ability to build on transferred procedural knowledge to develop its competences in terms of developing new procedural knowledge. Such knowledge is aimed to enable the distributor to satisfy the MNC and is considered suitable for the Saudi market (hybrid activities). This advice is found applicable in all three streams where the distributor is capability to achieve these two goals is dependent on its own knowledge processing capabilities and the nature of knowledge being transferred. Ultimately, the contributions of this thesis will improve the success of the procedural knowledge transfer between partners and therefore, contributes to the success of the JV.

viii) The arrangement of the thesis:

This thesis consists of seven chapters. **In chapter (2), four types of literature are reviewed** to meet the objectives of this thesis. Because the process under study takes place between partners in a joint venture, which allows for procedural knowledge to be transferred and exchanged between them, sections (2.2 and 2.3) are dedicated to the literature on strategic alliances. With regard to the selected process models, the relevant literature on organisational knowledge and organisational learning is reviewed separately in sections (2.4 and 2.5), respectively. Finally, section (2.7) is dedicated to reviewing the relevant strategic management literature.

In chapter (3), all information related to **the research design and methodology** is described. This involves: an introduction to “process research” (section 3.1), the research design (section 3.2), the data collection method (section 3.3), the data collection stage (section 3.4) and the method of data analysis and interpretation (section 3.5). Finally, section (3.6) is dedicated to giving a brief description of the research context (Saudi Arabia).

Chapter (4) is dedicated to describing the analysis and findings of this thesis. In section (4.1), the description of the **key problems and solutions** (per knowledge stream/case) in addition to the factors upon which the process is found to be contingent are explained in detail. In section (4.2), **the four angles** from which the analysis and findings are synthesised are first introduced to maintain subtlety and reduce complexity. These angles are: (1) the level of the contingency factors, (2) the impact of such factors on the transfer process in terms of its resemblance to Choo’s and Kim’s process models, (3) the level of compliance provided by the distributor, which implies the potential benefit reaped by the distributor and (4) the distributor’s ability to reap competitiveness in relation to the new changes in the WTO agreements in Saudi Arabia. In section (4.3), **the findings** in light of the four angles are explained in detail in three subsections for each knowledge stream (cases). In the sales knowledge stream overall, 4 solution patterns (S1, S2, S3 & S4) were identified, while 3 solution patterns were identified in each of the logistics (L1, L2 & L3) and management accounting (A1, A2 & A3) streams. A summary of these patterns is provided in **(tables 17, 18 & 19) on page (130)**. Finally, **chapter 5** will be dedicated to **the conclusion and discussion** followed by **the references and the appendix**.

Chapter 2: Literature Review

2.1- Introduction and arrangement of sections:

In this chapter, the literature that is deemed relevant and helpful for understanding the process by which practices are transferred to Saudi distributors and impact their competitiveness is reviewed. This thesis follows Van de Ven's (2007) recommendations of how a process is best studied and entails the use of "how" questions and viewing the process as an "event and outcome". Methodologically, Van de Ven (2007) suggested that understanding the process is best achieved by selecting two process models to be empirically compared; aiming to learn which model best explains the process. Ideally, potential theoretical process models are classified based on Van de Ven & Poole's (1995) process motors. The argument suggested in this thesis states that understanding the process by which knowledge (in the form of practices) are transferred has a bearing on understanding the impact of MNCs on distributors' competitiveness. It is believed that this argument will enable answering **the main research question**, which is: how is procedural knowledge transferred from the MNCs to their Saudi distributors, and how does this knowledge transfer impact the latter's competitiveness? To provide an adequate literature review, relevant literature from the following areas was included: IJVs, process research, knowledge management (KM), organisational learning (OL) and strategic management. There are two important points need to be highlighted: (1)-this thesis does not address the MNC-local partner relationship from an international business (IB) perspective but rather from the IJVs. (2)-It was concluded after reviewing the literature of knowledge management and organisational learning especially in the context of IJVs, that no frame of reference in any form guarantees the development of desirable outcomes let alone competitiveness. For this reason, drawing upon strategic management literature is deemed essential in order for this thesis to achieve the second objective (the process's impact on the distributor's competitiveness).

Because this body of literature is vast, a **filtration mechanism** was followed to ensure the inclusion of only what is consistent with the research design and could assist in the explanation, analysis and interpretation of evidence. This filtration mechanism consists of three main rules of thumb. **First**, only the literature concerned with international joint ventures (IJVs) among the other forms of strategic alliances is included because (1) it describes the nature of the business relationship between MNCs and their Saudi distributors and (2) because joint ventures are recognised as the most effective form of strategic alliances in terms of transferring knowledge between partners (Kogut, 1988; Rich, 2003; Powell, 1988). **Second**, because this thesis only investigates three streams of knowledge (logistics/supply chain, sales/marketing and finance/management accounting), it is logical to only include the literature that addresses knowledge transfer between partners in alliance within these specific streams. **Third**, the rule of thumb is used to filter through the literature of organisational knowledge management (KM) and organisational learning (OL). For the literature (on KM and OL) to be included, the frames of reference must be processual rather than descriptive in nature. In other words, selected frames of reference must be in a processual form, which facilitates their classification according to Van de Ven & Poole's (1995) four process motors. The literature of process research is logically required because it informs the research design and, most importantly, emphasises the methodology adopted. To achieve the other part of the objective (understanding the link between the process concerned and competitive advantage), the literature on strategic management must be included. Given the nature of this type of business, knowledge-based resources will be examined according to Barney's (1991) (VRIN) criteria to assess whether they enable the distributors that possess them to reap competitive advantages. In addition, given the recent changes in WTO agreements regarding the Saudi market, Teece *et al.*'s (1997) notion of dynamic capabilities will be used to assess the distributors' capacity to generate and sustain competitive advantage as well. Ideally, the value

of including Teece *et al.*'s (1997) framework is to compensate for Barney's (1991) RBV static view of competitive advantage development (Prim & Butler, 2001).

Therefore, this chapter will be constructed in the following sequence. In section (2.2), a platform of knowledge about strategic alliances and specifically joint ventures is provided. The motivations for, barriers to and factors of the success of joint ventures are reviewed in different sub-sections with a specific focus on the three investigated knowledge streams: logistics, sales and management accounting. Within this literature, the works of Kostova (1999) and Kostova and Roth (2002) are given special focus due to their high relevance to the business relationship between MNCs and their distributors. In section (2.3), what is meant by the term "practice", how it is transferred, and the factors that influence this transfer are elaborated upon. These areas are analysed by reviewing the literature that explores the transfer of procedural knowledge (potential activities) and actual activities (hybrid practices or praxis) between organisations in the three knowledge streams: logistics, sales and management accounting. In sections (2.4) and (2.5), the relevant literatures of knowledge management (KM) and organisational learning (OL) are provided, respectively. Because organisational knowledge is believed to generate desirable outcomes for firms when attention is given to its creation, transfer and management, each perspective will be elaborated upon accordingly in different sub-sections. Following the same rationale, authors in organisational learning classified organisational knowledge based on how it is evoked: internally, externally or both. Accordingly, each view was elaborated upon in a different sub-section. Ideally, the main objective of reviewing the literature from these disciplines is to effectively select the most adequate process models to be compared and thus understand the process by which procedural knowledge is transferred to the distributor. At the end of each section (2.4 and 2.5), the chosen process models – Choo's (1998) model of KM and Kim's (1998) model of OL – are highlighted and extensively described. Section (2.6) is dedicated to demonstrating that the chosen models are different. Section (2.7) will be dedicated to describing the two frameworks to assess the distributors' potential ability to reap and sustain a competitive advantage in light of the latest WTO changes regarding the Saudi market. Both Barney's (1991) RBV and Teece *et al.*'s (1997) dynamic capabilities frameworks are described in separate sub-sections. Finally, this chapter will be summarized in section (2.8).

2.2- Background of strategic alliances:

2.2.1- *What are strategic alliances?*

According to the relevant literature, the phenomenon of strategic alliances is not new and has been researched and observed extensively in the past few decades, especially among technology-based industries (Mowery *et al.*, 1996; Kogut, 1988; Hamel *et al.*, 1989; Cohen & Levinthal, 1990; Hamel, 1991). In fact, such a vehicle has been deemed important in international business since the turn of the 21st century (Harrigan, 1986) and was primarily formed for the exploitation of natural resources (Mowery *et al.*, 1996). However, there is an obvious confusion faced in defining strategic alliances among researchers (Kauser & Shaw, 2004). Researchers' description of strategic alliances has varied between focusing on it from the behavioural angle (Pfeffer & Nowak, 1976; Blois, 1980), from an economic angle (Kogut, 1988) and from both behavioural and economic angles (Glaister *et al.*, 1998, Phan & Peridis, 2000; Provan & Gassenheimer, 1994; Ring & Van de Ven, 1994). The following (table 1) illustrates the range of definitions by which strategic alliances are described.

Definition of strategic alliances in literature	Author(s)
"a particularly complex organisational phenomenon. Utilized across a broad range of contexts, alliances can involve a wide variety of configurations of partners, involve the pursuit of a multitude of specific goals, and exhibit various levels of commitment and investment from partners" (p.4)	Albers <i>et al.</i> (2013,p.4)
The most effective vehicle to transfer knowledge between organisations and the most difficult to manage and stabilize.	Jiang <i>et al.</i> (2008); Rich (2003); Kogut (1988)
From a behaviour perspective: as long term and trust based business relationships	Jones <i>et al.</i> (2003); Phan & Peridis (2000); Provan & Gassenheimer (1994); Ring & Van de Ven (1994)
From Economic Perspective: i) Is the most economically effective arrangement to take advantage of the synergy between two organisations to create value, reduce costs and internalize required skills. ii) Is a value creation and appropriation process mainly driven by the partners bargaining power over benefits and internalizing the other partner's skills.	Gulati (1995); O'farrell & Wood (1999); Varadarajan & Cunningham (1995); Hamel (1991)
Referred to as 'hybrid organisation'	Ménard (2004); Borys & Jemison (1989)
Referred to as 'coalition partnership'	Porter & Fuller (1986); Perlmutter & Heenan (1986)

Table-1: The definitions of strategic alliances

It is important to note that all these definitions revolve around four main assumptions: (1) the performance of both partners (organisations in the alliance) is expected to improve as a result of their alliance (Kaiser & Shaw, 2004), (2) the alliance requires a high level of trust (Alber *et al.*, 2013; McGuinness *et al.*, 2013; Michailova & Mustafa, 2012; Rabbiosi, 2011; MacDuffie, 2011; Jiang *et al.*, 2008; Madhok, 2006; Jones *et al.*, 2003), (3) the alliance requires investment (equity or non-equity) from both partners (Jiang *et al.*, 2008; Madhok, 2006; Glaister *et al.*, 1998) and (4) learning and dependency between partners plays an important role in the success of such hybrid organisations (McGuinness *et al.*, 2013; Christoffersen, 2013; Michailova & Mustafa, 2012; Huang & Chiu, 2012; MacDuffie, 2011; Pfeffer & Nowak, 1976; Blois, 1980; Westney, 1988; Kogut, 1988).

In addition, it is important to highlight that there are many forms of strategic alliances. However, it has been argued that the most effective means of transferring and sharing knowledge between partners in an alliance is through joint ventures (**JVs**) (Rich, 2003; Kogut, 1988). Because this thesis explores the transfer of procedural knowledge between MNCs and their distributors, exploring the other three forms is deemed irrelevant to this thesis.

2.2.2- Classification of alliances:

According to Gomes *et al.* (2011), strategic alliances must be distinguished from mergers and acquisitions (M&As) which they refer to two main characteristics: equity ownership and the degree of commitment. M&As involve equity ownership which informs the level of control a partner has whereas this is not a characteristic of alliances. Usually, partners in M&A are much more committed in terms of resource contribution while in alliances partners can exit much easier. Ideally, the higher the degree of control, stemming from equity ownership, in M&A, the higher the opportunity for combined resource exploitation in the alliance. To sum up, alliances

entails organisational sovereignty, are temporary and involve lower levels of control. However, in M&As it is the exact opposite.

However, it needs to be noted that the types of M&As are clearer in terms of classification however, alliances are much more complex as their classification is dependent on their nature, objective and structure (Gomes *et al.*, 2011). Since this thesis is only concerned with alliances between MNC's and their Saudi distributors, further review and elaboration on the literature of M&A is considered irrelevant. Based on the work of Mockler (2000), Gomes *et al.* (2011) believed that the alliances can be classified (differentiated) based on two characteristics: the type of equity linkages and the nature of contractual agreement between partners. Ideally, equity alliances are advisable when: (1)-partners are required to work closely with each other, (2)-the outcome of future collaboration between partners is uncertain or (3)-fast decision making is required to eliminate bureaucracy in fast moving environments. If partners were not constrained by these two conditions, then it is may be better to form contractual alliances instead (Doz & Hamel, 1998; Gomes *et al.*, 2011).

Eventually, Gomes *et al.* (2011) classified contractual alliances into four main ones: transactions, licencing, franchising and partnership contracts. Partnership contracts are then broken down to: product development, R&D, sourcing, manufacturing, marketing and distribution services. On the other hand, equity based alliances are classified to three types. Firstly, an existing entity which is broken down to equity investment in JVs, equity investment in franchises and equity exchange. Secondly, new entity which is broken down to (1)-non-subsidiary JVs (consortia or JVs with varying percentage of ownership) and (2)-JVs of MNC. The third type is the termination which is broken down to M&As and dissolution of entity.

It is important to highlight that the type of collaboration between MNCs and the Saudi distributors are JVs however, it is difficult to clearly identify whether the type of alliance is equity based or purely contractual. That is because distribution firm in Saudi Arabia are family owned businesses and obtaining such information is very difficult. Perhaps the closest description of the JVs in this specific context is what Gomes *et al.* (2011) called as value chain partnerships. Furthermore, identifying what type of JV which Saudi distributors have with their multinational partners is not considered important to this thesis. This because of two main reasons: firstly, it is not part of the aim and objectives of this thesis. Secondly, uncovering the legal aspects of the JVs involved might not be significantly important to studying the process by which procedural knowledge is transferred from the MNCs to the Saudi distributors.

2.2.3- What are the main motives for JVs?

In general, joint ventures in particular are considered to be a solution to the increasing pressures caused by globalisation (McGuinness *et al.*,2013; Christoffersen,2013; Michailova & Mustafa, 2012; Kauser & Shaw, 2004; Perlmutter & Heenan, 1986; Gupta & Govindarajan, 2000; Hergert & Morris, 1988; Harrigan, 1988; Buckley & Casson, 1988; Borys & Jemison, 1989; Bucklin & Sengupta, 1993; Doz & Hamel, 1998; Osborn & Hagerdoon, 1997; Vissi, 1997; Dussauge *et al.*, 2000; Reuer, 2000; Li *et al.*, 2001). Providing advice for organisations to form joint ventures has been the focus of authors for the past two decades. The following table (table 2) summarises the general motives for forming them.

Motivations type	Examples	Authors
Avoid operational and organizational inefficiencies	Overcome dual pressures: efficiency versus flexibility	Borys & Jemison (1998) ; Powell (1987)
	A defence mechanism to survive in a changing market.	Lorange <i>et al.</i> (1992)
	Organisational development for both partners.	Varadarajan & Cunningham (1995); Phan & Peridis (2000)
	<ul style="list-style-type: none"> - Reduce uncertainty stemming from high dependency in business relationships. - Organizational integration and reduce (risk, complexity and uncertainty). 	Rich (2003); Simonin (1999b) Kausser & Shaw (2004); Ohmae(1989) Pfeffer(1972); Pfeffer & Nowak (1976); Kumar <i>et al.</i> (1995); Geyskens <i>et al.</i> (1996); Monckza <i>et al.</i> (1998) ; Olson & Singsuwan (1997)
	Alliance between competitors helps strategic coordination to improve market power.	Grindley (1995); Porter & Fuller (1986) ; Hagedoorn (1993)
Avoid legitimacy pressures	The local partner is subjected to institutional duality to maintain legitimacy: within the MNC's network and within the market it operates in.	Kostova (1999); Kostova & Roth (2002); Rich (2003); Simonin (1999b); Kausser & Shaw(2004); Monckza <i>et al.</i> (1998)
Knowledge based	Enable partners to acquire valuable knowledge and technologies.	Varadarajan & Cunningham (1995); Phan & Peridis (2000); Lorange <i>et al.</i> (1992).; Kogut (1988) ; Teece (1982); Williamson, (1985); Meier (2011); Lyles & Salk (1996); Thuc Anh <i>et al.</i> (2006); Dhanaraj <i>et al.</i> (2004); Evangelista & Hau (2009); Larsson <i>et al.</i> (1998); Grant & Baden-Fuller (2004) Pérez-Nordtvedt <i>et al.</i> (2008); Kale <i>et al.</i> (2000); Khanna <i>et al.</i> (1998); Beamish & Berdrow (2003); Norman (2002); Simonin (2004); Tsang <i>et al.</i> (2004); Wu & Cavusgil (2006); Hamel (1991); Tsang (2002)
	The learning race between knowledge providers and acquirers.	Hamle (1991)
	Go beyond acquiring capabilities to intensive exploration of partner's capabilities	Mowery <i>et al.</i> (1996); Grant & Baden-Fuller(1995); Nakamura <i>et al.</i> (1996)
	Develop and protect knowledge-based competences to sustain competitive advantage	Kausser & Shaw(2004)
	To leverage multiple knowledge-based capabilities to access more solutions to organizational limitations and problems.	Powell (1987) Borys & Jemison (1989)
	Alliance between suppliers & users helps formulate technical standards or 'dominant design'.	Grindley (1995); Porter & Fuller (1986) ; Hagedoorn (1993)
Economic based	Reduce transactional costs between partners	Huang (2010); Gupta and Govindarajan (2000)
	Business growth of both partners	Varadarajan & Cunningham (1995); Phan & Peridis (2000)
	Improve global competitiveness when capital investment diminishes.	Rich (2003); Simonin (1999b) Kausser & Shaw(2004);

Table-2: Summary of the main motives for forming IJVs.

However, despite the obsession among researchers with the motivation for IJVs, there is a **gap in the literature** that requires attention. It may be argued that the majority, if not all, research exploring IJVs is focused on offering advice to enable foreign organisations (MNCs) to internationalise and improve their competitiveness by partnering with local organisations. In other words, research that helps to understand the impact of this form of alliance on local organisations is heavily under-researched. Michailova & Mustafa (2012) highlighted this gap, arguing that much of the exploration of IJVs had been focused on understanding the motivations of MNCs to share knowledge with their affiliates in local markets. The authors believed that there is much to learn from exploring local partners' motivations to transfer knowledge within IJVs. Doing so will offer a complementary view of understanding knowledge

transfer between MNCs and their local partners. This thesis will surely answer Michailova & Mustafa's (2012) call, contribute to bridge this gap in the literature and offer a better understanding of the motives of local partners (Saudi distributors) to receive and adopt procedural knowledge from their multinational partners

2.2.3- *Motives for knowledge-specific alliances:*

Because this thesis is concerned with the process by which procedural knowledge is transferred in three different knowledge streams (logistics, sales and management accounting), the literature exploring knowledge transfer in these three streams within IJVs must be reviewed. Ideally, MNCs that aim to operate in foreign markets will have difficulties in accessing these markets' social capital and local know-how, which are fundamental to succeeding in growing a business in that market (Rottman, 2008; Walter *et al.*, 2007; Choi & Lee, 1997). However, MNCs may have access to highly contextual, tacit and culture-specific knowledge via intermediaries, such as advertising agencies, market research firms and consulting firms (Simonin, 1999b). In our case, Saudi distributors may be considered intermediaries that will enable MNCs not only to operate in the Saudi market but also to have access to Saudi social capital. For this reason, it is deemed useful to review the literature focused on understanding the knowledge-specific motives for forming joint ventures between MNCs and local affiliates. In the following sub-sections, the formation of stream-specific alliances will be elaborated on.

i) Sales/marketing alliances:

Forming strategic alliances (joint ventures) in sales operations between MNCs and local organisations is fundamentally motivated by enhancing the joint ventures' organisational learning and knowledge management. In fact, forming joint ventures not only facilitates the learning and sharing of knowledge but also hampers what is learnt and integrated within the alliance's sales processes (Malhotra, 1999). It has been argued that the sales force of an alliance is the most important among other types of knowledge-based alliances as it represents the front line of any organisation and the most effective way of deploying its business strategies (Crosby *et al.*, 1990). Therefore, partners must take advantage of the synergy between them in terms of resources, valuable knowledge and processes to be able to sustain the alliance's success (Jones *et al.*, 2003). Therefore, investing in sales force learning is key to the success of any joint venture and requires continuous knowledge exchange and upgrade. One of the published studies proving the value of such knowledge transfers explored the transfer of sales knowledge from Coca-Cola USA to Cadbury UK. The sales alliance between these two organisations allowed the transfer of merchandising expertise from Coca-Cola and was the reason behind the success of its alliance with Cadbury in the UK (Sellers, 1990). Nevertheless, it has been argued that research focusing on the transfer of sales knowledge and procedural knowledge has yet to be adequately established (Simonin, 1999b). The following (table 3) summarises the motives for forming sales/marketing alliances.

Motives for Sales / Marketing alliances	Author(s)
<ul style="list-style-type: none"> - Alliance to have a better view of the business through sales force: in contact with customers and deploy firm's strategies - Partners learn from organisational integration - Resource mobilization between partners to deliver promised value to customers - Develop more effective and innovative sales methodologies to deliver value to customers. 	Weitz <i>et al.</i> (2001); Crosby <i>et al.</i> (1990); Jones et al. (2003); Rackham & De-vincentis (1999)
<ul style="list-style-type: none"> - Enable partners to respond to market changes whilst sustaining customer value and expand customer base. - Enable Sales force to cope-up with increasing complexity, shorting product life cycle. 	March (1991) ; Crossan <i>et al.</i> (1999); Colletti & Chonko(1997); Harker & Harker(1998)
<ul style="list-style-type: none"> - Improves the alliance's ability to utilize learnt sales knowledge and integrate it with both organisations' processes 	Malhotra (1999); Almeida <i>et al.</i> (2002)
<ul style="list-style-type: none"> - Improves the effectiveness of marketing operations - Pool investments when capital is shrinking to fill potential strategic gaps to enter new markets 	Rich (2003)

Table-3: Summary of motives for forming sales/marketing alliances

What is important to note is that the nature of joint ventures in Saudi Arabia dictates that marketing operations be managed by the MNCs and sales operations be managed by the Saudi distributor. Keeping in mind that sales operations are an extension of marketing strategies, the sales alliance between MNCs and their Saudi distributors is logically important to the success of the joint venture. Therefore, streamlining procedural knowledge, strategies and processes related to marketing knowledge is needed. This need suggests that marketing procedural knowledge (designed and executed by the MNC) will be tightly linked to sales procedural knowledge and actual activities (executed by the Saudi distributor). Therefore, it is expected that Saudi distributors are given little room to interfere with the development of such procedural knowledge. It is more likely that most procedural knowledge required by the distributor's sales force is transferred to them to implement.

ii) Logistics/Supply chain alliance:

With regard to strategic alliances in the logistics and supply chain stream, the most relevant literature found described them under supplier development (**SD**) programs. MNCs tend to internationalise and expand their supplier network beyond the organisation's geographical boundaries. Suppliers are those firms that competitively provide raw materials and services to MNCs to enable MNCs to operate and grow their business overseas (Giannakis, 2008). MNCs tend to take advantage of new and local knowledge extracted from suppliers; however, research has proven that the latter's contribution to this process is very low (Edwards *et al.*, 2004).

SD programmes are defined as "*long-term cooperative effort(s) between a buying firm and its suppliers to upgrade the suppliers' technical, quality, delivery, and cost capabilities to foster ongoing improvements*" (Watts and Hahn, 1993, p. 12). These programs are different from supplier evaluation programs used to measure suppliers' performance and insure that they meet the expectations of manufacturers. SD programs were developed and used in Japan for over 50 years and have been proven to be effective (Helper & Sako, 1995; MacDuffie & Helper, 1997). Western companies copied this concept but were not as successful due to their unquestioning imitation of the Japanese SD model (Sako, 2004). The reason behind this Japanese success is due to the unique organisational and governance structure that allowed large customers to be involved in the decision-making of the suppliers' investment strategies, enabling long-term knowledge-sharing between the two organisations.

The supply chain in the West lacks buying power (percentage of the supplier's output), which is the reason behind the lack of commitment from the supplier's side and thus the failure of the SD program (Krause & Ellram, 1997). As a consequence, many suppliers hesitate to participate in such programs, and when they do, their appreciation is dependent on their ability to meet

certain short-term key performance indicators (Sako, 2004). It has been argued that such assurance programs do not enable the transfer and diffusion of knowledge between partners in comparison to SD programs (Giannakis, 2008). Over the past several decades, research on supply chain management (SCM) has contributed significantly to the transfer of best practices to improve organisational productivity (Giannakis, 2008). The current literature confirms that the adoption of successful best practices in SCM may enable the development of organisational mechanisms, supporting improvement in productivity within organisations (Edwards *et al.*, 2004). However, it is argued that the literature has yet to uncover the true potential value of SCM synergies between partners in terms of the creation and transfer of knowledge (Giannakis, 2008).

According to Giannakis (2008), it is clear from the literature reviewed earlier that logistics alliances within joint ventures are greatly under-researched in general. He also argued that the available literature is focused on providing advice to MNCs to internationalise via forming contractual agreements with suppliers of raw materials. The SD program is essentially an attempt from western MNCs to learn, evaluate and most likely optimise their suppliers' logistics procedural knowledge, whereas the suppliers' contribution to the transfer and creation processes is minimal, as recognised by Edwards *et al.* (2004). This type of program is less likely to promote the establishment of trust between partners (Giannakis, 2008) and thus does not facilitate knowledge exchange and conversion according to Nonaka *et al.* (2000).

Therefore, we may say that the SD program is designed not to accommodate the contribution of suppliers but rather to inform the suppliers about the MNCs' expectations in a one-way type of knowledge exchange. For this reason, the reviewed literature may help us understand MNCs' motives to form a contractual agreement with their suppliers that optimises their logistics operations and ensures that their standards are adhered to. However, it does not offer any advice on suppliers' motives to form such alliances aside from their obligation to adhere to the MNCs' standards to sustain their business. This lack of advice indicates a **significant gap** in the knowledge about the possible motives of MNCs' affiliates to form logistical alliances. The aims and objectives of this thesis are specifically aimed to understand how the procedural knowledge of logistics is transferred from the MNCs to their Saudi distributors. Part of understanding the process is to investigate and reveal the patterns and that constitute the process under study. Doing so includes revealing the rationale behind transferring logistical procedural knowledge to distributors and how distributors react to new knowledge. As a result, our understanding of the Saudi distributors' motives to form logistical alliances with MNCs will be enhanced, and the identified gap in the literature will be bridged. This clearly confirms the value that this thesis contributes to the body of literature exploring knowledge transfer between partners in a logistics alliance.

iii) Finance/management accounting alliances:

It is important to highlight that there are **two types of accounting practices** that organisations use and that the distinction between them is of paramount importance. First, there are **international (traditional) accounting systems**, which are either American or British. Second, there are **management accounting systems**, which are a set of procedural knowledge and actual practices derived from neo-classical economic theory (Scapens & Arnold, 1986). Ideally, these systems contain actual practices that are developed to provide managers with the information needed for organisational planning, control and relative stability. Management accounting systems are most concerned with predicting the optimal outcomes and are used by managers in conjunction with a range of KPIs (financial/nonfinancial-based) (Miller & O'Leary, 1993). Management accounting systems have captured the interest of many researchers concerned about how they develop and change within organisations. Some researchers have claimed that they do not fundamentally change over the years (Drudy *et al.*, 1993), and others have found evidence contradicting this claim (Miller & O'Leary, 1993).

Ideally, the motive behind the need to change and develop management accounting systems within a given organisation is a set of organisational circumstances. Innes & Mitchell (1990) believed that the development and change of management accounting systems are motivated by a specific set of organisational circumstances, which they have referred to as: motives (i.e., competitive market and short product life cycles), catalysts (i.e., poor financial performance and a loss of market share) and facilitators (i.e., computing resources and the degree of autonomy). These circumstances act as factors that influence the process by which new procedural knowledge change and develop. Burns & Scapens (2000) argue that rules (potential activities) may be modified when organisational members recognise their added values and the ways to implement them. They also believed that management accounting systems could be modified as a result of strategic alliances between organisations either deliberately or unconsciously. **Deliberate changes** occur due to the resistance available from the organisation with less leverage. **Unconscious changes** occur when there is a general misunderstanding of the new procedural knowledge or when it is deemed unsuitable for current organisational circumstances. Ideally, the process of the modification and reproduction of potential new management accounting activities is dependent on other control procedural knowledge (potential activities). Such controls could regulate modification, which is believed to be path-dependent and shaped by the institutional selection and implementation processes. Generally, management accounting change requires the following: *“(1)-understanding the habits of organisational members and the underpinning assumptions which are taken-for-granted in day to day activities... (2) questioning of the unquestionable”* (Burns & Scapens, 2000, p.13).

Based on the reviewed literature, it is important to take away that management accounting is mainly developed and enhanced within learning-orientated organisations rather than transferred. Therefore, it is more likely to find the process by which management accounting procedural knowledge is transferred from MNCs to distributors **insignificantly** in terms of content and frequency. Given that the type of management accounting practiced by the Saudi distributors is focused more on the “account receivable” side, which is highly contextual, MNCs might not be a superior source of procedural knowledge.

Because the literature on explaining the motives for accounting alliances between partners in an alliance is modest, a logical assumption may be made. We may only assume that partners must join forces to produce clearer and more reflective business reports, which help both groups assess the performance of the JV. Therefore, both groups must streamline their management accounting procedural knowledge and their actual activities to facilitate the production of better business reports. Given that MNCs have much greater access to funds, we may assume that the management accounting systems and practices of MNCs are much more efficient than those of Saudi distributors, which could be a **source of anomaly**. Therefore, both partners’ sharing best management accounting procedural knowledge will most likely enhance and streamline the activities, reports and strategies between them.

2.2.4- *What is a successful strategic alliance (barriers, facilitators and risks)?*

In general, extensive research has been conducted to explore the sources and facilitators that impact the success of organisations in strategic alliances. Despite the increasing formation of strategic alliances in the past several years, 30-70% of organisational strategic alliances are estimated to fail (Gomes *et al.*, 2014; Kauser & Shaw, 2004; Bleeke & Ernst, 1991; Harrigan, 1988; Killing, 1983; Kogut, 1988; Park & Ungson, 1997; Kok & Wilderman, 1999). Based on the reviewed literature, the factors contributing to this failure include behavioural, managerial, economic and cultural drivers. Therefore, it is no surprise to find that both academics and practitioners have a limited understanding of what makes alliances succeed (Kauser & Shaw, 2004). Examples of such factors contributing to failure are poor communications, opportunism, incompatible objectives (Christoffersen, 2013; Kim & Parkhe, 2009; Makino *et al.*, 2007; Gugler

& Dunning, 1993), control and ownership arrangements (Christoffersen, 2013; Kauser & Shaw, 2004; Calantone & Zhao, 2001; Pangarkar & Lee, 2001; Kogut, 1988; Beamish, 1985), conflict, poor perceived performance and inflexibility (Jiang *et al.*, 2008; Rich, 2003; Whipple & Frankel, 2000; Geringer & Hebert, 1991; Parkhe, 1993).

What may be taken away from this analysis is that the barriers to the success of IJVs range between behavioural, economical, managerial and cultural reasons. Perhaps Christoffersen's (2013) review of the empirical studies conducted in the past two decades in an attempt to identify the most influential factors on the performance of IJVs is considered relevant. Although the performance of IJVs is not one of the aims of this thesis, the provided summary in his paper might be considered the most holistic summary of such factors. Among these factors are organisational cultural similarity, the partner's experience with alliances, exercised trust and commitment, conflict management and control between partners.

Most importantly, based on the literature reviewed, it may be argued that all the factors impacting the success of IJVs appear to have a shared theme of facilitating the closer co-operation of alliance partners by resolving all conflicts, regardless of their source, and streamlining both of their operations. In this way, partners are enabled to take advantage of the synergy between them to enhance the alliance's competitiveness and thus its market position. Such exploitation demands that partners design the alliance's strategy to facilitate knowledge-sharing, remove cultural barriers, ensure the joint intensity of effort in seeking and creating competitive procedural knowledge, capitalise on organisational conflict to obtain feedback, contribute and share control over alliances and jointly allow the alliance to dynamically change over time. In addition, it must be highlighted that none of these requirements will be achieved unless trust between partners is established and exercised. Only then may the two organisations work more closely towards becoming a "unitary organisation" (Parise & Sasson, 2002), aiming to optimise the alliance's capabilities to manage change and thus sustain its competitive advantage. However, it is believed that trust in IJVs is fragile due to the risk and uncertainty associated with IJVs (Currall & Inkpen, 2002).

The final point that must be highlighted and that **magnifies the contribution of this thesis** is that the success of the process by which procedural knowledge is transferred is part of the overall success of IJVs. According to Meier (2011), Parise & Sasson (2002) and Kale & Singh (1999), the partners' efficiency in sharing knowledge between them is a sign of successful IJVs. However, this study involves the exploration of the interplay of several contingency factors that impact the transfer process simultaneously, which was called for by Meier (2011). Meier made this suggestion based on his belief that studies in the past 25 years on knowledge management in strategic alliances had explored the singular interrelation of four broad categories of factors: knowledge characteristics, partner characteristics, partner interaction and active knowledge management. This thesis will surely answer Meier's (2011) call because of the concurrent impact of a range of contingency factors on the process by which procedural knowledge is studied.

2.2.5- *Success and motivation to share knowledge in IJVs:*

According to Michailova & Mustafa (2012), researchers interested in knowledge-sharing in IJVs have studied the motivations for sharing knowledge in IJVs based on the benefits reaped by the MNCs when they adequately orchestrate the transfer of knowledge to subsidiaries with specific capabilities to create and transmit new knowledge back to them (i.e., Gupta and Govindarajan, 2000). The authors also highlight that subsidiaries' motivations had no influence on the process of knowledge transfer in Gupta & Govindarajan's (2000) study and revealed mixed results in Jensen & Szulanski's (2004) study. These results illustrate **a gap in understanding** how knowledge is transferred. Michailova & Mustafa (2012) referred

researchers disinterest in studying the contribution of subsidiaries in knowledge transfer and creation process to researchers' traditional view of subsidiaries that are not capable of possessing valuable knowledge to begin with. However, the following (table 4) will summarise the general facilitators of knowledge transfer in IJVs.

General facilitators of knowledge transfer in IJVs	Author(s)
Subsidiaries autonomy enables them to create and transfer knowledge.	McGuinness <i>et al.</i> (2013); Michailova & Mustafa (2012)
The MNC's desire to access and learn from subsidiary (learning intent). This reflects top management's commitment in contributing to the transfer process. However, high degree of learning intent might be counterproductive (Normank, 2004).	Meier (2011); Pérez-Nordtvedt <i>et al.</i> (2008); Hau & Evangelista (2007); Wu & Cavusgil (2006); Norman (2002, 2004); Tsang <i>et al.</i> (2004); Simonin (2004); Beamish & Berdrow (2003); Tsang (2002)
IJV's top management commitment and resource allocation play an important role in transferring both tacit and explicit types of knowledge.	Evangelista & Hau (2009) ; Simonin (2004); Tsang (2002)
Social interaction between members in the IJV is essential to knowledge sharing. Low Institutional cultural distance facilitates knowledge sharing.	Michailova & Mustafa (2012); Jensen & Szulanski (2004)
Vertical knowledge transfer (from MNC to subsidiary) requires top-down with the presence of supportive informal social interaction mechanisms. MNCs are expected to invest in international trainings and informal communication mechanisms or tackle the challenges associated with virtual communication among members.	Noorderhaven & Harzing (2009); Kirkman <i>et al.</i> (2004); Kiesler & Cummings, (2002)
The alliance ability to overcome knowledge ambiguity caused by : (1)- the lack of secondary (supporting) resources, (2)- the difficulty in replication of practices elsewhere, (3)-the lack of understanding of the context in which practices are initially created and practiced and (4)- obstructions created by un cooperative members	Lucas (2005) ; Michailova and Husted (2003); Simonin (1999b) ; Crossan and Inkpen (1995)
The availability to supportive knowledge sharing platforms 'ba'.	Magner-Watanbe & Senno (2009); Nonaka <i>et al.</i> (2000); Nonaka & Takeuchi (1995), Cortada & Woods (1999)
Subsidiaries' efficiency in accessing social capital and how embedded they are in local market.	McGuinness <i>et al.</i> (2013); Michailova & Mustafa (2012); Noorderhaven & Harzing (2009); Walter <i>et al.</i> (2007); Rottman (2008); Inkpen & Tsang (2005); Williams (2009); Frost & Zhou (2005); Phene <i>et al.</i> (2005); Inkpen & Beamish (1997)
<u>Establish trust to develop 'competence-based trust' which depends on OL:</u> (1)-Specific competence (specialized operational skills and knowledge), (2)- interpersonal skills (the ability to work with others), (3)-business competence (broad knowledge beyond a specific field) and (4)- Judgement (decision making).	Jones <i>et al.</i> (2003); Whipple & Frankel (2000)

Table-4: Summary of the general facilitators for knowledge sharing in IJVs.

At this point, it is important to reiterate the reasons behind selecting sales/marketing, logistics/supply chain and management accounting as the knowledge stream to be investigated by conducting three cases studies. In IJVs especially in the context of Saudi Arabia, there are many types of procedural knowledge (tacit and explicit) exchanged between the MNCs and their distributors. As this thesis aims to provide advice which has practical contribution and applications to the Saudi distributor, it is important to target the most critical knowledge types (streams) to the distributor: sales/marketing, logistics and finance/management accounting. Therefore, it is deemed important to review studies that explore the success factors of transferring these specific streams within IJVs. This review will be accomplished in the following sub-sections.

i) The success of sales/marketing knowledge transfer between partners:

Because we have explored the general success factors of transferring knowledge in IJVs, this section elaborates on the studies exploring the success of sales and marketing knowledge transfer between partners in alliances. The following (table 5) summarises these factors in IJVs.

Success factors of sales/marketing knowledge transfer between partners in alliance	Author (s)
<ul style="list-style-type: none"> • Knowledge transfer should be in the centre of the alliance and the motive behind their continued operations. • Both organizations need to be compatible and share trust with each other. • Control over business should be via strict managerial and governance mechanisms which should accommodate the dominance of the partner with more organizational focus and drive over the other with less driving force. • Business and organizational issues needs to be tackled firmly and reasonably. 	Rich (2003)
<p><u>Resolving conflict:</u></p> <ul style="list-style-type: none"> • Alliance leaders to mitigate signs of conflict and resolve them proactively • Diversify portfolio by multi-alliances to max returns and reduce risk • Well defined strategies, detailed contracts and short term commitments • Alliance need to manage change 	Finn & McCamey (2002) Rich (2003) Abodor & McMullen (2002)
<p><u>Manage change:</u></p> <ul style="list-style-type: none"> • Manage sales compensation plans to motivate sales performance and promote confidence • Manage relationship between members from both organizations • Align expertise, goals, processes, incentives & philosophies 	Jones <i>et al.</i> (2003); Kantor(1989) Gabarro(1987); Whipple & Frankel (2000); Jones <i>et al.</i> (2003); Hutt <i>et al.</i> (2000); Simonin (1999a; 1997b); Lei <i>et al.</i> (1997)
<ul style="list-style-type: none"> • Establishing an environment for organizational learning to create competitive sales procedural knowledge, activities and methods. Thus, become smarter • Train members -both teams- to enable knowledge sharing and contribution 	Jones <i>et al.</i> (2003); Anderson(1996); Hamel(1991); Inkpen (1996); Phane & Preridis (2000); Ettore (1995); Kerr & Ulrich (1995); Miles & Snow (1995); Weitz <i>et al.</i> (1986)

Table-5: Summary of the general success factors of sales/marketing knowledge sharing in IJVs.

What is important to take away from the above table is that sales knowledge transfer in different sales alliance types revolves around establishing trust-based relationships and environments between the sales forces of both organisations. These relationships are intended to help all alliance members believe that they belong to the same team, operating in the best interest of a single organisation, the alliance. It may be argued that once trust and fairness are established via clear and strict managerial mechanisms between them, members from both

teams will be less resistant to sharing knowledge and jointly contribute to create new competitive hybrid practices. Therefore, both teams must operate with aligned strategies, systems, processes and even business philosophies to prevent conflict between members and promote knowledge transfer between the two organisations.

Given the nature of the business relationship between MNCs and Saudi distributors, the reviewed literature has some implications. The main organisational conflicts may stem from two sources. The first source is the separation of responsibilities between MNCs and their distributors. Generally, MNCs tend to be in charge of marketing operations, whereas distributors are in charge of sales operations. Logically, variance should be expected between how each team conducts business in relation to the part of the value chain that each organisation handles. The second source is the tight link between market and sales operations, procedural knowledge and practices. In other words, the sales activities executed by the distributors are an extension of and must be aligned with the marketing activities executed by MNCs. These sources of conflict have two main implications. The first is the establishment of a trust-based environment and platform for the transfer and exchange of sales and marketing-related procedural knowledge is fundamental to the success of not only the alliance but also the process by which procedural knowledge is transferred. Second, such a tight link entails high control by MNCs over the sales activities executed by the distributors' sales forces to ensure their alignment with the marketing strategies. Therefore, the distributors' contribution to the development of new and competitive sales procedural knowledge is expected to be limited.

ii) Success of logistics/supply chain knowledge transfer between partners:

In this section, studies focused on logistics knowledge transfer between partners in alliances are explored. Unfortunately, the literature focused on this specific area is considered modest. Therefore, this thesis will surely **contribute to** this body of literature, as it will reveal how logistical procedural knowledge is transferred from MNCs to their Saudi distributors.

Based on the literature on strategic alliances, it may be argued that the concept of supplier development (**SD**) programs is the most relevant to this thesis. The concept was developed by the Japanese and applied by some Western companies in the US, but with limited success. In essence, this program was developed to transfer logistical procedural knowledge and actual practices from manufacturing companies to develop how their suppliers managed their logistics.

Examining the literature concerned with the success factors for SDs as a form of strategic alliance in logistics operations, researchers identified a range of factors involving the practices and strategies that lead to successful SD and implementation (Giannakis, 2008), such as the support of organisations' top management, the development of cross-functional teams, the establishment of effective communication channels with the supplier team, and the design of reflective key performance indicators (KPIs) that facilitate proactive measurement (Krause, 1995). Whereas some authors have argued that the success of SD programs requires a supply chain structure that is based on "buyer dominance or interdependence", not supplier dominance (Cox, 2004), some others have provided maps – seven-step instructions – to enable manufacturers to avoid the pitfalls of SD programs (Handfield *et al.*, 2000). Giannakis (2008) argued that all these studies are helpful for understanding the general strategies and structures of a successful logistics alliance. However, these studies also provide limited advice about understanding how knowledge transfer may be facilitated between partners.

Based on the work of Giannakis (2008), which explored this gap in the pharmaceutical and airport industries, **four factors should be considered** to enable an understanding of how knowledge is facilitated in logistics-related alliances. The *first* factor is the knowledge-providing organisations' (pharmaceutical and airport) approach to the alliances with suppliers. It was

discovered that success in transferring knowledge via SD programs was due to the former's view of the suppliers' organisations as a platform for developing new skills and capabilities, not aiming to improve the suppliers' perceived poor performance. This finding suggests that the top management's approach to SD programs must be strategic and proactive rather than corrective and is a key success factor, which is echoed by other researchers such as Krause & Ellram (1997), Handfield *et al.* (2000) and Modi & Malbert (2007). The *second* factor is the parent organisations' means of codifying the suppliers' knowledge. This is important because only a subset of the suppliers' knowledge is codified, whereas other parts are not (Gupta & Govindarajan, 2000). In addition, codification and de-codification are famous for being costly and time-consuming (Rabbiosi, 2011). Therefore, organisations must use an adequate means of knowledge transfer between them and their suppliers. These means include: (1) the development of categorised libraries where updated product information is accessible by internal customers and (2) the use of virtual electronic systems to facilitate the transfer of knowledge among members and groups. The *third* factor is that organisations must ensure the relevance and usefulness of the codified knowledge that is shared among members. Unless codified knowledge is applicable, relevant and of value, the knowledge received from the suppliers' organisations may be misleading. This echoes the belief of many authors that the value and applicability of knowledge (for knowledge recipients) is key to the success of any process of knowledge transfer in IJVs (i.e., Noorderhaven & Harzing, 2009; Kostova & Roth, 2002; Kostova, 1999).

Finally, the *fourth* factor is the appointment of "knowledge brokers" to facilitate knowledge transfers between members of the alliance. Giannakis (2008) argued that there are two reasons behind considering knowledge brokers as a success factor. *First*, it is because of their higher potential to accumulate and disseminate knowledge. They are usually turned in to specialists in certain types of knowledge once they are assigned to work in certain departments of regions. *Second*, brokers are more likely to engage in technical knowledge activities because technical competences are part of their traits. Ideally, they tend to assess valuable knowledge or "best practices" between both organisations and ensure the proper transfer and dissemination among internal customers. However, Giannakis (2008) also argued based on his studies that the contribution of knowledge brokers is not perceived as significant by both internal customers and suppliers. This is interestingly aligned with Von Krogh *et al.*'s (2000) findings in the organisational knowledge management literature. They argued that as much as knowledge activists or brokers may appear to facilitate the transfer and dissemination of knowledge among partners, they are also seen to hinder this process because they tend to operate according to prescribed knowledge visions, which could impair their judgement of what constitutes valuable knowledge. As a result, knowledge brokers might not be a major contributor to the transfer and dissemination of valuable practices, which could negatively impact the suppliers' absorptive capacity and motivation to share knowledge (Giannakis, 2008).

Even though the reviewed literature on SD programs deals with manufacturers and their suppliers, the lessons learnt may be useful to our thesis because it explores the transfer of logistical procedural knowledge between MNCs and their Saudi distributors. All the factors that appear to facilitate knowledge transfer between the two organisations centre on establishing a supportive environment for knowledge transfer and exchange. This objective is largely dependent on two main elements: (1) the MNCs' approach to distributors and (2) the means used to facilitate the transfer and exchange of valuable knowledge. The more the MNCs demonstrate that the motives behind transferring their procedural knowledge to the distributors do not revolve around performance control, monitoring or assessment, the higher the chances are for transferred knowledge to be adopted by the distributors. Such an approach to logistical knowledge transfer clearly promotes trust between the partners, which has been extensively highlighted by many researchers of IJVs (i.e., Christoffersen (2013); McGuinness *et al.*(2013); Michailova & Mustafa (2012); Rabbiosi (2011); MacDuffie (2011); Meier (2011); Kramer & Lewicki (2010); Jiang *et al.* (2008); Madhok (2006)). With regard to the

means used to facilitate the transfer, the use of adequate technologies and knowledge activists (brokers) are advised. However, Giannakis (2008) did not highlight the possible investment issues associated with such recommendations, given that MNCs have more access to funds than local (Saudi) distributors. These issues could hinder the deployment of adequate means of knowledge transfer and thus the transfer process and impact its outcomes.

iii) Finance/management accounting practices transferred in alliances:

- *The distinction between conventional/traditional accounting and management accounting:*

The distinction between conventional accounting and management accounting was emphasised by Code (1996). Conventional accounting is manifested in international accounting standards (American or British). Code referred to management accounting as “strategic management accounting” (**SMA**) and defined it based on Simmonds’s work (1981) as the provisional analysis of management accounting data (internal and external) to develop and monitor business strategies and most importantly achieve competitive advantage. Code (1996) believed that strategic management accounting is an outcome of learning-orientated organisations rather than performance-orientated ones. Whereas the former organisations require confident individuals who are willing to take the risk of generating negative outcomes and possible errors, individuals in the latter organisations tend to resist learning to minimise negative outcome and possible failures. As per Code (1996), learning organisations must overcome a set of obstacles to develop strategic management accounting practices that would impact their competitiveness;

- 1- Because SMA requires external data (about competitors, customers, suppliers, etc.), learning organisations must integrate multiple sources of information in a usable form. In this case, primary data are deemed useful, rather than secondary data, which are usually commercial-sensitive and not publicly available.
- 2- Because accountants are believed to view the world from their own internal functional areas, developing such practices would pose a challenge for them because SMA requires an outward perspective. This approach requires individuals developing SMA to be comfortable with managing the risks and uncertainty associated with making decisions in a changing market. Therefore, that the development of SMA would be especially difficult for less confident performance-oriented individuals.

What may be taken away from Code’s (1996) paper is that conventional accounting is insufficient in enabling organisations to reap competitiveness because it is more performance-oriented and resistant to learning. However, strategic management accounting enables motivated organisations to reap competitiveness as an outcome of learning. Moreover, because SMA requires internal and external data, it may be argued that management accounting may be considered a hybrid set of practices. These practices suit the market to which the practices are applied and enable the learning organisation to make better strategic business decisions. Assuming that these learning organisations are distribution firms, it is logical to argue that such SMAs are more likely to suit the local market and satisfy their multinational partners. This argument is supported by Code’s (1996) findings, as he concluded that SMAs would require the learning organisation to accommodate views from internal and external organisational sources.

- *Sharing management accounting practices between partners:*

Based on the reviewed literature in management accounting, it appears that transferring procedural management accounting knowledge between organisations in an alliance is not an area of interest. However, Burns & Scapens (2000) have hinted that procedural knowledge is

imposed on organisations acquired by other organisations. It appears that studying the change and development of management accounting has attracted researchers more than studying its transfer. The creation of new procedural knowledge is believed to be significantly linked to the power structures within the organisation. Burns & Scapens (2000) described **three levels of power** that have played a role in management accounting change and development. The first level stems from the explicit power of members within the organisation when powerful members control key resources to introduce new procedural knowledge. The second level stems from the stable use of power to favour some procedural knowledge that has the vested interests of a certain group in the organisation. The third level is the power embedded within the institutionalised actual activities, which shapes the enactment and production of future procedural knowledge. In addition, such power shapes the thoughts of members, which subsequently influence the conversion of procedural knowledge to actual activities (hybrid practices or praxis). Scapens (1994), Innes & Mitchell (1990) and Cooper (1983) made a similar conclusion, highlighting the lack of research focused on understanding the process with which management accounting systems change and develop. Perhaps the most relevant type of literature that explores the transfer of management accounting practices is the literature promoting the adoption of open-book accounting between organisations. In theory, once organisations in an alliance have sufficient trust in each other, management accounting procedural knowledge is shared as part of an agreement between partnering organisations to open their accounts to each other. Based on this review of the literature, it may be argued that **understanding the process by which procedural knowledge (in management accounting) is transferred is not as important as the process with which such knowledge changes and develops within organisations**. For this reason, it may be argued that this thesis will contribute to bridging the gap in the literature called for by these authors.

From a strategic alliance point of view, this finding leads us to highlight a few inferences. First, management accounting systems are not likely to be transferred between organisations. Based on the reviewed literature, this type of procedural knowledge is firm-specific, where each organisation develops its own. Second, it appears that management accounting systems may only produce benefits for a certain organisation when such procedural knowledge is created more than transferred within the organisation. These realisations based on the reviewed literature have the following implications on this thesis:

- 1- Empirically, evidence confirming a process by which procedural knowledge is transferred in the management accounting stream from the MNCs to their distributors is not expected to be found.
- 2- It may be argued that the creation of such procedural knowledge hinges on the Saudi distributors' contribution rather than that of the MNCs.
- 3- It may be argued that the competitive advantage reaped in the accounting stream is sourced from the distributors' ability and skill in creating these hybrid practices (actual activities or praxis) internally. In fact, Innes & Mitchell's (1990) paper proposed a processual evolutionary model based on empirical evidence that describes the process with which management accounting procedural knowledge changes and develops within organisations. The authors believed that this process has three stages: motives (i.e., competitive market), catalysts (i.e., poor financial performance or the loss of market share) and facilitators (i.e., computing resources and autonomy).

Among other authors exploring the role of sharing accounting practices specifically to control supply chain development are Berry *et al.* (2000) and Seal *et al.* (1999). Berry *et al.* (2000) promoted the adoption of open-book accounting between partners at different stages in the supply chain. The authors described three levels of maturity: serial dependence (power is with the buyers), reciprocal dependence (power is shared between partners) and mutual dependence (power is collaborative). In all three levels, open-book accounting is advised to control supply chain operations, which fundamentally require trust and transparency between

partners. Seal *et al.* (1999) argued that such open-book agreements must demonstrate the benefits for the sharing organisation that might not be financial.

Adopting and implementing open-book accounting between partners is believed to be challenging due to several reasons. Kajuter & Kulmala (2005) summarised the causes for failure in implementation as follows:

- 1- When one partner does not appear to benefit from opening their books and win-win situations are not reaped.
- 2- When one partner believes that accounting information must be kept “in-house” and not shared with other organisations, especially foreign ones. This belief is usually motivated by the fear of exploitation and opportunism.
- 3- When the organisation that expects to develop new accounting systems does not have sufficient support from its partner.
- 4- When members from both organisations fail to agree on how the suggested open-book accounting practices are to be implemented.

What may be taken away given the nature of the business relationship under study is the following. Open-book accounting between partners in an alliance is a challenging step, especially among Saudi distributors, which are family-owned businesses. The implementation of open-book accounting in this setting (between MNCs and local distributors) requires high levels of maturity, trust and a genuine demonstration of win-win agreements between the two organisations. When the channels through which sharing management accounting practices “ba” are established, it may be claimed that local distributors will be most enabled to take advantage of the procedural knowledge transferred from the MNCs and develop their own hybrid management accounting practices. These practices are most likely to be suitable for the local market and enable the distributors to meet the MNCs’ standards and expectations.

2.2.6- Summary of reviewed literature on knowledge transfer in JVs:

In summary, the authors varied in explaining the motives for joint ventures between behavioural/organisational motives, economical motives or both. From an economical angle, partners aim to take advantage of the pool of resources and knowledge to which both partners are contributing to optimise their operations, reduce their costs, create value and eventually enhance their competitive position in a certain market. This outlook puts this hybrid organisation under the dual pressure of high efficiency and high flexibility. However, other organisational researchers believed that joint ventures are the most difficult to establish, manage and stabilise (Jiang *et al.*, 2008; Ménard, 2004; Borys & Jemison, 1988). This difficulty is due to many reasons related to the alliance management’s ability to convince members from both teams to work closely together as much as possible. It may be argued that part of the dilemma is the fact that one of the main benefits of forming a joint venture is to enable both partners to maintain their image, identity and how they conduct business (Rich, 2003; Hamel, 1991). This organisational format is regarded as the least threatening to members in comparison to other forms of alliances, such as merger and acquisitions.

What is apparent is that authors in the literature on strategic alliances extensively researched and provided advice on “what” the motives are for joint ventures. However, much less focus has been given to provide advice on “how” these motives may be operationalised to achieve the aspired goals. It may also be argued that the organisational member(s) involved in the alliance appear to be central to both the success and failure of any alliance, which makes the process of establishing JVs most complex. Because we are aiming to understand the process by which procedural knowledge is transferred within three different streams, research on the knowledge transfer of sales, logistics and management accounting procedural knowledge and actual activities in alliances was explored. In general, the barriers and success factors of

strategic alliances were found to vary in their sales and logistics streams. However, the transfer of management accounting practices between partners in alliances remains under-researched. It may be argued that the variation between the success factors and barriers of transferring practices in both sales/marketing and logistics/the supply chain could be due to differences in the purpose and contractual agreements governing the relationship in these streams. What is important to highlight when reviewing the two sets of contingency factors that influence sales and logistics knowledge transfer is that each set projects a different theme of how strategic alliances may be successful.

In general, the success of the sales/marketing alliance is contingent upon a set of factors that emphasise the importance of healthy interdependence, trust, equality and mutual learning between members of both organisations to enable them to execute joint tasks. These factors include trust between partners, managing change in compensation and rewarding systems in the JV, managing employees' relationships and promoting learning from partners. We recognise that creating value in sales/marketing within the joint venture requires much **tighter** organisational and employee relationships between partners in an alliance. Therefore, it may be argued that the significance of the continuous flow of new and innovative sales knowledge explains the strong link between the marketing operations (commonly executed by the MNCs) and the sales operations (commonly executed by local distributors). The extensive investment by MNCs in developing new sales practices could enhance their competitiveness once such practices are transferred to the sales force of the distributor. Therefore, when the partners are more integrated, the marketing and sales teams are better aligned in terms of sales/marketing practices. There is another important aspect that must be noted as a success factor of sales/marketing alliances, which is the value of the equal contribution of members from each organisation in knowledge development and transfer. To either transfer or create knowledge in sales organisations, partners in an alliance must have a good relationship between individuals, which may be enhanced by promoting trust and mutual investment in training. Ideally, the sales force from both organisations must continuously contribute to create competitive knowledge that captures both of their competences enabling the hybrid sales organisation to adapt to change (Anderson, 1996; Gulati & Nohria, 2000; Larsson *et al.*, 1998; Jones *et al.*, 2003) and become smarter (Weitz *et al.*, 1986). To achieve this, both organisations must be at a high level of alignment in terms of processes, practices and even business philosophies.

The literature found that focusing on logistics knowledge transfer within IJVs is limited because it focused on investigating the upstream end of the supply chain, which involves the manufacturer and its raw materials suppliers in different markets (Giannakis, 2008; Modi & Malbert, 2007). This type of transfer was mainly referred to as the supplier development (SD) program, with which the international manufacturer (as a buyer) is able to develop its suppliers to meet expectations and standards. Therefore, the downstream end of the supply chain, which involves the international manufacturer (as the supplier of finished goods) and the local distributor, is under-researched. For this reason, the success of the logistics/supply chain alliance within SDs is contingent upon a set of factors that emphasise the importance of the MNCs' top management's ability to orchestrate the design and execution of the SD programs to develop their suppliers and share the fruits of the alliance as a result (Giannakis, 2008; Krause & Ellram, 1997; Handfield *et al.*, 2000; Modi & Malbert, 2007). These factors involve the MNCs' top management to design appropriate KPIs, establish multifunctional teams, explore the supplier's knowledge without aiming to change or measure performances, deploy the right knowledge transfer means, and deploy knowledge brokers (activists). It is clear that knowledge transfer as a process in SD programs portrays the MNCs in an authoritarian position, which entails that the trust between members of both organisations is much more difficult to achieve. Although trust appears to be implicitly promoted as a success factor in SD programs, it appears to be more difficult to achieve, especially when the two

organisations' interdependence appears to be much less than the level required in the sales/marketing stream

In the finance/management accounting stream, there is an important distinction that must be highlighted according to the reviewed literature. Because we are most concerned about examining the procedural knowledge transfer between partners that form joint ventures, the type of procedural knowledge that this thesis will be focused on is management accounting, not conventional (traditional) accounting, for two main reasons. The first reason is that the transfer of conventional accounting procedural knowledge between organisations is believed to be insignificant because all organisations must comply with the universal accounting systems (American or British). Second, it has been argued that conventional accounting is deemed insufficient to enable organisations to reap competitiveness, as it is performance-oriented and promotes resistance to learning (Code, 1996). Therefore, management accounting procedural knowledge or "strategic management accounting (SMA)" requires confident individuals who are willing to take the risk in developing management accounting practices that enable the learning organisation to make better strategic business decisions (Code, 1996). This goal is believed to be accomplished because SMA is essentially a set of hybrid practices that accommodate both internal and external information, which in turn are believed to be most valuable for enhancing the learning organisations' competitive advantage (Code, 1996). Therefore, management accounting practices are most valuable when they are internally developed not transferred from external organisations. This notion was echoed by such authors as Scapens (1994), Cooper, (1983), Innes & Mitchell (1990) and Burnes & Scapens (2000), who recognised that competitive advantage lies in understanding the process by which firm-specific management accounting practices change and develop within organisations. The authors also highlighted that this area is under-researched. In general, all reviewed authors appear to agree that for organisations to develop firm-specific (unique) management accounting practices that improve their competitiveness, two fundamental factors must be available within such organisations:

- 1- These organisations must adopt a learning orientation rather than a performance orientation. This orientation will provide a supportive platform for confident individuals to take the risk to develop competitive management accounting practices.
- 2- The development of valuable management accounting practices must accommodate not only internal information about how things are done but also external information, which includes market distinctiveness and information about competition.

All types of studies reviewed previously in the three knowledge streams (logistics, sales and accounting) have important implications for MNC-distributor JVs as these areas are considered the core functions of any distribution firm. The impact of these implications is deemed significant especially where market regulations are constantly changing allowing the economy to grow rapidly. According to Hosskison *et al.* (2000), the Saudi Arabian market is considered one to these economies. More specifically, the strategic value of the local partner's contribution to the alliance in terms of resources, capabilities and practices might change as a result of market changes. Because local (Saudi) organisations have full access to the market's social capital and know-how, its contribution to the creation of hybrid practices in all three streams is essential. In the sales knowledge stream, the distributor's contribution involves knowledge about customers' and consumers' tastes and behaviours, which are valuable in developing sales and marketing strategies. In the logistics stream, the local know-how of the best ways to store and deliver goods is valuable for providing the best customer service in the Saudi market. Finally, in the accounting stream, the distributor's knowledge and skill in managing what is referred to as the "account receivables" side of the value chain is where one core competence of distributors lies. However, it is important to highlight that such a valuable

contribution may only be provided if the Saudi distributor is (1) self-motivated and (2) willing to take the risk and provide the effort needed to learn and change business practices. Without these characteristics, the distributor's contribution and the benefits reaped for its organisation may be described as limited.

2.3- What knowledge is transferred between partners in IJVs?

2.3.1- Introduction and overview:

The type of knowledge that we are most concerned with in this thesis is procedural knowledge. This type of knowledge is mainly developed within MNCs' institutional network and transferred to Saudi distributors. The objective of this transfer is to assist a Saudi distributor in improving its organisation and knowledge-base to meet the service expectations of the MNC. However, because this procedural knowledge has been developed by the MNC, it might not be entirely suitable for the Saudi distributor and the Saudi market. For this reason, two main implications must be noted: first, transferred procedural knowledge might not be applicable to the Saudi market, but it has the potential to enhance the Saudi distributor's knowledge base and improve its business processes. This possibility implies that the procedural knowledge transferred from the MNC must be modified or customised for the Saudi distributor to execute in the Saudi market. Second, because transferred procedural knowledge is not developed to fit the Saudi market, it is logical to expect variance between what has been transferred to the Saudi distributor and what is actually adopted and applied. Therefore, there is an important distinction between what has been transferred and what is applied in terms of content, especially because of the confusion found among researchers about how the term "practice" is defined.

To illustrate this important distinction between what was transferred from the MNC and what is actually applied, approaching this point from an institutional perspective will be helpful (see figure 1 below).

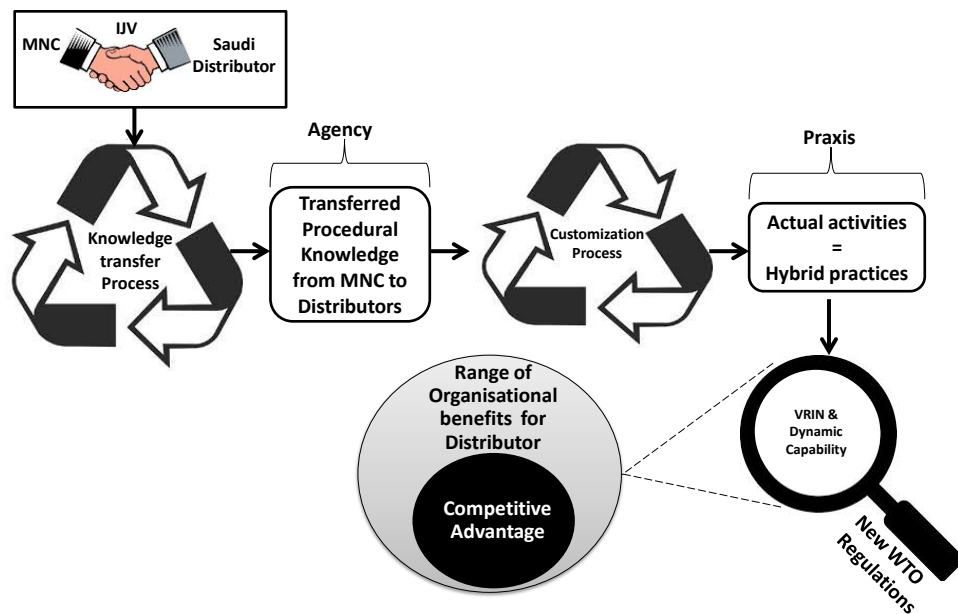


Fig-1 : The distinction between *procedural knowledge* and *hybrid practices* in IJVs; Based on the work of Sztomka (1991) and Sminia (2009a).

According to the above (figure 1), *procedural knowledge* is defined as the tacit and explicit know-how that explain how an organisation does business. The required know-how is transferred from MNCs to enhance the distributor's knowledge base and enables them to meet the MNC's expectations. Therefore, procedural knowledge is what is referred to as

“agency” by Sztompka (1991) and **“practices”** by Sminia (2009a). However, **actual activities** in this thesis are defined as what the Saudi distributor actually does to perform its tasks and serve the MNC. In theory, actual activities are simply modified procedural knowledge that is customised in a way that meets the MNC’s requirements and standards and equally suits the Saudi market. Therefore, these practices may also be labelled **“hybrid practices”**. In institutional terms, actual activities (hybrid practices) are what Sztompka (1991), Whittington (2006) and Sminia (2009a) referred to as **“praxis”**. Considering the distinction made above between procedural knowledge and actual activities, **there are two types of interrelated processes involved**: (1) the process by which procedural knowledge is transferred from MNCs to their distributors and (2) the customisation process through which transferred procedural knowledge is modified and actual activities (praxis) are realised.

Because transferring knowledge from MNCs to their subsidiaries or affiliates has historically attracted researchers of strategic alliances, the motives behind the need to transfer knowledge between organisations in alliances and the factors that influence the transfer process have been explored. However, it has been argued that how knowledge is transferred and the role of knowledge in strategic alliances remain underexplored (Perrin *et al.*, 2007). Researchers believed that the motives for transferring and creating knowledge between partners are due to the subsidiary’s need to overcome pressures caused by “institutional duality” (Kostova & Roth, 2002) and cultural complexity (Raval & Subramanian, 2000). Both of these concepts will be elaborated shortly. The factors influencing the process by which knowledge is transferred have captured researchers’ interest. These factors include factors related to the non-linear relationship between organisational factors, the external environment and individual members, the impact of factors related to individual-specific characteristics, such as a member’s personal experience of change, a member’s experience of working in a different cultural context, a member’s ego/personality and member’s credibility in transferring the required practices (Perrin *et al.*, 2007). However, the factors believed to be the most relevant to the MNC-distributor strategic alliance include the subsidiary’s strategy of compliance, shared trust, the role of individual members and the nature of leverage between partners. In the following section, each of these areas will be sufficiently reviewed.

i) Confusion defining the term ‘practice’ in literature:

The term “practice” has been extensively explored, especially among studies by structuration theorists on strategic alliances. However, each of these groups had its own take on defining practices, which makes it difficult to find the synthesis between them.

Among the theorists that follow Giddens’s (1984; 1979) structuration theory, the term “practice” was generally defined as something with the potential to lead to action (Sminia, 2009a). Therefore, practices are viewed to exist in the memories of organisational members (Szulanski, 2003), describe how an organisation does work (Brown & Duguid, 2001) and have the potential to enable organisations to achieve their aspired goals (Swidler, 1986; Turner, 1994). Subsequently, the term “practice” was considered to be equivalent to the term “agency” by some institutional authors such as Sztompka (1991).

Among researchers of strategic alliances, the term “practice” is believed to be historically and culturally dependent and constitute an organisational routine that is time-dependent, transferable and captures how organisations act to achieve goals (Perrin *et al.*, 2007; Nelson & Winter, 1982; Kostova, 1999; Levitt & March, 1988). Based on this understanding, a best practice or good practice may be defined as superior knowledge or the most reliable know-how (Perrin *et al.*, 2007), practices proven to be valuable to more than one organisation (O’Dell & Grayson, 1998), strategic organisational practices (Kostova, 1999), performing knowledge (Perrin *et al.*, 2007), doing the right thing (Berrah, 2002), and what enables the organisation to replicate successful results the second time (Szulanski & Winter, 2002) once

such best practices are used in sub-units in the organisation (Szulanski, 2003). The term “practices” in strategic alliances was referred to as both soft (tacit) and hard (explicit).

Because this thesis is concerned with transferred procedural knowledge, the distinction between the terms “procedural knowledge” and “practices” is important to highlight. According to (figure 1) above, procedural knowledge (agency) is knowledge that is transferred from MNCs to Saudi distributors and has the potential to enhance the distributors’ knowledge base and how they do work. However, the term “practices” in this thesis is the actual activities that are realised when the transfer of procedural knowledge is customised to suit the Saudi market and enable the distributor to meet MNCs’ standards. Therefore, this notion is aligned with what institutional researchers referred to as “praxis”. Because this is a hybrid between the distributor’s know-how and the MNCs’ standards, it may also be labelled as “hybrid practices”.

ii) Response to transferred procedural knowledge:

Based on the work of Oliver (1991), Kostova & Roth (2002) argued that the response towards the adoption of practices consists of two components: a behavioural component, which represents the actual deployment of the procedural knowledge, and an attitudinal component, which represents the internalised belief in the value of the developed practice itself. Ideally, the variation in the adoption of procedural knowledge is reflected in different configurations of these two components.

Another two factors are argued to impact the adoption of new procedural knowledge that is referred to by Kostova & Roth (2002) as the “favourable institutional context”. The authors defined it as having three characteristics: (1) the provision of the environment that positively contributes to the adoption or creation of new procedural knowledge through regulations, laws or rules supporting or requiring the concerned procedural knowledge; (2) cognitive structures that facilitate the proper understanding and interpretation of the procedural knowledge to be adopted and (3) social norms that enforce the adoption of the concerned new procedural knowledge. Because organisational members are considered fundamental to the equation, they have introduced the “cognitive organisational profile”. Employees’ judgment about the new procedural knowledge is informed by their cognition and beliefs, which are shaped by the institutional context in which they operate. In this case, even if a subsidiary is isolated from its host environment, the subsidiary may still be institutionally influenced by its employees. Therefore, the member’s interpretation of and response to new procedural knowledge are expected to be different if the institutional environment and cognitive profile of the organisation are supportive (favourable). In other words, a favourable cognitive profile will lead employees to a better interpretation and internalisation of new procedural knowledge. However, Kostova & Roth (2002) agreed with Rosenzweig & Singh (1991) that a “favourable regulatory profile” will lead not to internalisation but to a negative attitude towards the adoption of new procedural knowledge. This result occurs because the parent’s (the MNC’s) request for adoption and compliance to the introduced procedural knowledge will be considered a form of intimidation or an act of bullying.

iii) Motives for creating hybrid practices (praxis) in an alliance:

Ideally, the reason behind the modification of the transferred potential activities is to improve their effectiveness and ensure their suitability to the context in which the recipient organisation operates. Kostova & Roth (2002) believed that the units that are less dependent on the parent organisation may have more room and flexibility for making these adoptions and vice versa. The authors also argued that such room and freedom may drive the negative relationship between dependence and implementation. Kostova (1999) suggested that the reason behind the need to modify the potential activities transferred from the parent organisation is the possibility that these activities are not consistent with the institutional

environment to which they are transferred. As a result, this lack of consistency could create conflict with the institutional environment and could affect the success of the transfer. Raval & Subramanian (2000) made a different yet supportive argument by introducing the concept of “high and low context cultures”. While low cultural contexts usually refer to the western world markets or contexts, high cultural contexts include cultures that overpower the Western sense of business, such as Japan, China, India and the Middle East. Ideally, business praxis that is considered best in class in a low cultural context may not be transferable to a high cultural context without the adaptation to the latter’s cultural system of management. In high cultural contexts, one’s obligation precedes one’s rights. Therefore, a business agreement is perceived as something that a businessman is morally obligated to honour regardless of the legal evidence or ruling to the contrary. In addition, the moral code of conduct in business practices is preferable to the legal code, which could use complex legal jargon. Therefore, the value system emphasises social justice as being more important than utilitarian considerations that dominate low cultural contexts. In low cultural contexts, business transactions and agreements require legal validity and documentation to become binding with minimal regard to cultural norms.

Kostova & Roth (2002) described a unique type of organisational pressure, which may be useful for explaining the motives of subsidiaries to create hybrid practices. The authors highlighted two distinct sets of pressures that all subsidiaries are expected to confront when they operate in foreign host countries. These pressures may be defined as the “isomorphic pressure” caused by the subsidiary’s need to maintain legitimacy in both (1) the host country it is operating in and (2) the MNC’s network. This need is referred to as “**the institutional duality**”. The authors believed that the understanding of this concept hinges on recognising that the procedural knowledge that the MNC aims to transfer to the subsidiary is developed within the MNC’s home institutional context, whereas the subsidiary is highly influenced by the institutional forces of the host country. Therefore, the subsidiary will have to manage establishing legitimacy with both the external host country’s institutional environment and the internal environment being part of the MNC’s network. As a result, the subsidiary is expected to face difficulties in reconciling these two pressures. It may be argued that for the subsidiary to maintain legitimacy in both sides, it must modify the transferred procedural knowledge that is developed and transferred by the MNC and customise it to comply with the requirements of both the MNC and the host environment.

The reviewed literature has some implications in relation to IJVs between MNCs and Saudi distributors because it is deemed relevant to help us explain the motivations for developing hybrid practices. Ideally, for any actual activities (practices) to be valuable to the distributor and applicable to the Saudi market, the distributor’s contribution to their development is essential because it is highly unlikely for the MNC (by itself) to possess sufficient know-how to develop valuable hybrid practices. The distributor must be self-motivated to contribute to their development and infuse them with organisational values and norms (Selznick, 1957), which may only occur when the distributor is able to develop new hybrid practices in an explicit form to facilitate internalisation and deployment (Kostova, 1999). Once this development is achieved, the true value of the developed hybrid practices is unlocked, the isomorphic pressures stemming from the institutional duality is diffused and competitive advantage may be reaped (Kostova, 1999).

2.3.2- How can procedural knowledge be transferred between organisations in IJVs?

As we highlighted earlier, there are two processes that appear to be involved due to the distinction made between procedural knowledge and hybrid practices (activities). The first is the process by which procedural knowledge is transferred. The second is the process with which transferred procedural knowledge is customised to develop hybrid practices.

Ideally, transferring practices is considered a source of competitive advantage for both the MNCs and their affiliates that are working in a foreign market, as it enables them to leverage the synergies between them and improve their efficiency (Kostova, 1999). The type of knowledge that MNCs transfer is usually considered to be superior and of great value to subsidiaries worldwide (Bartlett & Ghoshal, 1997; Kogut, 1991). Perrin *et al.* (2007) argued that the importance of knowledge to organisational life and effectiveness has only attracted authors' attention in the last ten decades, such as (Prusak, 1998 in Cortada & Woods, 1999; Wah, 1999). Ever since, there has been significant interest in and investigation of knowledge, especially as an organisational and commercial variable (Brown and Duguid, 1998; Spender and Grant, 1996; Sveiby, 1995) that enables those organisations that aim to improve their understanding of knowledge processes in the environment in which they operate (Dixon, 2000; Teece, 1998). Dixon (2000) and Von Krogh *et al.* (2000) argued that despite such growing interest, there have been few systematic studies to understand how knowledge is enabled and most importantly transferred between organisations. This is because most of the theory on knowledge management (KM) is based on limited and "anecdotal" evidence, particularly in the case of knowledge transfer within and between different cultural contexts (Perrin *et al.*, 2007). To overcome this limitation, organisations tend to engage in knowledge management strategies (KMS) that recognise the transfer of business procedural knowledge as a source of competitive advantage (Perrin *et al.*, 2007). Simonin's (1999a) paper provided an excellent literature review on the history of studying the barriers of transferring knowledge between organisations that focused mainly on the impact of knowledge ambiguity on its transfer. It is important to highlight that in his paper, he claims to study the process of knowledge transfer by measuring the impact of knowledge ambiguity on its transfer. It may be argued that the process by which knowledge is transferred was not the main interest of Simonin's (1999a) paper as much as revealing the impact of knowledge ambiguity on its transfer using a variance model. Therefore, this paper claims to investigate the transfer process, but the findings reveal the impact of a contingency factor on the success of the process while the process remains uncovered. This limitation is aligned with the prediction of Van de Ven (2007), who argued that using a variance model instead of a process model will lead to limited findings that do not effectively reveal the process under study.

Part of understanding how procedural knowledge is transferred between organisations – especially in alliances – is identifying **the vehicles supportive of this transfer**. In summary, researchers highlighted the vehicles that facilitate knowledge transfer among organisations in alliances as follows: (1) promoting sharing knowledge using mechanisms similar to those used in communities of practice and creating more informal sharing mechanisms to complement the exchange of formal knowledge between organisations (Perrin *et al.*, 2007), (2) adopting supportive technological vehicles to **act as enablers** not as drivers (Perrin *et al.*, 2007) and (3) adopting trust-based activities. It mainly involves face-to-face communication between members (Perrin *et al.*, 2007; Lucas, 2005), which are referred to as "the human face of knowledge transfer" (Schulz, 2001; Snyder, 1997). Hamel (1991) argued that the process by which knowledge is transferred between organisations hinges on the "**collaborative membrane**", through which knowledge and skills flow between partners. He also highlighted that the effectiveness of this membrane lies in its permeability, allowing all forms of knowledge to flow between individuals and groups. This is precisely what Nonaka and Takeuchi (1995) and Nonaka *et al.* (2000) referred to as the platforms of knowledge transfer or "ba". The collaborative membrane's level of permeability and its direction determine the level of organisational learning that is thought to be influenced by the issues in legal structure, governance and the nature of the task in the alliance (Hamel, 1991). The partners' level of learning refers to the macro and micro bargaining power manifested in the executive managers of partners in an alliance. More specifically, a firm could be weak at the macro level but able to strike a series of advantageous micro-level bargains at an operational level due to its higher capacity to learn. Consequently, this firm will be able to direct the direction of the required knowledge flow through the collaborative membrane (Hamel, 1991).

According to Perrin *et al.* (2007), what may be taken away is that there are no systematic and reliable studies exploring the process by which procedural knowledge is transferred between organisations so far. Most of the literature concerned with knowledge transfer is mostly focused on the sources of knowledge ambiguity on the transferability and dissemination of knowledge. Nevertheless, the concept of collaborative membrane described by Hamel (1991) appears to be of relevance especially to the business relationship between MNCs and their Saudi distributors. As reported by Hamel, the permeability of the membrane is directly linked to the level of learning, which in our case occurs within the distributor's organisations. Other researchers emphasised the role of other facilitators such as technology and face-to-face communication, which are relevant as well. However, it may be argued that the most important facilitator that has not been sufficiently emphasised is the role of trust and transparency between partners, without which the required procedural knowledge will not flow between MNCs and distributors. In fact, it may be argued that in the absence of trust, procedural knowledge will cease to flow regardless of how complex the required knowledge is or what technology is used.

2.3.3- *The factors influencing the process of procedural knowledge transfer in IJVs*

Considering the literature concerned with knowledge flow in IJVs, knowledge transfer between MNCs and their subsidiaries was believed to be generally influenced by MNCs' control in the form of centralisation (McGuinness *et al.*, 2013; Jiang *et al.*, 2008), the subsidiary's absorptive capacity (McGuinness *et al.*, 2013; Michailova & Mustafa, 2012; Cohen & Levinthal, 1990), trust between partners (McGuinness *et al.*, 2013; Michailova & Mustafa, 2012; Christoffersen, 2013; Rabbiosi, 2011; Meier, 2011; MacDuffie, 2011; Jiang *et al.*, 2008), the IJVs' leaders (Michailova & Mustafa, 2012; MacDuffie, 2011; Kramer & Lewicki, 2010; Kostova & Roth, 2002). These contingency factors adopted from the literature complement those mentioned previously in section (2.2.5) and will be elaborated below. It is important to highlight that this thesis is not concerned with reverse knowledge transfer (RKT) from local partners to their parent organisations. Therefore, the literature that includes other influencing factors will not be included.

i) The level of trust between partners:

Based on reviewed literature concerned with the role of trust in knowledge transfers in alliances, it may be argued that trust is fundamental to the success of knowledge-sharing, transfer and creation between partners (Albers *et al.*, 2013). Therefore, in this thesis, this factor is considered a contingency factor that is adopted from literature. We must highlight that the inter-partner trust that is described between MNCs and their subsidiaries is the most relevant. Such trust is defined by Kostova & Roth (2002, p.6) based on the work of Bromiley & Cummings's (1995) as "*a common belief within the subsidiary that the parent: (1) makes good-faith efforts to behave in accordance with commitments, both explicit and implicit, (2) is honest in whatever discussions preceded such commitments, and (3) does not take excessive advantage of the subsidiary, even when the opportunity is available*". Some authors believed that trust exists only between individuals (Dyer & Chu, 2000; Zaheer *et al.*, 1998), whilst others argued that it does exist between organisations (MacDuffie, 2011). According to MacDuffie (2011), there are four forms of trust between partners in an alliance: (1) open communication and information exchange, (2) informal agreements, (3) task coordination and (4) surveillance and monitoring, which reflects low levels of trust.

According to the recent review by Albers *et al.* (2013), scholars have increasingly believed that inter-organisational trust rests partially on interpersonal trust between individuals of partnering organisations. Christoffersen (2013) believed that the role of inter-partner trust may reduce the risk of opportunistic behaviour and supplements or replaces rigid control

mechanisms between partners and thus reduces transactional costs. This view is aligned with the views of many other authors such as Robson *et al.* (2008), Krishnan *et al.* (2006) and Sarkar *et al.* (2001). This notion ultimately has a positive impact on the success of the alliance itself (Christoffersen, 2013). However, it has been described as fragile (Currall & Inkpen, 2002), and its development is believed to be a costly and time-consuming process that produces intangible benefits (Madhok, 2006). The following (table 6) provides a summary of the role and impact of trust on knowledge-sharing and transfer between partners.

The impact of trust on knowledge transfer in IJVs	Authors
Reduce costs associated with knowledge transfer	Christoffersen (2013); Perrin <i>et al.</i> (2007); Madhok (2006); Zaheer <i>et al.</i> (1998); Bromiley & Cummings (1995)
Reduce opportunism	Michailova & Mustafa (2012); Madhok (2006); Hansen <i>et al.</i> (2005); Levin & Cross (2004); Szulanski <i>et al.</i> (2004); Borys & Jemison (1989)
Trust facilitates knowledge sharing, transfer, creation and absorption (absorptive capacity)	Christoffersen (2013); Meier (2011) ; Fey & Furu (2008); Buckley <i>et al.</i> (2006); Muthusamy and White (2005); Inkpen & Tsang (2005); Steensma & Lyles (2000); Szulanski (1996); Currall & Judge (1995); Kostova & Roth (2002); Kostova (1999); Cohen & Levinthal, 1989;1990)
Trust-based partnership promotes specialization among partners in way that empowers them to jointly identify mutual opportunities and resolve mutual risks	McGuinness <i>et al.</i> (2013) ; Rabbiosi (2011); Lucas (2005)
Trust reduce conflict, distrust , promote co-operation and better integration of activities	Christoffersen (2013); Nielsen (2007); Krishnan <i>et al.</i> (2006); Steensma & Lyles (2000) ; Das & Teng (2001)
Trust (opposite to centralization) supports innovation among subsidiaries in terms of their ability to transfer and create valuable knowledge as they have better access to knowledge transfer and creation resources.	McGuinness <i>et al.</i> (2013); Rabbiosi (2011); Andersson <i>et al.</i> (2007); Venaik <i>et al.</i> (2005); Andersson <i>et al.</i> , (2002); Gupta and Govindarajan (1991)
Trust reduces knowledge ambiguity and facilitates codification of knowledge.	Michailova & Mustafa (2012); Perrin <i>et al.</i> (2007)
Trust entails stronger ties between partners; improve understanding between sender and receiver which motivates parent company to invest in transferring and codification of knowledge.	Michailova & Mustafa (2012); Levin and Cross (2004)
Trust is fundamental to the stability to strategic alliances and IJVs.	Jiang <i>et al.</i> (2008); Wang and Fulop (2007); Gill & Butler (2003); Das & Teng (1996)
Trust hinders excessive control from parent companies which could destroy goodwill and threaten the success and stability of the alliance.	Jiang <i>et al.</i> (2008)
Presumptive trust between partners improves individuals' willingness to trust and share knowledge with partners.	MacDuffie (2011); Kramer & Lewicki (2010)
When individual IJV managers trust each other, it influences other members and organizational activities. This creates an environment for managers to be more engaged in trust-based decisions and actions.	Currall & Inkpen (2002); Inkpen & Currall (1998); Doz, (1996); Child & Rodrigues (1996); DeLeo (1994)
Improves character-based and competence-base trust between partners	Whipple & Frankel (2000)
Essential for transferring valuable tacit knowledge that is valuable for success of the alliance especially between high and low contexts.	Meier (2011); Nonaka <i>et al.</i> (2000); Collins & Hitt (2006); Kale <i>et al.</i> (2000); Raval & Subramamian (2000); Inkpen & Dinur (1998)
Trust help establishing supportive platforms for knowledge exchange and reduces resistance from recipient organizations towards new knowledge and supports implementation.	Levin & Cross (2004); Kostova & Roth(2002); Teigland & Birkinshaw (1999); Nonaka & Takeuchi (1995)
Trust enables organizational learning between partners	Raval & Subramamian (2000); Hamel (1991)

Table-6: Summary of the role/impact of trust on IJVs according to literature.

In addition, there is a trust-based term that is found in the literature exploring the role of trust in IJVs. This concept is referred to as ***“the black-box”***, which is described loosely in the literature. In the literature, this term appeared twice but referred to two slightly different phenomena. This concept was first mentioned by Lorange *et al.*(1992,p.16), who defined it as a form of contingency planning: *“this black-box contain tangibles and intangibles that keeps a firm in a stronger bargaining position or insure that the firm will not be totally stranded and out of business should the alliance not work”* (p.16). Later on, it was described by Buckley & Casson (in Beamish & Killing, 1997) and Simonin (1999a), who referred to it as *“the black-box*

strategy”, which they defined as a strategy a firm adopts to protect its core competences from being transferred to partners in an alliance. What these two definitions of a “black-box” have in common is that both promote the sustenance of bargaining power by distrusting partners in an alliance. According to MacDuffie (2011), it may be argued that such strategies and practices do not support the establishment of social interaction that is essential for sharing knowledge.

Because this thesis is concerned with procedural knowledge transfer between partners, the implications of trust on the recipient’s absorptive capacity must be highlighted. According to Cohen & Levinthal (1990, p. 128), absorptive capacity is defined as “*the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends*”. Because the recipient organisation in our study is the Saudi distributor, the distributor’s absorptive capacity, according to Cohen & Levinthal (1990), lies in its ability to exploit and disseminate external procedural knowledge. Considering that transferred procedural knowledge is mainly sourced from the MNCs that distributors are in alliance with, we may argue that the availability of trust between the two organisations is fundamental. When the availability of trust is combined with specialised knowledge-based dissimilarity between the two organisations, the transfer and creation of knowledge is enabled according to Meire (2011) and Nooteboom *et al.* (2007), respectively.

Given the business relationship between MNCs and their Saudi distributors where procedural knowledge is transferred to the latter, there are few implications that must be considered:

- 1- Trusting foreign organisations is considered a contentious issue, especially when all distribution firms in Saudi Arabia are family-owned businesses.
- 2- The size of Saudi distributors entails their limited funding capacity to invest in assessing transferred procedural knowledge from the MNCs, which have far greater access to funds. According to Lucas (2005), knowledge providers (MNCs) are expected to invest in developing the required procedural knowledge and ensuring the suitability of this knowledge to the acquirers (distributors), whereas the latter are expected to invest in creating barriers to assess the value of procedural knowledge to be transferred and the trustworthiness of the providers. Therefore, trust must be available for procedural knowledge to be successfully transferred.
- 3- Because we are investigating three different streams of knowledge (logistics, sales and management accounting), the degree of the specialised knowledge-base in each stream between the two organisations must be considered. For example, in the sales/marketing knowledge stream, the degree of dissimilarity between the MNC’s knowledge-base and that of the distributor is expected to be minimal because of the strong link between the marketing procedural knowledge and activities (executed by the MNC) and the sales procedural knowledge and activities (executed by the distributor). However, this is not expected to be the case in the logistics and management accounting streams because both the logistics and management accounting procedural knowledge and activities are highly contextual. This change entails that the MNCs have little to offer or transfer to the distributor when trusting their logistics and accounting teams to meet the service expectations. Ultimately, the distributor should be able to provide the logistical services required by the MNC and to generate accurate and reflective business reports to share with the MNC.

ii) The impact of an IJV’s leaders on the transfer process:

According to Parmigiani & Howard-Greenville (2012), regardless of which perspective institutional researchers adopt (capability or practice), the role of the individual member is deemed important. However, the role of a leader in an institution is generally overlooked. In the strategic alliances literature, researchers highlighted not only the fundamental role of

individual members but also the role of a firm's leaders in the creation and transfer of knowledge between partners in alliance. Based on Kramer and Lewicki's (2010) work, MacDuffie (2011, p.38) suggested that alliance leaders are one of four elements that "presumptive trust" between partners may be based on. MacDuffie defined it as a "positive social expectations that increase individual willingness to trust members of an organisation" (p.38). Kostova & Roth (2002) recognised that testing the role of active agency in institutionalisation was conservative in their studies; nevertheless, they believed that institutional processes in non-hierarchical settings are strongly influenced by active individual agents. From a practical point of view, the authors also believed that the role of organisational leaders is very important in the process of knowledge transfer. More specifically, if leaders of recipient organisations are interested enough in the diffusion and institutionalisation of required procedural knowledge, they are expected first to create a supportive relational context to enable such transfer, which is what Nonaka & Takeuchi (1995) and Nonaka *et al.* (2000) refer to as the supportive platform of knowledge transfer and exchange, or "ba". Second, leaders must devote special attention to the role of the subsidiary managers in the transfer process. It may be argued that this is part of what some organisational researchers refer to as "the intensity of effort" (Kim, 1998; Cohen & Levinthal, 1990). This term indicates the important role that alliance leaders may play in the success of the alliance and the procedural knowledge transferred between partners.

However, what must be taken away is the quality of advice provided for alliance leaders to facilitate the process by which required procedural knowledge is transferred from MNCs to the distributors. It may be argued that the advice provided by previous authors regarding the role of leaders may be considered vague due to the following reasons. *First*, the authors' advice describes "what" must be done, not "how" they are achieved, which is a common limitation in non-process-based studies. *Second*, the advice offered is directed towards the parent organisations' leadership, not to the local partners. This direction entails that the authors believe that local partners' leaders are incapable of identifying the required procedural knowledge, let alone contributing to its development and transfer. Perhaps this view may be linked to researchers' traditional view of local partners being mere recipients of knowledge, not innovators, as highlighted by Michailova & Mustafa (2012).

Because we are mainly interested in understanding the transfer process and its constituting patterns, the reviewed literature, especially as it relates to strategic alliances, hints at the important role the firm's leader could play; however, such advice remains vague. Therefore, it may be argued that the literature's account of the distribution firm's role will not provide significant help. The role of distribution firm's owner(s) will be investigated as a contingency factor in this thesis and thus contribute to the body of literature concerned with the role of firm owners in strategic alliances.

iii) MNCs' and local partners' (distributors) control over IJV:

When considering the literature focused on the control mechanisms between partners in an alliance, another concept appears to be linked to this contingency factor, which is the subsidiary's strategy of compliance. It may be argued that subsidiaries' compliance with MNCs' standards may be considered one of the outcomes of such control. For this reason, both concepts merit review.

1- Leverage between partners in an alliance:

The concept of the control and leverage that partners in alliance might have over each other was extensively discussed in the literature on strategic management, strategic alliances and international business. It is a product of organisational power structures, which are generally defined as follows: "the ability, capacity or potential to get others do something, to command, to influence, to determine or to control the behaviours, intentions, decisions or actions of

others in the pursuit of one's own goals or interests despite resistance, as well as to induce changes" (Belaya & Hanf, 2009, p.1).

Control between the MNC and its local partner in IJVs is believed to have different sources. Sometimes it is described as leverage and bargaining power stemming from a position of high equity in the IJV (Choi & Beamish, 2004; Yan & Gray, 1994; Madhok, 2006), from a partner's excessive learning (Hamel, 1991; Inkpen & Beamish, 1997; Luo *et al.*, 2001; Tsang, 1999), or from a partner's contribution to a specific function (or functions) in the IJV (Huang & Chiu, 2012). Whereas possessing higher equity may provide the MNC with "*only an illusion of control*" (Madhok, 2006, p.7), a partner's learning capacity is a sign of desired control (Hunag & Chiu, 2012).

Even though MNCs' dominant control is generally viewed as beneficial (Christoffersen, 2013), authors in the past debated about the adequate level of MNCs' control to improve IJVs' performance. Some studies have argued that the IJVs' performance may be improved (Ding, 1997; Glaister & Buckley, 1998) or enhanced (Barden *et al.*, 2005; Steensma & Lyles, 2000) by MNCs' dominant control over the IJV. However, others have argued that split (shared) control according to each partner's specific advantages may improve not only the performance of the IJV but also facilitates satisfaction between partners in alliance (Choi & Beamish, 2004). On the one hand, the MNC's dominant control is believed to reduce managerial conflicts and facilitates coordination between the partners (Merchant, 2002). On the other hand, this control is viewed to enable the MNC's misuse of power, which frustrates the subsidiary and leads to conflicts (Pangarkar & Lee, 2001).

With regard to knowledge creation, transfer and exchange, excessive control by MNCs is believed to have a negative impact on IJVs. It may destroy goodwill and trust between them and the subsidiaries (Jiang *et al.*, 2008), hinder the process of knowledge conversion and exchange (Magnier-Watanabe & Senoo, 2009; Nonaka *et al.*, 2000), hinder subsidiaries' capability to innovate and create new valuable knowledge (McGuinness *et al.*, 2013; Rabbiosi, 2011), hinder the social interaction required for sharing knowledge (Jiang *et al.*, 2008; Das & Teng, 2001), hinder subsidiaries' access to required resources for knowledge creation (Andersson *et al.*, 2002; Gupta & Govindarajan, 1991; Venaik *et al.*, 2005; Andersson *et al.*, 2007) and threatens the IJVs' overall stability (Jiang *et al.*, 2008).

Considering that this thesis focuses on the MNC-Saudi distributor business relationship, it may be argued that the type of MNCs control over the Saudi distributor is different from the types reviewed in literature. The alliance between MNCs and Saudi distributors does not involve equity exchange because distribution firms in Saudi Arabia are all family-owned businesses. Therefore, the source of MNCs' control over the distributors is related to how much (in percentage) a certain MNC represents from the distributor's portfolio. In this sense, a higher percentage implies higher control an MNC has over the Saudi distributor. In addition, given the newly activated WTO regulations allowing MNCs to operate in the Saudi market without having to partner with a Saudi organisation has enhanced the MNCs' potential leverage over their distributors.

2- A local partner's strategy of compliance to the MNC's standards:

Subsidiaries' compliance with knowledge transferred from MNCs has been highlighted by many authors. Some have described the types of compliance provided by local partners (Kostova, 1999), whereas others have focused on the causes of incompliance or resistance among local partners to new knowledge transferred by MNCs (Noorderhaven & Harzing, 2009; Perrin *et al.*, 2007; Raval & Subramamian, 2000; Simonin, 1999a; Buckley & Casson in Beamish & Killing, 1997).

Kostova (1999) argues that a local partner's compliance with the MNC's headquarters is usually viewed as positive and could improve the local partner's reputation in terms of commitment. Therefore, such recognition may be considered a source of motivation for local partners to comply with the MNC's standards. She believed that the successful implementation of transferred practices goes beyond mere adoption to reach the internalisation state within the receiving organisation. In Kostova's (1999) paper, she aimed to measure the success of transferring practices (from the headquarters of MNCs to their local partners) from an institutionalisation point of view. It may be argued that the nature and magnitude of the power structures and tension between the parent and the child organisations is different from an MNC and its distributors. Nevertheless, the mechanisms identified that govern the success of the process of transferring practices between two organisations in her paper are deemed valuable. The most relevant part of Kostova's (1999) paper is her categorisation of the ways in which subsidiaries comply with the parent company's transferred practices. She identified two main elements to manage when studying the transfer process: the cognitive aspects of the process and the level of embeddedness of practices, which is believed to be context-dependent.

She identified three types (groups) in which local partners **partially comply** with the parent organisations' procedural knowledge: assent adoption groups, active groups and minimal groups. *The assent groups*: members who believe in the value of the transferred practices but display the lowest behaviour towards such procedural knowledge in terms of implementation among the others. *The active group*: the units within the local partner show high dependence on the parent company, but this dependence is not sufficient enough to result in adoption of transferred procedural knowledge. *The minimal groups*: the institutional context is not supportive enough for any transfer of procedural knowledge from the parent company, let alone its adoption. Kostova also highlighted, drawing on the institutional theory (Meyer & Rowan, 1977), that subsidiaries' compliance is motivated by the subsidiaries' aspiration to achieve and maintain legitimacy within the MNCs' networks and thus demonstrate an appreciable level of commitment. However, she also highlighted another type of adoption labelled as "*ceremonial*", which occurs when achieving legitimacy is the only motive driving a subsidiary's compliance. In such cases, the subsidiary will manage to publically incorporate the parent's institutional structure, forms and procedures but fail to develop a positive attitude towards the transferred procedural knowledge and its implementation. When this occurs, the local partner's managers become frustrated with being required to implement a new set of procedural knowledge to a point that might, intentionally or not, adopt part of the transferred procedural knowledge and report full implementation to keep the headquarters satisfied. The managers are found to adopt and implement the components of those practices that they feel that others will "buy into" and ignore the rest. In some extreme cases, the subsidiaries' managers feel alienated by the parent company to the point where they ignore any implementation requests and provide **no compliance** with transferred procedural knowledge. Another strategy of compliance has been found by the literature to potentially complement the range of strategies of compliance adopted by local partners as a continuum: the **total compliance** strategy. Following the institutional theory (Meyer & Rowan, 1977), Kostova (1999) provided a hint of such compliance under the conditions of high dependency and intra-organisational competition. In this case, the local partner aspires to improve its internal legitimacy and gain the parent's recognition by adopting the requested practices, which were institutionalised in the parent's network. The local partners' implementation of such practices reaches the internalisation stage, making it "isomorphic" with the parent company and thus succeeding in achieving intra-organisational legitimacy (Meyer & Rowan, 1977; Powell & DiMaggio, 1991).

In short, Kostova (1999) believed that local partners' **compliance is dependent** on the following factors. The *first* factor is the local partners' belief in the value of transferred procedural knowledge and actual activities. This achievement is possible especially when

MNCs exercise pressure to drive the adoption and application of transferred procedural knowledge even when the former is not certain about its value to the local partners (Kostova & Roth, 2002). The *second* factor is the degree to which the institutional context is supportive. The *third* factor is the local partners' self-motivation to learn and implement new practices to establish legitimacy and recognition by the MNCs and their local networks (dual institutional pressures).

Many authors have explored the causes and reasons driving local partners' incompliance or resistance towards new procedural knowledge and activities transferred from MNCs. The following (table 7) will provide a summary of such causes.

Reason for Incompliance	Author(s)
Local partners disbelief in the value and applicability of transferred knowledge. Value is assessed in terms of its relevance to the core operations of the subsidiary.	Noorderhaven & Harzing (2009); Kostova & Roth (2002); Kostova (1999)
The lack of commitment from the alliance's top management's towards collaboration. Employees states that valuable information as deliberately concealed from any individuals outside the network of top management an upward communications are not encouraged.	Perrin <i>et al.</i> (2007)
Information concealment and rigidity towards adopting new practices are due to the cultural variations (high context cultures verses low context culture).	Raval and Subramamian (2000)
Partners' resistance to share or adopt practices is due to partners' protectiveness according to 'black-box strategy' using fixable contractual protection. This could lead to early termination of alliance.	Simonin (1999a); Buckley & Casson in Beamish & Killing (1997)

Table-7: Summary of causes behind subsidiary incompliance and resistance to new knowledge.

The literature described above may be considered relevant for describing Saudi distributors' strategies of compliance to procedural knowledge transferred from MNCs. What may be taken away is that the distributor's strategy of compliance may impact the success of the process by which such knowledge is transferred. This impact stems from three main elements: (1) the cultural variation between the knowledge provided (the MNC) and the receiver (the Saudi distributor), (2) the recipient members' belief in the value of transferred procedural knowledge and (3) the distributor's motivation to diffuse dual institutional pressures (Kostova,1999) and achieve legitimacy internally (within its network) and externally (within the MNC's network).

iv) The local partner's absorptive capacity:

Firms' absorptive capacity was first introduced by Cohen & Levinthal (1990) and later developed by many researchers in the areas of organisational learning and knowledge transfer, especially within IJVs. Absorptive capacity is defined as "*the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends*" (Cohen & Levinthal, 1990, p. 128). Among the research on knowledge management in OJVs, it also believed that a firm's absorptive capacity reflects its ability to learn from its partner(s) (Meier, 2011; Steensma & Lyles, 2000). A firm's absorptive capacity has **two main elements**: the firm's prior knowledge-base and the firm's intensity of effort. Whereas the former represents the existing knowledge (procedural knowledge and actual activities) that a firm holds in its organisational memory, the latter reflects the firm's willingness to allocate the resources required to support the learning process.

According to Michailova & Mustafa's (2012) review, there were many studies exploring the measurement of absorptive capacity, among which is Szulanski's (1996) measurement of absorptive capacity, which included the existence of a common language and vision to learn and benefit from the transfer of knowledge, managerial competence to assimilate the information, and members of the firm to exploit the new information. In addition, absorptive

capacity was measured as: the R&D intensity of a firm (R&D expenditure divided by sales) (Tsai, 2001), a firm's mode of entry into the host country and the proportion of local nationals in the top management teams (Gupta & Govindarajan, 2000) and members' ability and motivation to assimilate knowledge (Minbaeva *et al.*, 2003; Riusala & Smale, 2007).

Some researchers have advanced Cohen & Levinthal's (1990) concept within strategic alliances. Kim (1998) proposed a **dynamic perspective on absorptive capacity**, which addresses the impact of the level of both the prior knowledge base and the intensity of effort within a learning firm. Depending on whether the availability of these two elements is high or low, the firm's absorptive capacity rises and diminishes. Because Kim's (1998) organisational learning model plays an important role in this thesis, Kim's (1998) dynamic absorptive capacity will be elaborated upon following the description of Kim's (1998) model in section (2.5.4). Another perspective was offered by Meier (2011) based on the work of Dyer & Singh (1998), Lane & Lubatkin (1998) and Nooteboom *et al.* (2007): "**relative absorptive capacity**". Meier believed that a firm's absorptive capacity is a function of respective alliance partners. More specifically, it depends on two elements: (1) its pre-alliance knowledge overlap with the partner and (2) the interaction routines between the partners. In this sense, the dissimilarity in knowledge-based specialisation between partners facilitates both knowledge transfer (Lane & Lubatkin, 1998) and knowledge creation (Nooteboom *et al.* (2007). However, it has not been empirically shown that the similarity in knowledge specialisation between partners reduces knowledge transfer between them (Meier, 2011; Nooteboom *et al.*, 2007).

Based on these two concepts, we may suggest two inferences with regard to the Saudi distributors' absorptive capacity. First, the distributor's prior knowledge base and intensity of effort impacts its ability to adopt and comply with new procedural knowledge transferred from the MNCs. Second, because dissimilarity in knowledge specialisation between the MNCs and their Saudi distributors is possible, the findings of this thesis would provide evidence for this argument, especially as it investigates three different streams of knowledge. Given that the MNC's core competences lie in marketing and manufacturing, whilst the distributor's lies in sales and distribution, understanding the process by which procedural knowledge is transferred could offer an explanatory contribution to this argument.

Summary of the contingency factors adopted from literature:

In this section, the general factors that could influence the process by which procedural knowledge is transferred between partners are described based on literature. According to the most recent literature, these factors are as follows: the control between partners over the IJV, the level of trust between partners in the IJV, the local partner's absorptive capacity and the impact of leaders of IJV. It is believed that these factors are relevant to this thesis because they could assist us in explaining how and why procedural knowledge is transferred in a specific way from the MNC to the Saudi distributor. Ideally, the process is believed to be contingent upon these factors, which are mainly adopted from the relevant literature. Taking these factors into account, especially during the data collection and interpretation stages of the research, should help in identifying empirical evidence that supports the impact of these factors on the process under study. However, given that we are investigating three different knowledge streams (sales, logistics and accounting), it is expected that the impact of the identified contingency factors adopted from literature on the transfer process in each stream would vary.

2.4- Knowledge based resources as a source of distributor's competitiveness

2.4.1- *The aim of this section:*

To maintain consistency, it is best to remind the reader(s) about the aim of this section. The literature review in this section plays an important role in answering this thesis's aim: to understand the process by which procedural knowledge is transferred to the Saudi distributor. This is based on the argument that understanding such a process has a bearing on understanding how Saudi distributors develop competitive advantage as an outcome of their alliance with MNCs. Following Van de Ven's (2007) suggestion on how to study a process, two process models from different disciplines are to be compared against each other in terms of their ability to explain the process concerned. In this section, we aim to focus on knowledge management (KM).

What will ultimately be taken away from this section is the selection of **Choo's (1998) sense-making model of knowledge management** to participate in the mentioned explanatory comparison. Despite the availability of relevant processual models that explore knowledge transfer, they are deemed inadequate. This is due to these models' focus on knowledge transfer within organisations only. These models do not accommodate knowledge transfer from external sources. This represents a very important limitation because we aim to understand knowledge transfer from MNCs, which is an external source to the Saudi distributors. For this reason, the selected model (Choo, 1998) is believed to be more suitable to help us meet the thesis's objectives despite its classification as part of knowledge management perspective rather than knowledge transfer.

2.4.2- *Definitions of organisational knowledge in the literature:*

Based on the literature, there is not a single definition for knowledge; however, it may be generally referred to as a combination of rules, ideas, procedures and information that is governed (brought together) by shared meanings. It is believed that only through meaning may "chaotic" information be transformed into organised knowledge (Bhatt, 2000; Koniger & Janowitz, 1995). The creation of meaning is believed to be context-dependent because it is created by members' interpretation from a specific paradigm (Marakas, 1999). It was also defined as follows: "*the principal force that determines and drives the ability to act intelligently*" (Dalkir, 2005, p.38). During the industrial era, knowledge was based on the technical rationality and order reflecting the fixed reality that was deemed equivalent to objective fact (Dervin, 1994). Because knowledge is considered to be the set of interpretations of reality between members, some of it became a public commodity that is continually examined and interpreted by social members (Raelin, 1997). Such a notion of sharing among members was echoed by Feghali & Jamal El-Den (2008), as they believed that knowledge has no value if it is not captured, retained, reused, and communicated among people and groups. In light of structuration theory, Giddens (1979) described knowledge as "stocks of mutual knowledge" possessed by actors in a certain social context. Nonaka *et al.* (2000, p.7) advocated the definition of knowledge as "*justified true beliefs*" because they believed that truthfulness is an essential attribute of knowledge; however, they argued that this definition could portray knowledge as static and non-human. Therefore, this definition fails to address the relative, dynamic and humanistic dimensions of knowledge. They believed that knowledge should be regarded as dynamic because it is created by social interaction and also because it is context-specific and depends on a particular time and space. In addition, the authors described knowledge as "rational" because truth, goodness and beauty are perceived in the eye of the beholder. Thus, they proposed defining it as "*a dynamic human process of justifying personal belief toward the truth*". Likewise, Von Krogh *et al.* (2000) argued that individuals justify the

truthfulness of their beliefs based on their observations of the outside world. Because these observations depend on the observer's viewpoint and personal interpretation of experiences, the knowledge created is deemed highly influenced by those beliefs. In their opinion, knowledge is not a simple compilation of facts; it is a unique "human process" that cannot be reduced nor replicated when the belief and cognitive systems (including the unconscious) of the observer is involved in the construction process.

2.4.3- *Classifications of organisational knowledge:*

Authors have approached the classification of knowledge from different perspectives. Some have classified knowledge based on its potential benefits and advantages, and others have classified knowledge based on the place of their existence in the organisation. Ideally, the ultimate purpose of classifying organisational knowledge is to facilitate its study.

Authors were attracted to understand the advantages that may be generated from knowledge forms and enjoyed by the firms that possessed them. Some authors referred to knowledge forms as "dimensions" and are classified into two types: first, *tacit* knowledge (intangible), which may hardly be measured and evaluated due to its cognitive nature (Polanyi, 1966a; Von Krogh *et al.*, 2000). Second, *explicit* knowledge (quantifiable), which may be expressed in the form of language, textual documents and numbers (Nonaka & Takeuchi, 1995; Magnier-Watanabe & Senoo, 2009). Feghali & Jamal El-Den (2008) suggested two forms of tacit knowledge: embodied and not-yet-embodied knowledge. Embodied knowledge is associated with an individual's awareness of his/her know-how, his/her ability to articulate it (verbally or textually) in an understandable form to others and his/her ability to make others master it in an effective way. Embodied knowledge is embedded in the consciousness of the individual and accumulated through expertise, experiences, work practices, and by doing. The not-yet-embodied knowledge is unconscious knowledge that lies inactive until articulated in an understandable form because it is based on the individual's perception, mental analysis, instincts, design ability, innovation and creativity. Polanyi (1967) argued that despite one's incapability to articulate tacit knowledge, it is considered the "driving force" behind explicit knowledge, implying that they are both complementary to each other and that its true value (or meaning) may be obtained once it is properly articulated and shared (Feghali & Jamal El-Den, 2008). Some authors referred to tacit forms of knowledge as the originating context that allows sharing between members or "ba" (Nonaka & Konno, 1998), a reflection-in-action (Schön, 1983), a notion of "care" (Von Krogh, 1998), a personal mastery (Senge, 1990), an emergent field (Jaworski *et al.*, 1997) and as not-yet-embodied knowledge (Feghali & Jamal El-Den, 2008).

Feghali & Jamal El-Den (2008) had a different approach to classifying knowledge, as they perceived knowledge to be two object structures: a cognitive object that exists in the brain of the knower (embodied and /or not-yet embodied knowledge) and a physical object that exists in the textual form (embodied and/or explicit knowledge). There are several alternative "platforms" for the knowledge-as-object approach, which include a practice-based theory of knowing (Blackler, 1995; Blackler *et al.*, 2000) and the context approach in designing and implementing knowledge management initiatives (Walsham, 2004). Nonaka *et al.* (2000) believed that such a distinction in knowledge forms should exist according to its ability to be transferred. In other words, they highlighted that explicit knowledge may be expressed in formal and systematic language and shared in the form of data, scientific formulae, specifications and manuals. It may be processed, transmitted and stored relatively easily. In contrast, tacit knowledge is highly personal and hard to formalise. Subjective insights, intuitions and hunches fall into this category of knowledge. It is perceived to be deeply rooted in actions, procedures, routines, commitment, ideals, values and emotions (Nonaka & Takeuchi, 1995) because it "indwells" in a comprehensive cognisance of the human mind and body

(Polanyi, 1966b). For these reasons, it is difficult to communicate tacit knowledge to others because it is an analogous process that requires a kind of “simultaneous processing”.

What may be taken away from this argument is that knowledge has been explored based on its forms or place of existence that are deemed valuable to understand the complexity of accessing them. However, it may be argued that none of these definitions or classifications offered much advice on how knowledge is transferred between organisations. With the exception of Giddens, all authors mentioned earlier studied knowledge within organisational boundaries but not within an institutional setting.

Reflecting upon all reviewed definitions of knowledge, it can be argued that most of them will not enable us to study the transfer process between MNCs and their Saudi distributors. Simply because such definitions addressed knowledge either from the MNC’s side and the process by which knowledge is transferred was not accommodated. Most researchers focused on the types of knowledge at different organisational levels (i.e. Nonaka *et al.*, 2000), cognitive knowledge within the mind of members (i.e. Senge, 1990; Von Krogh *et al.*, 2000) or the transformation of knowledge between tacit and explicit within an organisation (i.e. Polanyi, 1967; Nonaka & Takeuchi, 1995; Feghali & Jamal El-Den, 2008). The closest definition of knowledge within IJVs setting is Gupta and Govindarajan’s (1991) which is relevant but does not provide an institutional definition of transferred knowledge that enables studying the transfer process. Therefore, it is deemed important to define what is meant by procedural knowledge in an institutional setting to help us study the transfer of procedural knowledge between MNCs and their distributors. This forces us to resort to perhaps the only researcher who defined knowledge in such setting: Giddens (1979; 1984) and his followers mainly Sztompka (1991) and Sminia (2009a).

In this thesis, procedural knowledge is defined based on Sztompka (1991) and Sminia’s (2009a) work which portrays procedural knowledge having the potential to produce benefit and referred to respectively as “**agency**” and “**practices**”. This entails that **procedural knowledge** in this thesis can be defined as the tacit and explicit know-how that explains how an organisation does business. Such know-how is transferred from MNCs to their local partners to enhance how they do business and enable them to meet the MNCs’ expectations. This entails that the actual form of transferred procedural knowledge need to be defined following an aligned concept. Since transferred knowledge, which was developed in the MNC’s network, might not be suitable for the Saudi market, customization is essential to enable distributors to meet the MNC’s expectations by using applicable activities. Therefore, those **actual activities** are referred to in this thesis as “**hybrid practices**”. The value of transferred procedural knowledge may only be realised once it is localised to create actual activities that may actually work. These activities may be considered equivalent to the term “**praxis**” described by institutional theorists such as Giddens (1984; 1979), Sztompka (1991) and Sminia (2009a).

The adoption of these two concepts (procedural knowledge and hybrid practices) has an important implication. There are two different processes that must be distinguished: the first is the process by which procedural knowledge is transferred from the MNC to the Saudi distributor, which is the focus of this thesis. The second is the process by which transferred procedural knowledge is modified or customised to produce applicable activities or hybrid practices (see figure 1).

2.4.4- *Where is the value in organisational knowledge?*

Value generation from organisations’ ability to exploit knowledge has been a focus for many generations because it is increasingly becoming essential to today’s economy. Researchers in this field believed that reaping competitiveness from knowledge-based resources requires a deep understanding of many aspects that contribute to the process of its creation and disposition. These aspects include the ability to socially create, convert, deploy and sustain

knowledge forms in a way that improves the competitiveness of the organisations that hold them. Several authors believed that the essence of competitiveness lies within knowledge creation and transformation (Hussi, 2004; Nonaka, 1994; Nonaka *et al.*, 2000; Nonaka & Konno, 1998; Bhatt, 2000), knowledge transfer (McGuinness *et al.*, 2013; Michailova & Mustafa, 2012; Rabbiosi, 2011; Feghali & Jamal El-Den, 2008; Gupta & Govindarajan, 1991; Ellis, 2000; Kostova, 1999; Nonaka & Takeuchi, 1995; Magnier-Watanabe & Senoo, 2009) or knowledge management (Meier, 2011; Jennex *et al.*, 2009; Feghali & Jamal El-Den, 2008; Jarvenpa & Eerikki, 2004; Call, 2005; Choo, 1998).

Classifying organisational knowledge based on understanding where benefits lie is believed to be important and relevant, as it confirms that organisational knowledge is a recognised source of competitive advantage. However, because we are only concerned about the process by which procedural knowledge is transferred, it is only logical to focus and examine process models that have such a perspective.

When examining the literature focused on knowledge transfer as the source of competitive advantage, there are two main observations that must be highlighted. First, some models share the limitation found in most if not all of the literature on organisational knowledge. That is, they only offer advice for MNCs (the knowledge provider) to internationalise, while the impact of such knowledge on their affiliates (acquirers) is hugely under-researched (i.e., Gupta & Govindarajan, 1991; Eills, 2000). Second, some models studied and provided advice on the internal knowledge transfer among individuals and groups within the organisation without accommodating external sources (i.e., Nonaka & Takeuchi, 1995; Magnier-Watanabe & Senoo, 2009; Feghali & Jamal El-Den, 2008).

2.4.5- *Studying organisational knowledge in IJVs*

i) The history of studying knowledge in IJVs:

Many authors believed the importance of knowledge to strategic alliances. It is believed that knowledge creation, transfer and application are important for alliances' competitive advantage (Meier, 2011), especially in the current dynamic business environment (Collins & Hitt, 2006). Some other scholars believed that the processes by which knowledge is created, transferred and implemented significantly contributes to the alliance's survival and performance as well (i.e., Hamel, 1991; Inkpen & Beamish, 1997; Kogut & Zander, 1992; Lyles & Salk, 1996; Nonaka, 1994; Steensma & Lyles, 2000; Tsang *et al.*, 2004) because knowledge is considered to be a critical resource for developing valuable capabilities, products and services for firms and IJVs has been favoured to enable them to acquire and internalise such knowledge (Grant, 1996b; Inkpen, 1996; Kale *et al.*, 2000; Simonin, 2004; Spender, 1996). Within IJVs as a context, the creation of new knowledge is believed to be a joint task between partners (Inkpen, 1996; Khanna *et al.*, 1998; Lubatkin *et al.*, 2001; Reid *et al.*, 2001). In comparison, knowledge transfer is a process of transmitting existing knowledge within and across the firm's boundaries (Collins & Hitt, 2006), whereas knowledge application or implementation refers to the degree to which transferred knowledge is embedded and used to create value for the alliance (Grant, 1996a; Lane *et al.*, 2001).

Simonin (1999a) reviewed the literature concerned with studying knowledge in strategic alliances and argued that researchers ignored studying the intrinsic nature and dimensionalities of knowledge, such as marketing, logistics and accounting. Instead, researchers were more focused on studying the role of firms'-specific variables, such as trust (Aulakh *et al.*, 1996; Inkpen, 1997), organisational capabilities (Lyles & Salk, 1996), partner selection (Makino & Delios, 1996) or strategic intent (Hamel, 1991).

Knowledge has been recognised as valuable if not the most strategic resource a firm could possess (Grant, 1996a) and thus a source of competitive advantage (Nonaka, 1994) because

knowledge-based resources have proven to be inimitable (Spendeler & Grant, 1996). Strategic alliances are viewed to be the most adequate for studying knowledge imitability between knowledge providers and seekers, yet they are also the most challenging with regard to the internalisation of partners' knowledge (Simonin, 1999a). As a result, researchers' interest in this area has grown, as some focus on how knowledge is managed in international joint ventures (Inkpen, 1997), transferred between partners in an alliance (Appleyard, 1996; Mowery *et al.*, 1996) and acquired by partners in an alliance (Lyles & Salk, 1996) as well as how knowledge develops over time in alliances and impacts the collaborative outcomes (Doz, 1996; Powell *et al.*, 1996; Simonin, 1997).

Simonin (1999a) agrees with the earlier research confirming that the study of knowledge transfer and organisational learning poses fundamental challenges for both researchers and practitioners. He also believed that despite the theories concerned with the role of firm-specific knowledge that contribute to understanding knowledge in strategic alliances, such as the resource-based view and dynamic capabilities and organisational learning, the literature focused on this specific phenomenon remains limited to two fronts: theoretical versus empirical and outcome versus process. Simonin (1999a) referred this to two reasons. *First*, is the little empirical research on the role of knowledge in strategic alliances that transcends a small sample of in-depth studies for few organisations. Echoing this gap, Mowery *et al.* (1996) believed that empirical research on the role of knowledge in strategic alliances was impacted by the over-reliance on anecdotes and assertions instead of statistical evidence. *Second*, much of the research involving MNCs explored static stories of firms investigating structural questions with little focus on the process of knowledge transfer and intra-organisational learning (Crossan & Inkpen, 1994). Other researchers, such as Doz (1996) and Hagedoorn & Schakenraad (1994), complained about research being focused on trends in alliance formation, determinants of cooperation, forms of collaboration and alliance outcomes in comparison to questions investigating the process itself. The gap presented here confirms the value in investigating the process by which knowledge is transferred in IJVs, which this thesis is specifically focused on. This approach will clearly contribute to the literature aimed at understanding the role of knowledge in the context of IJVs especially in Saudi Arabia.

- ii) The benefits reaped from transferring knowledge from MNCs to their local partners:

Cubillo-Pinilla (2008) believed that a high level of interdependence between MNCs and their local partners' networks turn them into a business ecosystem (Moore, 1993; Finegold, 1999) in which their members co-improve their knowledge, capacities (Helfat & Raubitschek, 2000; Van den Bergh & Stagl, 2003) and provide each other with the procedural knowledge and skills they have developed. More specifically, Cubillo-Pinilla (2008) suggested that local small and medium enterprises (SMEs) may benefit from MNCs through different channels. *First*, benefits are related to workers' mobility, where local companies may be recipients of MNCs' procedural knowledge when they hire MNCs' workers or when MNCs' workers decide to found their own companies. This migration occurs as they incorporate the knowledge and skills acquired during their stay at the MNC into the local company (Fosfuri *et al.*, 2001; Görg & Strobl, 2002). *Second*, benefits are obtained from backward linkages, which may generate productive and technological knowledge transfer. This benefit is gained as local managers acquire advanced skills during their productive linkages with the MNC, either because the MNC is interested in the improvement of its affiliates or because this improvement for the productive process of its affiliates will enable the MNCs to gain the necessary access to the local market. This phenomenon in turn helps the MNC to design and develop more innovative products. This process of sharing knowledge between MNCs and their local partners is a source of competitive advantage for both organisations (Cubillo-Pinilla, 2008).

However, for firms to reap competitive advantage from knowledge, the knowledge of how to extract and deploy knowledge in a way that generates value is required (Meier, 2011; Dalkir,

2005). Researchers believed that when it is easier to extract knowledge, this extraction generates less value for the firm. This paradox was highlighted by Boisot (1998), who argued that more tacit knowledge implies greater difficulty of extracting and translating it but generates more competitive advantage. Because this process (codification, abstraction, diffusion and absorption) requires rather complex procedures and skilful members, the management of organisational knowledge is deemed costly. Although those skilled knowledge management members were referred to differently in the literature, they share the same role. Whereas some referred to them in general terms as top management, other authors referred to them as knowledge activists (Von Krogh *et al.*, 2000), knowledge executives, directors of intellectual capital or directors of innovation (Dalkir, 2005). These titles include Chief Executive Officers (CEO), Chief Knowledge Officers (CKO) or Chief Learning Officers (CLO). Their common role is to maximise the value (benefits) returned from the possessed knowledge assets by creating and maintaining the environment and platforms of knowledge exchange activities or “ba”, as described by Nonaka *et al.* (2000).

Despite the extensive literature that explains the steps to be taken by practitioners to strategically exploit transferred procedural knowledge in a way that generates value for their firms, the means of disseminating such assets to generate competitive advantage remains not well understood (Dalkir, 2005; Boisot, 1998). Therefore, we could argue that claiming that top management has the ability to execute and orchestrate these processes and generate desired outcomes is inaccurate, especially when valuable knowledge is in its tacit form.

Based on the reviewed literature, transferring procedural knowledge to local partners is generally aimed to enable MNCs to gain and sustain competitive advantage when new knowledge is reversed (McGuinness *et al.*, 2013; Michailova & Mustafa, 2012; Gupta & Govindarajan, 1991; 2000; Ellis, 2000; de Pablos, 2006). It may be argued that the reported benefits (workers mobility, backwards linkages and spill-overs) are continuing to be explored from the MNCs’ side, which makes them superficial for this thesis because (1) these benefits do not explore whether the local partner is forced to comply with the MNC’s procedural knowledge and (2) this approach offers little advice on the local partner’s contribution to the process by which existing procedural knowledge is transferred and new knowledge is created.

2.4.6- *Review of organisational knowledge models:*

In this section, the literature concerned with organisational knowledge will be reviewed. It is important to note that because Nonaka & Takeuchi’s (1995) work is a common thread between the two selected process models by Kim (1998) and Choo (1998), it will be elaborated along with the other models on knowledge creation. Among the models on knowledge transfer, Gupta & Govindarajan’s (1991) model will be elaborated the most, as it is found essential to the findings. Among the literature on knowledge management, only Choo’s (1998) model will be elaborated upon because it is the selected process model of the study.

1- Knowledge creation:

Some researchers on organisational knowledge claimed that competitive advantage may be sourced from the process by which knowledge is created within organisations. This claim considered that knowledge creation may only be managed and driven by top management. Keeping in mind that we are studying the transfer of procedural knowledge between organisations in an alliance and, more specifically, joint ventures, four models were identified. Because knowledge transfer is this thesis’s main concern, we will summarise the models in the following (table 8) without further elaboration.

Name	Author	Basic description	Supporting Authors
Knowledge creation spiral (SECI model, ba and knowledge assets)	Nonaka <i>et al.</i> ,(2000)	A model of knowledge creation consisting of three elements: (i) the SECI process where knowledge is created through the conversion of tacit and explicit knowledge, (ii) 'ba'; the shared context for knowledge creation and (iii) knowledge assets which represent inputs, outputs and moderators of the knowledge-creating process.	Nonaka & Takeuchi (1995), Nonaka (1991), Nonaka & Kenno (1998); Hussi(2004), Magnier-Watanabe & Senoo (2009), Cortada & Woods(1999);
The knowledge development cycle	Bhatt (2000)	Consists of four sub-processes; knowledge creation, knowledge adoption, knowledge distribution and knowledge revision.	<u>Based on the work of:</u> Nonaka & Takeuchi (1995), Prahalad & Hamel (1990) Crossan <i>et al.</i> (1999) respectively.
Knowledge transformation (cognitive-physical)	Feghali & Jamal Elden (2008)	The transformation of knowledge from cognitive to its physical form and vice versa is dependent on the social interaction among group members and manifested into two; release of individual knowledge (shared documents) and reflection on explicit knowledge.	
The Knowledge enabling model (5X5 matrix)	Von Krogh <i>et al.</i> (2000)	Identified five knowledge enablers which are believed to facilitate knowledge creation process in five steps.	Hamel (1996) as sited in Von Krogh <i>at el.</i> (2000) Nonaka <i>et al.</i> (2000)

Table-8: Summary of literature studying organizational knowledge creation.

Brief description of Nonaka et al.'s (2000) knowledge creation spiral:

Because we are mainly concerned with transferring procedural knowledge, describing the knowledge creation models summarised in the above table is deemed unnecessary. However, among the mentioned knowledge creation models, Nonaka & Takeuchi's (1995) knowledge creation spiral (SECI model) will be slightly elaborated on because it is a common element in two models selected for comparison: Choo's (1998) sense-making model of knowledge management and Kim's (1998) organisational learning model for catching-up organisations. It is important to emphasise that in both of the selected models, the SECI model is considered to be a mere information processor because it does not accommodate external sources of knowledge.

The knowledge creation spiral is considered to be the most popular approach to knowledge creation and transformation (conversion) described by Nonaka (1991); Nonaka & Takeuchi (1995) and Nonaka *et al.* (2000). Nonaka *et al.* (2000, p.8). In this spiral, knowledge creation is viewed as *"a continuous, self-transcending process through which one transcends the boundary of the old self into a new self by acquiring a new context, a new view of the world, and new knowledge"*.

It is believed that knowledge is created through the interactions amongst individuals and their environment and that individuals' influence and are influenced by the environment with which they interacts. Despite the widely recognised importance of knowledge as a vital source of competitive advantage, Nonaka *et al.* (2000) believed that there is little understanding of how organisations actually create and manage knowledge dynamically. The authors proposed a model of knowledge creation consisting of three elements: (i) the SECI process by which knowledge is created through the conversion of tacit and explicit knowledge, (ii) "ba"; the shared context for knowledge creation and (iii) knowledge assets that represent inputs, outputs and moderators of the knowledge-creating process (see figure 2 below). This process takes the form of a "spiral" that grows out of these three elements, which is believed to be key to organisational dialectic thinking. Whereas the role of top management in articulating the organisation's knowledge vision is important, the role of middle management (knowledge producers) is fundamental to the process of energising knowledge platforms or "ba".

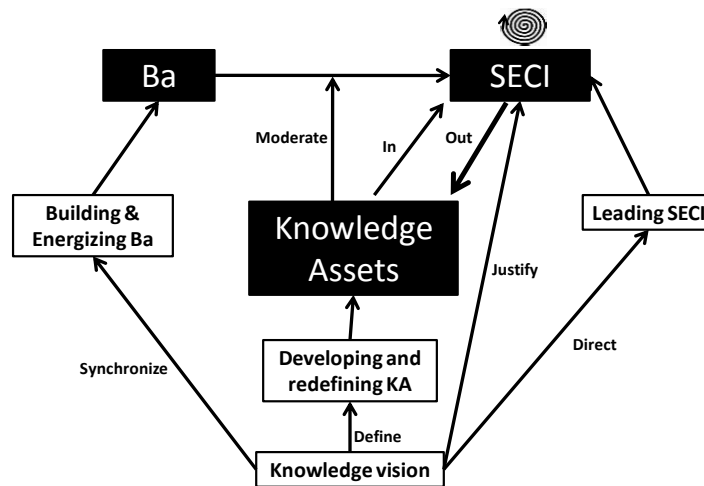


Fig-2: Leading the knowledge-creating process; adopted from Nonaka *et al.*(2000)

(i) The SECI process:

Nonaka & Takeuchi (1995) and Magnier-Watanabe & Senoo (2009) described the four stages of the knowledge creation process: socialisation, externalisation, combination and internalisation (**SECI**). The authors believed that the knowledge creation process starts with socialisation, where tacit knowledge is articulated and shared among members (actors, customers and competitors) operating in the same field. Via dialogue, tacit knowledge is externalised into explicit knowledge and effectively shared within the firm. Later, explicit knowledge is diffused and combined with existing stocks of practiced explicit knowledge. Subsequently, skilled members internalise the complex form of explicit knowledge, which leads them to determine the most feasible application to be put in action. Nonaka & Takeuchi (1995) stressed the important interdependence of each of the model's stages, and a "spiral" interaction process between tacit and explicit knowledge has been found at each stage (Hussi, 2004). Nonaka *et al.* (2000) stressed the importance that the movement through the four modes of knowledge conversion forms a spiral, not a circle. In the spiral of knowledge creation, the interaction between tacit and explicit knowledge is amplified through the four modes of knowledge conversion. The spiral becomes larger in scale as it moves up through the organisational levels (individual, group, department and organisation).

Magnier-Watanabe & Senoo (2009), Argote & Ingram (2000) and Spender & Grant (1996) believed that the multiple organisational levels within companies (individuals, groups and organisations) will enable a socially constructed knowledge creation spiral that is empirically (Chuang, 2004) and descriptively (Holsapple & Singh, 2001) considered a source of competitive advantage. Magnier-Watanabe & Senoo (2009) believed that sustainable value may be extracted once tacit and explicit forms of knowledge are managed simultaneously, not separately. This extraction is achieved when considering the organisation to be a strategic source of knowledge creation (Jordan & Jones, 1997). This view promotes dynamic actions that are expected to drive innovation in creating organisational knowledge (Hussi, 2004). Based on the work of Nonaka & Takeuchi (1995) and Nonaka & Kenno (1998), Cortada & Woods (1999) highlighted that the social interaction between actors within the organisation is the mediating driver that facilitates the conversion of tacit and explicit knowledge and vice versa. However, the authors believed that success in the conversion and transition between each of the SECI phases depends on the adequacy of the interactive form used (see figure 3 below).

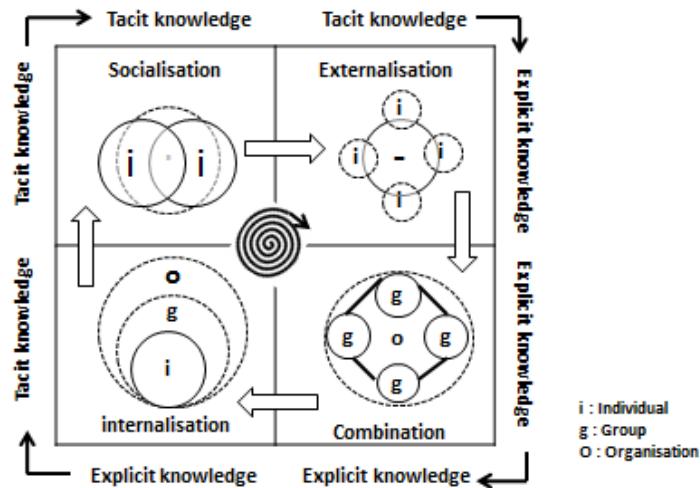


Fig-3 ; Spiral evolution of knowledge conversion and self transcending process; adopted from Cortada and Woods (1999) based on Nonaka and Takeuchi (1995)

Because knowledge is context-dependent, it is important to highlight that there are certain conditions that enable the SECI model to operate. Nonaka *et al.* (2000) referred to them as the “conditions for knowledge creation”: intention, autonomy, fluctuation and creative chaos, redundancy and requisite variety

(ii) Knowledge exchange platform (ba):

The **concept of “ba”** is linked to knowledge creation stages. “ba” is defined as “the shared context” that is required for knowledge creation (Nonaka *et al.*,2000) and the platform for “knowledge-interaction-activities”, which leads to the construction of collective knowledge (Hussi, 2004). Hussi (2004) argued that this concept promotes the integration of physical, virtual and mental spaces of interacting individuals’ conception of his/her position in the surrounding environment. Nonaka *et al.* (2000) believed that “ba” exists and connects individuals to different and greater “ba”. In other words, the “ba” that connects individuals from a different “ba” forms the “ba” of organisations, which eventually forms the “ba” of society. There are four types of “ba”, which correspond to each stage of Nonaka & Takeuchi’s (1995) SECI model: originating-ba, interacting-ba, cyber-ba, and exercising-ba (see figure 4 below).

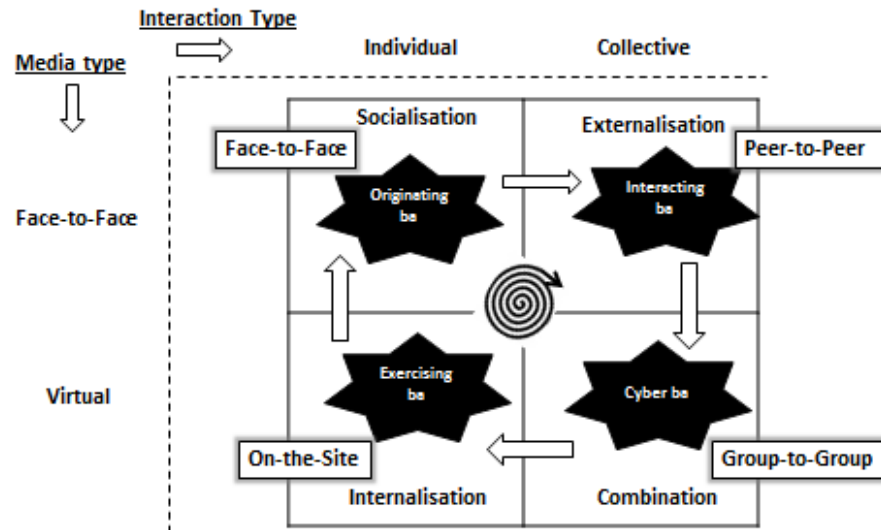


Fig-4 : The four types and characteristics of ba ; adopted from Cortada and Woods (1999) based on Nonaka and Takeuchi (1995) and Nonak et al. (2000)

In this way, organisations will be capable of creating a variety of “ba” models to cultivate knowledge creation into a spiral. This cultivation occurs when shared mental space expands effectively when moving along the organisational levels (Nonaka *et al.*, 2000). Simultaneously, this process helps individuals to expand their cognitive limits as well (Nonaka, 1998). For top management to lead and sustain a supportive knowledge creation “ba”, Nonaka *et al.*(2000) suggested that leaders read the situation in terms of how members of the organisation interact with each other and with outside environments to quickly capture the naturally emerging “ba” as well as to form “ba” effectively. Because various forms of “ba” are connected with each other to form a greater “ba”, leaders must facilitate the interactions amongst various “ba” and among the participants based on the vision of organisational knowledge. However, building, finding and connecting “ba” are not enough for a firm to manage the dynamic knowledge creation process. “ba” should be “energised” to provide energy and quality to the SECI process. Therefore, knowledge producers must to supply the necessary knowledge creation conditions mentioned earlier, such as autonomy, creative chaos, redundancy and requisite variety in addition to love, care, trust and commitment (see figure 4 above).

(iii) Knowledge assets:

Nonaka *et al.* (2000, p.20) defined knowledge assets as “*firm-specific resources that are indispensable to create value for the firm*”. These assets are seen as the inputs, outputs and moderating factors of the knowledge creation process (see figure 2 above). For example, trust between members could be an input used to establish “ba”. Simultaneously, trust may be considered an output of the relationship and a moderator that participates in how “ba” functions as a platform of the knowledge creation process. Although knowledge is considered to be one of the most important assets for a firm to create sustainable competitive advantage today, Nonaka *et al.* (2000) argued that we do not yet have an effective system and tools to evaluate and manage knowledge assets. The authors classified knowledge assets into four types: experiential knowledge assets (tacit and inimitable), conceptual knowledge assets (explicit, i.e., brands), systemic knowledge assets (explicit intellectual property) and routine knowledge assets (tacit know-how).

What should be taken away from Nonaka & Takeuchi’s (1995) knowledge creation spiral is that it could explain how knowledge may be created within the organisation. Due to the lack of

accommodation for external knowledge sources, the knowledge creation spiral will be considered a mere information processor that plays a part in Choo's (1998) & Kim's (1998) models, which will be extensively examined later

2- Knowledge transfer:

i) Background of knowledge transfer between MNCs and their affiliates:

Iles *et al.* (2004) argued that the process of knowledge transfer that occurs between MNCs and their foreign partners is better described as "knowledge migration" and may be cultivated by training, personnel rotation, management education, expatriates and knowledge intermediaries. The authors also noted that unless semantic communication is developed in the appropriate structural coupling, tacit knowledge is unlikely to be transferred. Many authors argued about the conditions under which transferred knowledge enables firms to develop a competitive advantage. Because knowledge was recognised as a strategic resource (O'Keefe, 2003; Magnier-Watanabe & Senoo, 2009), it is believed that transferred knowledge could allow MNCs to produce competitive advantage when it enables them to produce firm-specific stocks of knowledge from their network of operating units, subsidiaries or distributors (Gupta & Govindarajan, 1991; 2000; Ellis, 2000). Generally, it is believed that only the type of knowledge that enables the creation of a "knowledge creation spiral" (Magnier-Watanabe & Senoo, 2009) and facilitates the production of future knowledge (Newman, 1997) allows firms to enhance competitiveness.

The only model that is believed to be relevant to knowledge transfer between MNCs and their affiliates is Gupta & Govindarajan's (1991) knowledge flow model because of its usefulness to the findings of this thesis. However, the model mainly describes knowledge transfer as a rational decision made entirely by MNCs to strategically design what is to be transferred to which subsidiary. Ideally, the knowledge created by each type of subsidiary, as a result of the transfer, is reversed back to be stored in the MNC's global memory (McGuinness *et al.*, 2013; Rabbiosi, 2011). What must be highlighted is that Gupta & Govindarajan's (1991) model is not processual because it is framework used to help MNCs adopt a knowledge transfer strategy based on the local partner's capability to add value to their network. In other words, it provides advice on what must be done and not on how to do it. Therefore, its value is limited to supporting some of the benefits reaped by the distributor as an outcome of the transfer process. This limitation will be clearly highlighted in the chapter that elaborates the findings of this paper. In addition, the advice provided by Nonaka & Takeuchi's (1995) and Feghali & Jamal El-den's (2004) models helps firms transfer knowledge within their boundaries, where external sources are not considered. For that reason, both models are considered to be inadequate for studying knowledge transfer between MNCs (external sources of knowledge) and Saudi distributors.

ii) Description of Gupta & Govindarajan's (1991) knowledge flow model:

Because studies have portrayed the MNC-distributor business partnership as structures where MNCs would have the higher authority and power to drive and dictate the type of knowledge to be transferred to distributors, we resort to Gupta & Govindarajan's (1991) "knowledge flow model", which focuses on this area. The authors believed that transferred-knowledge types are dependent on the designed strategic role of the subsidiary (the MNC's partner) within the integrated network of a multinational company. In this sense, distributors may strategically impact the multinational network they are part of based on their assigned role in this network (Ellis, 2000; Egelhoff, 1982; Kim & Mauborgne, 1993). Eventually, when distributors share the newly produced knowledge with their multinational partners, the competitiveness of both MNCs and their distributors is expected to improve (Gupta & Govindarajan, 1991; Ellis, 2000). According to Gupta & Govindarajan (1991), the types of knowledge flow within MNCs are

classified by the strategic role of foreign partners (subsidiaries or distributors) into four types (see figure 5 below).

- 1- *Global innovators* (high outflow, low inflow), where such partners act like the fountainhead of knowledge to the other network of subsidiaries.
- 2- *Integrated players* (high outflow, high inflow), where such partners not only provide knowledge to the group but also require it.
- 3- *Implementers* (low outflow, high inflow), where such partners consume knowledge heavily from the network but create little knowledge.
- 4- *Local innovators* (low outflow, low inflow), where such partners provide essential local knowledge that is not applicable elsewhere.

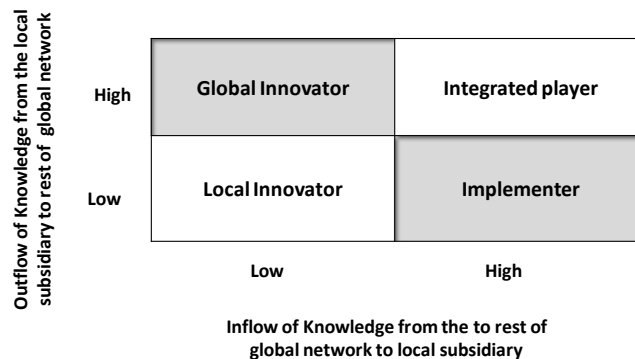


Fig-5: Intended knowledge flow within MNCs based on the work of Gupta & Govindarajan (1991).

Because each distributor plays the assigned strategic role in the network, an improvement in both (1) the flow of optimal knowledge created and (2) the knowledge distribution process within the network is expected (Ellis, 2000). Therefore, a sustainable base for competitive advantage over rivals is formed and enjoyed by the MNCs, especially when the strategic knowledge-based resources shared are unique, valuable, rare, inimitable, non-substitutable and properly exploited (Barney, 1991; Peteraf, 1993).

As mentioned earlier, the value of Gupta & Govindarajan’s (1991) model lies in the labels given to the local partner according to its capability to create knowledge for the MNC’s network. More specifically, the label of “implementer” will be adopted to describe how the local distributor takes advantage of transferred procedural knowledge (in all three case studies) from the MNC. This will be extensively elaborated in the findings chapter when describing the types of benefits reaped by the distributor as an outcome of the process by which procedural knowledge is transferred. For this reason, it will be evaluated as follows.

iii) Evaluation of Gupta & Govindarajan’s (1991) model:

It is clear that Gupta & Govindarajan’s (1991) model basically offers advice to enable MNCs to internationalise to foreign markets. This internationalisation is achieved by strategically controlling what type of knowledge is to be transferred to which local partner (distributor). Ideally, local partners are expected to develop a hybrid set of practices (actual activities) that suit the market they operate in and satisfy the MNC. This model is more of rational map that explains the MNCs’ decision-making towards transferring knowledge to their local partners in foreign markets. In fact, the process by which knowledge is transferred to each type of local partner is not explored. Therefore, this model has little to offer with regard to explaining the process by which procedural knowledge is transferred between MNCs and their local partners.

As mentioned earlier, other models that address knowledge transfer, mainly Nonaka & Takeuchi's (1995) SECI model and Feghali & Jamal El-den's (2004) model, are also considered unfit because they both explore knowledge transfer within organisational boundaries (internally) and do not address external sources of knowledge. This limitation makes both of these models irrelevant for exploring the process by which procedural knowledge is transferred from MNCs to Saudi distributors.

This evaluation of the available literature on knowledge transfer has important implications. First, the literature concerned with exploring the process by which knowledge is transferred between organisations must be recognised. Second, there is **a gap in the knowledge** about understanding the impact of transferred knowledge (from MNCs) on their local partners in foreign markets. To overcome this problem, the scope of the search for a process model to explain the knowledge transfer between organisations must be widened.

Eventually, this model was found within the literature exploring knowledge management within organisations. As will be explained later, Choo's (1998) sense-making model of knowledge management considers the transfer of knowledge from external sources as part of how knowledge is managed within organisations. This is true because knowledge seems to be transferred while it is being created (Merie, 2011; de Holan & Phillips, 2004). Choo's (1998) model provides advice on how knowledge is managed and enables organisations to reap competitiveness where externally transferred knowledge is an integral part of the process

3- Knowledge management (KM)

As announced in the beginning of this section, the selected process model in the study is Choo's (1998) model, which will be extensively elaborated upon. Therefore, a brief review and evaluation of other frames of reference will be provided

i) General background:

Knowledge management in the literature is associated with its success, which entails enabling firms to produce competitive advantages over rivals. The findings among the reviewed literature varied in form between generic advice and more specific steps to be considered by top management to succeed in managing knowledge. With the exception of Nonaka & Takeuchi (1995), most authors expected top management to possess the skill to drive and control the outcomes of knowledge management processes with no recognition of the contribution of individual organisational members. As much as all researchers promoted the advice and steps with which top management could reap benefits, they described the ability to attain such outcomes as being uncertain. In fact, the variations in management and leadership styles were believed to be the cause of such ambiguity (Magnier-Watanabe & Senoo, 2009; Chuang, 2004).

Dalkir (2005) and Snowden (2002) believed that current researchers are entering the third generation of approaching, questioning and defining knowledge management. Each generation had its own interpretation of knowledge management, impacting its understanding of knowledge exploitation to generate value for knowledge-creating organisations. Whereas **the first generation** in this field focused more on the containment of knowledge based on the content; (i.e., documentation, categorisation and storage), **the second generation** focused more on the human and cultural dimensions of knowledge management, which involves a "bottom-up" extraction and deployment of knowledge from its tacit form possessed by people; (i.e., communities of practice to transfer best practices). **The third generation** focused on understanding the context (or "ba") in which knowledge is created, accessed, shared and recreated between organisational levels. Eventually, the third generation led to the concept of "communities of interest".

The success of knowledge management was defined as organisations' capability of "*reusing knowledge to improve organisational effectiveness by providing the appropriate knowledge to those who need it when it is needed*" (Jennex *et al.*, 2009, p.175) and as organisations' efficiency in managing what people already know (Jarvenpa & Eerikki, 2004). Successful knowledge management aims to identify the corporate knowledge in collective memories and facilitate communication and coordination between the people who create it and the people who need it (Wathne *et al.*, 1996).

ii) Success of KM produces competitive advantage:

Authors had different approaches to describe what constitutes successful KM, but they all considered the improvement in organisational competitiveness to be the final outcome by which the success of KM could be measured. Whereas some authors believed that its success is reflected in the organisation's ability to capture and disseminate the right type of knowledge to the members who need it (Jennex *et al.*, 2009), others believed that its success is reflected in the magnitude and speed by which knowledge is created within the organisation through social interaction (Magnier-Watanabe & Senoo, 2009; Nonaka *et al.*, 2000). The latter requires organisations to manage the conversion of knowledge (tacit to explicit and vice versa) (Jordan & Jones, 1997) guided by an adequate management style (Nonaka & Takeuchi, 1995). Therefore, it is accepted among KM researchers that not all management styles would generate desirable outcomes and lead to performance improvement (Chuang, 2004).

Based on the authors' belief that the core of competitive knowledge lies within its tacit form, its evaluation is considered to be illusive due to its cognitive nature (Polanyi, 1966a;b). Therefore, there is a variation in the approach and presentation of how authors provided advice to organisations to enable them to develop such a valuable resource (O'Keeffe, 2003). Authors articulated this advice in the form of dimensions with which knowledge could be measured (Jennex *et al.*, 2009), step-by-step maps (Call, 2005) and conceptual frames of reference (Magnier-Watanabe & Senoo, 2009; Nonaka & Takeuchi, 1995; Maier & Remus, 2001; Snell *et al.*, 1999; de Pablos, 2006; Ellis, 2000; Iles *et al.*, 2004). Ideally, all forms of advice enable organisations to generate firm-specific knowledge from their network of operating units (Ellis, 2000) with all possible means that allow its transfer (dissemination) (Iles *et al.*, 2004) and generate knowledge about the future (Newman, 1997).

iii) Evaluation and implications:

Because the ways in which knowledge is managed is not part of this thesis's objectives, we will only elaborate upon Choo's (1998) sense-making model because it accommodates the transfer of knowledge from external sources as an integrated part of knowledge management. As explained earlier, a process model that could explain how procedural knowledge is transferred between partners could not be found among the literature concerned with knowledge transfer because all process models identified explored internal knowledge transfer without accounting for external sources. These models are considered unfit because this thesis is concerned with knowledge transfer between partners in alliances (MNCs and Saudi distributors) and thus, external sources of knowledge must be accounted for.

What must be taken away is that among the reviewed literature on knowledge management, the only process model that explicitly accounts for external knowledge transfer is Choo's (1998) model. Other models were found to offer advice on how organisations may optimise their existing knowledge based on internal and external criteria to improve their competitiveness, such as Maier & Remus's (2001) organisational competency model of knowledge management. Some other models offered advice to enable organisations to assess their knowledge-based resources in terms of their potential strategic value, such as de Pablos's (2006) matrix.

2.4.7- Describing Choo's (1998) sense-making model for KM

i) Theoretical description:

Choo's (1998) sense-making model was praised for its accommodation of organisational decision-making in knowledge management, which is often lacking in other theoretical frameworks in the field (Dalkir, 2005). Choo's (1998) model involves three main elements: sense-making (Weick, 2001), knowledge creation (Nonaka & Takeuchi, 1995) and decision-making (Simon, 1957). It focuses on how the information elements are selected and fed into organisational action. The organisational action is a result of the construction and absorption of the external environment into each successive cycle, where each stage has its own outside stimulus and triggers (see figure 6 below). The three concepts that constitute Choo's (1998) model are described as follows:

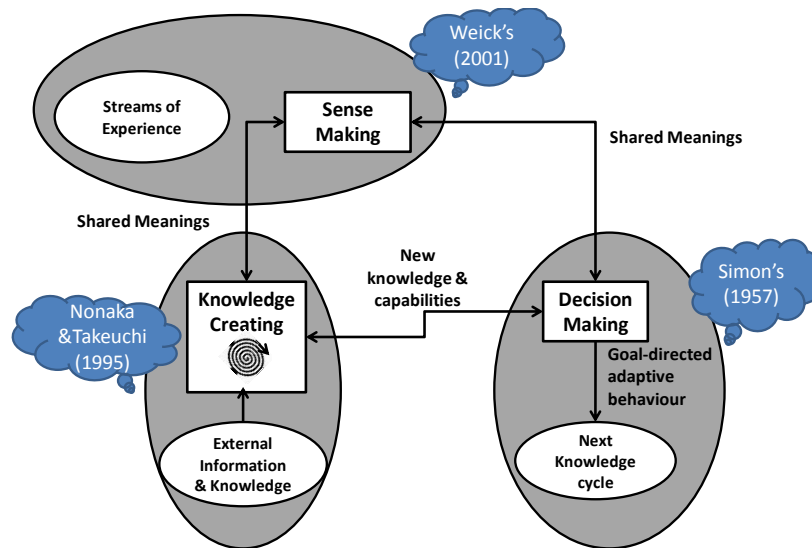


Fig-6 : Choo's (1998) sense-making model of KM

1. **Sense-making:** this stage involves making sense of information from external environments. Information is filtered against pre-identified priorities. Common interpretations are then constructed as a result of the exchange and negotiation of information fragments combined with past experiences. Weick's (2001) model is considered to be the most dominant sense-making frame of reference, where he explained how chaos is transformed into a sensible and orderly process in an organisation via the shared interpretation of individuals. Because organisations are believed to be "loosely coupled systems", this approach allows evolution and extension without damaging the entire system. In this sense, individual members are allowed to construct their own meaning/representation of reality by comparing it with current and past events (Dalkir, 2005). Weick (2001) believed that consensus as a consequence of sense-making lies within three integrated processes. The first is the *ecological change phase*, which is caused by external influences (to the organisation) and is seen to trigger change in the organisation. This phase occurs as a result of the environmental enactment of members by closely examining the element of the surrounding environment. Second, the *enactment phase* occurs when members tend to evaluate, reconstruct, demolish and select adequate elements to clarify the content and issues to be considered in the subsequent process. Third, the *selection and retention phase* occurs when individual members attempt to interpret the rational or observed enacted changes. Successful sense-making experiences are then retained in the organisational memory to be reused in the future. Such experiences are used to influence/stabilise the interpretation of new

events, experiences, changes and action. This step is extremely helpful, especially when it involves uncertain, ambiguous or poorly defined information.

2. **Knowledge creation:** this process involves the transformation of personal (tacit or explicit) knowledge among individuals who share common meanings. This process is directed by the comparison of the knowledge vision of “as-is” (the current situation) and “to be” (the desired state), which widens the spectrum of potential choices for decision-making by providing new knowledge-based competencies. Therefore, this process feeds the decision-making process with innovative strategies and extends organisations’ capability to make informed rational decisions. Choo (1998) highlighted that this process is best described by Nonaka & Takeuchi’s (1995) knowledge creation spiral, which we explained in detail earlier (see figures 3 & 4 above).
3. **Decision-making:** this process is situated in the realm of rational decision-making theories that are used to identify and evaluate alternatives by processing information and up-to-date collected knowledge. Dalkir (2005) believed that one of the most accepted theories in this area in the organisational and management sciences was the *bounded rationality theory*, which was first proposed by Simon (1976). It proposed an expectation of human decision-making behaviour in the presence of limited information and complexity of worlds and goals. In this situation, the mind is expected to construct a simple mental model of rationality and achievable reality, within which individuals try to manage short-term goals and limited satisfaction using heuristics. One of the most popular rules of thumb used in firms is the 80/20 rule, in which organisations gather approximately 80% of needed information, finding it excessively costly to collect the remaining 20%. The acceptance of the 80% of the collected information could be considered “good enough” information to process and to depend on to make reliable decisions.

ii) Evaluation of Choo’s model:

In essence, Choo’s (1998) model aims to make sense, process and use information to lead to organisational actions. Such organisational actions are the product of the absorption and construction of the external environment into each successive phase. The sense-making phase based on Weick’s (2001) work appears to be heavily influenced by organisational members “a priori”. This phase’s emphasis is on the role of the external environment (as an input) being examined, evaluated, selected and then used for the interpretation of future experiences.

In the knowledge creation phase (based on Nonaka & Takeuchi’s (1995) model that was described in section-2.4.6), knowledge is created through interactions between individuals and their environment. Individual members influence and are influenced by the environment with which they interact. It is important to highlight that this sub-process accommodates the transfer of knowledge and information from external sources, which include other organisations such as consultancies and strategic partners. Therefore, this model is believed to be suitable for examining how procedural knowledge is transferred from MNCs to distributors.

The decision-making phase based on Simon’s (1976) work starts with members identifying the variation between the information they have and the information required to make a decision. Then, members tend to create smaller mental rules of thumb to overcome the complexity of obtaining the required knowledge. This step usually ends with the selection and retention of information based on the limited satisfaction of the rules of thumb.

It is also important to highlight **the gaps in Choo’s model**. According to Cohen & Levinthal (1990), an organisation’s innovative capabilities are dependent on its ability to recognise new external knowledge, assimilate it and apply it in a commercial form. Choo’s model describes a process to manage knowledge by creating new knowledge capabilities based on previously transferred ones. Choo’s model may be critiqued for its lack of emphasis on how a firm recognises valuable new knowledge from external sources in the first place before processing

it. This limitation is important because MNCs are the main source of new procedural knowledge in this thesis.

iii) Justification for selecting Choo's model:

The appropriateness of selecting Choo's (1998) model lies within its accommodation of all sources from which distributors could transfer the required procedural knowledge. Ideally, such procedural knowledge is strategically transferred to Saudi distributors to enable them to operate at a similar professional level as their multinational partners (Gupta & Govindarajan, 1991; Ellis, 2000, de Pablos, 2006, Snell *et al.*, 1999; Iles *et al.*, 2004). Choo's (1998) sense-making model of KM could be helpful in exploring the process by which Saudi distributors realise competitive advantage when partnering with MNCs for two reasons. *First*, Choo's (1998) model diffuses the limitations within Nonaka & Takeuchi's (1995) model. This is due to the incapability of the SECI model to explore knowledge transfer from external sources such as MNCs. In fact, Choo believed that the knowledge creation phase is triggered by transferring external knowledge. *Second*, the three stages within Choo's model (knowledge conversion, sense-making and decision-making) could assist us in explaining the different phases through which transferred knowledge goes through and impacts the distributors' organisation. This is considered valuable because this thesis focuses on the distributor's side of the story to bridge the gap in the literature and understand the impact of transferred procedural knowledge on Saudi distributors' competitiveness.

iv) Potential contribution to the thesis:

In order to magnify the potential contribution of using Choo's model, examples from the researcher's personal experience would help. The researcher had observed that Saudi distributors' approach to deal with and take advantage of new knowledge varies. Distributors range from being self-driven (seek, transfer, assess and then create new knowledge) to being completely driven by external forces (among which is MNCs) that obligates them to change the way they do business to sustain their business within the Saudi market. It must be highlighted that Choo's model might not deductively help collecting empirical evidence for reactive distributors which is considered as a limitation. However, adopting Choo's model is to help us identify those distributors which are proactive (self-driven) in terms of not only leading the knowledge transfer process but also in building on it to create new knowledge-based capabilities. In the context of this thesis, Choo's model will enable us to identify those distributors who are capable of contributing not only to the process by which procedural knowledge is transferred but also to the creation of new hybrid practices. In order for such distributors to be considered self-motivated or driven, we need to consider informants' account of the process as a whole and decide whether Choo's model explains the transfer process (or sages of it). What was found is that the distributor's contribution to the transfer process takes one of these three forms: no contribution (being completely driven by MNCs), partial contribution (partially contributing to the transfer process and the customisation of hybrid practices) and full contribution (highly involved if not leading the transfer process and the creation of hybrid practices). As this will be explained extensively in the findings chapter, the distributor's contribution to the transfer process is found dependent on (1)-the nature of the knowledge transferred (sales/marketing, logistics/supply chain or finance/management accounting) and (2)-on the distributor's knowledge processing capabilities. While the nature of knowledge is identified as an emergent contingency factor, Choo's model suggests that self-motivation as one of the contingency factors adopted from literature.

2.4.8- Summary of consulting the literature on KM:

The aim of this section is to identify the most adequate process model from the literature concerned with organisational knowledge. The model to be selected must satisfy two main

conditions; first, it must be a processual model that may be classified according to Van de Ven & Poole's (1995) process motors. Second, it should have the explanatory potential to assist in investigating the process under study: the process by which procedural knowledge is transferred from MNCs to their distributors and impact the latter's competitiveness. Due to the nature of the business relationship between MNCs and Saudi distributors as strategic allies, the selected model should accommodate the transfer of knowledge from external sources as well as the ability to process it internally within the acquirer organisation to create new valuable knowledge.

Based on the reviewed literature concerned with studying organisational knowledge, the authors believed that performance could be improved and competitive advantage could be generated from the process by which organisational knowledge is created or transformed (Nonaka & Takeuchi, 1995; Magnier-Watanabe & Senoo, 2009; Bhatt, 2000; Von Krogh *et al.*, 2000), transferred (Feghali & Jamal El-Den, 2008; Ellis, 2000) and managed (Jennex *et al.*, 2009; Call, 2005; Magnier-Watanabe & Senoo, 2009; Nonaka & Takeuchi, 1995; Gupta & Govindarajan, 1991; Ellis, 2000; Iles *et al.*, 2004; Feghali & Jamal El-Den, 2008; Choo, 1998). Because we are only concerned with transferring procedural knowledge between partners in an alliance, the corresponding literature was particularly valuable. However, it is surprising to learn that the only model that could be nominated for selection among others that address the knowledge transfer between organisations is Gupta & Govindarajan's (1991) knowledge flow model, which has limitations that lead to its exclusion. This model describes the rational decision-making followed by MNCs when they wish to transfer procedural knowledge to their local partners in foreign markets. However, it is not a processual model, and it does not explore the transfer process at all. For this reason, Gupta & Govindarajan's (1991) model is believed to be inadequate in exploring the process concerned.

As the search for a suitable model with which to investigate the transfer process continued, a processual model was identified and selected from the literature concerned with knowledge management (not transfer). This model is **Choo's (1998) sense-making model of knowledge management (KM)**. This model accommodates both external sources of knowledge (i.e., MNCs) and provides advice on how knowledge is processed internally to enable organisations to improve decision-making by creating competitive knowledge capabilities. It consists of three sub-processes: (1) a knowledge creation phase based on Nonaka *et al.*'s (2000) knowledge creation spiral, (2) a sense-making phase based on Weick's (1988) sense-making model and (3) a decision-making phase based on Simon's (1957) bounded rationality theory.

What Choo's (1998) models propose is that the emergence of knowledge assets is a consequence of a reiterative process during which sense-making leads to shared meaning, which in turn allows knowledge to become more explicit and decision-making to become more goal-directed. To empirically investigate this process, the evolving relationship between an MNC and a Saudi distributor will be examined for evidence that an increase in shared meaning combined with more goal-directed decision-making and the emergence of explicit and valuable knowledge assets generate a competitive advantage.

2.5- Organisational learning (OL) as a source of distributor competitiveness

2.5.1- *The aim of this section:*

The literature review in this section plays an important role in answering the aim of this thesis: to understand the process by which procedural knowledge is transferred to the distributor based on the argument that understanding this process has a bearing on understanding how distributors develop a competitive advantage through their alliance with MNCs. Following Van de Ven's (2007) approach to study a process, two process models from different disciplines are to be compared in terms of their ability to explain the process under study. As established in the previous section, Choo's (1998) model is the selected model from the field of knowledge management (KM). Therefore, in this section, the relevant literature from the field of organisational learning (OL) will be reviewed to identify the second process model for the explanatory comparison. Ultimately, the aim is to understand the process by which procedural knowledge is transferred from MNCs to their Saudi distributors and its impact on the latter's competitiveness.

In the beginning of this section, we will provide a background on organisational learning (OL), focusing mainly on the literature deemed relevant for explaining learning transfer between partners in alliances and especially in IJVs. Based on how researchers approached the study of organisational learning within and between organisations in an alliance, the literature is then divided into three subsections: internally evoked, externally evoked and both internally and externally evoked. This step ideally reflected these authors' view on how organisational learning produces value for learning organisations.

Because we are concerned with understanding how transferred procedural knowledge impacts the development of distributors' competitiveness, it is only logical to aim for a process model that accommodates the view of organisational learning that is evoked (or transferred) both internally and externally. External learning is ideally represented by MNCs and other third-party organisations, whereas internal learning is represented by the subsidiaries' absorptive capacity (Cohen & Levinthal, 1990). Next, the subsidiary builds on absorbed skills and new learning to improve its performance.

The selected process model is **Kim's (1998) crisis-based model of organisational learning**. In theory, this model provides advice on how learning organisations may catch up with their multinational partners and improve their competitiveness. Kim's (1998) model is deemed suitable because it is based on a real case study describing how Hyundai took advantage of its partnership with Ford to improve its learning. Eventually, Hyundai managed to transform itself from a mere supplier of spare parts to a competitor of Ford. Cohen & Levinthal's (1990) definition of absorptive capacity is one of the constituting elements of Kim's model.

2.5.2- *Background on organisational learning (OL):*

i) Definitions of OL:

Despite the variation in defining organisational learning, OL is believed to be a sustainable source of competitiveness (Crossan & Berdrow, 2003; DeGeus, 1988), especially in IJVs (McGuinness *et al.*, 2013; Michailova & Mustafa, 2012). OL was described as "*a means to develop capabilities that are valued by customers, are difficult to imitate, and hence contribute to competitive advantage*" (Crossan & Berdrow, 2003,p.1089), routine-based (Cyert & March, 1963; Nelson & Winter, 1982), history-dependent (Lindblom, 1959) and target-oriented (Simon, 1957), where organisations are believed to learn by "*encoding inferences from history into routines that guide behaviour*" (Levitt & March, 1988,p.319). It has been observed that organisations' behaviour towards OL is influenced by routinised (not-calculated) norms that are impacted by the interpretation of past events (more than current events) and driven by organisational aspirations of achieving specific targets (Levitt & March, 1988).

Regardless of the purpose behind learning in organisations (imitate or innovate), it may be classified into two levels: individual and organisational (Kim, 1998; Lähteenmäki *et al.*, 2001; Senge, 1990; Argyris & Schön, 1978; 1996). Some authors debated about describing the organisational level learning as a mere sum of individual learning (Hedberg, 1981), and some argued that it should be described as a process by which knowledge is created, distributed and communicated among members (Kim, 1998). This definition enables the level of learning to be integrated into the organisation's strategy and management (Duncan & Weiss, 1978). Individual-level learning is well established by many researchers, such as Argyris & Schön (1978), Dodgson (1993) and Nonaka & Takeuchi (1995) and is believed to be inseparable from organisational-level learning but not a sufficient one by itself (Kim, 1998). It is important to highlight that these studies have explored this phenomenon in the context of advanced (developed) countries only, such as the studies by Kim (1997), Kim & Kim (1985), despite the fact that many developing countries have made significant industrial, educational and technological advancements (Kim, 1998).

ii) History of organisational learning in alliances:

The study of knowledge appears to be deeply embedded in the literature on strategic alliances. However, most of the research on strategic alliances is found to focus on the MNCs' side and to concern static stories of firms investigating structural questions such as trends in the formation of alliances and forms of collaborations with little focus on the process of knowledge transfer and intra-organisational learning such as the impact of inter-partner learning on the evolution of a strategic alliance (Simonin, 1999a; Crossan & Inkpen, 1994). Organisational learning (OL) is recognised as a source of competitive advantage, which traditionally revolved around developing knowledge about building required skills with a small radius (Porter, 1980) or providing the means to compute product based-advantages at a given point in time (Porter, 1985). More importantly, the past literature provided little advice on the process of how knowledge is acquired and skills are built (Hamel, 1991). Ideally, international strategic alliances, specifically joint ventures, play an important role in the transfer and dissemination of valuable knowledge between partners in an alliance. Hamel (1991) argues that with regard to OL, studies had three concerns: (1) the intent of partners (collaborative versus competitive and the internalisation of partner's skills versus mere access), which represents the *desire to learn*, (2) the openness of the partner, referred to as "transparency", which represents the *potential for learning* and (3) the firm's absorptive ability of the partner's skills, which is referred to as "receiptability" and represents the *capacity to learn*. He also believed that these are the determinants of OL in alliances; note that Hamel's paper concerns alliances among MNCs and their subsidiaries. Hamel (1991) argued that the longevity of an alliance may be considered a sign of the failure of one or both partners to learn. In addition, a firm with no ambition beyond investment avoidance and the substitution of its partner's competitiveness that it lacks may be perfectly satisfied with not learning from its partner. Therefore, as the failure to learn undermines a firm's competitiveness and independence, partner satisfaction should not be regarded as a sign of collaborative success. According to the most recent research, other scholars believed that learning is fundamental to the survival and success of IJVs (i.e., Christoffersen, 2013; Meier, 2011; Robson *et al.*, 2008; Krishnan *et al.*, 2006; Nielsen, 2007; Muthusamy *et al.*, 2007; Steensma & Lyles, 2000; Whipple & Frankel, 2000).

What must be taken away from this argument is that learning has been recognised as a source of competitive advantage for MNCs, especially when they manage to learn from the knowledge created by local partners (McGuinness *et al.*, 2013; Rabbiosi, 2011; Michailova & Mustafa, 2012; Mudambi *et al.*, 2007; Gupta & Govindarajan, 1991;2000). However, there is little advice offered in the literature to explore the impact of learning on local partners. Kim's (1998) model for organisational learning is perhaps the only frame of reference that is

explicitly focused on this area. Therefore, it may be argued that this thesis will contribute to the body of literature exploring the impact of learning on the local partners of MNCs.

iii) The link between transferred knowledge and OL:

It may be logically argued that knowledge is a prerequisite for learning. Magnier-Watanabe & Senoo (2009) believed that this link began when the perception of organisations as “information processing centres” shifted towards perceiving them as knowledge creation centres (Nonaka *et al.*, 1996), which made learning a key construct defined in terms of outcomes and processes (Argyris & Schön, 1996). Whereas some authors believed that they do learn when they manage to accumulate stocks of knowledge in organisational memories regardless of their source or outcome (Argyris & Schön, 1978; 1996) or when individual learning and knowledge are translated and embedded in organisational routines, practices and beliefs (Feghali & Jamal El-Den, 2008; Attewell, 1992; Hedberg, 1981, Kim, 1993; Shrivastava, 1983).

In relation to the business relationship between MNCs and distributors, many authors have managed to articulate the link between knowledge transferred from MNCs and their affiliates. Holm & Pedersen (2000) highlighted that the strategic role given to local partners by MNCs implies that partners have effect on obtained knowledge, the process of learning and competence development. Wolfe & Gertler (2003, p.1076) state that “*the degree to which firms can tap into common knowledge-base at the local level depends on more than just spatial proximity, cultural affinity or corporate culture*”. The authors believed that MNCs will have to tap into the external market knowledge via the social capital possessed by local partners (McGuinness *et al.*, 2013; Rottman, 2008; Walter *et al.*, 2007; Lall & Narula, 2004). Therefore, MNCs must perceive learning as an organisational goal by creating partnerships and valuable knowledge that may be conveyed or retrieved effectively (O’Keeffe, 2003). Most importantly, firms’ ability to learn is dependent on both the provider and acquirer firms (Johansen, 2007), where the type of knowledge, similarities in organisational structures, familiarity with organisational problems and the dominant logic between the firms are involved (Lane & Lubatkin, 1998).

The way OL is viewed in this thesis is aligned with Nonaka & Takeuchi’s (1995) perception of OL as having two levels (individual and organisation). Therefore, the lessons learned are accumulated in the organisational memory and then internalised (translated and embedded) in the organisation’s actual activities and beliefs. However, based on the studies by Johansen (2007) and Lane & Lubatkin (1998), both organisational learning and the creation of valuable knowledge are organisational activities that require the involvement and collaboration of both the MNC and their local partners. The outcome of this collaboration is logically in the form of creating more competitive procedural knowledge, which is then customised to develop actual activities (hybrid practices) and improves the alliance’s competitiveness (Kostova, 1999). It is also important to note that the development of hybrid practices that may impact the success of the alliance cannot be accomplished without the Saudi distributor’s contribution because the distributor is the partner that has access to Saudi social capital and possesses local know-how. Without the distributor’s contribution and ability to learn, the value of transferred procedural knowledge from the MNC is considered limited.

iv) Factors contributing to OL:

Because there is a significant body of literature exploring the contributing factors to organisational learning in firms, we target the literature relevant to the MNC-distributor business relationship. It is important to note that organisational learning in the reviewed literature is predominantly perceived as being a consequence of organisational knowledge transfer from parent (MNCs) to child companies (distributors and local suppliers) where the

business proximity between them is a major determining factor for the depth and magnitude of impact on how business tasks are executed.

It is believed when as a distributor is more deeply embedded within the MNC's value chain, there is a greater likelihood for the distributor to learn as Western companies continue to offshore critical activities to developing economies (Johansen, 2007). Consequently, valuable knowledge is transferred to distributors' organisational memories (Cubillo-Pinilla, 2008; Moore, 1993; Finegold, 1999; Helfat & Raubitschek, 2000; Van den Bergh & Stagl, 2003; Fosfuri *et al.*, 2001; Görg & Strobl, 2002), through which distributors' knowledge base (Kim, 1998; Cohen & Levinthal, 1990) and strategic performance (Johansen, 2007) are generally enhanced. This transfer of knowledge is believed to positively impact not only distributors' growth but also the nature of the SME sector, which create a dynamic organisational cycle for adaption to technological change, increased competition, and new regulations among firms (McKeon *et al.*, 2004). The general expected learning acquired by affiliates of MNCs involves the opportunity to develop an improved working relationship and learning about distribution networks, payment cycles and international business practices.

For an MNC's affiliates to manage and meet the expectations of their multinational partners, the authors recommended several strategic catalysts. *First*, affiliates must align their strategies with the international supply chain strategy of the MNCs, which in turn suggests the operational and technological improvements required to support this alignment (Robertson, 2003). *Second*, affiliates are urged to hire the former managers of MNCs who possess the skills and knowledge needed to translate strategic visions to actionable and measurable practices (Cubillo-Pinilla, 2008). *Third*, the relationship between MNCs and their affiliates must be facilitated by governments. State intervention may attract foreign investments, particularly from companies with the capacity to generate positive effects on local companies (Olsen & Odmundsen, 2001). In general terms, policy-makers expect foreign direct investment (FDI) flows to bring along new technology and know-how to their countries, which may help to increase local companies' productivity and competitiveness (Smarzynska, 2002). Evidently, this trend shows a change in attitudes towards MNCs because they are now considered an important element of developing strategies in any developing country (Rodriguez-Clare, 1996). MNCs show broad knowledge and development in production technology and management (Markusen, 1995), which they may transfer during productive and commercial exchange, yielding large profits for local companies (Lall, 1980; Rodriguez-Clare, 1996). Therefore, the presence of MNCs may influence the productivity of local companies and particularly that of local materials and service suppliers.

In addition, the form of organisational knowledge appears to contribute to how organisations learn. According to Levitt & March (1988), **organisational knowledge may take two forms:** potential knowledge and actual knowledge. Potential knowledge is considered to be central to learning organisations' interpretive capacity because it includes the rules, procedures, conventions, strategies, and technologies around which organisations are constructed and through which they operate. Potential knowledge is also deemed to include the structure of beliefs, paradigms, codes, cultures, and knowledge that strengthen or lead to change in formal procedural knowledge. In this sense, procedural knowledge is regarded as being independent of the individual members who execute them and are capable of surviving considerable turnover by individuals who hold them. Actual knowledge is referred to as "experiential lessons". This type of knowledge is accumulated from the interpretation of historical events that are captured as procedural knowledge in a way that makes the lessons, but not history, accessible to organisations and organisational members who have not themselves experienced them.

Eventually, procedural knowledge (potential) and experiential lessons (actual) are recorded in a collective memory that is often coherent but sometimes disorganised and often lost. Both of

these elements tend to change as a result of social interaction within a community of other learning organisations. These changes depend on how history is interpreted, particularly in the evaluation of outcomes against organisational targets (Levitt & March, 1988).

What must be taken away is that for Saudi distributors to meet the MNCs' expectations, they must (1) align their business strategies with the MNCs, (2) hire ex-MNC employees to assist in transferring, translating and deploying new procedural knowledge, and (3) facilitate strategic alliances between MNCs and their distributors. Saudi distributors seeking to take advantage of their partnerships with the MNCs must take a few steps. First, given that new procedural knowledge transferred from the MNCs is developed in different institutional settings, distributors must understand that such procedural knowledge has a type of interpretive capacity that might not be suitable for them. Therefore, the possible actual knowledge activities might not be as helpful to the Saudi distributor. What may be argued is that the Saudi distributor must contribute and provide a certain intensity of effort to customise the transferred procedural knowledge and develop a set of actual activities (hybrid practices) that may improve its performance and possibly its competitiveness. Second, the Saudi distributor must open up and trust its multinational partners to establish supportive knowledge exchange platforms "ba" (Nonaka *et al.*, 2000), diffuse conflicts and opportunism (Christoffersen, 2013; Robson *et al.*, 2008; Sarkar *et al.*, 2001), facilitate synergetic task collaboration (Christoffersen, 2013; Madhok, 2006) and promote the sharing of valuable knowledge (Michailova & Mustafa, 2012; MacDuffie, 2011), especially tacit knowledge (Levin & Cross, 2004).

v) Why is OL contentious?

Generally, four arguments appear to make the concept of learning within organisations ambiguous:

- i. *The value of learning*: It was commonly reported that all authors acknowledged the ambiguity of assuming that all types of learning are valuable. This step is due to their belief that a learning organisation resembles a "learning human" in terms of adopting good and bad habits that thus generate good and bad outcomes (Miner & Mezas, 1996; Argyris & Schön, 1978; Levitt & March, 1988). It was argued that despite researchers' attention to the tools (maps) with which organisations may learn or become learning organisations (Argyris & Schön, 1978; 1996; Senge, 1990;1994; Starkey, 1996; Tannenbaum, 1997), little is offered in terms of exploring the measurement of validity and value of organisational learning (Argyris & Schön, 1996).
- ii. *The timing of learning*: the element of time was also highlighted when measuring the validity and value of learning, as valuable "first-time" learning might lead to negative outcomes such as competence traps (Levitt & March, 1988).
- iii. *The level of learning*: there is a debate among researchers about which the level of learning (organisational or individual) is responsible for generating value for learning firms. All authors believed that individual learning is insufficient for driving the organisation forward by itself (Kim, 1998).
- iv. *The role of organisational members*: it has also been established that the main actor in the process of learning is the organisational member (Senge, 1990; 1994), who appears to possess all stocks of knowledge, the lessons learned and the skill to retrieve and exploit knowledge. Therefore, there exists a well-established body of research acknowledging the importance of developing individuals to the success of organisational learning processes. However, it has been observed among the relevant literature on OL that the absolute capability of driving the process of OL refers to top management and not individual agents (Levitt & March, 1988). In addition, it has been declared that "*learning does not always lead to intelligent behaviours*" (Levitt and March, 1988, p.335). From a practical point of view, this ambiguity and contradiction would lead practitioners to undermine the findings of research in OL, even if it is articulated in a map or a step-by-step process.

- v. *The ambiguity of knowledge itself*: the ambiguity of knowledge makes it difficult to codify (McGuinness *et al.*, 2013; Raval & Subramamian, 2000), exchange and implement it in IJVs (Lucas, 2005; Michailova & Husted, 2003; Simonin, 1999b ; Crossan & Inkpen, 1995).

In essence, organisational learning that is driven internally and externally is believed to be most representative of what occurs within a Saudi distributor when partnering with MNCs. However, reaping the benefits of the learning process cannot be guaranteed. Even Kim's (1998) model does not guarantee that catching-up organisations reap competitiveness; his model promises expedited learning. Therefore, reaping competitive advantage by learning organisations (such as Saudi distributors) continues to demand further investigation.

Reflecting upon reviewed literature on OL, it can be argued that knowledge and knowledge transfer between organizations in IJVs is still vague. Researchers in OL had portrayed encountering knowledge exchange in IJVs as either a process of decoding (understand how things are done) or encoding (identifying and explicitly capturing valuable stocks of knowledge) within the partner's organisation. As explained earlier each one of these processes is considered contentious and their success is not guaranteed. That is partly because of the ambiguity inherited within knowledge itself and because the organisations' behaviour towards learning (decoding and encoding) is influenced by routinized norms. What is important to highlight is that transferring knowledge can be considered part of the learning process for both organisations in IJVs and thus shares the same level of ambiguity. As this thesis is concerned with studying the process by which knowledge is transferred, procedural knowledge need to be redefined to enable studying how it is transferred from the MNCs to Saudi distributors. Therefore, we will resort to Levitt & March's (1998) paper exploring organisational learning which describes knowledge in two forms: potential and actual. In this sense, **procedural knowledge** can be defined as the potential know-how transferred from the MNC to the distributor to enable it meet its service expectations. The potentiality of such knowledge within an institutional context is referred to in this thesis as equivalent to "**agency**" and "**practices**" described by Sztompka (1991) and Sminia (2009a) respectively. Therefore, actual knowledge is defined as the customised procedural knowledge in order to enable the distributor meet the MNC's expectations by using a set of activities suitable for the Saudi market. This suggests that the value of transferred procedural knowledge can only be realised by customisation (localisation). Then, **actual activities** can be referred to in this thesis as "**hybrid practices**" which are equivalent to the notion of "**praxis**" described by Giddens (1984; 1979), Sztompka (1991) and Sminia (2009a). This also suggests that in order to understand the true value of transferred procedural knowledge, there are two processes involved: the transfer process (which is the main focus of this thesis) and the customisation process (which requires further exploration beyond this thesis).

2.5.3- Review of OL process models:

- i) How do organisations learn?

Researchers have debated about whether to describe learning as a product or as a process (Argyris & Schön, 1996). Learning is described as a product when it is perceived as the result of the accumulation of information in the form of skill and knowledge. It is described as a process when learning is perceived as an activity that might be performed well or not. Generally, organisations claim learning when they manage to successfully acquire stocks of knowledge with whatever means and regardless of the outcome it generates (Argyris & Schön, 1996).

In the literature, the description of the process by which organisations learn varies in terms of abstractness and what drives them. The popular debates in organisational learning are as follows: (1) single loop (regulated within social norms) versus double loop (revision of social norms) learning described by Argyris & Schön (1978; 1996) and (2) adaptive (imitative) versus generative (innovative) learning described by Senge (1990). A further level of learning is

second-order (duetero) learning, which concerns social members' ability to modify the learning system that conditions the patterns of organisational inquiry (Argyris & Schön, 1996). Due to the differentiation between these perceptions, finding a synthesis for organisational learning, let alone comparing these models with each other, is considered to be extremely difficult. (Lähteenmäki *et al.*, 2001). Therefore, a further search for process models that may be used in the explanatory comparison is required.

After excluding loop-based learning models, the process by which firms attain competitive learning may be described in three ways: internally evoked learning, which involves organic organisational growth (Crossan & Bredrow, 2003; Cyert & March, 1963; Dutton *et al.*, 1984; Radner, 1975; Daft & Weick, 1984; Martin *et al.*, 1985), externally evoked learning, which involves externally driven growth (Levitt & March, 1988; DiMaggio & Powell, 1983; Zucker, 1977;1986) or a combination of both (Kim, 1998). What all these authors appeared to agree upon is that the generation of competitive advantage lies within the processes of what is learned, how is it learned and the value of the lessons learned. Because we are only concerned with adopting those process models that view learning as being evoked both internally and externally, further elaboration of the other two perspectives is deemed to be irrelevant. However, the following (table 9 below) might provide a brief review.

OL process	Name	Author	Basic description	Supporting Authors
Internally evoked	The 41 learning model	Crossan & Bredrow (2003)	The 41 organizational learning framework consists of four associated (micro) processes; intuiting, interpreting, integrating and institutionalizing which serve to link three levels of analysis and define learning within organizations. Intuiting and interpreting occur at the individual level; interpreting and integrating happen at the group level; and integrating and institutionalizing take place at the organizational level. The 41-organizational learning framework implies several steps. Firstly, it highlights the expected 'tension' among organizational levels during exploring for new activities/services to learn as well as exploiting the lessons learned among the same levels. Secondly, it allows for examining three levels of learning and the relationship amongst the levels. Thirdly, identifying processes that link organizational levels and finally, recognizing that organizational learning involves an interaction between cognition and action.	Cyert and March (1963); Dutton <i>et al.</i> (1984); Radner(1975); Daft & Weick (1984); Martin <i>et al.</i> (1985)
	Direct OL (learning by doing)	Levitt & March (1988)	Depends on two mechanisms which might lead to competence traps; 1- <u>Trial-and-error experimentation</u> occurs when the use of a certain procedural knowledge and actual activities has increased due to the association with success in meeting a target or decreased when it is associated with failure. 2- <u>Organizational search</u> occurs when an organization draws from a pool of alternative activities and adopting better ones when they are discovered. As the rate of discovery is believed to be a function of both richness of the pool and the intensity and direction of search, rate of discovery depends on the history of success and failure of the organization.	Cyert & March (1963) Radner (1975)
Externally evoked	Diffusion mechanism	Levitt & March (1988)	Knowledge is transferred in the form of coded procedural knowledge according to three processes adopted from epidemiology: Coercive, Mimetic & Normative.	DiMaggio & Powell (1983) Zucker (1977;1986) Dutton & Starbuck (1978)
Externally & Internally evoked	Learning model for catching-up organizations	Kim (1998)	OL is a function of absorptive capacity which requires learning capabilities and problem-solving skills. While he defined learning capabilities as the organization's capacity to assemble knowledge for imitation purposes, problem-solving skills reflect the organization's ability to innovate by creating new and competitive knowledge. Learning is perceived to be triggered by either internal or external crises. Depending on the learning orientation of the organization, absorptive capacity can be leveraged to stabilize the organization from crisis.	Nonaka <i>et al.</i> (2000) Cohen & Levinthal (1990) Kim (1995) Badaracco's (1991) Meyers (1990) Miller & Friesen(1984) Shrivastava(1988) Tushman & Anderson(1986) Utterback & Kim (1985)

Table-9: Summary of literature reviewed in organizational learning.

Given the nature of the strategic alliance between MNCs and their Saudi distributors, it is believed that selecting a more holistic learning process model will help to explain the process concerned in this thesis. Therefore, it is only logical to select the model in the reviewed literature that appears to have these qualities: **Kim's (1998) organisational learning model for catching-up organisations**. Ideally, Kim's (1998) model will be compared in terms of its explanatory power against **Choo's (1998) sense-making model of knowledge management**. As explained earlier, this approach is aligned with Van de Ven's (2007) advice on studying a process from an "event-and-outcome" approach.

ii) Justification and contribution of adopting Kim's (1998) model:

The significance of Kim's (1998) model lies in four characteristics. The *first* aspect is its accommodation of both views of OL: internally and externally driven processes. Therefore, by adopting Kim's (1998) organisational learning model for catching-up organisations, both sources of OL are accommodated, as they are relevant to distributors' learning process from their multinational partners as well as the changes in the Saudi market. *Second*, the significance of this model stems from its emphasis on understanding the dynamic process by which building capabilities in both pioneering and catching-up organisations are explored. Because not all organisations are regarded as pioneers in advanced countries, this model promotes the importance of investment in "second-hand learning" for organisations to remain competitive. *Third*, part of the model's significance is due to the lack of sufficient attention paid by researchers on exploring imitative catching-up processes in comparison to their exploration of innovative processes in pioneering organisations (Kim, 1998).

Moreover, Kim (1998) described the organisation as a learning system that involves three main inputs: migratory knowledge, externally/internally evoked crisis and socio-cultural factors. We could argue that Kim's (1998) crisis-based OL model may assist us in explaining the process by which Saudi distributors come to gain competitive advantages when partnering with MNCs. In addition, this approach would allow us to meet our research objectives for two main reasons: first, the model was introduced based on a learning organisation (Hyundai) in a third-world country (Korea), which could resemble Saudi Arabia because the two settings belong to the same economic classification. Second, the model involved a firm "catching-up" or gaining competitive advantage by learning from a larger MNC (Ford). From IJVs' point of view, Kim's (1998) model could be perceived as the best model in the OL literature in terms of its relevance to describing how learning is developed in local organisations when partnering with MNCs. This characteristic may be considered the *fourth* justification. Therefore, both the context and purpose of this model are believed to be relevant to this thesis.

2.5.4- Describing Kim's (1998) model

i) The concept of absorptive capacity

Kim (1998) believed that organisational learning is a function of absorptive capacity that requires learning capabilities and problem-solving skills. Whereas he defined learning capabilities as the organisation's capacity to assemble knowledge for imitation purposes, he defined problem-solving skills as the organisation's ability to innovate by creating new and competitive knowledge (see figure 7 below).

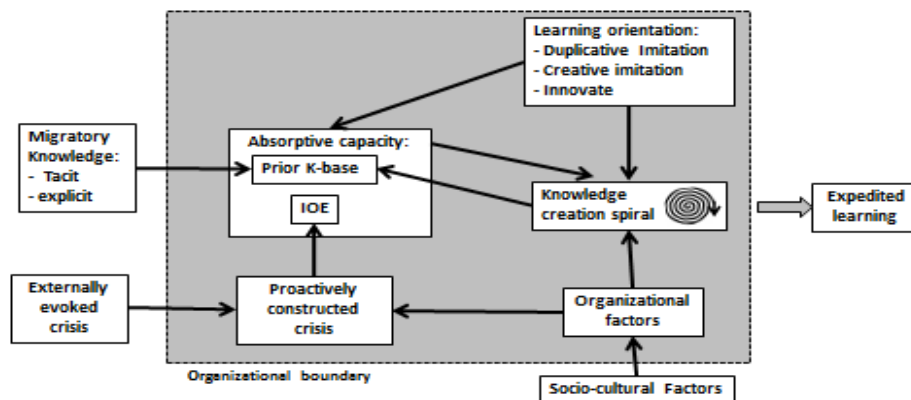


Fig-7: Dynamics of Organisational Learning in Catching-up organisations' Adopted from Kim (1998)

Based on the work of Cohen & Levinthal (1990), Kim (1998) suggested two elements that constitute absorptive capacity, as illustrated by figure 8 below. The *prior knowledge base* is represented by the units of individuals' stocks of knowledge available to organisational disposition. The accumulation of the prior knowledge base increases the organisation's sense-making and innovation abilities in creating and assimilating new knowledge. Prior knowledge is believed to consist of general yet relevant procedural knowledge, operations, skills and the most recent technological and scientific knowledge. Kim (1995) believed that a certain organisation's prior knowledge is assessed in relation to the difficulty of the task(s) involved. *The intensity of effort (IOE)* represents the amount and level of effort, time and capital that the organisation may allocate to resolve a problem. Kim (1998) argued that mere exposure of organisations to relevant and valuable knowledge is insufficient unless an adequate level of effort is exerted by the acquiring organisation to internalise such knowledge. In this sense, the skill of problem-solving requires organisational qualities related to the problems themselves. Therefore, it is considered wise to allocate sufficient time and effort to build the skills to resolve problems prior to approaching complex ones. This effort is believed to instigate knowledge creation conversion, as it intensifies the social interaction between members in the organisation

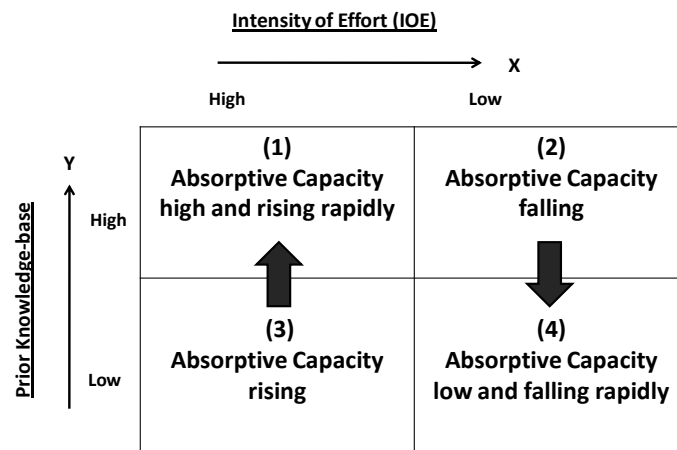


Fig-8 : Dynamics of Absorptive Capacity ; adopted from Kim (1998)

Based on figure 8 above, Kim (1998) suggested possible outcomes based on the status of *absorptive capacity* elements in a given organisation. When the level of both elements is high (quadrant 1), the absorptive capacity is high. When the status of both elements is low (quadrant 4), then the absorptive capacity is expected to be low. Organisations with high levels of a prior knowledge base in relation to task difficulty and low intensity of effort (quadrant 2) will lose their absorptive capacity, gradually moving towards (quadrant 4). This loss occurs because their prior knowledge base will gradually become obsolete as task-related technology advances. In contrast, an organisation with a low prior knowledge base in relation to task difficulty and high intensity of effort (quadrant 3) will be able to obtain an absorptive capacity progressing towards (quadrant 1).

This progression is believed to be the result of the repetition of problem-solving activities in an attempt to improve the prior knowledge-base and procedural knowledge captured by these activities (Kim, 1995). Ideally, as the core of organisation's prior knowledge is believed to be tacit in form, organisational learning (as a process) occurs through the four dynamic process of conversion between the organisational levels (individuals, groups and organisations). Kim (1998) noted that this conversion process is referred to in the SECI model described by Nonaka (1994), Nonaka & Takeuchi (1995) and Nonaka *et al.* (2000), which was elaborated earlier in section (2.4).

ii) The organisational learning system

The dynamics of organisational learning through a catching-up process may be explained based on the illustration (**figure 7 above**). The elements of absorptive capacity (prior knowledge-base and intensity of effort) provide an input into the spiral process of knowledge conversion and creation. In line with Nonaka *et al.* (2000), Kim (1998) believes that the driving force in the process of organisational learning is the individual member and that the speed and scale of the process of organisational learning tends to grow larger as more members contribute to the development of the prior knowledge base and the intensity of effort. Therefore, the outcome of the converted knowledge feeds back to the organisation's knowledge base. Based on Badaracco's (1991) work, Kim (1998) suggests that *migratory knowledge* also influences the prior knowledge-base as an external input. This influence may take many forms, especially via the migration of tacit knowledge within migrating employees. This influence is seen to elevate the level and quality of the existing knowledge base of the hiring organisations. Likewise, migratory knowledge in its explicit form will influence the absorptive capacity in much more direct ways, such as training programmes. Because all organisations are expected to learn as they develop, produce and market their products, their learning orientation becomes important for displaying their values and the direction of their desired learning. Therefore, the *learning orientation* has an impact on the type and sharing guidelines of learning that organisations aspire to, which influences their absorptive capacity as well. It is important to note that different learning orientations (duplicative imitation, creative imitation, or innovation) are believed to require different levels of prior knowledge and a different degree of the intensity of effort, as it would affect the spiral of knowledge conversion as well. Based on the work of Nonaka (1994) and Nonaka & Takeuchi (1995), this conversion of knowledge is possible in the presence of the knowledge conversion conditions (intention, autonomy, fluctuation and creative chaos, redundancy, requisite variety and leadership). These conditions are expected to influence the formal and informal process structures of organisational learning.

iii) The concept of learning by crisis

In many cultures, the word "crisis" is associated with negative connotations. Based on the Chinese interpretation of crisis "Weiji", Kim (1998) believed that "crisis" means danger as well as opportunity. The notion of opportunity stems from author's belief that resolving organisational crises after construction is a feasible way of "opportunistic learning" (Pitt, 1990; Schön, 1967; Weick, 1988), even though no one had empirically proven this claim (Kim, 1998).

Kim (1998) highlighted that learning in this model (the catch-up model of OL) may take two forms: linear (cumulative) and non-linear (discontinuous). Whereas the former is believed to occur under normal conditions, the latter is believed to occur when firms construct crises and deploy strategies to resolve the critical situation (Meyers, 1990). The value generated from the latter is developed as a result of organisational engagement in major changes after facing crises (Miller & Friesen, 1984; Tushman *et al.*, 1985). In this scenario, organisations are expected to invest heavily in attaining, converting and creating new types of procedural knowledge (tacit and explicit) that allow them to overcome a crisis situation with minimum damage and hopefully with valuable lessons. In this way, some organisations would have the ability to turn a crisis into an opportunity by transforming enhanced absorptive capacity to reap growth in competitive advantage. This form of learning is described as "non-linear" or "discontinuous learning". Greiner (1998) also advanced the concept of firms' growth through crisis. He believed that organisations grow according to 5 phases, which consist of interplay between two periods: evolution and revolution. Whereas revolution periods are basically crises that "*exhibit a series of upheaval of management practices*" in which the organisation struggles for stability (p.4), evolution periods are those in which firms that resolve problems and survive a crisis manage to enjoy economic growth.

There are two sources of crisis based on this model: external and internal. External crisis may be caused by external market changes, such as when organisations tend to loose market competitiveness for technological reasons (Meyers, 1990; Miller & Friesen, 1984; Shrivastava, 1988; Tushman & Anderson, 1986; Utterback & Kim, 1985) or due to state interference, especially in developing countries. To distinguish between the outcomes of internally and externally evoked crises, Kim (1998) believed that externally evoked (corporate) crises might generate some form of crisis for top management, but not necessary for lower members in the organisation. However, the internally evoked (team) crisis will generate the type of crisis that would facilitate the creation of new knowledge and discontinuous organisational learning, which would generate competitiveness (Kim, 1998).

In the absence of external crisis, some organisations tend to construct internal (team) crises for many reasons. Team crises are easier to construct and control in comparison with corporate crises because they are perceived as being more focused in terms of their goals. The shared perception among members of a team crisis is to stimulate the intensity of effort to expedite learning by evaluating the robustness and usefulness of the existing absorptive capacity. Kim (1998) noted that learning organisations tend to institutionalise the constructive elements of team crises to make discontinuous learning possible and turn crises into opportunities. Perhaps this institutionalisation of how team crisis is created within the learning organisation may be considered a competitive routine according to Kostova & Roth's (2002) classification.

What we must take away is Kim's (1998) inclusion of the role of migratory knowledge (as an external factor) in the creation of knowledge spiral. He emphasises the role of migratory knowledge in knowledge creation. It is believed that migratory knowledge may be considered one of the most realistic forms of exposure to which Saudi distributors are subjected when partnering with MNCs. As a result of this exposure, distributors' prior knowledge base is enhanced (refined) to meet the MNCs' standards, which influences the type and speed of the creation of relevant knowledge. This process represents the first step towards imitative-based learning and occurs be in the form of organisational procedural knowledge, according to Kostova & Roth (2002). It could be argued that the distributor's learning orientation changes to become more creative or innovative once sufficient procedural knowledge has been accumulated. Such changes in the learning orientation will surely have an impact on the level of intensity of effort required to stabilise the organisation and eventually expedite learning in a way that improves the organisation's competitive advantage.

If Kim's (1998) model was to be applied on a Saudi distribution firm, we could argue that distributors seeking to create and expedite learning should take two steps. *First*, they should be prepared to invest in terms of effort, capital and time in the deployment of newly transferred (migrated) procedural knowledge. *Second*, the proactive construction of crises is required, which would generate discontinuous learning. Given the business relationship between Saudi distributors and their multinational partners, the latter organisation could treat the former as an extension of it. In other words, the top management of MNCs could proactively construct crises within distributors' organisations. Doing so would improve the distributors' absorptive capacity, providing that they actively exert sufficient levels of intensity of effort. We then could expect that the lessons learned would impact the Saudi distributors' knowledge base. It is possible that the Saudi distributors' top management could replicate the exercise of proactive (team) crisis construction without the external influence from their multinational partners. If this scenario occurs, we could expect Saudi distributors to have the opportunity to utilise the lessons learned to produce firm-specific activities that could allow them to gain a competitive advantage over their rivals in the Saudi distribution industry. It is also important to highlight that Saudi distributors' development of competitive actual activities (praxis) hinges on their learning orientation. Logically, when their learning orientation is more towards creative imitation or, even further, towards innovation, the actual activities (hybrid

practices) created have more value, and the distributors have a better chance to enhance their competitiveness through engaging these activities.

2.2.5- Summary of consulting the literature on OL:

From IJVs' perspective, procedural knowledge is transferred from the MNCs for the sole purpose of enhancing their strategic allies' (Saudi distributors) absorptive capacity, enabling them to expedite learning, improving their services and improving their competitiveness. Authors such as Senge (1990; 1994), Argyris & Schön (1978; 1996) and Levitt & March (1988) have debated over whether the sources of OL are individual or organisational. The authors also differed in terms of the way in which OL is perceived and interpreted. Reviewing the type of literature perceived to be relevant and helpful for supporting the research in the MNC-distributor business relationship enabled the categorisation of these studies based on their authors' perception of what drives OL. Whereas some authors perceived OL as being internally evoked, others perceived it as being externally evoked. The ideal interpretation of OL that we sought is the type of literature that perceives OL as being both internally and externally evoked, as described by Kim's (1998) OL model. Nevertheless, the overall research on OL is found to be limited in its value for practitioners (Lähteenmäki *et al.*, 2001). Researchers attributed its vagueness to its conceptualisation (Huber, 1991) and the lack of empirical testing of arguments and hypotheses, which created major issues of validity. Surprisingly, some researchers and practitioners still encourage theorising without firm knowledge of the validity of this approach despite warnings made by such researchers as Huber (1991), Kirjavainen (2001) and Miner & Mezias (1996).

The most **important gap** is believed to stem from the authors' recognition of ambiguity in guaranteeing the generation of benefits. There is a general expectation that only top managers possess the capability to instigate and drive organisational learning; however, such learning might not guarantee the production of desirable outcomes (Levitt & March, 1988). Despite some authors' emphasis on the importance of individual learning as an element that constitutes organisational learning (Senge, 1990;1994; Argyris & Schön, 1978;1996; Levitt & March, 1988), individual members are still deemed incapable of instigating, driving or managing the learning processes and thus generating benefits for their organisations.

From Kim's point of view, we could argue that his model would enable Saudi distributors to catch up with the MNCs' standards once the distributors' top management developed the capability to create internal (team) crises proactively and not be driven purely by external crisis. It may also be argued that this outcome is more likely to be achieved when the learning orientation of the distribution organisation is geared more towards innovation. Because procedural knowledge transferred from the MNC might not suit the Saudi environment, perhaps creative imitation as a learning orientation is a more logical strategy to benefit from forming an alliance. Following this strategy empowers the distributor to take advantage of transferred procedural knowledge from the MNC and aim to customise it, producing a set of hybrid practices (actual activities or praxis). These hybrid practices will enable the distributor to escape or overcome the two-sided pressures stemming from the institutional duality described by Kostova (1999). The only significant gap in Kim's model is the exclusion of the role of trust between the sender (MNC) and the receiver (distributor) in expediting the process of organisational learning.

2.6- Differences and similarities between the chosen models: Kim (1998) and Choo (1998)

This section aims to demonstrate that Choo's (1998) sense-making model of KM and Kim's (1998) learning model of OL are two different and rival models. Although both models may appear to have the knowledge-creating spiral described by Nonaka & Takeuchi (1995) in common, their takes on and dispositions towards this concept differ. In addition, both processes are believed to be different in terms of the hypotheses they advance theoretically based on Van de Ven and Poole's (1995) process motors (see table 10 below).

Differences	Choo (1998) KM model	Kim (1998) OL model
Hypothesis	The emergence of knowledge assets is a consequence of a reiterative process during which sense making leads to shared meaning, which in turn allows knowledge to become more explicit and decision-making to become more goal directed.	When the iterative process of developing knowledge assets is driven by internally constructed (team) crisis within a firm, competitiveness can be reaped from expedited learning. The iterative process of knowledge assets development is influenced by the firm's social setting, the firm's learning orientation and the firm's absorptive capacity.
Disposition of the knowledge spiral (SECI)	Inputs are <u>only explicit</u> (internal & external) stocks of knowledge.	Inputs are <u>tacit internal</u> knowledge resulting from firm's absorptive Cap + OL ordination, socio-cult factors.
Process Driving force	Driven by tested knowledge= stable learning.	Driven by Shock (crisis) to force conversion of tacit to explicit knowledge.
Exp. Outcome	Organizational decisions and actions	Potential resources

Table-10: Illustration of the difference between Kim's (1998) and Choo's (1998) models.

i) Differences in hypotheses:

Choo's (1998) model suggests that the emergence of knowledge assets is a consequence of a reiterative process during which sense-making leads to shared meaning, which in turn allows knowledge to become more explicit and decision-making to become more goal-directed. This process model appears to advocate organisational self-motivation to drive its own development. To empirically investigate this phenomenon, the evolving relationship between an MNC and a Saudi distributor will be examined for evidence that an increase in shared meaning combined with more goal-directed decision-making and the emergence of explicit and valuable knowledge assets generate a competitive advantage.

Meanwhile, Kim's (1998) model suggests that when the iterative process of developing knowledge assets is driven by internally constructed (team) crisis within a firm, competitiveness may be reaped from expedited learning. The iterative process of the development of knowledge assets is influenced by three elements: the firm's social setting, the firm's learning orientation and the firm's absorptive capacity. This process model appears to accommodate the idea that the learning organisation is motivated either internally (self-motivated) or externally (MNCs, market changes, etc.). However, this model promotes the notion that organisational learning is driven internally because it enables discontinuous learning, which produces better benefits for the organisation. To empirically investigate this phenomenon, the relationship between MNCs and their Saudi distributors will be examined for evidence that competitive learning is expedited by the emergence of explicit and valuable knowledge assets influenced by internally constructed crises, sufficient absorptive capacity and supportive learning orientations and social settings.

What must also be highlighted is the distinctive outcome that each hypothesis predicts. Whereas Choo's (1998) model highlights the improvement in firms' decision-making as the

outcome with which the top management may reap competitiveness, Kim's (1998) model suggests that firms' ability and efficiency in expediting learning represent the outcome with which top managers improve their firms' competitiveness. Therefore, we argue that both process models aim for a similar objective (a firm's competitiveness), if from different theoretical perspectives.

ii) Differences in the disposition of the knowledge creation spiral

It may appear that both models that are to be compared similarly utilise Nonaka and Takeuchi's (1995) knowledge creation spiral or the SECI model (see figures 3 & 4 above). However, both models utilised the SECI model as "**an information processor**" (Magnier-Watanabe & Senoo, 2009), which may indicate a general similarity between the two. However, it may be argued that their shared use of this information processor "as a tool" does not necessarily suggest that the two models are the same. This argument may be discussed from three aspects: the input(s) to the SECI element in the two models, the authors' interpretation of what drives the SECI process in their corresponding models and the impact of these drivers on the type of organisational improvement expected.

According to Choo (1998), the inputs of the knowledge creation spiral in his model may be summarised in the explicit forms of external (from outside the organisational boundaries) and internal (from existing knowledge assets) knowledge. However, Kim's (1998) description of the inputs into the SECI process in his model was different. Kim (1998) believed that both tacit and explicit migratory knowledge may influence knowledge creation, if not directly. The SECI process in Kim's (1998) model is directly influenced by the firm's learning orientation, its absorptive capacity and other social-cultural factors. What must be highlighted is Kim's emphasis on the internal form of knowledge (extracted from the firms' absorptive capacity) as the only knowledge-based input into the SECI process. This emphasis could refer to Kim's belief that internally constructed (team) crises using internal tacit stocks of knowledge are key to successful organisational learning.

Both authors' descriptions of the elements that drive the knowledge creation processes are different. The process of knowledge creation in Choo's (1998) model is believed to be driven by "tested" and explicit knowledge assets. The value of adopting external (i.e., from external consultants) or internal (developed in-house) explicit and tested knowledge (actual activities) promotes organisational development in a more stable way. In other words, this could lead the organisation to improve gradually and linearly. However, the knowledge creation process outlined in Kim's (1998) model is believed to be driven internally despite his recognition of other external knowledge end-market factors. Kim (1998) believed that the SECI process is best driven by internal "shocks", or, as he described them, "internally evoked/constructed crisis". This proactive construction of crises within the team creates the need for stability and thus puts pressure on members to convert tacit stocks of knowledge (embodied or not) into their explicit form. According to Kim (1998), this approach will lead to incremental organisational development.

iii) Differences in the models' outcomes:

In terms of the nature of the outcome produced by each model, we could argue that they are different. Whereas the outcome of Choo's (1998) model may be described as a goal-oriented organisational action, the outcome of Kim's (1998) model appears not to be so concrete, particularly when not all types of learning could be desirable and might not always lead to intelligent outcomes (Levitt & March, 1988). In this sense, we could argue that Choo's (1998) model claims to produce tangible, measurable and comparable **organisational decisions** and that Kim's (1998) model claims to produce a **potential resource** that generates tangible and measurable decisions only when effectively developed and deployed. Kim's (1998) model could be critiqued in comparison to Choo's (1998) model because it fails to address two issues.

First, there is no elaboration about the stage in which the lessons learned are filtered and made sense of. This stage was specifically covered in a separate phase in Choo's (1998) model, which drew on the work of Weick (2001). Second, Kim's (1998) model fails to diffuse the inherited limitation within Nonaka & Takeuchi's (1995) knowledge creation spiral. According to Dalkir (2005), Nonaka & Takeuchi's (1995) SECI model does not offer a sufficient description of the decision-making process. Again, this issue is addressed in a separate phase in Choo's model (1998), drawing on the work of Simon (1957).

2.7- Brief background on the paradigms of strategic management:

The literature reviewed in the previous sections aims to enable this thesis to meet its **first objective**: understand the process by which procedural knowledge is transferred from MNCs to their Saudi distributors. In this section, we will aim to review the most adequate frames of reference in the literature of strategic management to better understand the impact of the process concerned on the Saudi distributors' competitive advantage. The process will be investigated from three different knowledge streams: logistics, sales and management accounting. Expanding our understanding in this direction will enable us to achieve the **second objective** of this thesis: the impact of this process on Saudi distributors' competitiveness.

To best select the most adequate frames of reference with which the development of competitive advantage may be assessed, perhaps it is best to quickly shed some light on the four paradigms of strategic management. These paradigms are divided in terms of their focus into two groups: **(1)-models focusing on the exploitation of market power**: among which is Porter's (1980) five forces model and Shapiro's (1989) strategic conflict model. Both models view the strategic problem to manipulate market powers to improve the firms' economic gain and limit the competitors' within the same industry. **(2)-The models focusing on optimisation of firm-level efficiency** stemming from those strategic resources which enable the firm that possess them to compete and sustain its advantage over competitors. Among these models are Barney's (1991) RBV (valuable, rare, inimitable & non-substitutable) and Teece *et al.*'s (1997) notion of dynamic capability. Ideally, the RBV perspective focuses on the benefits gained by the owners of scarce firm-specific resources instead of the economic profits from product market positioning. Researchers adopting this perspective believed that a firm's success and future development stems from its ability to find or create distinctive competences within a heterogenic market. Barney's (1991) RBV focuses on the exploitation of unique resources which enables the firm to implement strategies that generate competitive advantage for it over its rivals. Teece *et al.*'s (1997) sees the strategic problem in identifying the base on which distinctive and inimitable advantages may be established, sustained and enhanced within a rapidly growing (changing) environment.

In this thesis, Barney's (1991) (VRIN) resource-based view and Teece *et al.*'s (1997) dynamic capabilities are considered to be the most relevant frames of reference because we are concerned with the potential that no financial benefits are generated by the transfer of procedural knowledge. Therefore, resorting to the first group (focused on market powers) is deemed irrelevant. We must highlight the limitation within Barney's (1991) resource-based view, which is mainly static in its investigation of the sources of an organisation's competitiveness. To diffuse this criticism, we will also resort to Teece *et al.*'s (1997) dynamic capabilities frame of reference. Ideally, these two theories will be used as the criterion with which to assess the extent to which the process concerned has impacted the distributors' competitiveness. Therefore, each frame of reference will be elaborated upon in detail in the following sections (2.7.1 and 2.7.2).

To maintain consistency, we must reemphasise that **what is being assessed in this thesis is not a set of resources. Instead, procedural knowledge and actual activities (hybrid practices or praxis) are assessed**. Therefore, in Barney's words, an organisation is considered to have a competitive advantage when it adopts procedural knowledge and actual activities that enable it to implement a value-creating strategy that is not implemented by industry competitors. Therefore, the competitors' failure to duplicate these sets of procedural knowledge and actual activities will enable this organisation to sustain its competitive advantage.

2.7.1- Description of Barney's (1991) RBV-VRIN:

i) Introduction to the theory and assumptions:

Understanding the sources of firms' competitive advantage and its sustenance has captured researchers' interest since the 1960s. Barney argued that most of the research in this area focused either on isolating firms' opportunities and threats, such as Porter (1980; 1985), emphasising the firm's strengths and weaknesses, such as Hofer & Schendel (1978), or matching them to develop firms' strategies. Much of past research considering the internal and external analysis of opportunities and threats was implicitly based on two main assumptions: first, these environmental models assumed that firms within the same industry possess and pursue identical (homogeneous) sets of strategic resources. Second, even if such resources are heterogeneous, they are short-lived, as they are highly mobile and easily transferable. This approach implies that firms' resources of heterogeneity and immobility are not sources of competitive advantage. For this reason, Barney (1991) argues that the link between firms' internal characteristics and performance cannot be built on such assumptions and suggested replacing them with alternative assumptions. *First*, firms within the same industry (or strategic group) may possess and control heterogeneous resources. *Second*, those heterogeneous resources are not perfectly mobile and may be long-lasting.

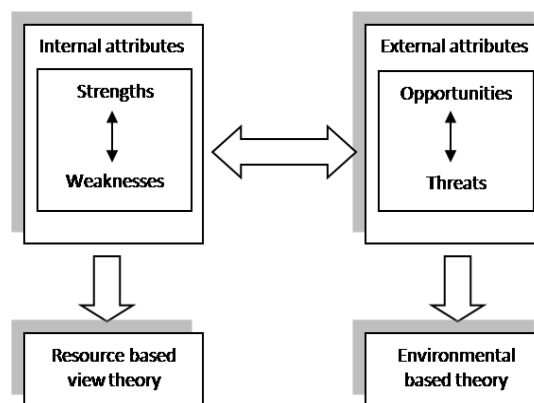


Fig-9: The relation between the traditional SWOT analyses, resource based theory and the industrial attractiveness; adapted from Barney (1991).

To prevent any confusion, Barney's definition of the three main concepts must be highlighted: resources, competitive advantage and sustained competitive advantage. Barney (1991) defines **resources** as all types of assets, capabilities, organisational processes, information, knowledge and attributes controlled by the firm to develop and implement strategies to improve its efficiency and effectiveness. In this sense, these resources are a manifestation of the firm's areas of strength. These resources are classified into three categories: physical or capital resources, which include all tangible positions (Williamson, 1985), human capital resources, which include all explicit and tacit forms of experiences and intelligence held by individuals (Becker, 1964) and organisational capital resources, which include all formal and informal organisational systems used for coordinating and reporting between groups within the firm and between the firm and the external environment (Tomer, 1987).

A firm is considered to have a **competitive advantage** when "it is implementing a value creation strategy not simultaneously being implemented by any current or potential competitor" (Barney, 1991, p.102). Therefore, such an advantage may only be **sustained** when competitors

fail to duplicate the benefits of this strategy (Barney, 1991). What must be highlighted here is that sustaining a competitive advantage – based on Barney’s resource based theory – is not dependent on the duration or the calendar time in which a firm may sustain it. This definition of sustained competitive advantage provides an “equilibrium definition” that avoids difficulties in specifying the required calendar time each industry is required to possess for the acquired advantage to be considered to be sustained. Therefore, the time element is not as important as the competitor’s ability to duplicate such advantages. However, this de-emphasis does not suggest that a developed competitive advantage is expected to last forever, especially with the changes in the economic structure and environment. Therefore, the value of some strategic resources might change over time and with structural revolutions or “Schumpeter Shocks” that redefine new sources of sustained competitive advantage (Barney, 1986c; Rumelt & Wensley, 1981).

For a strategic resource to hold the potential to sustain the firm’s competitive advantage, it must have four attributes: it must be valuable, rare, inimitable and non-substitutable (VRIN). These attributes may be considered to be empirical indicators of the resources’ level of heterogeneity and immobility within a firm and therefore their potential in terms of generating sustained competitive advantage.

- 1- **Valuable:** ideally, resources are considered valuable when they enable the firm to develop or implement the type of strategies that improve its efficiency and effectiveness. According to the SWOT model of measuring firms’ performance, valuable resources will improve the firm’s performance when the implemented strategies exploit opportunities and/or neutralise threats. Therefore, an organisational attribute may only be called a resource when it enables the firm to exploit opportunities and/or neutralise threats.
- 2- **Rare:** ideally, a resource is a source of sustained competitive advantage for a firm only when it enables the firm to implement a strategy that is not simultaneously implemented by an industry competitor. Therefore, if a strategic resource is possessed by many firms in a way that enables them to implement similar strategies and thus reap the same benefits, no firm will gain a competitive advantage. The same applies in the case of applying strategies that require a mixed bundle of resources (physical capital, human capital and organisational capital) (Hambrick, 1987; Barney, 1989a). Barney (1991) argued that as long as the number of firms possessing the particular valuable resource or bundle of resources is less than the number of the firms needed to generate perfect competition dynamics in an industry, that resource has the potential to generate competitive advantage.
- 3- **Imperfectly imitable:** it is argued that valuable and rare resources may only generate sustained competitive advantage when firms that do not possess them are unable to develop or obtain them (Barney, 1991). Therefore, these resources are best described as imperfectly imitable (Lippman & Rumelt, 1982; Barney, 1986a; 1986b). Imitability results from one or a combination of three factors, which we will briefly elaborate as follows:
 - a) *The firm’s ability to develop these resources is dependent on unique **historical conditions:*** Barney (1991) disagreed with Porter (1981) and believed that firms are historical and social entities and that their ability to develop and exploit resources is dependent on their place in time and space. Once this unique time and space pass, firms that do not have resources that are time and space-dependent cannot obtain them. Therefore, these resources are considered imperfectly imitable. Many authors such as David (1987) agreed that a firm’s performance does not depend simply on the existence of the firm with a unique industrial structure at a certain point in time. Instead, this firm’s performance is dependent on the path it has followed over time to arrive at this point.
 - b) *The link between the resources possessed and the firm’s sustained competitive advantage is **causally ambiguous:*** the relationship between the causal ambiguity of a firm’s resources and imperfect imitability has received systematic attention in the literature (e.g., Barney, 1986b; Lippman & Rumlet, 1982; Reed & DeFillippi, 1990). King & Zeithaml (2001) elaborate this point by describing two types of causal ambiguity: (i)

characteristic ambiguity, which occurs when the characteristics of a certain capability involved are difficult to comprehend due to its organisational and cultural roots, and (ii) linkage ambiguity, which occurs when competitors cannot identify which activities in processes are interdependent; this event forms linkages that create the desired core competence. Firms can overcome this by: (1) hiring and placing knowledgeable managers well within the firms with the competitive advantage or (2) by engaging in a careful and systematic study of the other firms' success. Once the link between a firm's resources and its ability to implement certain strategies is known, causal ambiguity ceases to exist, making the involved resources imitable (Lippman & Rumelt, 1982).

c) *The resources generating the firms' competitive advantage are **socially complex***: ideally, when the firm's resource is a complex social phenomenon that goes beyond the firm's ability to manage and influence, this resource is considered imperfectly imitable. Social complexity may include the following: interpersonal relationships between members (Hambrick, 1987), firms' culture (Barney, 1986b) and firms' reputation among customers (Klein *et al.*, 1978) and suppliers (Porter, 1980) and complexity of implementing these resources.

4- **Non-substitutability**: according to Peteraf & Bergen (2003), substitutability may take two different forms: (i) product or service substitution, which is best described by Porter's (1980) five forces model, which implies that any product or service in any industry may be victimised by substitution due to a change in market conditions or advancement of technology. (ii) Competence substitution, which occurs when the competences of an organisation are replaced by other competences that give the organisation a better level of competitive advantage. Two resources or a bundle of resources are considered to be substitutable when they may be exploited separately to implement the same strategy. It is possible that similar strategies may be implemented by competing firms using different resources. In this case, such resources are more likely not to be rare or inimitable and thus will not generate a sustained competitive advantage. Barney (1991) argued that there are two forms of substitutability: substitutability with a similar resource, such as deploying a high-quality top management team, and substitutability by a different resource, such as copying an equivalent vision by using different formal planning systems.

ii) Critique of Barney's VRIN RB:

14 years ago, Prim & Butler (2001) critiqued Barney's (1991) RBV, speculating that this approach is simply a fad of management research due to its wide applicability and interesting terminology. The authors summarised the areas representing challenges to Barney's (1991) RBV as follows:

- 1- *Formulating the RBV*: Prim and Butler argued that for any theory to have internal consistency, all concepts, relationships among concepts and interrelationships among statements must be clearly defined. This approach may sharpen the discussion of the theory and put it in a framework that is ready for testing. The saying that resources underlying the RBV are heterogeneous and not perfectly mobile implies definitions and interrelationships that require additional development and reassessment of the theory. The repetition of this process could produce a more testable theoretical structure.
- 2- *Answering the "how" type of questions*: the RBV was founded on economics, which are descriptive and explanatory, but the strategic discipline is prescriptive. To resolve this issue, based on Schoemaker's (1990) advice, RBV researchers must sufficiently answer "how" questions to enable the theory to offer a prescriptive advice and ultimately accommodate additional behavioural dimensions. For example, how may the resource be obtained? How and in what context does it contribute to competitive advantage? Another example lies in causal ambiguity as a source of sustaining competitive advantage. Prim & Butler (2001) argued that there is little meaningful prescription for

practitioners when the causal relationship between the source and the firm's sustained competitive advantage is unknown to them. The contribution of the RBV may be improved as researchers start answering "how" questions.

- 3- *Incorporating the temporal component*: Barney (1991) recognised the importance of history to the development of resources and capabilities, but there was no temporal element included in the RBV's theoretical structure. RBV researchers must use other temporal insights, which may enhance the contribution of the theory, especially to the literature on strategic management. For example, the interconnectedness, accumulation and erosion of assets and resources may be investigated using longitudinal methods. Other researchers have highlighted these concerns, describing Barney's (1991) RBV as static, whereas resources that produce sustained competitive advantage should be continuously evolving by definition, that is, to create dynamic capabilities and enable the firm using them to compete and sustain its competitive advantage over others (Teece *et al.*, 1997).
- 4- *Integration with demand heterogeneity models*: ideally, the focus of strategic management is to match external or environmental conditions with internal organisational capabilities manifested in its critical resources – that is, as described by Barney (1991), to identify those critical resources (which hold the firm's strengths and weaknesses) that help identify opportunities and diffuse threats (see figure 9 above). In other words, a good strategy should pay attention to both resources (production) and products (demand), and the RBV is lacking in addressing the latter. Some authors such as Hunt & Morgan (1995) proposed a "resource-advantage" theory, which represents a direct fusion of the marketing heterogeneity demand theory with management's RBV of the firm.

iii) Evaluation of Barney's (1991) relevance to investigation within IJVs:

The RBV is believed to be relevant to studying strategic alliances, even though it is believed that it has not been systematically applied to this area (Das & Teng, 2000). Das & Teng (2000) argue that researchers are still in the phase of "accumulating" the applications and usefulness of the RBV. Researchers have utilised the RBV to better understand many areas such as sustainable differences in firms' profitability (Peteraf, 1993), diversification strategies within conglomerates (Chatterjee & Wernerfelt, 1991), the performance of mergers and acquisitions (Harrison *et al.*, 1991), global strategy (Collis, 1991), technological strategy (Leonard-Barton, 1992) and strategic regulations (Maijor & Van Witteloostuijn, 1996). However, the use of the RBV in better understanding strategic alliances remains under-explored (Das & Teng, 2000). Strategic alliance was defined by some RBV researchers as "*cooperative relationships driven by a logic of strategic resource needs and social resource opportunities*" (Eisenhardt & Schoonhoven, 1996, p.137). In addition, a joint venture is formed "*when two or more firms pool a portion of their resources within a common legal organisation*" (Kogut, 1988, p.319).

It is commonly known that research on traditional strategies generally aims to help firms identify that fit between internal attributes (strengths and weaknesses) and external ones (opportunities and threats). Because many resources are firm-specific and neither perfectly mobile nor imitable, sustained resource heterogeneity becomes a possible source of competitive advantage for firms. Because traditional strategy theories over-emphasise a firm's competitive environment and position, Barney (1991) offered a different approach that focuses on the firm's resources more than its environment (Das & Teng, 2000). In this view, what a firm possesses in terms of resources determines its achievements. Thus, Barney's (1991) approach complements the environmental models in the strategy literature. In fact, Das & Teng's (2000) paper in the *Journal of Management* demonstrated the usefulness and relevance of the RBV in exploring the area of strategic alliances. Adopting the RBV, they suggested that "*the possession of critical resources is a prerequisite for alliance formation ... a targeted firm's*

reputation, including elements such as product and management reputation, encourages decision makers to form a strategic alliances with it” (Das & Teng, 2000, p.39). More specifically, they articulated that explicitly in one of this paper’s hypotheses: “P1: the more the firm’s resources are characterized by imperfect mobility, imperfect imitability, and imperfect substitutability, the more likely the firm will get involved in strategic alliance” (p.41).

Das & Teng (2000) also used the RBV to rationalise decision-making between four forms of alliances (equity alliances, non-equity alliances, unilateral contract-based alliances and bilateral contract-based alliances) to find the structure that balances two issues: the interest in acquiring the partner’s valuable resources versus the interest in protecting its own valuable resources. According to Mowery *et al.* (1996), partners in unilateral contract-based alliances are expected to operate independently without much coordination or collaboration. However, partners in bilateral contract-based alliances are expected to invest in terms of resources and effort jointly on continuous basis. It may be argued that the RBV favours alliances more than mergers and acquisitions because it offers a solution to the alliance dilemma suggested by Kogut (1988) in terms of deciding between obtaining (acquiring) partners’ resources or retaining (protecting) the firm’s resources. The RBV promotes alliances, as it diffuses the potential problems that could result from acquiring an invaluable or redundant partner’s resources in mergers and acquisitions. Alternatively, the RBV allows the firm to be selective in its acquisition of the partner’s resources. With regard to retaining valuable resources, the RBV also favours alliances over mergers and acquisitions because in mergers and acquisitions, decision-makers face the danger of permanently relinquishing valuable resources. Following Nelson & Winter’s (1982) advice, firms may have a better chance of practicing their resources to prevent them from decaying if they are in an alliance with a partner. Ideally, *“strategic alliances will be preferred only when discounted present value of the deployment of its resources in the future is greater than the realized value of selling its resources in the present”* (Das & Teng, 2000,p.38). Nevertheless, strategic alliances will always have the problem of opportunism in maximising the firm’s interest at the expense of its partner’s interest – particularly in the case of tacit knowledge-based resources, which are not protected by property laws. For this reason, researchers have discovered that strategic alliances, especially equity joint ventures, are often used to cover for appropriating knowledge-based resources (Inkpen & Beamish, 1997) but they are found most useful in transferring valuable knowledge-based resources between partners (Kogut, 1988; Mowery *et al.*, 1996; Hamel, 1991). Das & Teng (2000) also argue that the firm’s benefits from joint ventures are limited if partners mainly contribute through property-based resources. Limiting their contribution to only property-based resources is one of the strategies adopted by firms worried about losing their knowledge-based resources. In this manner, the unintended transfer of resources is minimised, whereas this freedom obviously cannot be enjoyed in mergers and acquisitions. In general, equity joint ventures are not advised when both partners have substantial knowledge-based resources that could be involved in the alliance because it is very difficult to protect them from being transferred (Das & Teng, 2000). In addition, the two firms could decide to terminate the alliance once the required knowledge-based resources are completely transferred (Inkpen & Beamish, 1997) and the **learning race** has come to an end (Hamel, 1991).

iv) Summary and contribution of adopting Barney’s RBV (VRIN):

Because distributorship alliances are contract-based alliances, they may be conducted in several ways. If the distribution contract-based alliance is more unilateral (traditional), contractual partners are expected to operate with less co-ordination. However, this alliance may have a more bilateral structure, requiring both partners to provide the resources and intensity of effort needed to facilitate the joint execution of business tasks at a competitive level. Moreover, when partners work together based on bilateral agreements, such agreements may facilitate the assessment of valuable resources. This ability would ultimately enable both partners to assess the potential benefits of the alliance and improve the alliance’s

competitiveness when redundancy and wasteful resources are illuminated from the alliance's pool.

It may be argued based on the above literature that the value of procedural knowledge and actual activities possessed by the distributor is what may make the distributor's organisation more inviting for strategic alliances with MNCs. In addition, it may be speculated that **when market is more challenging, MNCs will be more inclined to form bilateral contract agreements, in this case, ideally obligating the Saudi distributors to contribute to the execution of business tasks and the development of required tasks.**

2.7.2- *Dynamic capability (Teece et al., 1997):*

The dynamic capability framework is mainly referred to in Teece *et al.*'s (1997) work published in the Strategic Management Journal. This framework is intended to analyse the sources and methods of the wealth creation of private firms operating in the environment of rapid technological change. The authors believed that firms' competitive advantage ideally depends on three main factors: (1) the firm's distinctive processes that reflect the ways in which coordination and combination is performed, (2) the firm-specific asset positions that shape this advantage (3) and the path the firm has followed, adopted or inherited. The authors also believed that whether and how a firm's competitive advantage is eroded is contingent upon the stability of the market demand, the ease of expanding internally (replicability) and the ease with which it may be replicated by competitors (imitability). Based on Leonard-Barton's (1992) work, Teece *et al.* (1997, p.516) defined dynamic capabilities as "*the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments .. Thus reflects an organisation's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions*". The dynamic capability framework is one of four paradigms in strategic management that aim to answer the question of how firms develop and sustain a competitive advantage. Perhaps shedding some light on the other three paradigms would facilitate the explanation of the fourth: the dynamic capability. To capture Teece *et al.*'s (1997) paper in an organised way, the most relevant parts to our research on IJVs will be summarised in the following sub-sections:

i) What is meant by resources and assets?

It is important to highlight that Teece *et al.* (1997) consider the term "resources" to be misleading and advocate replacing it with the term "firm-specific assets". They accommodated the term "resources" in their paper to highlight the important link between their framework and the literature of the resource-based view. The authors defined resources as "*firm-specific assets that are difficult if not impossible to imitate*" (p.516). This characteristic is due to the high transactional costs associated with the transfer of such assets, which may contain knowledge in its tacit form. The authors classified assets into technological, complementary, financial, reputational, structural, institutional and market structural assets. Due to our focus on IJVs between MNCs and their local distributors, complementary assets may be the most relevant. Complementary assets are defined as assets required for producing and delivering new products and services. These assets are believed to be developed within the firm through prior commercialisation activities (Teece, 1986).

In this thesis, the terms "resources" and "assets" will not be used; instead, the term **procedural knowledge** and **actual activities** (hybrid practices) will replace them. Therefore, value generation for the organisation is caused by procedural knowledge (potential knowledge or agency) and hybrid practices (actual activities or praxis) developed by the organisation (see figure 1 above). Ideally, when these hybrid practices are more firm-specific, it is more difficult for competitors to imitate them, enabling the organisation to sustain its advantage over rivals.

ii) What is meant by competence and core competence?

The term “core competence” is commonly referred to in Prahalad & Hamel’s (1990) paper published in the Harvard Business Review. Ideally, core competences are the capabilities that enable the firm possessing them to compete with rivals and sustain its position in a given market. This competence includes the skills, systems, processes, procedural knowledge and actual activities that are fundamental to the firm’s competitive advantage. However, Teece *et al.* (1997) referred to “organisational competence” as though it was equivalent to routinely used organisational procedural knowledge and actual activities and processes. The authors believed that when firm-specific assets are assembled in integrated clusters spanning individuals and groups, they enable the creation of procedural knowledge and the execution of distinctive organisational activities. The authors also highlighted that some of these competences could be applicable to multiple products and services and may be used by partners in alliance with the firm. Core competences are defined as “*those competences that define the firm’s fundamental business as core*” (Teece *et al.*, 1997, p.516). Core competences must be derived in relation to competitors’ products and services. Ideally, the value of such core competences may be improved by combining them with other complementary assets, where their distinctiveness is dependent on two elements. First, how well does it distinctively improve the capability of the firm in relation to its competitors? Second, how difficult is it for competitors to imitate or replicate such competences? Building on Prahalad & Hamel’s (1990) definition of core competences, these capabilities (skills, systems, process, procedural knowledge and actual activities) that are described as basic and necessary for a firm to stay in the business are referred to as threshold capabilities (Long & Vircker-Koch, 1995).

Considering the business tasks and operations required by the Saudi distributor, the reviewed literature in this section has some implications. The **threshold capabilities** that any distributor should have to exist in the distribution industry are efficient logistics and distribution services, a sales force capable of managing an operation in accordance with marketing strategies developed by the MNCs and competitive management accounting practices that enable them to provide the MNCs accurate and reflective business reports. The impact of new changes in WTO agreements regarding the Saudi market should be highlighted here. The previously mentioned capabilities have historically been considered to be core competences. Now, when MNCs are allowed to operate without having to partner with Saudi distributors, the value of such competences has diminished to being mere threshold capabilities. In this sense, core competences (now) are the competitive procedural knowledge and actual activities (hybrid practices) that the distributor possesses. Ideally, these competences may enable the Saudi distributor to sustain its competitive advantage when (1) it fulfils Barney’s (1991) VRIN criterion and (2) when the distributor demonstrates its capability to dynamically (Teece *et al.*, 1997) improve as the market changes to provide MNCs more competitive services. Only then will MNCs not see the need to seek other more competitive distributors or even institute their own distribution operations.

iii) How can capabilities be replicated?

Teece *et al.* (1997) stressed that competences and capabilities – which are routinised procedural knowledge and actual activities or processes used by the firm to meet operating objectives – are difficult to coordinate because they are hindered by problems of opportunism between partners. Some researchers argued that competences and capabilities cannot be readily assembled through the market (Zander & Kogut, 1995) and certainly cannot be replicated by a portfolio of business units through formal contracts. **Replication is time-consuming and believed to be highly illusive.** Capabilities must be understood not in terms of financial statements and balance sheets, as some scholars have attempted. For capabilities to be replicated, they must be understood in terms of “*organisational structures and managerial processes which supports productive activities. Therefore, balance sheets are a poor shadow of*

a firm's distinctive competences" (Teece et al., 1997, p.517). Ideally, the essence of competences and capabilities lies in the content of the distinctive organisational knowledge and processes that hold the potential to create competitive advantage.

The competitive advantage produced at a point in time is believed to be shaped primarily by the following: (1) the assets that the firm possesses (internal and external) and (2) the evolutionary path it has adopted or inherited. Moreover, the replication of sophisticated procedural knowledge and actual activities requires higher levels of managerial processes, which are also difficult to replicate because they require systematic changes across the organisation as well as among the inter-organisational linkages for competitors to achieve imitation (copy required knowledge as it is) or emulation (discover alternative knowledge that has the same functionality). This characteristic has **two important implications considering the competitiveness of distribution firms in Saudi Arabia**. The *first* implication is the difficulty of replicating firm-specific procedural knowledge and actual practices between distribution firms. It may be argued that firm-specific procedural knowledge and actual activities might be transferred between distributors; however, the expected impact of these resources is limited. The *second* implication is the difficulty faced by distributors in reaping improvement in performance or competitiveness from procedural knowledge or actual activities transferred from MNCs. This difficulty is believed to exist because the transferred procedural knowledge and activities are developed in a different institutional network (the MNCs). Therefore, their applicability to the Saudi market is expected to be low. This characteristic suggests that **for the Saudi distributor to reap benefits** from transferred procedural knowledge, its organisation must adopt one of three actions: (1) replicate the institutional environment in which the transferred procedural knowledge was created, (2) conduct all necessary organisational changes to make the transferred procedural knowledge applicable or (3) modify or customise transferred procedural knowledge to develop a hybrid set of actual activities that are aligned with the MNCs' procedural knowledge and applicable in the Saudi market. Depending on the distributor's access to capital, it may be argued that the distributor is more likely to pursue choice (2) or (3), with choice (1) usually not being feasible.

2.7.3- Summary and contributing of adopting Teece et al.'s Dynamic capability:

Given that this thesis is most concerned with the competitive advantage reaped by Saudi distributors as an outcome of the process of the knowledge transfer from MNCs, Teece et al.'s (1997) dynamic capability is believed to be relevant because Saudi Arabia may be considered a rapidly changing market that forces the distributors operating in this market to develop unique core competences that would enable them to achieve two goals: (1) to be able to offer distinctive products and services that differentiate them from their competitors and (2) to be able to satisfy the MNCs that they are currently serving or attract other MNCs wishing to internationalise. The concept of dynamic capability supports these goals because distributors will have to develop firm-specific capabilities in the form of competitive procedural knowledge and hybrid practices (actual activities or praxis). It is also important to highlight that given the new changes in the WTO agreements in the Saudi market, some core competences previously used to generate competitive advantage would now be considered mere threshold capabilities. Therefore, using this framework would enable us to assess the distributors' capacity to develop competitive advantage depending on the path they adopted or inherited (strategy of compliance) and on their market position. This assessment is expected to uncover valuable findings, especially because this thesis investigates the transfer of procedural knowledge in three different knowledge streams: sales, logistics and management accounting. Ideally, the accommodation of the dynamic development of competitive procedural knowledge is believed to complement Barney's (1991) static view, as explained earlier.

2.8- Summary of chapter (2); The literature review:

In this chapter, all the literature thought to be relevant and potentially useful to (1) form a supportive platform of knowledge and (2) facilitate answers to this thesis's questions and meet the research's aims and objectives has been included. The objective of this thesis is to understand the impact of transferred procedural knowledge (from MNCs) on Saudi distributors' competitive advantage. Following Van de Ven's (2007) advice, understanding a processual phenomenon may be achieved by asking "how" questions and by using "the process" as the unit of analysis. Therefore, the main aim of this thesis is to understand the process by which procedural knowledge is transferred from MNCs to distributors and its impact on the latter's competitiveness because it is assumed that the understanding of the process concerned has a bearing on understanding how Saudi distributors develop competitive advantages. Adopting Van de Ven's (2007) advice on how best to study a process, the explanatory power of two process models from two different disciplines must be empirically compared with the objective of learning which of them best explains the investigated process. Because both knowledge management (KM) and organisational learning (OL) have been recognised as sources of competitive advantage, the selected models to be compared will be extracted from these disciplines.

Based on the aim, objective and the methodology adopted, the literature review in this chapter included alliances via IJVs (section 2.2), the type of knowledge transferred in IJVs (section 2.3), knowledge management (KM) (section 2.4), organisational learning (OL) (section 2.5) and relevant theoretical frameworks of strategic management to assess whether the process' outcome(s) will generate a competitive advantage for the distributors (section 2.7). Because the literature informing this research is vast, it is important to highlight the **three main filtration rules of thumb** used to ensure the relevance of the literature involved. The **first** filtration rule of thumb used is as follows: all reviewed literature was carefully selected due to its relevance to potentially assist in explaining, analysing and interpreting the transfer process between MNCs and affiliates as alliance partners. Because this research investigates three specific streams (cases) of knowledge (logistics/supply chain, sales/marketing and finance/accounting), this distinction will be used as the **second** filtration rule of thumb for assessing the relevance of previous studies. Therefore, it is only logical to include only studies concerned with transferring knowledge between organisations in these three streams of knowledge (cases). The **third** filtration mechanism, used to select the most relevant process models from the KM and OL disciplines, chooses only those frames of reference that are "processual" rather than descriptive in nature (Van de Ven & Poole, 1995) and that accommodate both internal and external sources of knowledge.

In section (2.2), an introductory platform of the literature in IJVs was reviewed. This section also reviewed the motivations, barriers and success factors of IJVs because joint ventures are considered to be the most facilitative form of strategic alliances in terms of knowledge transfer (Kogut, 1988; Rich, 2003; Powell, 1988). Special attention was given to studies focusing on the success factors for knowledge transfer between partners in an alliance in three different streams: sales, logistics and management accounting. As mentioned earlier, this special attention is due to the focus of this thesis on these specific streams of knowledge (cases). A range of factors was described from both the economic and organisational perspectives on IJVs. Because this thesis is specifically focused on understanding the process by which procedural knowledge is transferred to Saudi distributors, the previously mentioned literature is considered to be the most relevant, simply because the distribution firms of foreign MNCs face institutional pressures and compliance dilemmas similar to those experienced by subsidiaries of MNCs. For this reason, we could argue that the way in which Saudi distributors manage to resolve these problems in a way that enables them to reap organisational benefits is the essence of their competitiveness. Based on the literature concerned with transferring knowledge among partners in JVs, the process by which procedural knowledge and actual activities are transferred between them appear to be contingent upon several factors. **The**

most influential ones are the subsidiary's strategy of compliance, the level of trust, the role of the firm's owner(s) and the amount of leverage both partners have in the alliance. Finally, we must highlight that the concept of "institutional duality" outlined by Kostova (1999) may be considered the most rational motivation for Saudi distributors not only to comply with transferred procedural knowledge from MNCs but also to create hybrid practices (actual activities or praxis) that satisfy the MNCs and suit the Saudi market as well.

In section (2.3), an elaborate description of the term "practice" is provided, especially with regard to different definitions in the literature, because it is important to distinguish what is really meant by practices in this thesis to avoid any confusion. Theorists aligned with Giddens's structuration theory (1979; 1984) defined a practice as any organisational activity that may affect an organisation's ability to achieve its goals (Sminia, 2009a; Szulanski, 2003; Turner, 1994). Theorists researching IJVs defined it as an activity that is people-, history- and culture-dependent and that captures how an organisation operates achieve its goals (Perrin *et al.*, 2007; Kostova, 1999). To avoid confusion, the definition provided by researchers of strategy-as-practice was avoided.

Because we are concerned with studying procedural knowledge, it is considered difficult to literally adopt any of these definitions as they are. **Procedural knowledge** is defined as the tacit and explicit know-how that explains how an organisation does business. This know-how is transferred from MNCs to enhance their distributors' knowledge base and enable them to meet the MNCs' expectations. Procedural knowledge is linked with the concept of "agency" described by authors such as Sztompka (1991) and as "practices" by Sminia (2009a), i.e., the potential to act. However, actual activities in this thesis are defined as what a Saudi distributor actually does to perform its tasks and serve the MNC. In other words, actual activities are enacted procedural knowledge modified to local circumstances and intended by the distributor to both meet the MNC's requirements as well as the demands of the Saudi market. Therefore, such practices may also be termed "**hybrid practices**" because they are customised to the demands of the MNC and the Saudi market. In institutional terms, actual activities (hybrid practices) are referred to as "**praxis**" (Sztompka, 1991; Whittington, 2006; Sminia, 2009a) (see figure 1 above). Based on the findings of this thesis, we could infer that **there are two types of processes involved when investigating the impact of the transfer process on the distributor's competitiveness**: (1) the process investigated in this thesis by which procedural knowledge is transferred from the MNCs to their distributors and (2) the customisation process by which transferred procedural knowledge is modified and actual activities (praxis) are realised. It is important to highlight that the focus on this thesis is the transfer process, whereas **the customisation process is outside the scope of this thesis**.

Section (2.4) provides a general review of the literature concerned with **organisational knowledge** and how it has been studied, especially in strategic alliances. As per the previously mentioned filtration mechanism used in this section, the theoretical frames of reference included are the ones that are processual in nature and perceived as helpful for assisting in understanding how knowledge is transferred between MNCs and their affiliates. The literature essentially suggests that competitive advantage via organisational knowledge may be gained when top management pays attention to the creation, transfer or management of this knowledge. Accordingly, the literature representing those three perspectives has been categorised into three sub-sections. Eventually, the process model selected from this discipline is **Choo's (1998) sense-making model of knowledge management** (see figure 6 above). This model is deemed to be adequate because it supports knowledge creation both internally (from within) and externally (as external information and knowledge). This approach resembles a setup that is relevant to Saudi distributors when they are conducting business with MNCs.

Section (2.5) provides a general review of the literature concerned with **organisational learning** and how it has been studied, especially in the context of IJVs. It was observed that

researchers addressed tailoring the study of organisational learning based on how this learning is accomplished. Because researchers believed that organisational learning may be led internally, externally or through a combination of both contexts, the literature representing each perspective was reviewed accordingly in three sub-sections. Given the nature of the business relationship between MNCs and their affiliates, it was logical to aim for a process model which views organisational learning as being both internally and externally evoked. Following the same filtration rule of thumb used earlier, the process model selected from this discipline for comparison with Choo's (KM) model is **Kim's (1998) learning model for catching-up organisations (see figures 7 & 8)**. This model is found to be adequate because it is intended to enable local organisations to catch up with their multinational partners by expediting learning. This approach also resembles a context that is relevant to Saudi distributors aiming to improve their learning to meet MNCs' expectations. Next, section (2.6) presents crucial differences between the process models selected to explore this learning process.

Section (2.7) was dedicated to presenting the literature used to understand the impact of procedural knowledge transfer processes on the distributor's competitive advantage. Among the literature on strategic management, two main frames of reference were used as the criteria to assess whether competitive advantage is gained as an outcome of the process investigated. These frames of reference are **Barney's (1991) resource-based view criteria (VRIN)** and **Teece et al.'s (1997) notion of dynamic capability**. Each of these theories was extensively reviewed in different sub-sections. Barney's (199) criteria will assist in examining the ability of specific knowledge-based activities to enable distributors to obtain a competitive advantage. Teece et al.'s (1997) framework will assist in examining the distributors' capacity to generate the required for developing dynamic capabilities and competences given the new WTO changes with regard to the Saudi market. Ideally, these two frames of reference will assist us in examining the distributors' ability to gain a competitive advantage as an outcome of the knowledge transfer process.

What is next?

What was achieved in this chapter (2) is review all the literature relevant to help explain the process by which procedural knowledge is transferred within IJVs. Consulting such literature had provided partial answers especially when it comes to the process models to be used to deductively explain the transfer process (Choo & Kim's models) and the possible contingency factors influencing it (trust, control within IJVs, leadership role in IJVs and absorptive capacity). However, the transfer process remains unexplained simply because it was not studied in such context before. That is because of two main reasons, **firstly**, the majority, if not all, literature exploring knowledge transfer in strategic alliances (IJVs), strategic management, knowledge management (KM) and organisational learning (OL) are all focused to provide advice for MNCs to help internationalise successfully. However, there is little advice to the MNCs' local partners and this allow us to argue that the current understanding of the how knowledge is transferred within IJVs is incomplete. **Secondly**, because researchers had provided answers to "what" need to be done to improve the success of knowledge transfer but not "how" to do it. For this reason, it can be argued that the lack of confidence in terms of generating desirable outcomes, among previously reviewed literature, can be related to conducting studies asking "what" type of questions not "how".

The next chapter (3) will be dedicated to describe the research design adopted in this thesis to effectively answer the main research question: how is procedural knowledge transferred from the MNC to the distributor and how does the process impact the distributor's competitiveness? It is also important to reiterate at this stage that this thesis is following Van de Ven's (2007) approach to process (event-and-outcomes) which is considered instrumental to how the research is designed.

Chapter 3: Methodology and Research Design

3.1- Introduction:

Revisiting the research question after consulting the literature and the role of empirics:

At this stage, it is important to emphasise how consulting the relevant literature will help to answer the main research question and what the empirical findings will offer. **The main research question is as follows: how is procedural knowledge transferred from the MNC to the Saudi distributor, and how does it impact the latter's competitiveness?** Before consulting the literature, there were three pivotal points that drove the thesis: *first*, the two objectives suggested by the research question (the transfer process and its impact); *second*, the argument that understanding the process by which procedural knowledge is transferred to the distributor will enhance the understanding of how the distributor develops a competitive advantage; *third*, there is a focus on understanding the transfer process in three knowledge streams – sales, logistics and management accounting – because these streams constitute the most important business responsibilities of the Saudi distributor.

Consulting the literature reveals four angles through which the main research question is best answered: (1) the process and its contingency factors, (2) the transfer process's resemblance to Kim (1998) and/or Choo's process models, (3) the benefits reaped by the distributor and (4) whether the distributor will reap a competitive advantage as an outcome. Consulting the literature on IJVs revealed limited advice on how best to describe the process by which procedural knowledge is transferred to local partners. However, reviewing the literature on organisational knowledge and organisational learning yielded some relevant advice on the contingency factors highlighted in the literature that could impact the transfer process, such as trust between partners, control in IJVs and the role of firms' leadership in IJVs. This advice is complemented by the range of possible factors suggested by the two process models selected, those of Kim (1998) and Choo (1998). It is important to note that at this stage in the research, the main research question was recast as several sub-questions to be more easily answered:

1. What does the transfer process look like?
2. Which additional contingency factors, extracted from Kim and Choo's models, will influence the transfer process?
3. What are the benefits that could be reaped by the distributor as an outcome of the transfer process?
4. Is the concept of compliance strategies (Kostova, 1999; Kostova & Roth, 2002) relevant?
5. Given that no frame of reference in the literature, including Kim and Choo's models, guarantees a competitive advantage, how will the transfer process impact the distributor's competitiveness?

Therefore, the role of the empirical study is to reveal answers to the above sub-questions, which will ultimately enable this thesis to meet its two main objectives: (1) understand the transfer process in the three streams and (2) understand the impact of the transfer process on the distributor's competitiveness. What this chapter will focus upon is to explain the research design adopted to answer the initial research question and the sub-questions that emerged after consulting the relevant literature.

3.1.1- What is "a process"?

It is believed that a process may be **defined as** "sequence of events" (Miles & Huberman, 1994; Van de Ven & Poole, 1995; Sminia & Van Nistelrooij, 2006), which implies that an event is considered the constituting element of a process (Peterson, 1998). Van de Ven & Poole (1995, p.512) described "process" from the perspective of change as "*the progression (i.e., the order and sequence) of events in an organisational entity's existence over time.*" To capture the

distinctiveness of their view, change, entity and development must be defined from their perspective as well. The authors defined change as “one type of event, is an empirical observation of difference in form, quality, or state over time in an organisational entity. The entity may be an individual's job, a work group, an organisational strategy, a program, a product, or the overall organisation”(p.512). According to this view, development is a process of change, “a progression of change events that unfold during the duration of an entity's existence from the initiation of the entity to its termination” (p.512). Based on this concept, process as a theory may be described as an explanation for how and why an organisational entity changes and develops by revealing the patterns that cause events.

3.1.2- How can process “as a phenomenon” be studied?

Van de Ven (2007) believed that the adoption of research methods, questions and models should reflect the complexity of the problem investigated to increase the design's reliability and validity. The adequate methodology for studying organisational processes is believed to have the qualities that would enable the researcher to answer “how” questions (Van de Ven, 2007; Booth *et al.*, 2000; Creswell, 2009). Ideally, the research design activities must inform the type of research question and the empirical observation procedures and predict the data to be obtained. Whereas the theoretical models and research question are related by reasoning, the real-world data are related by physical interaction, which entails observation or experimentation (Van de Ven, 2007). Therefore, alternative predictions suggested by alternative models may be extracted, and empirical evidence based on these predictions may be obtained. This evidence would then be compared to determine which empirically based prediction offers a better/stronger explanation of the process under investigation.

What must be taken away is that for this thesis to achieve its objective (understanding the process by which procedural knowledge is transferred to distributors and impacts their competitiveness), the **event-and-outcome approach** to the process (Van de Ven, 2007) must be adopted. In this way, the patterns that theoretically constitute the process concerned will be compared with the data, thus improving the understanding of this process. According to Van de Ven (2007), this approach to studying the process requires using more than one process model to lead the investigation and collection of empirical evidence. The more than one process model is used to avoid twisting the data to fit a single model, an outcome advised against by Mitroff & Emshoff (1979). Therefore, in this thesis, two process models will be selected to study the process by which procedural knowledge is transferred from MNCs to Saudi distributors. These process models will be highlighted later in this study.

It is also important to highlight that studying the process from an event-and-outcome approach to answer “how” research questions have been identified as a gap in the knowledge by many authors in many areas of literature. Especially in the literature exploring the knowledge transferred between partners in an alliance, this gap was highlighted by researchers of organisational knowledge transfer (Michailova & Mustafa, 2012; Perrin *et al.*, 2007; Inkpen, 1997; Hamel, 1991), researchers of management accounting (Innes & Mitchell, 1990; Burns & Scapens, 2000; Scapens & Arnold, 1986) and researchers of logistics and supply chains (Giannakis,2008).

Another approach was suggested by Van de Ven's (2007) approach to research to enhance the capacity of the research and its design to produce outcomes that both contribute to the literature and aid practitioners. Van de Ven (2007) believes that research should be viewed as “**a problem-solving exercise**”. In essence, the findings of the research should provide advice that both bridges a gap in knowledge and enables practitioners to manage problems in practice. Because we are investigating three different knowledge streams (case studies), each knowledge stream has a different type of problem that must be resolved by this research. This heterogeneity will be extensively elaborated upon in the chapter describing the findings (section 4.1.2).

3.2- Research design:

The research question and the level of investigation aimed for in this thesis require a research design that will facilitate the meeting of the study's objectives. To best study a process (as a unit of analysis), Van de Ven's (2007) advice will be adopted. In addition, to best investigate this process in three different streams (sales, logistics and management accounting), several case studies must be conducted, following Yin's (2003) advice. This method will be elaborated upon based on the main components illustrated in (figure 10) below.

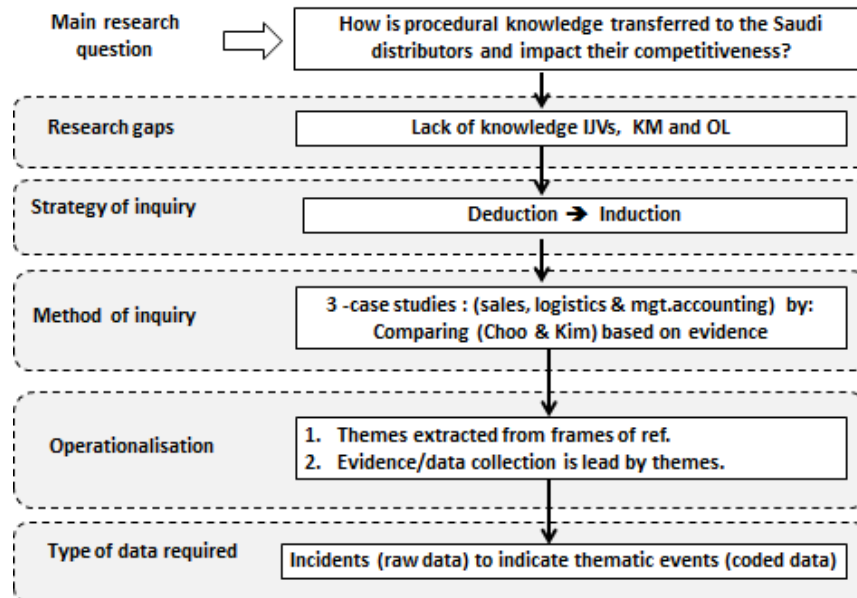


Fig-10: Thesis's research design map

It is important to highlight at this stage that the research design in this thesis is initially constructed as being **deductive**, an approach that allowed us to gather open-ended data. The open-endedness of the data provided additional knowledge, requiring us to follow an **inductive** strategy of inquiry. Ultimately, there are two sets of data: a set that was gathered deductively (in the beginning) and a subsequent one gathered inductively.

3.2.1- The research gap:

The purpose of this thesis is to explore the transfer process, mainly focusing on its impact on the knowledge acquirer firms' (distributors') competitiveness. In other words, this study aims to explore the Saudi distributors' side of the story as they partner with MNCs and receive procedural knowledge from them. The reason behind this objective is the lack of knowledge about this part of the "knowledge transfer process", as the majority, if not all, research on IJVs in strategic alliances is focused on the MNCs, offering advice on how to take advantage of this process to enhance their global competitiveness. This gap has been identified in the literature on strategic alliances (IJVs), strategic management, knowledge management (KM) and organisational learning (OL). In addition, part of the ambiguity stems from the nature of the advice provided; most maps (steps or frameworks) explored "what" actions must be taken to ensure a successful knowledge transfer. However, "how" these steps are executed remained unexplored, explaining researchers' lack of confidence in reaping desirable outcomes (i.e., Magnier-Watanabe & Senoo, 2009; Chuang, 2004; Nonaka *et al.*, 2000). Revealing the process by which procedural knowledge is transferred will complement the body of literature focused on the MNC's part of the transfer process, offering a much more holistic view. This contribution will also empower organisations (Saudi distributors) to take advantage of the flow of procedural knowledge through their alliance with MNCs to acquire knowledge and enhance their competitiveness.

3.2.2- Strategy of inquiry:

Given that the unit of analysis is “a process”, Van de Ven (2007) believed that a **deductive strategy** of inquiry is suitable. Following an event-and-outcome approach to study the process, two process models are selected from the relevant literature to explain the process under study. In other words, evidence will be collected to determine which process model better explains the process under study. Because we are most concerned about the transfer of procedural knowledge, two process models were selected for this comparison. As discussed in the literature review chapter, the two process models selected are Choo’s (1998) process model of knowledge management (KM) and Kim’s (1998) organisational learning model for catching-up organisations (OL). The main reason behind selecting these two areas of literature is because both KM and OL are recognized sources of competitive advantage, which will facilitate studying the impact of the transfer process on the distributor’s competitiveness. Our empirical approach will enable us to judge which process model explains the transfer process better, which in turn will enhance our understanding of the process under study. Van de Ven (2007) believed that using more than one model to study a process helps to avoid twisting evidence to fit a single process model, an approach discouraged by Mitroff & Emshoff’s (1979).

However, it is important to highlight that the **deductive** strategy of inquiry depends on what the theory offers to answer this thesis’s main question. As established in the literature review, the two process models adopted may help to understand the process by which procedural knowledge is transferred; however, they do not offer advice on the impact of this process on the receiving partner’s (Saudi distributor’s) competitiveness. Because deduction allows us to gather open-ended data, the strategy of inquiry must be changed to move this investigation forward. Therefore, **induction** was adopted to use the open-endedness of the data to understand the impact of this process on the distributor’s competitive advantage. This change in the strategy of inquiry allowed us to extend the findings to reveal valuable patterns underlying this process, especially given the use of three different case studies (sales, logistics and management accounting). In other words, the deductive strategy of inquiry will lead the investigation as far as the theory allows. Then, the strategy is changed to induction to deepen the investigation and extend the findings further to meet this thesis’s objectives.

3.2.3- Method of inquiry:

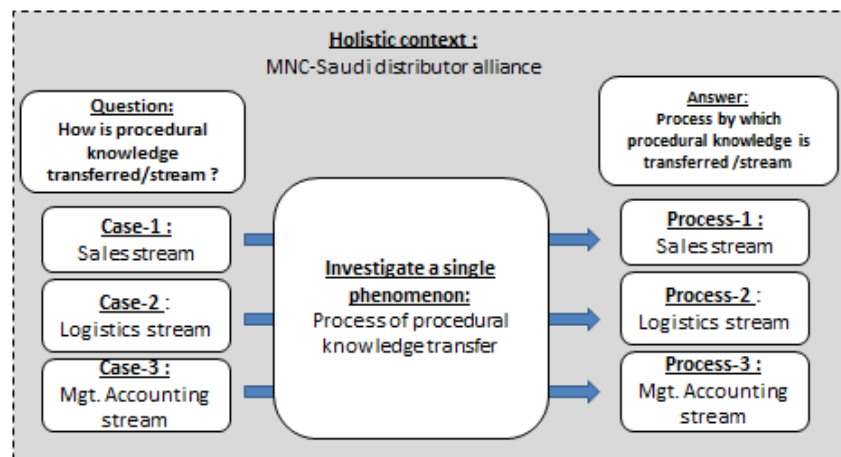


Fig-11 : Investigate the transfer process (the phenomenon) by conducting three case studies for each knowledge stream

The focus of this thesis is the phenomenon of the transfer process between two distinct entities (MNC-distributors) in order to gain insight into the manner in which it is actually realised. Since the thesis aims to study this phenomenon (the transfer process) in three

different streams of knowledge (sales, logistics and management accounting), a different case study will be conducted to investigate the transfer process in each stream (see figure 11 above). Adopting an event-and-outcome approach to study a process (Van de Ven,2007), two process models – Kim (1998) and Choo (1998)- will be used to deductively understand how procedural knowledge is transferred to the Saudi distributor. According to both Van de Ven (2007) and Yin (2003), this approach requires a qualitative strategy of inquiry. In order to facilitate achieving the objectives of this thesis, it is deemed appropriate to target candidates (informants) who will specifically describe the transfer process, each in his/her own field. Therefore, each candidate was selected to describe the transfer process in one of the three knowledge streams (sales, logistics or management accounting).

In this sense, three case studies were conducted to investigate each knowledge stream. The research strategy is deemed appropriate due to two reasons; firstly, the structure of MNC-distributor relationships is heterogeneous, across the three knowledge streams, thereby, offering good scope for comparative analysis. For example, the researcher interviewed candidates who experienced the transfer process in more than one knowledge streams. In this scenario the candidate's account of each stream can be easily separated and accounted for in the appropriate stream (case).

Secondly, the relationship between MNC and Saudi distributor were not always symmetrical (one-to-one). The majority of MNC and distributor relationships were asymmetrical (one MNC-many distributors; one distributor-many MNCs). For this reason, it was not deemed an appropriate strategy to treat each interview as "a case" in itself. In part, this decision was also based upon pragmatic considerations. For example, gaining access to individuals' counterparts (in MNC or distributor) proved highly problematic. Therefore, the decision was taken to group the data collection strategy according to each stream because this appropriately offered particular benefits to the research.

3.2.4- Operationalization and evidence required:

It must be highlighted that the identification and collection of empirics are initially theoretically guided by Kim and Choo's process models. This stage represents the deductive strategy of inquiry in this thesis, where the incidents sought are based on a set of **themes** informed by these two models. In this thesis, an **incident** is the raw (not coded) data. Once these incidents are identified and coded under a certain theme, they are then considered **events**. Based on this description, a **thematic event** is a theory-based theme that enables the identification of incidents and their coding to create events. Because deduction allows us to collect rich and open-ended data, the research then progresses inductively to identify and code emergent events, which in turn enable the introduction of emergent themes.

a) What is meant by events and incidents?

An event is considered central to the construction and understanding of a process (Peterson, 1998); however, both historians and social scientists accounted for an event differently (Pettigrew, 1997). Whereas historians are considered to be mere storytellers and more concerned about the chronology of events, social scientists transcend this notion by conveying events and attempting to describe, conceptualise, model, analyse, measure and explain these events. Pettigrew (1997) also referred to social scientists as "processual analysts" who aim to produce and convey a case study rather than a case history. The purpose of a case study goes beyond the objectives of a case history, as it allows for the identification of the case's patterns and mechanisms to support deductive comparison and investigation. Many authors thus believed that the sequence or order of recorded events at a certain moment in time is what reflects the uniqueness of a particular organisational process in a particular context (Miles & Huberman, 1994; Van de Ven & Poole, 1995; Sminia & Van Nistelrooij, 2006). However, data must be arranged in a way that enables testing and investigating any process. Van de Ven &

Poole (1990) believed that all types of raw data (qualitative or quantitative) must be in a data file, which enables the analysis of temporal event sequences for understanding the development of a certain process. The authors defined a qualitative data file as “*a file where qualitative incidents are reported in a way that facilitates the identification of construct(s) they address*” (Van de Ven & Poole, 1990, p.319).

Van de Ven & Poole (1990) also believed that understanding a process, especially its transformation, is not complete unless an understanding of the relationship and distinction between events and incidents is achieved. As part of their research in developing process theories of innovation and change, they defined **incidents** as the direct empirical observations (raw data) and **events** as the conceptual constructs in a theoretical model that explains the pattern of incidents (theoretical constructs). Therefore, to describe a particular event, one must choose a set of incidents (as indicators) to prove that this event occurred, or, in other words, “*Incidents are generally represented based on subjective set of rules designed by researchers which displays each incident as unique datum in a unique record*” (Van de Ven & Poole, 1990, p.319). In fact, it is believed that a good process model is one that not only identifies the constituting events but also “*strings them tighter in a particular temporal order and sequence to explain how and why innovations unfold over time*” (Van de Ven & Poole, 1990, p.319).

In the context of this thesis, the data collection is guided by the two process models selected earlier: Choo’s (1998) sense-making model of knowledge management and Kim’s (1998) learning model for catching-up organisations. In other words, thematic events extracted from these models are identified, and empirical evidence will be collected to explain which of them best explains the process concerned (the process by which procedural knowledge is transferred from MNCs to Saudi distributors). This approach is more likely to uncover the patterns of the process under study (Van de Ven, 2007).

b) The summary of themes informed by the literature and initial codes:

It is important to highlight that although the thematic events are mainly informed by the two selected process models by Choo (1998) and Kim (1998), the researcher suggests the use of the incidents indicating the occurrence of these thematic events as a guide. The researcher informs this suggestion with his subject expertise, having worked for Saudi distribution firms for nine years and played an active role in transferring logistical procedural knowledge to distributors. The suggested incidents provide guidelines for improving the efficiency of identifying the occurrence of events during this analysis. This preparatory exercise was performed to identify the thematic events and possible corresponding incidents from both process models (Choo and Kim). The following tables summarise these thematic events and possible incidents that will be used as maps to assess the resemblance of the process described by the interviewed candidates.

Choo’s (1998) KM model displays three sub-processes of organisations’ information management process (see figure 6 previously): the knowledge creation process (Nonaka & Takeuchi, 1995), the sense-making process (Weick, 1995) and the decision-making process (Simon, 1957). To deductively investigate the occurrence of these processes, a set of themes was extracted, which will guide our evidence (data) gathering. For example, Choo (1998) believed that organisations make sense of events in relation to the environment through four interlocked sub-sub-processes: ecological change, enactment, selection and retention (Weick, 1995). Therefore, the themes that reflect the sense-making process will cover these sub-processes. The following (table 12) summarises the thematic events extracted from Choo’s model and the possible incidents to be used as guidelines during the analysis stage.

Element	Thematic events	Possible incidents (guide lines)
i) Knowledge creation themes:	<ul style="list-style-type: none"> • Availability of knowledge creation conditions (intention, autonomy, creative chaos, redundancy, requisite variety in addition to love, care, trust and commitment) 	<ul style="list-style-type: none"> - Firm's organizational strategy enabling the achievement of aspired goals. - Firm promotes taking initiative among employees. - Firm allow units to operate in 'cross functional self-organized teams' to achieve objectives. - Firm's performance fluctuates due to organization's interaction with external environment. - Firm promote employees' rotation practices and team competition to improve operating procedures. - Firm pay attention to the distinctiveness of environment of operation. - Firm provide organizational members with the fastest access to the broadest variety of information.
	<ul style="list-style-type: none"> • Nature of knowledge conversion (transformation) process 	<ul style="list-style-type: none"> - Employees' exchange between MNC and distributor to work on projects for mutual benefit. - Managers brainstorm with teams to standardize operating procedures. - Managers revise and update existing SOPs to meet/accede operational expectations. - Managers disseminate new knowledge/requirements from MNCs. (emails, SOPs, plans, minutes of meetings...etc)
	<ul style="list-style-type: none"> • Availability of knowledge creation vision 	<ul style="list-style-type: none"> - Top management highlights creating knowledge in organizational vision. - Top management Link departmental vision to firm's knowledge creation vision.
	<ul style="list-style-type: none"> • Ability to assess knowledge assets 	<ul style="list-style-type: none"> - Top management evaluates existing knowledge assets (tangible and intangible). - Top management use knowledge assets criteria of measurement that is aligned with MNCs' standards. - Top management report retaining/discarding inadequate knowledge assets. - Top management takes corrective actions to improve organizational assets.
	<ul style="list-style-type: none"> • Ability to build and energize 'ba' 	<ul style="list-style-type: none"> - Top management arrange for social activities to bring managers from distributors and MNCs together. - Top management arranges for brain storming meetings to exchange business development ideas. - Both MNCs and distributors align each other on future aspirations and obstacles. - MNCs emphasize on including managers from distributors' side when creating new knowledge has been created. - Decision makers from both MNCs and distributors promote cross functional/boarder special assignment teams to work on problems.
	<ul style="list-style-type: none"> • Nature of top management's role (Distributor's) 	<ul style="list-style-type: none"> - Top management hires knowledge creation activists (preferably Ex-MNCs employees) to disseminate MNCs requirements to their employees. - Top management constantly request training from MNCs to their employees. - Top management invests in process reengineering/alignment to cope with MNCs requirements.
	<ul style="list-style-type: none"> • Nature of middle managers' role (Distributor's) 	<ul style="list-style-type: none"> - Mid-managers autonomously operate with their internal and external peers to achieve goals. - Mid-managers align their operational KPIs with their counter parts to measure/report results consistently. - Mid-managers display their struggle to meet MNCs requirements on the expense of their employers. - Mid-managers disseminate top managements vision in to actionable, measureable and achievable departmental plans. - Mid-managers request allocations of resources and capital to enable them achieve targets.

(Continue table)

i) Sense-making themes:	<ul style="list-style-type: none"> • The management's ability to isolate organizational changes for examination 	<ul style="list-style-type: none"> - Management demands non-conformance reports to learn about discrepancies in events. These reports contain causes and corrective actions. - Form teams to work on resolving issues and coming up with actions to restore stability.
	<ul style="list-style-type: none"> • The management's ability to respond to change by enactment with the environment which they are obligated to adapt to 	<ul style="list-style-type: none"> - Managers resort to network of peers and colleagues from within and outside the boundaries of their organizations looking for current best approaches. - Managers meet with decision makers in state to understand how much do their organizations have to change to meet regulations/expectations.
	<ul style="list-style-type: none"> • The nature of managements' enactment; destroying existing objective constructs/features of surroundings and create new constraints 	<ul style="list-style-type: none"> - Managers identify organizational areas of improvement and rearrange priorities which could lead to abolishing existing or future business plans and creating new ones with new set of targets.
	<ul style="list-style-type: none"> • The managements' selection of sensible and retrospective 'causal maps' to guide interpretation of future changes 	<ul style="list-style-type: none"> - Managers reflect on past causal maps and interpretive schemes which lead their organization to present events. - Managers amend departmental and firms operational and business KPIs to enable focusing on/interpreting the newly appointed goals.
	<ul style="list-style-type: none"> • The management's ability to retain reasonable causal maps for interpretation of future events. 	<ul style="list-style-type: none"> - Managers assess firm's capability of achieving new targets based on existing retainable resources. Also, identifying strategic resources and efforts which need to be allocated/developed to enable growth. - Managers introduce new KPIs to reflect firm's progress in terms of coping up with current and future change.
iii) Decision making themes:	<ul style="list-style-type: none"> • The level of control of organization on individuals' decision premises (rationality) 	<ul style="list-style-type: none"> - Top management dictates that good decisions are the ones which only save or generate cash. - Top management promote achieving targets at any cost regardless of the means.
	<ul style="list-style-type: none"> • The individuals' simplification rules, routines or programs to overcome uncertainty/complexity of events/actions 	<ul style="list-style-type: none"> - Employees aim to meet departmental targets regardless of possible conflict of interest among other inter-related departments. - Distribution costs are difficult to obtain, sales teams aim to invoice more than to actually sell.

Table-11: The guiding thematic-events extracted from Choo's (1998) model.

Similarly, Kim's (1998) model displays three major concepts: the knowledge creation spiral, based on the work of Nonaka & Takeuchi (1995), firms' absorptive capacity, based on the work of Cohen & Levinthal (1990), and crisis construction, based on the work of Nonaka (1998), Pitt (1990), Schön (1967) and Weick (1988). The thematic events of knowledge creation displayed in Choo's (1998) model must be extended to examine the inputs and outputs of this element. The following (table 12 below) summarises the thematic events extracted from Kim's model and the possible incidents to be used as guidelines during the analysis stage.

Element	Thematic events	Possible incidents (guide lines)
i) Knowledge creation themes:	<ul style="list-style-type: none"> The impact of firm's learning orientation on knowledge creation (duplicative imitation, creative imitation or Innovation) 	<ul style="list-style-type: none"> Distributor copy SOPs and best practices from MNCs. Distributors build on MNCs' SOPs to develop their own. Distributors develop their own SOPs from scratch.
	<ul style="list-style-type: none"> The impact of socio-cultural and organizational factors of knowledge creation 	<ul style="list-style-type: none"> The social norms govern the way distributors conduct business and suggest areas of improvement in possessed resources. The level of professionalism of distributors' members is highly influenced by members' social and cultural backgrounds. Members' educational and training backgrounds impact their interpretation of required resources to avoid risks and gain competitiveness.
	<ul style="list-style-type: none"> The impact of firm's absorptive capacity on knowledge creation (Prior-knowledge-base & intensity-of-Effort). 	<ul style="list-style-type: none"> Top management (distributors & MNCs) is aware of existing (P.K.B.) of distributors which suggests knowledge and resources to be developed or transferred. Distributors' top management Proposed intensity of effort by influences MNCs' decision on what knowledge to be developed/transferred. Distributors' demonstration of high absorptive capacity makes MNCs less instructive and more cooperative in developing/transferring knowledge.
ii) Absorptive capacity themes:	<ul style="list-style-type: none"> Existing firm's knowledge base impacted by migratory knowledge base 	<ul style="list-style-type: none"> Distributors' top managements retain or abolish existing SOPs and practices when compared by <i>transferred</i> ones from MNCs.
	<ul style="list-style-type: none"> Distributors' knowledge based impacted by created knowledge 	<ul style="list-style-type: none"> Distributors' top managements retain or abolish SOPs and practices when compared with <i>created</i> ones.
	<ul style="list-style-type: none"> The level and nature of 'intensity-of-effort' deployed 	<ul style="list-style-type: none"> Distributors' investment (capital, time & resources) reflects their IOE that demonstrates the adequacy of their absorptive capacity and their readiness of create knowledge.
	<ul style="list-style-type: none"> The dynamic relation between IOE and prior knowledge base 	<ul style="list-style-type: none"> Distributors' demonstration of adequate knowledge-base and IOE reflects their ability to be more innovative than duplicative.
iii) Crisis construction themes:	<ul style="list-style-type: none"> The type and nature of organizational crisis in the organization 	<ul style="list-style-type: none"> Crisis occur as distributors' struggle to meet MNCs' expectations (service level agreements)
	<ul style="list-style-type: none"> The impact of internally constructed crisis on firm's IOE 	<ul style="list-style-type: none"> Distributors' top management proactively force/empower middle managers to raise the quality and efficiency of their performance. Distributor's top management report successful trials of internally created crisis to MNCs demonstrating their IOE. Developed IOE allows distributors to expand the business.
	<ul style="list-style-type: none"> The influence of socio-cultural factors on the construction of crisis 	<ul style="list-style-type: none"> The more distributors' managers are socially attached to their peers from MNCs, the more inclined they are to provoke internal crisis to improve IOE and performance eventually.

Table-12: the guiding thematic-events extracted from Kim's (1998) process model

It is important to highlight that the incidents listed to indicate each thematic event act as guidelines and will not limit the identification of any new incidents that might flag existing thematic events. In addition, it is expected that more codes will emerge from the data during the analysis and interpretation stage in the research. The initial codes are summarised in the following table (table 13 below).

No.	Main node	Description	Sub-nodes
1	Preparing for PK&L transfer	Gathering evidence about: what are the required conditions for transfer?, what are the steps taken by both organizations (MNC & distributor)?, who drives this stage and which members are in charge? Evidence is segregated per organization in sub-nodes.	1- Done by MNC 2- Done by Distributor
2	PK&L creation	Gather evidence about the actual steps (process) by which required procedural knowledge & learning is created based on Nonaka & Takeuchi's (1995) SECI model.	None
3	PK&L conversion & exchange	Gather evidence demonstrating the conversion of procedural knowledge from Tacit to Explicit according to Nonaka & Takeuchi's (1995) SECI model. That is to explain how that happens between MNCs and distributors? Evidence for conversion conditions is segregated in a sub node.	1- Knowledge Conversion Conditions
4	Decision on the value of PK&L	Gather evidence that describes: what constitute valuable PK&L?, what are the decision making mechanisms involved?, who are the members involved from both organizations (MNC & distributor).	None
5	The capacity to create knowledge	Gather evidence to understand: the distributor's capacity to create knowledge and to learn. Evidence is segregated in sub nodes.	1- Distributor's capacity to create knowledge 2- Distributor's capacity to learn.
6	Measuring the capacity to learn	Gather evidence about the distributor's ability to measure the progress and accumulation of the lessons learnt.	None
7	Crisis construction	Gather evidence to describe: which type of crisis is involved in the process of learning (proactive/external), which organization evokes it? And how stability is maintained to recover from created crisis?	None
8	Response to change in business practices	Gather evidence to understand: how distributors respond to new procedural knowledge transferred from MNCs. Also, to understand the type and level of resistance against change in business practices.	None
9	Competitive Advantage development	Gather evidence to understand the distributor's sources of competitive advantage and measurement of competitive advantage. Evidence is segregated in sub nodes.	1- Sources of competitive advantage 2- Measurement of competitive advantage
10	Distinctiveness of Market	Gather information that demonstrates the distinctiveness of the Saudi market and its impact on the process of procedural knowledge is transferred and made sense of.	None
11	Vehicles of transfer	Gather information to understand the vehicles used to facilitate procedural knowledge transfer between MNCs and their distributors.	None
12	Process of PK&L transfer	Gather evidence to describe the steps and stages of the process by which procedural knowledge is transferred in the predefined knowledge streams. Evidence is segregated in sub nodes.	1- Finance/Accounting process 2- Logistics/SC process 3- Sales/Marketing process
13	Role of Trust & Transparency	Gather evidence on the impact of trust and transparency (between MNCs and distributors) on the process by which procedural knowledge is transferred between them.	None
14	Choo's (1998) model	Gather evidence which highlights the relevance of Choo's (1998) sense-making model of KM. Evidence is segregated sub-nodes representing separate elements in Choo's model.	1- Knowledge creation: Nonaka's SECI model (with external input) 2- Decision making Rationale (Simon's) 3- Sense making Rationale (Weick's).
15	Kim's (1998) model	Gather evidence which highlights the relevance of Kim's (1998) learning model for catching up organizations. Evidence is segregated in sub-nodes representing separate elements in Kim's (1998) model.	1- Migratory knowledge. 2- Crisis creation (internal/external) 3- Absorptive capacity 4- Learning orientation 5- Socio-cultural factors 6- Nonaka's SECI model (internal input).

Table-13: Initially created nodes (codes) in Nvivo-9

3.3- Data collection method:

Because this thesis involves conducting three different case studies (sales, logistics and management accounting), an adequate method must be adopted. According to Yin (2003), interviews are “one of the most important sources of case study information” (p.89). Yin believed that interviews are targeted and insightful. In other words, these interviews will enable the researcher to (1) focus directly on the topic of the case study and (2) reveal the perceived causal inferences. In addition, it is believed that “process” is best studied from an event-and-outcome perspective, which may be achieved when the process is described in narrative form (Van de Ven, 2007). Many researchers consider narration to be one of the fundamental ways in which interviewees may explain their view of the concerned phenomenon in practice (Morehouse, 2012; Gibbs, 2011; Flick, 2007a;b; Kvale, 2007). Therefore, using interviewing as a method of collecting case study information is believed to be suitable and helpful for this thesis’s purposes.

Accordingly, candidates were interviewed to understand the transfer process by allowing them to describe it as a story. However, to ensure that the candidates remained focused, a list of guiding questions were drafted, and a hard copy of the list was used by the researcher as a secondary method of recording, with the main method being audio recording (see **attachment 1** in the appendix). The guiding list of questions is only used to guide the interview in a structured way and to ensure that both the researcher and candidate remain focused on these points of interest. During one interview, the hard copy of the guiding questions acted as a backup when the audio recording malfunctioned. Eventually, all forms of data were organised and stored in accordance with the Data Protection Act (1998).

3.4- Data collection stage:

The data collection phase will be elaborated upon in two sub-sections covering the preparation and execution to ensure the coverage of the basic components of each sub-stage.

3.4.1- *The preparation for field work:*

i) Ethical and data storage standards:

An ethical form was submitted to the management school’s research office, which confirms the study’s commitment to meeting both the prescribed ethical standards and the Data Protection Standards (1998). This procedure was followed and expected because this thesis involves interviewing candidates from Saudi distribution firms, all of which are family-owned businesses and are generally sensitive about sharing information unless secrecy is promised.

ii) Designing the semi-structured interview:

It is important to note that the interview’s style and structure were influenced by the following: **(1) the researcher’s professional background and expertise** and **(2) the theory informing the deductive part of the study**. The researcher worked for four different Saudi distribution firms over nine years before embarking on this project. In all positions, he operated as the logistics and supply chain operations manager and had as his main objective the optimisation of these operations to satisfy the client MNCs. To achieve this, he was heavily involved in procedural knowledge transfer initiatives with the objective to streamline logistical operations between the two partners. Due to the nature of logistics operations, the exposure to sales and accounting operations was part of the researcher’s field of knowledge and expertise.

Ideally, the questions driving the interview are based on the initial thematic events and codes adopted from the reviewed literature. However, due to the researcher’s intimate knowledge of how Saudi distributors operate, the difficulties they face when partnering with MNCs and

the role that each organisational member plays in the knowledge transfer process, the structure of the interview was divided into **five stages** to help candidates first to organise their thoughts and then to describe their accounts of the transfer process in a structured manner.

Stage one aimed to enable the candidate to provide a general description of how procedural knowledge is transferred to the Saudi distributor in a step-by-step manner. For example, the candidate was asked to attempt to describe the transfer process in general steps. In *stage two*, the candidate was asked to elaborate on these steps one-by-one, explaining how they actually occurred. In this way, the candidate was focused on elaborating on his/her interpretation of the transfer process without any interference from the researcher. It is important to note that this **approach to interviewing candidates is not derived from theory**. This approach stemmed from the researcher's intimate knowledge of the MNC-distributor business relationship in Saudi Arabia. This knowledge suggested that this approach assisted candidates to structure their answers so as to facilitate future research stages (i.e., analysis and reporting findings). This approach is believed to be effective due to the organisational level that selected candidates belonged to within the MNC or the distribution firm. The candidates in top management positions are more likely to have participated in this process with more than one partner many times during their careers. Therefore, the candidates' accounts of the process are expected to be chronologically disorganised and contain many variations. As a result, candidates will initially be more inclined to be superficial in their descriptions of the transfer process (in the first stage). As each candidate articulated the process superficially, the researcher simultaneously recorded (wrote) the main stages described in the questioning guide to follow the candidate's account of the process in stage two. In stage two, the candidate was asked to elaborate on each part of the process and who was involved. In this way, the candidate remains focused on his account of the process, even when he decides to elaborate on variations in the process, and these variations may be accommodated without losing track of the candidate's thoughts. This approach allowed the candidate the freedom to provide examples, explanations and justifications without the risk of losing focus because the researcher could always bring the candidate back to resume from a point where he/she diverged. This approach to the interview is believed to be effective especially when interviewing candidates from a distribution firm serving more than one MNC because each MNC has its own way of transferring procedural knowledge and a single distributor is expected to react differently to transfer processes. In addition, this approach was found to be effective with candidates who played an active role in transferring different streams of procedural knowledge to the distributor. For example, a candidate worked first as a CFO and then as a sales director of a distribution firm and was found to be capable of describing how sales and accounting procedural knowledge is transferred. In this case, the candidate's answers must be categorised under both streams without conflating them. Ideally, this approach appeared to help candidates elaborate freely without losing track, knowing that the researcher would bring them back to the main topic.

In the *third stage*, each candidate was asked specifically about the role and impact of the influencing factors, which are sourced from the initial thematic events identified earlier. It is possible that the role of some of these factors was spontaneously identified by the candidate in the first and second stages of the interview. The *fourth stage* was dedicated to understanding the candidate's view on the impact of transferred procedural knowledge to the distributor's competitiveness and whether there were other important contributors that needed to be considered. It is deemed important to record such views, especially in light of the new changes in the WTO regulation governing the Saudi market. The latest changes in WTO regulations governing the Saudi market allow MNCs to operate without the obligation to partner with a Saudi firm. In this way, only highly competitive distributors will manage to sustain and expand their business. Learning about the other contributors in addition to transferred procedural knowledge will provide us with open-ended data that facilitate further

inductive inquiry. Consequently, emergent contingency factors that influence the transfer process and impact the distributor's competitiveness may be identified.

Finally, the *fifth stage* did not involve the candidate and was basically an exercise to enable the researcher to record the reflective notes and observations associated with each interview. This exercise was structured based on Gibbs's (2011) advice.

Following the broad structure explained (the four stages), the guiding questions had four sets of questions: (Q1) (representing stages one and two) focused on describing the process by which procedural knowledge is transferred to the distributor, (Q2 to 13) (representing stage three) focused on the role and impact of the initial thematic events, (Q14 and 15) (representing stage four) focused on the impact of the transfer process (described earlier) on the distributor's competitiveness in light of the new WTO changes governing the Saudi market. All prescribed questions in these sections were open-ended in nature to ensure that candidates' answers were not influenced. Extra attention was paid to the terminology used to avoid confusing the candidates or "putting words in their mouths" while maintaining open-endedness. For this reason, the language used in the questions was fairly generic and neutral. Once the interview was completed and the researcher left the interview locations, the post-interview notes were recorded. Based on Gibbs's (2011) advice, these notes include the following: (1) observational notes, (2) methodological notes, (3) theoretical notes and (4) personal notes. The post-interview section ideally enabled the researcher (the data collector) to track the efficiency of the methods and theoretical frames of reference used. In addition, this section enabled the researcher to record his personal thoughts.

iii) Identifying the sample (organisations and informants)

The practical contribution of this thesis is to provide advice for Saudi distributors and enable them to take advantage of their partnership with their multinational partners, which is based on the argument suggested in this thesis that Saudi distributors will be able to enhance their competitiveness once they leverage the process by which valuable procedural knowledge is transferred to them. This enhancement of their competitiveness will be accomplished by conducting three different case studies that correspond to the three knowledge streams investigated (sales, logistics and management accounting). **To understand the process and its impact from the distributors' side**, the majority of informants to be interviewed should belong to distribution firms. However, the MNCs' feedback cannot be ignored.

Accordingly, the **sample of informants was roughly split into two groups: 70% from the distributor's side and 30% from the MNC's side**. The initial target was for candidates to be distributed equally between all three streams (10 informants per stream). However, this distribution was difficult to achieve because meetings and appointments with potential informants were arranged two months in advance. In total, 30 informants were initially committed and distributed roughly between distributors and MNCs, as per the initial split. At the time of the interviews, a large number of schedule changes, cancellations and replacements made maintaining the 70-30% breakdown challenging. In addition, the researcher decided to reduce the number of interviews exploring the accounting stream due to observed repetition (or theoretical saturation) in the information received from informants belonging to the accounting stream (CFOs). Therefore, it was decided to compensate for these interviews by increasing the number of interviews allocated to the logistics and sales knowledge streams.

Because this thesis is not industry-specific, informants participating in the three case studies came from the distributors and MNCs of **fast-moving consumer goods (FMCG), pharmaceuticals, medical and life-saving equipment, automotive goods**. It is important to highlight that categorising candidates by their industry affiliation might not provide much help because most informants managed multiple industries simultaneously and could describe the

procedural knowledge in each industry separately. For example, one candidate (Fin.Dist-6) is a CFO of a distribution firm and currently manages operations in FMCG, pharmaceuticals and medical equipment. Therefore, his account of how procedural knowledge is transferred spanned several industries. For this reason, it is deemed more helpful to provide a breakdown of candidates per knowledge stream instead (see **table 14** below).

It is also essential to highlight an **important distinction with regards to the industries involved** in the research. In the Saudi market all distribution firms regardless of the product or services they provide are family owned businesses. However, the main deference between them is how regulated each individual industry is. Therefore, the strictness of how the Saudi distributor runs its business stems from the strictness of the industrial regulations governing the standards in that particular industry. For example, at the extreme strict end are the pharmaceuticals and medical and life saving industry as each aspect of the value chain in these industries is prescribed by an extensive and strict procedures and codes of conduct. In such industries both MNCs, distributors and any other intermediaries are expected to be in full compliance to these standards which are mainly the international standards and local agencies (i.e. Saudi FDA). The fast moving consumer good (FMCG) industry is considered moderately regulated which allows both partners to be creative to manage their businesses. In the far lenient extreme is the automotive industry where the distributor is an over developed dealership for the MNC. while the MNC run its manufacturing business completely outside the Saudi market, the distributor becomes in charge of the distribution and sales side of the value chain which highly context dependent and requires heavy access to social capital.

The wide range of industries involved could be viewed as a limitation, as the findings could be criticised for being superficial. On the contrary, it could be argued that the industry is less important given that all Saudi distribution firms are family-owned businesses. In this sense, the industry could vary, but the knowledge-acquiring organisation (the Saudi distributor) in all industries conducts business similarly. In addition, Saudi distributors are usually diverse in their alliances with MNCs. It is common to find a Saudi distributor that, under one roof, serves MNCs from the food, cosmetics and pharmaceuticals industries. Interviewing candidates from well-diversified distribution firms allows an understanding of how they respond to or comply with many multinational requirements simultaneously. This unique market setting could perhaps reflect the uniqueness of Saudi Arabia's distribution industry.

iv) Obtaining access to organisations

Due to the researcher's past industrial background in the Saudi market, accessing organisations was not challenging. Gatekeepers of Saudi distribution firms as well as MNCs operating in Saudi Arabia were contacted via email and telephone. As part of the **first** communication with the gatekeepers, two letters were submitted to obtain informed consent. First, a letter prepared by the researcher explained the objectives of the research, the type and position of candidates requested for participation and the method of data collection (audio-recorded interviews). Because the thesis investigates three different streams of knowledge (logistics, sales and accounting), targeted candidates were required to belong to one of the three categories (see **attachment 2** in the appendix). **Second**, an introductory document (letterhead) was prepared by the researcher's supervisor, officially requesting organisations to help the researcher to obtain the required data. This document specifically assured participating organisations that the candidates' names and the organisations to which they belonged would be completely concealed. Furthermore, the findings of this research would only be used for academic purposes (see **attachment 3** in the appendix).

v) The pilot study:

In December 2011, the researcher travelled to Saudi Arabia and conducted three interviews as part of the pilot study. In this study, several aspects of the research were assessed: (1) the

adequacy of the pre-designed guiding questions and the adopted interview style, (2) whether the methodology and methods of collecting data would generate relevant data for answering the research question and (3) the possibility of interviewing the targeted candidates within the planned time limit

3.4.2- *The execution of the data collection stage:*

i) Lessons learnt from the pilot study

The pilot study yielded a few lessons. Generally, the designed guiding questions, the interview style and the methodology all appeared to be suitable and will enable the researcher to gather relevant data and meet this thesis’s objective. However, there were few practical aspects that needed to be accommodated when conducting the bulk of the interviews. *First*, none of three candidates read the introductory letter provided prior to the interview. They preferred to be briefed just before the interview. This preference was noted, and giving an introduction to the candidates is expected going forward. *Second*, one of the candidates agreed to be interviewed as long as the researcher informally committed to giving a presentation of the findings once the project was concluded. This conditional access to the data was accepted and accommodated when requested in the future. *Third*, candidates’ preferences varied in terms of the language in which the interview was conducted. Whereas some were capable of communicating in English, others preferred to be interviewed in Arabic. It was noted that obtaining information as a “story” required candidates to be relaxed and at ease. Therefore, candidates were asked to feel free to express their views in English, Arabic or even a mix of both. This approach did not create any issues because the researcher is fluent in both languages and performed translation when necessary.

ii) Completing the targeted interviews

In January 2012, the researcher returned to Saudi Arabia to conduct the remainder (bulk) of the interviews. In two months, the researcher was able to exceed the initial number of interviews, reaching 38 interviews. The following table shows the final breakdown of interviews by organisation (MNC/distributor) and by knowledge stream, representing the case studies conducted (logistics, sales and accounting). The average interview time was 45 minutes per interview, and all 38 interviews amounted to 33.39 hours of audio recording. The following (table 14) provides a breakdown of the sample size:

Knowledge stream (case)			Informants breakdown/organization		Actual Interviewed
Logistics	Accounting	Sales	MNC	Distributor	
15	7	16	11	27	38
39.5%	18.4%	42.1%	28.9%	71.1%	

Table-14: Sample size breakdown per knowledge stream per organization.

To protect the identities of the involved candidates and the organisations to which they belonged, their transcribed interviews and their quotes extracted from such scripts are denoted by different abbreviations. The following (table 15 below) will provide clarification:

Abbreviation	Stands for
Sls.Dist-X	Sales director of a Saudi distribution firm- number in the interviews sequence
Sls.MNC-X	Sales director of an MNC- number in the interviews sequence
Log.Dist-X	Logistics director of a Saudi distribution firm- number in the interviews sequence
Log.MNC-X	Logistics director of an MNC- number in the interviews sequence
Fin.Dist-X	CFO of a Saudi distribution firm- number in the interviews sequence
Fin.MNC-X	CFO of an MNC- number in the interviews sequence

Table-15: Candidates identification abbreviations

iii) Strengths and limitations of the collected data :

To demonstrate the internal validity and rigor of the data collection phase, the strengths and weaknesses of the phase and the data collected must be elaborated in the following points: *first*, will the strategy of inquiry enable the collection of the evidence required to answer the research question? As described earlier in this section, the strategy of inquiry adopted begins with deduction, using Kim (1998) and Choo's models as frames of reference knowing that the extent of the findings of this strategy will not exceed that offered by these two models. Therefore, changing the strategy to inductive inquiry will enable an extension of the investigation beyond the two models to fully meet the research objectives. *Second*, did the pilot study confirm the adequacy of the research design's ability to obtain the targeted data? The learning from the pilot study indicates that the strategy of inquiry and the interviewing style adopted is found to help to explore the transfer process and its impact on the distributor's competitiveness in all three streams. This benefit is enhanced by the fact that the researcher and the data collector are the same person, who is native to the research setting (Saudi Arabia) and has work experience in the field under study. In addition, these elements facilitated accessibility and maintained the ethical procedures agreed upon during the data collection phase. *Third*, did the guiding questions extracted from the adopted frames of reference limit the inductive inquiry? The guiding questions, which were based on the thematic events derived from Kim (1998) and Choo's (1998) models, were open-ended and used generic words to avoid influencing the candidates' responses. The same type of questioning was followed in the final part, which aims to explore the impact of the process on the distributor's competitiveness to account for the candidate's personal view inductively.

It may be argued that the weaknesses and limitations might not stem from the methodology but from the sample size in the research. More specifically, the wide range of industries involved in relation to the number of interviews obtained might be a source of critique, especially in the sales and logistics cases. However, in the accounting management case, it is believed that theoretical saturation was been achieved with seven interviews. In addition, the length of the interviews could be a source of critique, as the average length of the interviews was 45 minutes. However, the targeted split between organisations (70% from distributors and 30% from the MNCs) to serve the objective of the research is believed to have been achieved.

3.5- Data analysis and interpretation stage:

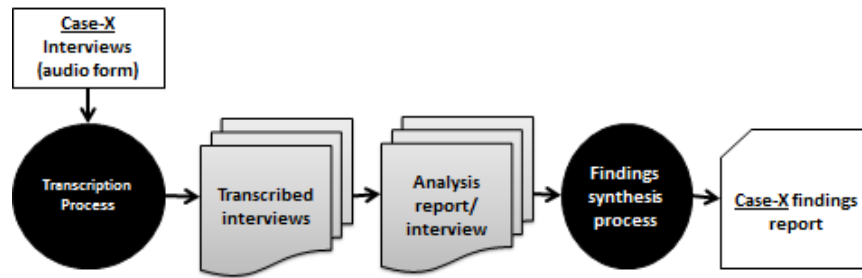


Fig-12: Illustration of followed strategy of analysis and interpretation in each case study (Sales, Logistics and Accounting).

3.5.1- *What are empirics supposed to do?*

As mentioned in the introduction section, the empirics are aimed to provide answers to the following sub-questions, which emerged after consulting the literature:

1. What does the process by which procedural knowledge is transferred look like?
2. Which additional contingency factors extracted from Kim and Choo's models will influence the transfer process?
3. What are the benefits that could be reaped by the distributor as an outcome of the transfer process?
4. Is the concept of compliance strategies (Kostova, 1999; Kostova & Roth, 2002) relevant?
5. How will the transfer process impact the distributor's competitiveness?

Providing answers to the above sub-question will enable the thesis to answer the main research question (How is procedural knowledge transferred to the Saudi distributor and impact its competitiveness?) from four angles: (1) the process and its contingency factors, (2) the transfer process's resemblance to Kim (1998) and/or Choo's (1998) process models, (3) the benefits reaped by the distributor and (4) whether the distributor will reap a competitive advantage as an outcome. Therefore, the thesis's objectives are achieved: (1) understanding the transfer process and its constituting patterns and (2) understanding its impact on the distributor's competitiveness.

3.5.2- *Setting up the data:*

The transcription process of the audio recorded interviews began when the researcher returned to the UK (March 2012). It took nearly two months to complete this task, and all transcriptions were eventually uploaded into Nvivo-9. It is important to highlight at this stage that all interviews were conducted in English, with the exception of three interviews, which were conducted in Arabic. To avoid any translation issues, the researcher collected the data, transcribed the interviews and translated the interviews conducted in Arabic to English before uploading them into Nvivo-9 to maintain the quality of the translation, analysis and interpretation. To facilitate the identification of any commonalities between candidates within the same stream, the scripts were categorised according to the knowledge stream (case) they represented (logistics, sales or accounting).

3.5.3- Coding (labelling) strategy:

It is important to reemphasise that the coding process was conducted as the strategy of inquiry changed from deduction to induction. The thesis began with an initial set of codes informed by theory and intended mainly to understand which process model (Kim or Choo) best explains the process by which procedural knowledge is transferred to the distributor. These initial codes are illustrated above in **(table 13)**. Because the literature reviewed (including the process models informing the initial themes) does not explain the impact of the transfer process on the distributor's competitiveness, the interviews obtained were deliberately conducted to contain open-ended data. To capture this additional knowledge, the strategy of inquiry changed to induction, allowing for the introduction of emergent codes. The emergent codes are intended to capture additional contingency factors that influence the transfer process, additional information about the traits and capabilities of both partners and the nature of the relationship between the partners. This additional knowledge will complement the knowledge obtained using the initial codes and allow for an extension of the findings to understand the patterns underlying the transfer process. Ideally, the **emergent codes** will help to predict the potential benefits available to the distributor. The introduction of new emergent codes that may effectively capture emergent information and knowledge in each stream is found to be a continuous process. We need to keep in mind that some of the emergent codes were created for the purpose of gathering evidence for specific **relationships between nodes (codes)**. That is because in order to gather empirics that highlight "a relationship" between two concepts in Nvivo-9, those concepts must be represented by separate nodes (codes). The **remaining list of emergent codes and the list of relationships** are summarised by **tables (23 & 24, p.237)** respectively in **attachment 4 in the appendix**.

Optimising the list of codes (initial and emergent) continued until the researcher was confident that the final list would capture all emergent knowledge offered by the data in all three streams. During the optimisation of the list of codes, Gibbs's (2011) advice was kept in mind. Gibbs suggested the following: (1) maintaining a relatively flat coding hierarchy (two levels maximum) and (2) developing code memos at the point of creating each code. Code memos contain the code's name, its description and the date of its creation. This convention was conveniently adhered to, as it was required when creating codes in Nvivo-9.

3.5.4- Strategy of interpretation:

Inspired by Gibbs's (2001) advice on how to interpret qualitative data, several analytic activities were executed in parallel: (1) going through the script line-by-line, (2) identifying events, experiences (rhetorical/hypothetical) and accounts (explanations/excuses) and (3) the chronology of events and their purpose. Next, (4) specific parts in the script were coded either using existing codes or under emergent ones. Simultaneously, (5) annotations were attached to coded scripts. At the end of each script, (6) a summary combining all the important annotations was drafted. Fortunately, all these tasks could be simultaneously conducted using Nvivo-9.

The method of analysis and interpretation proposed are believed to be complex and time-consuming, especially when this thesis investigates different case studies (sales, logistics and management accounting) and the influencing factors in each case must be identified. For this reason, transcribing interviews from more than one case at the same time was avoided. This practice facilitates the isolation of the analysis process and findings of each case and avoids confusion. Upon the analysis of all transcribed interviews in each case, a report is prepared that synthesises the findings and reflections for each case separately. The case's report essentially synthesises the findings reported from each analysed interview in each case. Ultimately, each case's report should contain a clear description of the following: (1) the process by which procedural knowledge is transferred and its underlying mechanisms, (2) the most influential contingency factors, (3) the distributor's capabilities and contribution to the process, (4) the distributor's level of compliance provided, (5) the potential benefits reaped by

the distributor as an outcome of the transfer process and (6) a prediction of whether the distributor will gain a competitive advantage. Ultimately, three different case reports representing each investigated knowledge stream (sales, logistics and management accounting) will be prepared. In this way, the uniqueness of each case study stemming from the nature of the knowledge being transferred may be identified, compared and reported. In other words, this study is expected to report different scenarios of the process (in each case), as the corresponding contingency factors vary. The following (figure 13) illustrates this point.

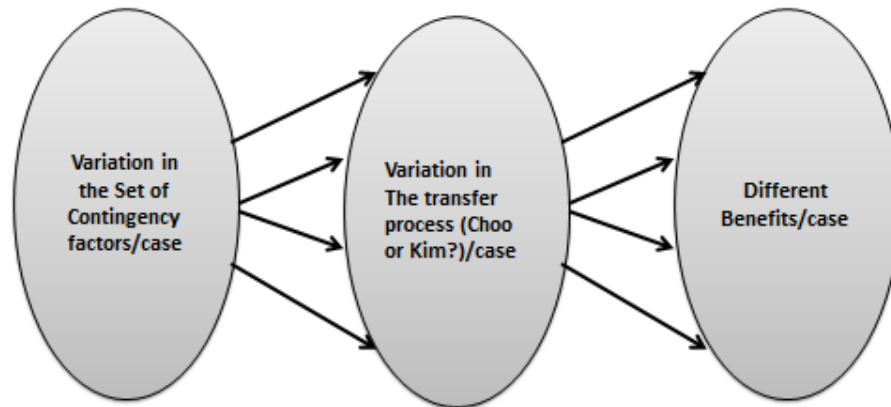


Fig-13 : Illustration of expected matrix of solution patterns identified in each knowledge stream (case study).

Extending the analysis beyond simply reporting the findings in each case study to report the commonality and dissimilarities may add value to this thesis in three regards. First, it identifies a common backbone that describes how procedural knowledge is transferred to the distributor in all three cases (knowledge streams). Second, it identifies whether there were similar benefits reaped by the distributor as an outcome in more than one case (stream). Third, it reveals whether similar benefits in different cases (streams) could similarly enable the distributor to increase competitiveness in accordance with Barney's (1991) criteria and Teece *et al.*'s (1997) notion of dynamic capability. It is important to highlight that the distributor's competitiveness will be measured in terms of its ability to exploit the transfer process. When this information is combined with the knowledge about the distributor's traits and competence in processing knowledge provided by the contingency factors, it is possible to predict its ability to improve its competitiveness through developing dynamic capability. Because this thesis aims to contribute both to practitioners and to the literature, predicting the distributor's ability to derive a competitive advantage is identified in light of the recent changes in WTO regulations governing the Saudi market.

At this stage it might be useful to elaborate further on **how Barney's (1991) and Teece *et al.*'s (1997) frames of reference were used as a criteria to measure the benefits reaped by the distributor.** As explained earlier, the informants account of the transfer process (captured in the first parts of the interview) must be made sense of in relation to the impact it had on the distributor's competitiveness (captured in the last part of the interview). In other words, the informant's account of the transfer process should justify his/her claim of the process's impact in terms of competitiveness. Due to the open-endedness of the part exploring about the impact of the process, the informants were encouraged to justify their view from two angles: (1)-why did the distributor benefited from the process? and (2)-why such benefit is perceived to improve the distributor's competitiveness in light of the new WTO change in regulations? In

most feedbacks, informants identified the main contingency factors which justified whether the Saudi distributor concerned will/will not be reaping competitiveness. Then, such account was made sense of in relation to the story told by the informant (the story of how procedural knowledge is transferred). Therefore, why certain distributors adopted a certain strategy of compliance complemented by knowing their knowledge processing capabilities and nature of knowledge being transferred, enabled the researcher to predict the type of benefit reaped as a result. When analysing the predicted benefits in relation of the distributor's knowledge processing capabilities, a much clearer picture about how did the distributor took advantage of the transfer process can be established. Ideally, such understanding has manifested itself in the unique labels given to such benefits in each pattern (i.e. implementer, innovative subsidiary, synergetic partner and independent partner).

Finally, in order to achieve the last objective of this analysis and thus answer the second objective of this thesis, the distributor's ability to reap competitive advantage to need to be assessed. Based on what has been understood in terms of (1)-how the distributor took advantage of the transfer process (represented by the benefit generated) and (2)-the magnitude of its ability to build on transferred procedural knowledge to develop the competence to create hybrid practices, the distributor's attained capability (described by these two points) can be examined by Barney's (1991) and Teece *et al.*'s (1997) criteria. Such capability is informed by the type of strategy of compliance provided in relation to the type of knowledge transferred. **For example, when a distributor act as a mere implementer in logistics and management accounting streams**, its organisation will not be gaining or sustaining any competitive advantage. That is because both types of knowledge are context dependent and require access to social capital which MNCs do not have and thus cannot develop or transfer such knowledge to the distributor. In other words, the development of such knowledge represents the core function of the distribution firm and failing to create hybrid practices in these streams defies the reason behind partnering with a local distributor. Therefore, acting as an implementer (as a capability) is considered not valuable, not rare and imitable. Then, such distributor will not be gaining competitive advantage according to Barney's (1991) VRIN criteria. According to Teece *et al.*'s (1997), the distributor will not be able to sustain any advantage over rivals. That is because the distributor did not take advantage of the transfer process in a way (path) that enables it to develop a dynamic capability to cop up with the new changes in WTO regulations in the Saudi market. Also, **part of assessing the distributors' capability is to re-evaluate them within the new market regulation**. In Barney (1991) and Teece *et al.*'s (1997) criteria, all capabilities possessed by the Saudi distributor need to be re-evaluated in terms of their real contribution to the distributors competitiveness. Due to the change in WTO regulations, those capabilities, possessed by the Saudi distributors, which used to be considered as sources of competitiveness (value, rare, inimitable and non-substitutable) are now mere **threshold capabilities**. To illustrate this with the same example used earlier, the distributor's capability to act as an "implementer" of basic logistical standards and complying with the international accounting standards (British or American) used to be sufficient to sustain those distributors business under the old market regulations. Those distributors leverage was enhanced further when MNCs partnership was obligated before 2005. However, examining the same capabilities possessed by the same distributors, we can argue and predict that such modest level of compliance will not even enable those distributors to sustain their business as MNCs now have more leverage to demand more advanced and dynamic level of compliance. This assessment demonstrates the usefulness of using Teece *et al.*'s (1997) notion of dynamic capability as an additional criterion. To maintain consistence in examination, it is important to highlight each one of the identified patterns within each of the investigated streams (sales, logistics and management accounting) will be subjected the same nature of assessment. The final result of such examination and assessment is presented in the final column in (tables 17, 18 & 19, p.130)

3.5.5- *Evaluation of the interpretation phase:*

It may be argued that the strategy of interpretation and data-setting adopted in this thesis is considered one of its strengths for several reasons: *first*, every stage in the research design has been executed by a single person: the researcher, limiting the risk of data loss, mistranslation or misunderstanding. Because the researcher is a Saudi national who used to work in the exact field involved in the study, the transcribed interviews are expertly handled. *Secondly*, part of the strength of analysis and interpretation stems from the adopted approach to studying a process (Van de Ven's, 2007) followed by an inductive inquiry to extend the investigation beyond the two processual frames of reference. This approach enabled the deductive and inductive discovery and identification of influencing factors. Ideally, the analysis and interpretation phases began by creating the initial codes adopted from the literature (see table 13 above), and emergent codes were created as the analysis progressed. This iterative coding process was time-consuming and laborious.

As a result, the findings in each case study were rich and complex beyond expectations. The five sub-questions mentioned above in the chapter's introduction (section 3.1), which indicated the four angles used to approach the main research question, provided the structure for describing the findings. It is believed that these four angles provided a consistent platform to reduce the complexity and facilitate the comparison between the investigated case studies. Eventually, several solution patterns were identified and described effectively. In the sales /marketing stream 4-patterns were identified (S1, S2, S3 & S4). However, 3-patterns were identified in each one of the logistics/supply chain (L1, L2 & L3) and the finance/management accounting (A1, A2 & A3) streams.

3.6- *Background of the research context (Saudi Arabia):*

Saudi Arabia is an absolute monarchy that is currently ruled by King Abdulla Bin Abdulaziz Al-Saud. It has a population of 28.2 million, the majority of whom are Sunni Muslims. It has an oil-based economy in which other economic activities are heavily controlled by the government (Heritage, 2013). The country has a 28.2% unemployment rate among youth aged between 15-24 and a labour force of 8.012 million, 80% of whom are non-nationals (Indexmundi, 2013). It has been reported that Saudi officials are struggling to reduce unemployment among the Saudi nationals, who are described as lacking the education and technical skills required by the private sectors. Therefore, it has been reported that the government has dramatically increased spending on job training and education initiatives, including the opening of the King Abdulla University of Science and Technology (Indexmundi, 2013).

Saudi Arabia plays a leading role among the OPEC, as it possesses approximately 17% of the world's proven petroleum reserves and ranks as the largest exporter and producer of petroleum (Indexmundi, 2013; Heritage, 2013). Oil revenues represent 90% of the country's export earnings and approximately 80% of government revenues. The Saudi government's spending is approximately 40% of the total domestic output, budgets are generally kept in the surplus and public debt is kept to less than 10% of GDP due to the large revenues from the oil industry (Heritage, 2013).

To improve the country's economy, especially in attracting foreign investments, several attempts have been made in the past decade. Saudi Arabia began negotiations to join the World Trade Organisation (WTO) in 1993 and finally became the 149th member on 11 December 2005 (WTO, 2005). This entailed that many commitments were agreed upon to facilitate foreign trade and improve the country's attractiveness for investment. Among these commitments is the plan to spend \$373 billion on the establishment of six economic cities and advanced projects to upgrade the infrastructure in different regions to promote foreign

investment between 2010 and 2014. Moreover, the Saudi government committed to lower trade barriers, gradually allowing the access to foreign goods in the Saudi market. However, these measures were agreed upon while reserving the right to the importation and exportation of certain goods and services, which could impact the population's wellbeing as well as national security (WTO, 2005). One of the most important active regulations influencing MNCs' operations in the Saudi market is that MNCs are not allowed to conduct business in the Saudi market without an obligatory partnership with a Saudi organisation as an agent, representative or a distributor. In this case, the Saudi partner is expected to have more equity leverage over the MNC. This rule was the only way in which MNCs could access the Saudi market until 1.5 years ago. MNCs now have the right to exist and operate as legal entities without having to partner with a Saudi organisation. This change has significantly altered the rules of partnerships between MNCs and their affiliates in the Saudi market, opening this market to foreign competition, especially when all Saudi distribution firms are family-owned businesses.

However, the Saudi market continues to face issues that could negatively impact its attractiveness for foreign investment, among which are weak intellectual property protections. As per the WTO agreements, Saudi Arabia is committed to the application of enforcing intellectual property protections in full from the date of the accession (WTO, 2005). It has been argued that this protection is hindered by the judicial system, which is described as slow, failing to enforce contracts efficiently, and non-transparent (Heritage, 2013).

3.7- Summary of the research design chapter:

What was achieved in chapter (3) is an extensive and detailed description of the research design adopted in this thesis. In order to ensure all component of the research design are explained, they are announced in (figure 10) and discussed accordingly. Part of such elaboration, the thematic events extracted from Choo (1998) and Kim's (1998) process models to be used in the deductive part of the inquiry are summarized respectively in tables (tables 11 & 12). Since the researcher used Nvivo-9 to optimize the analysis and interpretation of the empirics, a summary of the main codes (adopted from literature and emerged) were summarised in (table 13). Also, a detailed description of the interviewing process, the sample size and the methodology of interpretation was also explained in detail. Finally, section (3.6) was dedicated to give a brief description of the context of the study (Saudi Arabia).

In chapter (4) next, the analysis and findings will be presented based on the five sub-questions which emerged after consulting the literature. These questions suggested 4-angles from which the main research question will be tackled: (1)-the transfer process and its resemblance to Choo and Kim's models, (2)-its contingency factors, (3)-the strategy of compliance based on Kostova's (1999) work and the benefits reaped as a result and (4)-whether the distributor will be reaping competitive advantage based on Barney's (1991) and Teece *et al.*'s (1997) frames of reference as the criteria of assessment. These 4-angles has helped in developing a platform which enabled the researcher to analyse, identify and report the findings of this thesis in the most subtle way possible. Given the adopted approach to study the process by which procedural knowledge is transferred in three different streams (cases), it would have been very difficult to organise and frame such complex findings in a way that effectively meets the research's objectives. For this reason, section (4.1) was dedicated to describe the 4-angles which established the platform for synthesising, arguing and presenting the findings later on in section (4.2).

Chapter-4: Analysis and Findings

4.1- Introduction:

4.1.1- Intro to the chapter and section arrangement:

This chapter will be divided into three main sections: in **section (4.1)**, the findings believed to be the basic platform for analysis and interpretation in this thesis are presented. This thesis is mainly concerned with understanding the process by which procedural knowledge is transferred to Saudi distributors. This transfer is achieved by gathering empirics informed by thematic events adopted from both Choo (1998) and Kim (1998). Ideally, these empirics will enable us to understand which process model (Choo or Kim) better explains the process under study. As explained in chapter (3), the findings extend to understanding the contingency factors that influence the transfer process. Because this thesis begins to study the process deductively, with the strategy of inquiry then changing to induction, some of the identified contingency factors are adopted from the literature, whereas others are emergent. This two-stage strategy of inquiry is found to be important not only for deepening our understanding of the process but also for understanding the drivers leading the process to behave in certain ways, generating potential benefits for the distributor. Because the findings of this thesis are either adopted from the literature (deductively) or emergent (inductively), this approach calls for a structure that enables the description of these findings in this way while maintaining an adequate level of subtlety. This concept will be elaborated in section (4.2).

In section (4.2), the findings of this thesis are synthesised from four main perspectives with which the thesis's objectives are met. As consistently explained in previous chapters, the main research question (**How is procedural knowledge transferred from the MNCs to the Saudi distributors and impact their competitiveness?**) was decomposed into five sub-questions after consulting the relevant literature. These questions, mentioned in section (3.5.1) above, combined with the findings identified as an outcome of the deductive and inductive strategies of inquiry, suggested four angles from which the main research question may be answered. The main reason for adopting this **four-angle strategy of description** is to provide a consistent structure to describe the complex findings discovered and enable comparability between the investigated case studies (sales, logistics and management accounting) when influenced by a different set of contingency factors. These angles are as follows:

- 1- The contingency factors: the transfer process in each case is found to be contingent upon a range of factors, some adopted from the literature and others emerging from the data.
- 2- The transfer process's resemblance to Kim and/or Choo's models: the variation of the contingency factors (both adopted from the literature and emergent) influences how procedural knowledge is transferred as well as the structure of the process in terms of which partner drives which stage.
- 3- The level of compliance provided by the distributor, which implies the potential benefit reaped by the distributor: how the distributor takes advantage of the process to comply with the MNC's standards combined with the knowledge revealed in the previous two angles enables the prediction of the potential benefits reaped. The findings reported in this angle are a result of the inductive inquiry and are based on the strategies of compliance adopted from Kostova (1999) and Kostova & Roth's (2002) work.
- 4- The distributor's ability to reap competitiveness in relation to the new changes in WTO agreements in Saudi Arabia: the distributor's traits and knowledge-processing capabilities revealed by the contingency factors, combined with how the distributor is found to use this process to develop its competences, enable the prediction of

whether it will reap a competitive advantage. The evaluation is based on Barney's (1991) VRIN criteria and Teece *et al.*'s (1997) notion of dynamic capability. The findings addressing this angle emerge from inductive inquiry.

As explained in the methodology chapter, each knowledge stream is influenced by a set of contingency factors that impact the shape of the process and the potential benefits reaped by the distributor and allow us to predict whether the distributor will gain a competitive advantage. These matrix-like findings are complex to describe. Adopting this four-angle structure will enable subtlety and improve clarity in describing the complex variations in each knowledge stream (case). Section (4.2) will first elaborate upon these four angles before we start using them to describe the findings in each case study (sales, logistics and management accounting) **in section (4.3).**

Before we begin, it is useful to reiterate what is meant by procedural knowledge in this thesis because the main goal of this thesis is to understand: (1) the process by which it is transferred from MNCs to Saudi distributors and (2) the impact of this process on Saudi distributors' competitive advantage.

According to (figure 1 in section 2.3.1) presented earlier, **procedural knowledge** is defined as the tacit and explicit know-how that explain how an organisation conducts business. This know-how is transferred from the MNC to enhance the Saudi distributor's knowledge-base and enable it to meet its expectations. Procedural knowledge is linked to the concept of "**agency**" described by authors such as Sztompka (1991) and "**practices**" described by Sminia (2009a), i.e., the potential to act. However, **actual activities** in this thesis are defined as what a Saudi distributor actually does to perform its tasks and serve the MNC. In other words, actual activities are enacted and procedural knowledge is adapted to local circumstances by the distributor to meet the demands of the MNC and the Saudi market. Therefore, these activities may also be labelled "**hybrid practices**" in this thesis because they are customised to the demands of the MNC and the Saudi market. In institutional terms, actual activities (hybrid practices) are what Sztompka (1991), Whittington (2006) and Sminia (2009a) referred to as "**praxis**". Based on the findings of this thesis, we could infer that **there are two types of processes involved when investigating the impact of the transfer process on the distributor's competitiveness:** (1) the process investigated in this thesis by which procedural knowledge is transferred from MNCs to their distributors and (2) the customisation process through which transferred procedural knowledge is modified and actual activities (praxis) are realised. It is important to highlight that the focus of this thesis is the transfer process, whereas **the customisation process is outside the scope of this thesis.**

4.1.2- What is the main problem between MNCs' and their Saudi distributors?

According to Van de Ven (2007), viewing the findings of the research as a solution to a problem faced by practitioners is a way to improve the contribution of reported findings to practitioners. This approach ultimately leads to research that is appreciated and applied by practitioners. Because part of the contribution of this thesis is to enable distributors to take advantage of the transfer process to develop competences that enhance their competitiveness, it is deemed useful to iterate the problems that this thesis aims to resolve. Correspondingly, the research aims to understand the transfer process as "**a problem-solving exercise**". From this perspective, identifying the problem is important and has a bearing on whether the solution offered by the research resolves it. Because we conduct three different case studies to explore the process by which procedural knowledge is transferred, each case study (sales logistics and management accounting) is believed to have a different problem.

In Saudi Arabia, the business relationship between MNCs and their distributors is set in a way that divides the business responsibilities between them into two parts: the downstream operations and the upstream operations. The upstream operations are usually controlled by

the MNC and include manufacturing and marketing, whereas the downstream operations are usually outsourced to the local distributor and include the distribution, sales and collection of payment from end customers. This distribution of tasks in the value chain is common among partners in an alliance that would enable each partner to focus on the areas in which it performs best. This practice could be known in the strategic alliance literature as outsourcing or off-shoring, depending on the location in which each partner operates.

Because ***sales procedural knowledge*** is considered to be a continuation of marketing operations, MNCs generally tend to interfere with their distributor's sales operations to maintain compliance. The fact that the distributor is responsible and accountable for sales operations but MNCs interfere with them creates a contradiction that is considered to be part of the problem as well. In summary, the problem in the sales/marketing stream stems from the distributor's inability to fully comply with the MNC's marketing and sales procedural knowledge despite heavy interference from the MNC's marketing team. Because this thesis investigates the transfer process in international joint ventures (IJVs), the Saudi distributor has enough sovereignty to question knowledge transferred from the MNC. A higher variation between the distributor's actual sales activities and the MNC's procedural knowledge is expected to exacerbate this problem.

However, this problem is not an issue in the case of ***logistics procedural knowledge***. Because MNCs are not considered experts on logistics/supply chain operations in the Saudi market, this part of the value chain is outsourced to the Saudi distributor, which logically explains its role in the alliance. Ideally, the MNC has its own logistics operations that cover the upstream part of the value chain. For this reason, this procedural knowledge might not be substantially helpful to the distributor. The type of logistics procedural knowledge used by the distributor is focused on the downstream part of the value chain, which is heavily dependent on local know-how and effective access to social capital (Rottman, 2008; Walter *et al.*, 2007). Because the local partner (Saudi distributor) has much better knowledge and access to Saudi social capital, the distributor is better equipped to possess effective logistical procedural knowledge and actual activities. Therefore, the problem in the logistics/supply chain stream stems from the distributor's inability to create a set of actual activities – or hybrid practices – that meet the MNCs' service requirements and are applicable to the Saudi market. Because these hybrid practices are context dependent, the distributor's contribution is much greater

With regard to ***management accounting procedural knowledge***, an important distinction must be made. This thesis is not concerned with the transfer of procedural knowledge prescribed by traditional (conventional) accounting standards. Rather, this thesis is concerned with the transfer of management accounting procedural knowledge, which is mainly used to provide managers with the information needed for organisational planning, control and relative stability needed to achieve optimal outcomes (Miller & O'Leary, 1993; Scapens & Arnold, 1986), because any organisation operating in any context is expected to totally comply with international accounting systems, including MNCs and Saudi distributors. Both partners are expected to individually work towards adhering to these standards. We may argue that the distributor's capability to adhere to the international (American or British) accounting standards is a threshold capability.

The problem in this stream does not stem from the universality of international accounting systems because they must be applied to any organisation operating in any context. What must be highlighted is that every context (market) has its own social, cultural and economic constraints; the execution of the international systems requires complementary activities to account for the contextual constraints. Therefore, the real problem stems from the distributor's inability to develop and apply management accounting activities that (1) complement its use of international activities and (2) enable them to offer more accurate and reflective reports to share with the MNCs served. The business reports that require

management accounting practices usually show information about how much has been sold and the gap in payment collection or what is referred to in accounting as the “accounts receivable side”. Therefore, the real problem in this stream stems from the distributor’s inability to develop innovative hybrid practices that enable the distributor to manage payment collection from end customers and generate more accurate and reflective reports. Ideally, these reports should accurately demonstrate the performance of the alliance between them and the MNCs. However, this requirement does not mean that relevant management accounting procedural knowledge cannot be transferred from MNCs to assist the Saudi distributors in developing their own. Rather, it could mean that the transfer of management accounting procedural knowledge from the MNCs is expected to be limited.

4.1.3- What constitutes the solutions to these problems?

Based on the literature on IJVs, an IJV’s stability and longevity in competitive markets appears to be the ultimate goal (Jiang *et al.*, 2008). Therefore, it is logical to assume that any solution that is adopted by one or both partners is intended to achieve a similar goal. Subsequently, because this thesis is mainly concerned with the strategic alliance between MNCs and Saudi distributors, all proposed solutions to the problems in the three investigated streams should enable the stability and longevity of the alliance in a competitive market such as that of Saudi Arabia. However, the evidence in this **thesis offers a different definition of what constitutes a solution to problems from the distributor’s side.** This definition is reflected by the following feedback from a CFO who acts as the general manager (GM) of a distribution firm:

“[...] the competition between MNCs has increased a lot. Consequently, the demand from MNCs has increased a lot as well. Therefore the distributor had to upgrade their service level in order to maintain the relation and distributorship with those multinationals to provide the maximum level of services with the lowest cost. Because multinationals’ expectations of the level of services was increasing as the costs were expected to drop. Therefore, distributors had no choice but to upgrade their services, their process, their optimisation of resources in order to be able to run the operation cost effectively and make profit. [...] At the end, this relationship is governed by profit maximisation of both organisations at both ends” (Fin.Dist-12).

Based on the above quote, the distributor’s general problem appears to stem from the distributor’s inability to balance between sustaining its survival and satisfying the MNC(s) it is contracted to serve. Achieving and sustaining this balance becomes increasingly challenging as profit margins become slimmer and as the MNC’s service demand increases. It may also be inferred that MNCs’ satisfaction may be achieved when the distributor: (1) provides an acceptable level of compliance to the MNCs’ standards and (2) provides added value and cost-effective services and thus enables the MNCs’ business to grow (see figure 14 below).

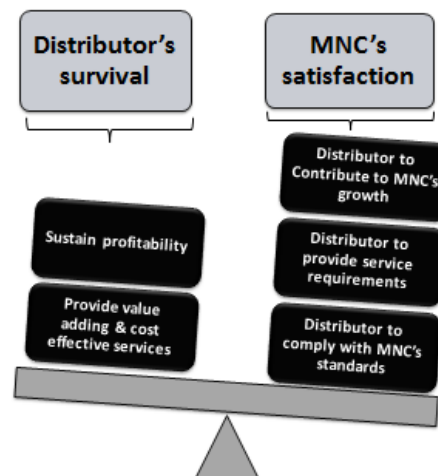


Fig-14 : The balance that distributors aim for to resolve problems in IJVs

It is important to highlight that because the problem in each investigated case study (knowledge stream) is different, the solution(s) offered to maintain this balance is expected to be different as well. This fact will be elaborated later in this chapter, as each knowledge stream is found to be contingent upon a different set of factors. More specifically, in the sales knowledge stream, what constitutes an acceptable solution is the distributor's total compliance with the MNC's marketing procedural knowledge. In the logistics knowledge stream, what constitutes a solution is the distributor's capability to develop and provide the services required by the MNCs in the Saudi market. Similarly, in the accounting stream, what constitutes a solution is the distributor's capability to develop management accounting activities that enable it to manage its side of the business and develop reflective reports to be shared with the MNCs.

Given that each knowledge stream is found to be contingent on a range of factors, a range of solution patterns for each stream has been identified in light of these factors. Therefore, in this thesis, **the solution pattern is a representation of the level of compliance provided by the distributor to achieve and maintain the balance described above.** Depending on the contingency factors that show the distributor's ability to process new knowledge, the level of compliance that may be provided by the distributor varies.

The last section in this chapter (section 4.3) will be dedicated to explaining each specific solution pattern identified in each investigated knowledge stream (case). The implications of the identified solution patterns will be extended to predict the type of potential benefits reaped by the distributor, among which is competitive advantage

4.1.4- Explanation of contingency factors and their impact on investigated process:

We remind the reader that the objective of this thesis is to understand the process by which procedural knowledge (in three different cases/streams) is transferred to Saudi distributors and the impact of this process on their competitiveness. Although not initially expected on the basis of the literature review, the data showed that the set of contingency factors played a role in the process.

This section will be dedicated to explaining the following: (i) the contingency factors found to influence the transfer process and (ii) the impact of such factors on the process itself, on the distributor's level of compliance to the transferred procedural knowledge and on learning, as manifested in the specific solution patterns that are found and the potential benefits that are reaped by the distributor as an outcome. Among these benefits is competitive advantage.

i) The contingency factors:

The findings show that there is a backbone of contingency factors affecting how the process of knowledge takes shape. It is important to emphasise that these factors contribute to revealing unique solution patterns that the distributor adopts to resolve problems between it and the MNC being served. This approach allows us *first* to understand the distributor's capacity to achieve a balance between surviving and satisfying partner MNC(s). *Second*, it provides an understanding of the leverage the MNC has over the distributor and thus influences what procedural knowledge is to be transferred and how it is transferred. *Third*, it provides an understanding of the reasons why the distributor provides a certain level of compliance, which constitutes the solution pattern offered to resolve the problem in a specific stream. As explained earlier, some of the contingency factors were adopted from the literature through deductive inquiry, whereas others emerged from the data through inductive inquiry.

Because this thesis investigates the transfer process in three different streams, three different case studies (sales, logistics and management accounting) were conducted to understand this process. It is important to highlight that not all factors are found to be equally influential in each stream. The influence of each factor will be discussed in depth along with descriptions of

specific solution patterns in each stream (in section 4.3). In the meantime, the following (table 16 below) offers a brief illustration before we explain each factor individually:

No.	Independent variables (Contingency factors)	(Adopted from literature / emerged from data)	Investigated streams		
			Sales/ marketing	Logistics/ supply chain	Finance/ accounting
1	Trust and transparency	Highlighted in literature	√	√	√
2	Distributor's absorptive capacity	Highlighted in literature (Cohen & Levinthal, 1990) part of Kim's (1998) model	√	√	√
3	Distributor's self-motivation	Hinted to by Choo's (1998) model	√	√	√
4	MNC's control of operational practices	Highlighted in literature of (RKT)	√		
5	The organizations involved in the process (MNC, Distributor and a 3 rd party)	Emerged	√	√	√
6	The owners' business ethos	Emerged		√	√
7	The source of required practices	Emerged		√	√
8	The MNC's representation (%) of the distributor's portfolio	(Emerged) Not equity based control	√	√	
9	The strictness of the industrial regulations	Hinted to by both Choo (1998) and Kim (1998)	√	√	√
10	The distributor's strategy of business expansion	Emerged		√	√
11	The amount and speed of financial gains reaped by the distributor	Emerged	√	√	

Table-16: The holistic summary of the contingency factors and their relevance to each of the three streams (cases).

1- Trust between the MNC and the distributor: trust is one of the most critical and influential factors highlighted by researchers studying knowledge transfer between alliance organisations (Michailova & Mustafa, 2012). Conceptual studies (i.e., Inkpen & Tsang, 2005; Kostova, 1999) identified a positive impact of trust on the knowledge flow between partners. Among the empirical studies, qualitative research highlighted that trust has a positive impact (i.e., Buckley *et al.*, 2006; Engelhard & Na'gele, 2003), whereas quantitative research revealed contradictory results (Michailova & Mustafa, 2012). It may be argued that both models to be compared in this thesis, Choo's (1998) sense-making model of knowledge management and Kim's (1998) learning model for catching-up organisations, failed to sufficiently emphasise the importance of trust. In both process models, trust was modestly mentioned as one of the conditions required for knowledge conversion and exchange among members within an individual organisation as part of Nonaka & Takeuchi's (1995) SECI spiral.

Although trust has been identified in the literature as a contingency factor, it has been extensively highlighted as a critical success factor for the success of the transfer process and critical for creating hybrid practices as well in all three streams. However, the level of trust practiced between the two organisations is found to be different in every stream. For example, due to the tight link between marketing operations (developed and executed by the MNC) and the sales operations (executed by the distributor), the MNC is unable to trust the distributor's team fully. This inability is made clear in this quote: *"Sales practices and reporting practices are done based on the MNC's preference"* (Fin.Dist-12). In logistics operations, trust is much greater because MNCs are not considered to be experts in running such operations in the Saudi market, as is clearly illustrated in this quote: *"MNC-X is not the logistics expert [...] even if MNC-X had their own supply chain perspective, they would have that from the manufacturing point of view not from the distribution point of view"* (Log.Dist-10). In the accounting stream, even

though MNCs interfere much less in the development of the management accounting practices required by the distributors, they do require distributors to be audited by a third party to legitimise the business reports produced by the distributor that reflect the alliance's performance:

"[...] when we get audited by a third party, they would look if the distributor has an internal audit department or not. If yes, it makes a lot easier for the third party auditor to do their job and becomes easier for the distributor to be audited and recognised them as well" (Fin.Dist-12).

2- The distributor's absorptive capacity: This factor is adopted from Kim's (1998) organisational learning model, which highlights Cohen & Levinthal's (1990) absorptive capacity as one of the elements required by the distributor. According to Kim (1998), the distributor (catching-up) organisation requires a sufficient knowledge-base and intensity of effort to utilise the migrated procedural knowledge from the MNC. Kim (1998) also believed that crisis construction (external and/or internal) plays an important part in the process of knowledge transfer. Therefore, the empirical evidence sought highlights that the distributor's absorptive capacity is enhanced by migratory knowledge and that the intensity of effort is driven by crisis. However, it is found that learning by shock or crisis is not how the required procedural knowledge is transferred in all investigated streams. More specifically, learning by crisis appears to be more relevant when MNCs possess and are willing to transfer the required procedural knowledge to the distributor, which mainly involves sales/marketing knowledge. Ideally, this finding indicates that the process by which procedural knowledge is transferred resembles Kim's model more than Choo's model. However, when learning is completely driven by the distributor, as in the case of logistics and accounting streams, the intensity of effort is driven by the distributor's self-motivation. Therefore, the process may resemble Choo's model more than Kim's model. The reason for this is because Kim's model appears to believe that proactive crisis construction may be driven by external crisis or other organisational factors but not by self-motivation. Therefore, the more empirical findings show that the transfer process is driven by crisis, the more the process resembles Kim's model rather than Choo's model. Similarly, the more the transfer process is empirically described as being driven by a self-motivated distributor, the more it resembles Choo's model rather than Kim's model. We illustrate this relationship with the following collected data:

- Evidence highlighting Kim's model: knowledge migrates from MNCs, and the distributor's intensity of effort is driven by crisis:

"We started doing our own reporting system where we forced the distributor to install certain operating systems with which they can generate pure data for us and we receive the data and we were responsible for analysing it on their behalf" (Sl.MNC-11).

- Evidence highlighting Choo's mode: knowledge exploration and the intensity of effort is driven by the distributor's self-motivation: *"we went to MNC-Europe and we picked up some criteria from these as well because they have similar culture to us [...]" (Log.Dist-19).*

The availability of this factor enables us to understand more about the level of compliance. In Kim's model, total compliance appears to be required to satisfy the MNCs, but in Choo's model, MNCs are satisfied either by partial compliance or by compliance via developing hybrid practices. This understanding is believed to be complemented by other contingency factors such as factors (6 to 11) mentioned in (table 17) above. Ultimately, understanding the level of compliance will reveal the type of solution pattern adopted by the distributor to resolve the problem informed by one of the streams.

3- The distributor's self-motivation: this factor is adopted in essence from Choo's (1998) model of knowledge management. According to Choo (1998), the knowledge-creating

organisation (the distributor) is capable of driving its own development based on a dialectic process. In this process, the distributor could reap competitiveness as a result of knowledge-based decision-making. This factor is intended to capture the distributor's capacity to drive its own development regardless of the source of the required procedural knowledge. Based on what has been learnt from the data, this factor is not an influencing factor within the sales/marketing stream. Regardless of whether the distributor is motivated, the MNC must provide sales procedural knowledge, including sales activities, to ensure the distributor's total compliance to their marketing plans. However, when MNCs are not the sources of required procedural knowledge, as is the case in logistics and accounting, the distributor's self-motivation is what enables the distributor to achieve the balance by developing hybrid practices. Ideally, when the distributor is self-motivated to transfer and create the procedural knowledge that the MNC lacks, the process by which such knowledge is transferred resembles Choo's model more than Kim's model. This association is clear in this candidate's feedback on the impact of self-motivation: "[...] *the distributor had to upgrade their service level in order to maintain the relation and distributorship with those multinationals to provide the maximum level of services with the lowest cost*" (Fin.Dist-12).

- 4- The MNC's control over operational practices:** this factor is adopted from the literature. As elaborated in the literature review chapter, MNCs' control over local partners' practices has been highlighted in the literature and is generally viewed as having positive effects (Christoffersen, 2013). A closer definition of this factor from the literature is as follows: a means of achieving the centralisation of knowledge development and transfer (McGuinness *et al.*, 2013) to stabilise the alliance (Jiang *et al.*, 2008). This finding agrees with the authors, indicating that MNCs' control over local partners' practices hinders the latter's capability to create the contextual knowledge that MNCs must maintain competitiveness (Rabbiosi, 2011; Das & Teng, 2001) as it destroys the goodwill and trust required for knowledge exchange between them (Jiang *et al.*, 2008). However, the findings of this thesis revealed that a high degree of control is associated with the sales/marketing knowledge stream due to the tight relationship between the two types of procedural knowledge, whereas they are executed by two different teams from two different organisations. MNCs are expected to practice high control to ensure the alignment of the sales activities executed by the distributor. However, this control is much lower in the logistics and accounting streams because MNCs lack such highly contextual procedural knowledge. Therefore, the amount of procedural knowledge transferred and the control of over logistics and accounting procedural knowledge adopted by the distributor are low. This finding is clear in this quote from an owner of a distribution firm: "*this knowledge is not usually transferred from MNCs*" (Owner.Dist-36) and this quote from a CFO of a distributor, describing the amount of accounting procedural knowledge transferred from MNCs: "*nothing has been transferred from the MNC*" (Fin.Dist-27).

This distinction entails that if transfer processes are empirically described as driven by and under the full control of the MNC, as in sales streams, the process resembles Kim's model because migratory knowledge is sourced only from the MNC, creating an external crisis within the distributor's organisation. However, if the process is described as being driven by the distributor's self-motivation, as in logistics and accounting streams, it resembles Choo's model more than Kim's model. This understanding will also have an impact on the types of acceptable solution patterns provided by the distributor. When the process resembles Kim's model, the solution pattern entails total compliance, but when it resembles Choo's model, the solution pattern entails partial compliance or compliance through developing hybrid practices.

- 5- The organisations involved in the process:** this factor emerged when the members involved and their roles in the transfer process were identified. In all three streams, the number of organisations involved varies between the MNC, the distributor and other intermediaries (Simonin, 1999b). For example, the process by which sales/marketing procedural knowledge is transferred involves two organisations – the MNC and the distributor – because the source of the required sales procedural knowledge is the MNC. This phenomenon is clearly described in the following candidate’s feedback: *“The MNCs do a presentation to distributors to allow them to understand the objective, the distribution network, marketing strategy, visibility in the market and the general guide lines of that product or brand” (SlS.Dist-21)*. In logistics and accounting, these two organisations are the distributor and external organisations, such as a consultancy firm. This phenomenon is clear from the following candidates’ feedback:
- In logistics:

“this knowledge is not usually transferred from MNCs. The type of knowledge which we benefited from in supply chain is when we brought consultancies on our expense that helps us to better our supply chain and so on. That is to work on the areas of improvement pointed out by the MNCs” (Owner.Dist-36)
 - In accounting:

“most distributors have their own internal audit department which never existed before [...] when we get audited by a third party, they would look if the distributor has an internal audit department or not. If yes, it makes a lot easier for the third party auditor to do their job [...] Because this will give them the right insight to the company” (Fin.Dist-12)

Ideally, when the organisations involved in the transfer process are only the MNC and the distributor, as in the sales stream, the process by which the required procedural knowledge is transferred takes on a more instructive nature and is more likely to create an externally evoked crisis within the distributor’s organisation. Because the marketing procedural knowledge and activities are developed by the MNC, the distributor has no room for creativity and is obligated to provide total compliance. In this case, the process is more likely to resemble Kim’s (1998) model because it may be driven by the constructed crisis. However, if the organisations involved only include the distributor and a third party, as in the logistics and accounting streams, the transfer process is more distributor-driven, and there is room for creativity. Thus, the process resembles Choo’s (1998) model. Consequently, identifying the organisations involved in the transfer process indicates the process’s shape. In addition, the advice that this factor answers the call of many authors to consider subsidiaries as knowledge creators and not as mere recipients (i.e., McGuinness *et al.*, 2013; Michailova & Mustafa, 2012; Gnyawali *et al.*, 2009; Jensen & Szulanski, 2004).

- 6- The owners’ business ethos:** this factor emerged from the data and is mainly linked to distribution firms’ owners. Given the researcher’s past professional background working for several Saudi distributors, the statement that all distribution firms in Saudi Arabia are family-owned businesses could be considered common knowledge. It is possible to access the websites of the distribution firms involved in this research to provide evidence for this claim. However, to protect distributors’ identities as promised, the following quote from a CFO of an MNC describing how family-owned distribution firms work with them in Saudi Arabia will be used to support this claim: *“Let me be frank with you, here in Saudi we commonly work by a closed book policy” (Fin.MNC-25)*.
- Distribution firms’ owners are considered the main decision-makers, especially in directing the firm’s growth and the level of compliance to the MNC’s standards. Because this thesis is most concerned with understanding the transfer process from the distributors’ side, the owners’ ethos of doing business influences how procedural

knowledge is transferred to their organisations regardless of the source. Therefore, owners may impact the nature of the partnerships their organisations have with foreign MNCs. These owners may influence the organisations to be self-motivated, trusting, open-minded and willing to provide the intensity of effort required for learning, or they may operate as a “black box”.

As highlighted in the literature review chapter, it is important to note that the term “black box” has been highlighted twice in the literature. The first use of the term was made by Lorange *et al.* (1992), who defined it as a form of **contingency planning** to avoid incurring losses when the alliance is terminated. The second use of the term was made by Buckley & Casson (in Beamish & Killing, 1997) and Simonin (1999a) as “**black-box strategy**”. The authors defined this term as a strategy to protect core competences from being transferred to alliance partners. What this thesis introduces is the “**black-box mind-set**”, which is dependent mainly on the owners’ ethos of conducting business with MNCs. We must recognise that all definitions of the black box found in the literature and the definition introduced in this thesis promote distrust of MNCs, which is clear in the following quote from a CFO of a distribution firm describing how he used to work with MNCs:

“If the distributor is working in very closed-book-policy or a black box strategy then, for sure he will never be able to see what is happening on the other side if there are any changes that I can make and adopt to in my own systems and procedures. It would be difficult to see if there are any best practices that are used by my principles¹ and could be of benefit to me as a distributor” (Fin.Dist-27).

The owners’ ethos of conducting business is believed to be one of the influencing factors explaining the rationale behind the distributor’s level of compliance with MNCs’ standards. In other words, the owners are believed to influence how the distribution firm complies with the transferred standards and thus the solution to problems and sustaining the partnership because they are the main decision-makers when an intensity of effort (mainly investment) is required to transfer procedural knowledge.

- 7- **The source of required practices:** this emergent factor highlights the impact of transferring procedural knowledge to the distributor when it is not available or cannot be provided by the MNCs. Especially when required procedural knowledge is context-dependent, as in logistics and accounting; the distributor is forced to seek other sources, such as consultancy firms. In such cases, distributors may drive their own learning, which is clearly indicated in the following quote: *“the logistics department of distributor-X is the one responsible of their own development with the help of MNC-X” (Log.Dist-10)*. In other cases, the MNC assists its distributor in seeking other sources, as described by an MNC’s logistics director: *“When do don’t have the knowledge here locally in the company, we tend to go together to visit one of the markets that is similar to our set up and then we get trained together on getting these new processes” (Log.MNC-23)*.

Ideally, learning about the sources of required procedural knowledge provides insights that explain the distributor’s level of compliance and thus the adopted solution pattern to sustain its partnership with a certain MNC. Once the type of knowledge involved (sales, logistics or management accounting) is considered, the understanding of the reasons behind adopting a certain solution pattern may be further enhanced once combined with insights provided by other emergent factors.

- 8- **The MNC’s representation (%) of the distributor’s portfolio:** this factor is believed to provide an important insight regarding the impact of the MNC’s leverage over its Saudi

¹ Principles: refer to MNCs partnering with Saudi distributors.

distributor. Because distribution firms in Saudi Arabia are family-owned businesses, the forms of control and leverage stemming from equity ownership (Madhok, 2006) are considered irrelevant. It may be argued that this factor does not overlap with factor 4 (the MNCs control over practices) but complements it. The MNC's representation of the distributor's portfolio provides a different but valuable insight that explains the distributor's level of compliance and thus the adopted solution pattern. This factor is found in the form of the number of MNCs a single distributor serves simultaneously.

It is important to highlight that it was difficult to convince the Saudi distributors to share such sensitive information to be used as supportive evidence for this specific factor. Nevertheless, the impact of this factor is believed to be important because the researcher used to work for some of the involved distribution firms. However, the impact of this factor on the distributor's compliance may be understood from the following quotes. When the MNC has a dedicated distributor, the compliance level is as described by a CFO of a distributor: *"They did not change anything of their practices [...] they have copied their knowledge and managed to paste that on a period of three months"* (Fin.Dist-5). However, when the MNC represents a smaller share of the distributor's portfolio, the distributor's freedom to comply is clear in this quote from a logistics director of a distribution firm: *"I think that it would go by three scenarios; go for it, will try and see and full rejection. And what I mean by "go for it" is to apply the new practices as-is"* (Log.Dist-13).

The importance of this factor and its influence on the transfer process was also personally experienced by the researcher, especially when working for a distributor that is dedicated to a single MNC and when working for another distributor that serves several MNCs simultaneously. Ideally, the MNC has much more leverage over a distributor when it represents the majority if not all its business. Similarly, the distributor that is dedicated to a single MNC has no choice but to satisfy that MNC and comply with its service demands. Doing so would include complying fully with the transferred procedural knowledge from the MNC. However, when the MNC's business representation is lower, the distributor has more leverage and must provide a different level of compliance to that specific MNC. The distributor would have the choice between partial compliance and compliance through the development of hybrid practices. Therefore, the insights offered by this factor may enhance an understanding of the reasons behind the level of compliance provided by the distributor that constitutes the adopted solution pattern.

- 9- Strictness of the industrial regulations:** this factor reflects the influence of industrial regulations governing the process by which procedural knowledge is transferred. Ideally, this factor cannot be controlled by either partner (MNC or distributor). Industrial regulations have been referred to by the literature as sources of external crisis (Kim, 1998), sources of information (Choo, 1998) and a contextual and cultural constraint (Kostova & Roth, 2002; Raval & Subramanian, 2000). Therefore, this factor may be considered to be adopted from the literature. In this thesis, three different case studies are conducted to investigate three different knowledge streams (sales, logistics and management accounting). Therefore, the strictness of the regulations that govern each knowledge stream is different.

In some industries, such as the pharmaceutical industry, both MNCs and distributors are expected to comply fully with the international standards developed and published by independent specialised regulative agencies. These standards include every part of the business in all three streams. For the distributor to resolve any problem within any stream, its organisation must comply fully with these international standards. This need is clear in a sales director's feedback about the standards of compliance with the pharmaceutical industries:

“There is no tolerance to any deviation from these standards. Because they are international codes of conduct that are followed by all pharmaceutical industries and they are not only followed by MNC-X but also its distributors” (Fin.MNC-29).

From a moderately regulated industry such as fast-moving consumer goods (FMCG), sales procedural knowledge and activities may be dictated by the MNC according to this quote from a general manager of a distributor: *“Sales practices and reporting practices are done based on the MNC’s preference” (Fin.Dist-12).* However, distributors in FMCG are flexible in developing the most suitable logistical procedural knowledge for the Saudi market because MNCs do not have the expertise according to the feedback of a logistics director of a distribution firm: *“the logistics department of distributor-X is the one responsible of their own development with the help of MNC-X” (Log.Dist-10).*

At the extreme opposite end, the industrial regulations governing the automotive industries in Saudi Arabia appear to be the most lenient, and the distributors operate more like dealerships. The reason for this leniency is that *“no car manufacturer does its own retail business” (Log.Dist-18),* where the required procedural knowledge is sought by the distributor and localised to fit the Saudi market. This freedom suggests that the extent of knowledge transferred to the Saudi distributors is limited to product information, which enables them to sell products. This characteristic is clear in the following quote from an operations general manager of an automotive distributor:

“the KPIs involved and adopted were not only based on what we have seen in MNC-Japan, we went to MNC-Europe and we picked up some criteria from these as well because they have similar culture to us [...] The criteria which we picked up was worked on in Saudi Arabia as well to localize them further and introduced other concepts” (Log.Dist-19).

Because selling automobiles is highly contextual, the MNC has little to transfer to its distributors, and the distributors have few standards to comply with.

Therefore, a distributor’s level of compliance is influenced by the strictness of the regulations governing the industry to which it belongs. If the regulations are strict, then there is a great deal of procedural knowledge to be transferred and compliance is total. However, if regulations are lenient, the amount of procedural knowledge to be transferred is much less, and compliance with them hinges on the distributor’s self-motivation (by either partial or by developing hybrid practices).

10- The distributor’s strategy of expansion: this factor is emergent and could be linked to factor 6 (the owners’ ethos) because the decision about the distribution firm’s strategy of expansion lies with its owners. This factor represents the impact, or lack thereof, of the distributor’s expansion on its area of knowledge. Ideally, if the distributor expands its business horizontally while utilising its current knowledge-base, it does not require much procedural knowledge to be transferred, regardless of the source. This pattern is found among distributors who are dedicated to a single MNC. Therefore, the distributor’s business grows when that specific MNC’s business grows, which is confirmed by this quote from a CFO of a distribution firm:

“[...] distributor-X is operating by MNC-X’s standards which made MNC-X expand distributor-X’s distribution operation in different countries such as; Pakistan, Egypt and Bahrain.[...] And honestly, I think this is the right model depending on how involved the MNC wants to be” (Fin.Dist-12).

However, if the distributor decides to expand its business by diversifying into a new area that requires procedural knowledge and actual activities that have yet to be transferred or developed, the distributor is more likely to not only transfer missing knowledge but also to totally comply with them temporarily until the learning curve is established. This tendency is observed in distribution firms that diversify and expand as third-party logistics providers (3PL), which is clear in the following quote from a CFO of an ambitious distributor:

“the deal was to handle a 3PL business for them. [...] All the team came here in Saudi Arabia to work out with us how are they going to transfer and dispatch their stocks

from us. This has included the finance, the IT and logistics [...] we sat together and we were trained on how to move and arrange the stock and above all we learned about their systems [...] They have trained us on what is required for each function in warehousing and finance and it was a good experience for us to learn how to manage a 3PL operations and services. [...] It got to a point of what kind of racking do we use and where the warehouse offices were located and they shared their requirements in terms of staff, material handling equipment and the IT department capabilities. But the point for us was to see how do they want us to work and they replied by 'we have our own standards'. We then replied; 'then, you guys need to be there to tell us how do you wants us to serve you'" (Fin.Dist-5).

In a nutshell, the distributor's strategy of expansion that depends on its knowledgeability is part of the explanation of the level of compliance provided and thus the solution pattern. If the distributor is knowledgeable in the area towards which it wishes to expand, then little procedural knowledge is required, and compliance is more likely to be either partially achieved or achieved through the development of hybrid practices. However, if the distributor wishes to expand in an unknown area, much more procedural knowledge is required and totally complied with, at least until learning curve is developed.

11- The amount and speed of financial gains reaped by the distributor by adopting required practices: this factor is emergent and considered to be influential, given that distribution firms in Saudi Arabia are family-owned businesses. This factor could be linked to factor 6 (the owners' ethos), as the profits gained or lost impact the owners' personal income. Ideally, if the procedural knowledge required to be transferred and applied will improve bottom-line figures, the distributor is more likely to transfer and apply them.

Based on the evidence, the distributor appears to resort to different strategies that involve accepting and implementing new transferred procedural knowledge: (1) eliminate inefficiencies or (2) reduce spending and investment, which in both cases leads to improving economic gains. Eliminating inefficiencies requires investment to optimise processes, systems and infrastructure, and this strategy is clear in the following feedback from a CFO and a logistics director of a distribution firm, respectively:

"the distributor will be lucky if he ended up with 2% profit. So, the distributor cannot operate inefficiently. In other words, the distributor has to adapt to new strategies and new processes in order to upgrade the level of services in a way to end up with a positive bottom line in their P&L" (Fin.Dist-12) "[...] generally any new knowledge that has implications on human resources will surely involve high resistance. But if the new proposed knowledge will have cost reduction implications, this will get the green light from the owners and practices will be changed or copied and pasted right away" (Log.Dist-13).

Reducing spending to improve profits was also highlighted as a strategy that owners of distribution firms practice, according to this quote:

"[...] MNC-X requested from us to change the layout and design of the warehouse allocated for them to reduce the operational cost. This was approved immediately by the owners without even thinking about the possibility of risk. This was approved immediately since the operational cost will be incurred totally by MNC-X as per the service level agreement" (Log.Dist-13).

Therefore, the profits gained by the distributor, which in Saudi Arabia impact the owners' personal incomes, may help us to explain the transfer process, especially the level of compliance provided by the distributor and thus the reason behind adopting a certain solution pattern. In a nutshell, if the procedural knowledge to be transferred will enable the distributor to improve its profits, it is more likely to be complied with, and vice versa.

Reflections of contingency factors:

It may be argued that all factors appear to be interlinked (see table 16). However, factors (1 to 4) are directly involved in describing the nature of the partnership between MNCs and distributors and the traits or capabilities possessed by the latter. Therefore, these factors inform how the transfer process is shaped. However, factors (5 to 11) explain the reasons behind the distributor's level of compliance provided as a solution pattern to resolve a problem and sustain the partnership. This explanation is deemed to be valuable because the solution patterns and the rationale behind them are considered to be the mechanisms constituting how procedural knowledge is transferred to the Saudi distributor. There is an important explanation that must be made in relation to a reference made in the methodology chapter. It was explained in the methodology chapter that the main methodological reasoning driving this thesis is deduction using thematic events informed by the literature reviewed. As the investigation progressed to identify the mechanisms of the process under study, new themes emerged inductively from the data that had to be captured in a range of additional nodes. These new nodes lead to the identification of all the emergent contingency factors (5 to 11), with the exception of factor (9), which is adopted from the literature. Extending the analysis and interpretation to achieve this level of understanding is the reason behind highlighting in the methodology chapter that this thesis's type of reasoning **began as deductive and then was changed to inductive**.

Understanding the reasons behind distributors' adoption of a certain level of compliance (solution pattern) is believed to be important, especially when the distributor's room for incompliance varies between the three investigated streams (sales, logistics and management accounting). For example, because procedural knowledge in both logistics and accounting is context-dependent, there is more room for the distributor to be creative relative to the case of the sales stream because sales activities are an extension of marketing procedural knowledge that is developed and executed by the MNCs. Therefore, the distributor's acceptable level of compliance in these different knowledge streams varies due to the nature of the procedural knowledge involved in the process.

- ii) The implication of the contingency factors on the objectives of the research:

It must be highlighted that the identification of the contingency factors described earlier is a finding that informs the understanding of the process by which procedural knowledge is transferred and its impact on the distributor's competitiveness. These contingency factors impact: (1) the shape of the transfer process and (2) the potential benefits subsequently reaped by the distributor. What these two outcomes demonstrate is that the findings of this thesis are aligned with the main objectives targeted from the beginning. Given that this thesis involves three different cases studies (sales, logistics and accounting) representing the three knowledge streams under investigation, the findings are believed to be complex and require subtlety in their description to avoid confusion because each knowledge stream (case) is found to be contingent upon a different set of factors, which in turn produce different matrix-like variations. **In the following two points**, we will announce the general findings with regard to the transfer process and the potential benefits reaped by the distributor.

- **What did the findings reveal about the process by which procedural knowledge is transferred?**

The findings show that that the process goes through three main stages: preparation, transfer/exchange and sustainability. In addition, it is found that the process's resemblance to Choo and Kim's models varies in each stage in each knowledge stream (case). As mentioned earlier in the literature review, whereas Kim's model advocates that procedural knowledge transfer is driven by shock (internal or external crisis), Choo's model believed that this transfer is self-driven by a motivated distributor. This understanding of how Kim and Choo viewed the

process concerned allowed us to: (1) examine the resemblance of each stage to either Kim or Choo's models accordingly, (2) evaluate the implication of this resemblance on the level of compliance provided by the distributor and (3) predict the potential benefits reaped as an outcome of the process, among which is competitive advantage. As explained in the methodology chapter, this examination is based on thematic events adopted specifically from these two process models and with which the comparison and evaluation are made (see tables 11 and 12 in chapter 3). It is important to highlight that this holistic account of the investigated process has facilitated the researcher's judgment even when exact evidence for some specific thematic events was not available in the data. This fact required the researcher to understand the overall description of the process as "a story" and consult the available data to determine which process model better explains the transfer process for each interview in each knowledge stream (case), Kim's (1998) model or Choo's (1998) model.

- **What did the findings reveal about the benefits reaped by the distributors as an outcome of the transfer process?**

As explained in the methodology chapter, the potential benefits predicted based on the transfer process's shape (Kim or Choo) and the factors upon which it is contingent must be analysed and evaluated against additional frames of reference. Because this thesis aims to understand the process in terms of its impact on the Saudi distributors' competitive advantage, Barney's (1991) criteria and Teece *et al.*'s (1997) notion of dynamic capabilities were used to assess this impact.

Given that the problems and constraints in each stream (sales, logistics and accounting) are different, it is only logical to expect that different sets of benefits are reaped by the distributors in each stream as well. Therefore, each stream was expected to feature a different range of benefits reaped by the Saudi distributor. The benefits were predicted by examining the potential outcome of the transfer process when influenced by a set of contingency factors. Because the contingency factor reflects the distributor's capabilities and traits to address transferred knowledge, the distributor's knowledge-processing competences may be predicted. Once the potential benefits are understood in relation to the stream to which they belong, they must be distinctively labelled in a way that reflects this understanding. Eventually, the findings enabled the identification of a range of potential benefits are associated with the following: (1) the transfer of procedural knowledge in a certain way as a result of being influenced by a set of factors and (2) the level of compliance provided in this process variation. Ideally, the distributor's level of compliance acts as a means of balancing between surviving and satisfying the MNC. Therefore, the level of compliance constitutes the solution pattern to resolve the problem in a certain knowledge stream.

Once all solution patterns in all three streams were understood and labelled, commonalities were identified. The findings enabled us to reveal that similar benefits may be reaped by the distributors as an outcome of the transfer process in different knowledge streams. However, once these benefits are assessed based on Barney's (1991) and Teece *et al.*'s (1997) frames of reference, **not all benefits will enable the distributor to gain competitiveness**. In addition, some of the benefits reaped might generate a competitive advantage for the distributor in one stream but not in another because of the change in what constitutes a threshold capability when WTO regulations changed, giving MNCs more leverage. In essence, the capabilities used to generate competitive advantage in the past are now considered mere threshold capabilities. The most important learning to report is that findings have shown that distributors may reap benefits that would generate competitive advantage when they contribute to the process by which procedural knowledge is transferred and developed. Given the latest WTO changes, it is found that distributors that develop the capability not only to transfer required knowledge but also to develop hybrid practices are more likely to gain competitive advantage. These hybrid

practices are developed when the distributor manages to customise transferred procedural knowledge regardless of its source to make them applicable in the Saudi market.

4.1.5- Summary of the contingency factors:

As part of meeting this thesis's objectives that mainly revolve around understanding the transfer process and its impact on the distributor's competitiveness, the factors that influence the shape of this process are important to highlight. Therefore, in this section, the most impactful contingency factors (11 factors) were identified based on empirical evidence that highlighted their impact on the process concerned. Once these factors were explained, their impact on the process and its outcome was holistically explained according to the findings. *First*, the findings revealed that those contingency factors may influence the transfer process, which has three main stages: preparation, transfer/exchange and sustainability. Because each knowledge stream is influenced by its own range of factors, the shape of the process is found to vary per stream as well. *Second*, the shape of the transfer process, combined with the capabilities and traits suggested by these contingency factors, allows for the identification of the potential benefits reaped by the distributor, which will be extensively elaborated in section (4.3). Due to the complexity of the findings, especially because this thesis investigates the different knowledge streams (cases), a structure was suggested to enable a consistent framework to present the analysis and interpretation of data, synthesise the report of the findings per stream and demonstrate the achievement of answers to the research questions. This structure lies in four perspectives (angles), from which the findings will be reported and discussed in the following section (4.2).

4.2- The 4-angles from which the findings are described

As explained earlier, the complexity of the findings, given that there are three different cases (sales, logistics and management accounting) investigated in this thesis, required a consistent structure that leads the analysis, interpretations and reports. This structure lies in four angles: (1) the findings with regard to the transfer process's shape based on its stages, (2) the evaluation of each stage of the process in terms of its resemblance with Choo and Kim's models, (3) the level of compliance provided by the distributor and (4) the type of potential benefits reaped and whether they will enable the distributor to gain a competitive advantage.

This section aims to elaborate on these angles to demonstrate their effectiveness in enabling the thesis to report the findings in a way that meets the research objectives.

4.2.1- The three-stage transfer process:

First, it is important to reiterate how the three-stage process was identified. As explained in the methodology chapter, a systematic approach was adopted to enable a two-level understanding of the process by which procedural knowledge is transferred: how procedural knowledge is transferred in each stream (sales, logistics and accounting) and whether there is any resemblance between the investigated streams. To gain this understanding, the transcribed interviews were examined one stream at a time. At this stage, the storyline of each candidate's account of the process was tracked to understand what was occurring, who was involved and what the purpose of each step in the process was. Once all interview transcripts were processed accordingly, a common process was identified per stream. The second level was achieved when the process descriptions of all three streams were compared for commonalities to identify a universal process describing how procedural knowledge is transferred in all three streams. The result of this systematic approach to manage the data allowed us to report the findings with regard to the shape of the process in three stages: preparation, transfer/exchange and sustainability (see figure 15 below).



Fig-15: The three-stage process by which procedural knowledge is transferred

The findings allowed us to recognise that this three-stage process may take many shapes when influenced by different sets of contingency factors. In each knowledge stream (case), a different set of factors helped to explain the shape of the process in terms of which organisation (MNC or distributor) drives which stage of the process. We must highlight that the contingency factors, especially the initial ones (adopted from literature), reflect the distributor's ability to process transferred knowledge. When the distributor's initial capability is understood based on the empirical evidence, an explanation of the reason why the process is driven by a partner may be determined.

It is important to highlight that the start and end of each stage of the transfer process are not found to be equally apparent in all streams. For example, the first two stages of the process (preparation and transfer and exchange) in the sales/marketing stream were found to take place concurrently. However, marking the start and end of all stages in the other streams (logistics/supply chain and finance/accounting) is found to be much easier. In addition, the volume of evidence found to specifically mark some of the stages in some patterns in the three streams varies. Occasionally, the start and end of a stage in the process may be identified logically without supportive evidence that exactly describes such events. Despite this limitation stemming from the collected evidence, these events were identified.

Because this thesis investigates three cases that are influenced by different sets of contingency factors, it is difficult to provide evidence to reflect the complex variation in all of them at this stage in the thesis. Alternatively, few quotes will be provided to showcase the different variations found in each case among all streams. However, sufficient evidence will be provided when each solution pattern in each stream is described in section (4.3).

First stage: preparation: this stage addresses how the Saudi distributor prepares for the transfer of new and required procedural knowledge from the MNC. The events with which this knowledge is transferred to the distributor vary. Because the MNC is considered to be the main source of required knowledge, the preparation stage is found to be dependent on the following: **first**, the type of knowledge (stream) involved that suggests a set of constraints. For example, it is commonly known that sales procedural knowledge and activities (executed by the distributor) are an extension of marketing strategies (executed by the MNCs) and that they must be aligned. Therefore, the preparation stage in the sales knowledge stream is found to be driven by MNCs because marketing is considered to be their area of expertise. However, considering the logistics knowledge stream, the distributor has much greater expertise. Therefore, the preparation stage involves events where the MNC's participation in preparing the distributor is limited to demanding a certain level of services. The distributor then must provide the majority of the intensity of effort to seek the required knowledge and meet the

agreed-upon service level. The **second** factor is the distributor's knowledge-processing capabilities required for the transfer process. These capabilities are captured in contingency factors such as absorptive capacity and self-motivation. For example, if the distributor is found to lack self-motivation or absorptive capacity in any of the three streams, it is more likely that the MNC drives the preparation stage, even in areas in which they do not have expertise. Ultimately, the identified contingency factors in this thesis are believed to help in describing and explaining how the process is shaped, especially from these two areas. The following quotes will provide different events that describe the preparation stage for different distributors:

- The MNC drives the preparation stage: *“all the mechanism for any knowledge or learning MNC-X want to transfer or introduce the distributor were designed internally as in MNC-X”*(Log.Dist-3).
- The distributor drives the preparation stage: *“distributors started hiring professional heads of finance and their looking for qualified chartered accounts and they started to become more picky not like before. You know accountant with qualifications such as CPEs, CMAs..etc”* (Fin.Dist-12).
- Both the MNC and the distributor contribute to the preparation stage: *“It is basically useful at right level meetings where we can collectively and mutually learning from each other and end up creating some new form of knowledge that did not exist before.[...] both teams from both organisations keep enhancing each other’s”* (Fin.Dist-34).

Second stage: transfer and exchange: this stage addresses the core events by which the required procedural knowledge is transferred to the Saudi distributor. Because the identification of what knowledge must be transferred requires an exchange of “how business is done” between the two organisations, the word “exchange” is deemed relevant to complement the description of this stage. The most accurate description of this stage is found in Nonaka & Takeuchi's (1995) SECI model of knowledge creation and exchange. In this sense, organisational members from both organisations participate in the transfer, exchange and occasional creation of new practices. One of the most important elements in the second stage is the knowledge creation and exchange platform “ba”, which is considered fundamental to supporting the knowledge creation spiral (Nonaka *et al.*, 2000).

The events identified in this stage vary in terms of their strategic purpose: they are either aimed at transferring procedural knowledge “as is” from the source (ideally the MNC) or enabling creating actual (hybrid) practices that fit the Saudi market and are aligned with the MNC's standards. This variation is dependent on the type of partnership held by the two organisations and the distributor's capacity for and commitment to the success of this partnership. This stage of the process is found to be influenced by the same contingency factors in each stream. In addition, it was found that this stage contains explanations about the means with which procedural knowledge was transferred and whether obstacles to codification (Cantwell & Mudambi, 2005; Gupta & Govindarajan, 1991) and communication (Mudambi *et al.*, 2007) were present. The following quote provides an example of an event to transfer/exchange knowledge with the distributor: *“both teams from both organisations keep enhancing each other's knowledge in that process of discussion”* (Fin.Dist-34).

Third stage: sustainability: it was found that the mere transfer of required practices to the distributor is not sufficient to unlock their potential value. Specific events occurred to ensure that the value and relevance of transferred procedural knowledge were sustained. This approach entails that one or both organisations (the MNC and the distributor) must contribute to keep transferred procedural knowledge alive and revise its effectiveness in a changing market such as that in Saudi Arabia. Similar to the two other stages, the variation in terms of which organisation will drive this stage is also found to depend on the contingency factors. When the required procedural knowledge is more context-dependent, it is less likely for this knowledge to be available and offered by MNCs. Therefore, the level of compliance that may be provided by the distributor and constitute the solution pattern – and, in turn, which

organisation will drive this stage – will also vary accordingly. In this sense, the potential benefits that may be reaped by the distributor as an outcome of the transfer process will differ, as the solution pattern provided by the distributor with which it will balance surviving and satisfying the MNC will vary. It is important to highlight that the distributor's ability to reap competitive advantage is positively related to the level of its contribution to the transfer process and its ability to develop hybrid practices. These practices will enable the distributor to survive in the Saudi market and satisfy the MNC, as they are considered to be the enhanced version of those transferred earlier. The distributor's ability to develop and practice such competences reflects the degree of autonomy its organisation enjoys and how much control the MNCs have over its activities. According to the reviewed literature, the room to develop these competences is believed to be essential to the distributor's creativity and innovation (McGuinness *et al.*, 2013; Rabbiosi, 2011; Das & Teng, 2001). The following quotes provide different events by which the process of transferred knowledge is sustained:

- The MNC sustains the transfer process:
"[...] all the mechanism for any knowledge or learning MNC-X want to transfer or introduce the distributor were designed internally as in MNC-X. Then, we brought those mechanisms to them and told "this is how we want to execute the plan" (Log.Dist-3).
- The distributor sustains the transfer process:
"this knowledge is not usually transferred from MNCs. The type of knowledge which we benefited from in supply chain is when we brought consultancies on our expense that helps us to better our supply chain and so on. That is to work on the areas of improvement pointed out by the MNCs" (Owner.Dist-36).
- The MNC and distributor jointly sustain the transfer process:
"we can collectively and mutually learning from each other and end up creating some new form of knowledge that did not exist before.[...] both teams from both organisations keep enhancing each other's knowledge in that process of discussion where someone learned from his counterpart of the opposite." (Fin.Dist-34).

4.2.2- Resemblance of the process to Choo/Kim's process models:

Being able to judge which process model (Kim's or Choo's) better explains the process by which procedural knowledge is transferred is the core purpose of this thesis. As explained in the methodology chapter, this is what empirics are supposed to enable us to achieve. These empirics are gathered from the data based on the thematic events extracted from these two process models and thus provide a frame for comparison. This angle of analysis will enable us to understand the resemblance of the process associated with the corresponding authors' view of how procedural knowledge is transferred and how organisations exploit this knowledge to drive their development.

Because the transfer process is found to occur in three stages, each stage must be examined to learn how it takes place and which organisation drives it. To achieve this level of understanding, evidence found in each stage of the process will be examined to reveal which organisation drives it. If the evidence found describes a stage driven by the distributor, then this stage resembles Choo's model and requires self-motivation to drive it. However, the stage resembles Kim's model if the evidence suggests that the stage is driven by crises (internal or external).

In sum, it is found that each stage's resemblance to Kim or Choo's models in each knowledge stream (sales, logistics and management accounting) varies and is influenced by the corresponding set of contingency factors. This concept will be illustrated in a discussion of the solution patterns of each stream separately in section (4.3).

4.2.3- Solution patterns (strategies of compliance)

In this thesis, a solution pattern is the distributor's means of exploiting the transferred procedural knowledge from any source to balance surviving and satisfying the MNC(s) served (see figure 14 described earlier). This term is not adopted from the literature, but it has

emerged once the problems in each investigated stream were recognised and thus required solutions to be offered by the distributor. As explained earlier, every knowledge stream (sales, logistics and accounting) suggests a different problem that hinders distributors from achieving this balance; the solution patterns adopted by the distributor differ as well. Depending on the influence of the corresponding contingency factor in each stream, the distributor is found to be capable of providing different means of complying with MNCs' standards and maintaining profitability, which may be considered *strategies*. To be accurate local partners' compliance was hinted to by Kostova & Roth (2002). However, their account of why certain strategies are adopted is considered limited. Never the less, the labels "total and partial compliance" are found relevant and thus adopted from their work. Ideally, each solution pattern enables the distributor to move in a different strategy and reap different benefits, among which is competitive advantage. The findings indicate that there are **three strategies**: total compliance, partial compliance - adopted from Kostova & Roth (2002)- or compliance through developing hybrid practices. The following (figure 16) holistically illustrates which contingency factors influence the distributor's decision about which strategies of compliance to adopt to balance between its survival and meeting the MNCs' standards.

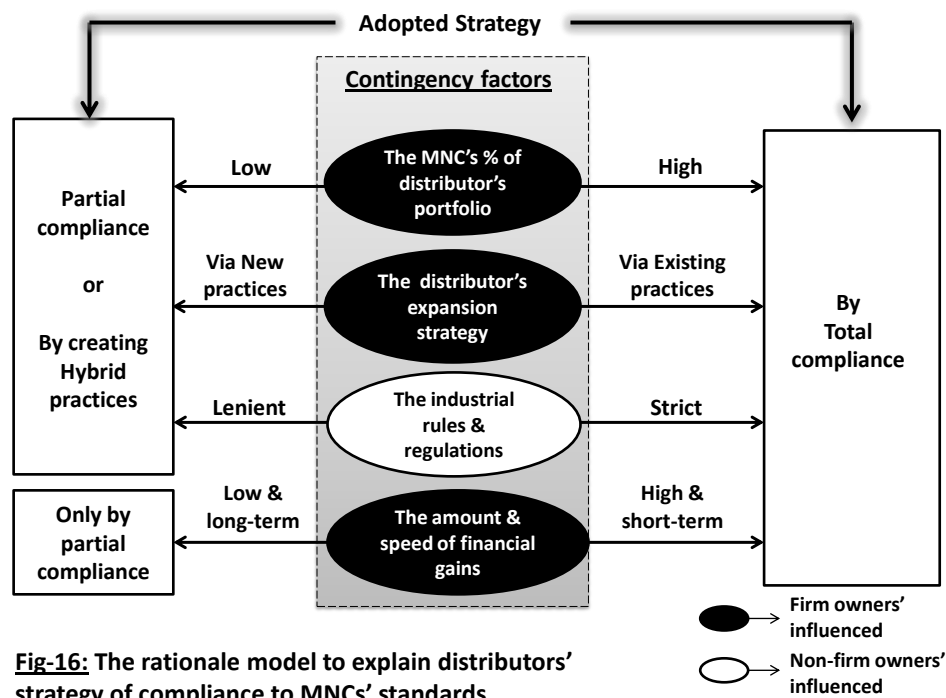


Fig-16: The rationale model to explain distributors' strategy of compliance to MNCs' standards

This level of understanding is found to be valuable because it complements the understanding of the process that shapes procedural knowledge. In other words, widening the scope of the analysis in this thesis enables a better understanding of the patterns that constitute the transfer process. This understanding is believed to be valuable, especially because this thesis investigates three different knowledge streams (cases). As illustrated in (figure 16, p.126) above, the contingency factors that are found to influence the distributor's strategy of compliance are as follows: the MNC's representation (%) of the distributor's portfolio, the distributor's strategy of expansion, the strictness of industrial regulations and the amount and speed of financial gains reaped by the distributor. These factors were described earlier in (table 16, section 4.1.4) and referred to as factors (8 to 11).

The distributor's strategies of compliance have been identified in the literature as mentioned in the literature review chapter. **Total compliance** means that the distributor fully complies

with the MNC's standards manifested in transferred procedural knowledge. In this way, the Saudi distributor may be considered a subsidiary of the MNC and become completely isomorphic (Kostova and Roth, 2002). Ideally, this strategy implies that the variance between how the distributor conducts business and how the MNC wants the distributor to conduct business is minimal. An example of this strategy is clear in the following quote: *"They did not change anything of their practices [...] they have copied their knowledge and managed to paste that on a period of three months" (Fin.Dist-5).*

Partial compliance is a strategy that is regarded as being associated with the black-box mind-set elaborated earlier, which stems from the distribution firms' owners in this thesis. This business mind-set was described by Simonin (1999a), who suggests that partners' resistance to share or adopt practices is due to partners' protectiveness. This strategy implies that the distributor is more likely to comply with some standards and ignore the rest, where the intensity of effort to improve financial gains is minimal. The distributor that follows this strategy is found to be under continuous pressure or external crisis, which resembles Kim's (1998) model. The distributor's struggle for stability may be considered a reactive mechanism to manage institutional pressures (institution duality) that the organisation is under (Kostova, 1999).

It is found that this is a common business ethos among the owners of Saudi distribution firms. The following quotes provide classic examples that describe distributors' excessive focus on improving their profits:

"MNC-X requested from us to change the layout and design of the warehouse allocated for them to reduce the operational cost. This was approved immediately by the owners without even thinking about the possibility of risk [...] since the operational cost will be incurred totally by MNC-X as per the service level agreement" (Log.Dist-13).

The third strategy is to comply with the MNC's standards by **creating a set of actual activities (hybrid practices)**. These hybrid practices are developed by customising the procedural knowledge transferred from MNCs or other sources to make them applicable in the Saudi market. It is found that the customisation process requires a high intensity of effort from the distributor's side to transform procedural knowledge to actual activities where true benefit is unlocked and realised. This process may be considered a more positive reaction from the distributor to overcome institutional dual pressures and achieve balance and stability. However, the findings report that some MNCs tend to contribute to the customisation process, especially when the distributor demonstrates high motivation and absorptive capacity. According to Rabbiosi (2011), the MNC's investment is achieved for two main reasons: (1) to develop the subsidiary's innovative capabilities in creating valuable knowledge and (2) to have the opportunity to codify what is perceived as valuable procedural knowledge, which may be reversed back into the MNC's network and used to enhance its global competitiveness. Based on the evidence, creating hybrid practices may be achieved: (1) entirely by the distributor, as in the logistics knowledge stream: *"the logistics department of distributor-X is the ones responsible of their own development with the help of MNC-X" (Log.Dist-10)*, (2) entirely by the MNC, as in the sales knowledge stream: *"Sales practices and reporting practices are done based on the MNC's preference" (Fin.Dist-12)* or (3) by shared effort between the MNC and the distributor:

"we can collectively and mutually learning from each other and end up creating some new form of knowledge that did not exist before.[...] both teams from both organisations keep enhancing each other's knowledge in that process of discussion where someone learned from his counterpart of the opposite." (Fin.Dist-34).

The distributor's adoption of a certain strategy of compliance will primarily resolve the key problem faced in each stream by striking the balance between the distributor's survival and the satisfaction of the MNC's standards and thus becoming more competitive. Ideally, this rational backbone (figure 16, p.126) basically enables us to make sense of the distributor's

decision to adopt a certain strategy to comply with the MNC's standards based on the evidence. Given the influence of a certain set of contingency factors, this view may also help us to predict the distributor's adoption of a certain strategy (out of the identified three). Therefore, the type of benefits that will be reaped by the distributor as a result of its adoption of certain strategy may be predicted as well.

4.2.4- *Evaluation of the benefits reaped by the distributor:*

The final angle from which the findings will be reported is the evaluation of the benefits reaped by the distributor as a result of adopting a certain strategy of compliance. It was found that the distributor's ability to reap a competitive advantage is positively related to its contribution to the transfer process and its ability to develop hybrid practices as a result. This finding applies to all three streams, but only when the distributor's contribution is allowed. One part of allowing the distributor to contribute stems from the type of knowledge being transferred (sales, logistics or accounting), and the other part is due to the distributor's knowledge-processing capability (absorptive capacity, self-motivation and potential intensity of effort) in general. For example, among the three investigated streams, the distributor is rarely allowed to interfere with the development of hybrid practices in the sales/marketing knowledge stream, regardless of its knowledge-processing capabilities. Through this angle, the benefits generated by the distributor's adoption of a certain strategy of compliance per stream will be examined against Barney's (1991) VRIN RBV and Teece *et al.*'s (1997) dynamic capability. It is important to highlight that this examination will be conducted keeping in mind the recent changes in the WTO regulations governing Saudi Arabia that allow MNCs to operate without being obligated to partner with a Saudi distributor. Because the leverage shifts towards MNCs, it will be necessary to reassess the capabilities used to generate competitive advantage for the distributor. As a result of the findings, the distributor will reap a different type of benefit at the end of each strategy in each stream; however, not all these benefits will enable the distributor to gain a competitive advantage.

4.2.5- *Summary of explaining the four angles:*

In this section, four angles were identified that will provide the structure of the analysis and interpretations as well as a structure to report the findings. This step is important because the findings of this thesis are believed to be complex and require consistency and subtlety. In addition, these angles will directly help this thesis answer the research question and meet its objectives. These angles are as follows: (1) the transfer process stages and its contingency factors, (2) the resemblance of the process's stages to Kim and Choo's models, (3) the strategy of compliance adopted by the distributor and (4) the benefits reaped by the distributor as an outcome of adopting a certain strategy of compliance.

Ultimately, these four angles will lead to the investigation of all the three knowledge streams. Therefore, the analysis of data, interpretation of evidence, synthesis of findings and reports of findings will be conducted from these four angles

4.3- Findings per knowledge stream (case)

As stated earlier, reporting the stream-based findings is approached from four angles: (1) the nature of the transfer process suggested by the pattern, (2) the process's resemblance to either Kim or Choo's model, (3) the strategy of compliance adopted by the distributor in this pattern and (4) the type of benefits reaped as a result of adopting this strategy. Part of this approach is evaluating whether such benefits may enable the distributor to reap competitive advantage. As explained earlier in the methodology chapter and in the previous sections, the impact of transferred procedural knowledge on the distributor's ability to reap competitiveness will be assessed according to Barney's (1991) VRIN and Teece *et al.*'s (1997) dynamic capability criterion. Due to the complexity of the findings that must be reported for the three knowledge streams (sales, logistics and management accounting) and from the four angles, it is helpful to announce a holistic view of the finding in advance. Also, in order to facilitate the distinction between identified patterns in all three streams with which the distributor can resolve the main problem in each one of them, they will be given distinct reference codes as follow. In the sales/marketing stream, 4-solution patterns were identified (see table 17 below) and they are referred to as (S1, S2, S3 & S4). In the logistics/supply chain stream, 3-patterns were identified (see table-18 below) and referred to as (L1, L2 & L3). Finally, in the finance/management accounting stream, 3-patterns were identified (see table 19 below) and referred to as (A1, A2 & A3). This is to facilitate comparison between patterns within different knowledge streams (cases).

Pattern No.	Source of required knowledge	Distributor's Absorptive capacity & Self-motivation		Shared trust		MNC's control over Sales operations		MNC% of Dist.'s portfolio		Strictness of industrial regulations		PK&L process stage driven by; (MNC/Dist.)			Process model resembles	Strategy of compliance	Benefits reaped by distributor	Competitive advantage
		High	Low	High	Low	High	Low	High	Low	High	Low	Prep	Trnsf. & Exch	Sustn				
S1	MNC		X	X		X		X		X	X	MNC	MNC	MNC	Kim's	Total	Implementer	No
S2	MNC	X		X		X		X		X		MNC	MNC	Dist.	Kim's	Total	Implementer	No
S3	MNC, Dist. & 3 rd party	X		X		X		-	-	X	X	Both	Both	Both	Choo's	Hybrid	Synergetic Partner	Yes
S4	Dist. + 3 rd party	X		X			X	-	-		X	Dist.	Dist.	Dist.	Choo's	Hybrid	Independent Partner	Yes

Table-17: The solution patterns identified in the sales/marketing knowledge stream (Case)

Pattern No.	Source of required knowledge	Distributor's Absorptive capacity & Self-motivation		Shared trust		Strictness of industrial regulations		Owner's business ethos		MNC% of Dist.'s portfolio		PK&L process stage driven by; (MNC/Dist)			Process model resembles	Strategy of compliance	Distributor's desirable outcome	Competitive advantage
		High	Low	High	Low	High	Low	High	Low	High	Low	Prep	Trnsf & Exch	Sustn				
L1	MNC	X		X		X	X	X		X	X	MNC	MNC	Dist.	Kim's → Choo's	Total → Hybrid	Innovative subsidiary	Yes
L2	MNC		X		X		X	X			X	MNC	MNC	MNC	Kim's	Partial	Implementer	No
L3	Dist. & 3 rd party	X		X		X	X	X		-	-	Dist.	Dist.	Dist.	Choo's	Hybrid	Independent Partner	Yes

Table-18: The solution patterns identified in the logistics/supply chain knowledge stream (Case)

Pattern No.	Source of required knowledge	Distributor's Absorptive capacity & Self-motivation		Shared trust		Owner's business ethos		PK&L process stage driven by; (MNC/Dist)			Process model resembles	Strategy of compliance	Distributor's desirable outcome	Competitive advantage
		High	Low	High	Low	High	Low	Prep	Trnsf & Exch	Sustn				
A1	MNC		X	X		X		MNC	MNC	MNC	Kim	Total	Implementer	No
A2	Dist. + 3 rd party	X		X		X		Dist.	Dist.	Dist.	Choo	Hybrid practices	Independent Partner	Yes
A3	MNC + Dist.	X		X		X		Both	Both	Both	Choo	Hybrid practices	Synergetic partner	Yes

Table-19: The solution patterns identified in the finance/management accounting knowledge stream (Case)

This section (4.3) will be divided into three parts, corresponding to the three investigated knowledge streams: (4.3.1) the sales stream, (4.3.2) the logistics stream and (4.3.3) the accounting stream.

4.3.1- Sales/marketing knowledge stream:

a) The influencing factors:

The sales/marketing knowledge stream is found to be contingent upon the following factors: the number of organisations involved in the process, the distributor's absorptive capacity and self-motivation, the MNC's control over the operations, the level of shared trust, the percentage of the distributor's portfolio held by the MNC and the strictness of the industrial regulations. The other factors (the owner's business ethos, the distributor's strategy of expansion and the source of procedural knowledge required) are not influential in the sales/marketing stream.

The owner's ethos is found to be less influential due to the nature of the link between marketing and sales procedural knowledge and actual activities. Generally, marketing and sales procedural knowledge must be streamlined and complementary to each other; otherwise, it would be difficult to sustain the business relationship and stabilise the alliance between the MNC and the distributor. Therefore, the owners have little to say on this matter. The distributors' strategy of expansion in this stream is also found to be constant because the only logical strategy for maintaining this relationship is for the distributor to support the MNC's sales growth. Because this factor has no influence, it is considered irrelevant. Finally, the sources of the required procedural knowledge are also deemed irrelevant because for the distributor to comply with the MNC's standards, all sales practices must be aligned with the marketing procedural knowledge that is only sourced from the MNC itself. If the MNC decides to involve a third party, such as consultants, when specific knowledge cannot be offered by the distributor, the entire process is owned and controlled by the MNC to ensure alignment. For this reason, the source of required sales procedural knowledge is always the MNC and thus is considered to be constant.

b) What is the problem in the sales/marketing knowledge stream?

The key problem in the sales/marketing stream that the identified solution patterns aim to resolve must be re-emphasised. The key problem stems from the variation between the two partners in the alliance in terms of how they conduct business. To elaborate, there are two sources of this problem. The first is the strong link between the marketing procedural knowledge (executed by the MNC) and the sales procedural knowledge and actual activities (executed by the distributor). Ideally, the MNC must ensure that the sales procedural knowledge and actual activities complement (not hinder) the marketing strategy, which is one of the MNC's areas of strength. This step is clear in the following quote from a sales director: *"The MNC considers distributors as an extended arm for them in sales operations which logically mean that the sales teams in the distributors have to think like them and speak the same language"* (Sls.Dist-22). Distributors tend to vary in terms of their tolerance of the MNCs' constant interference in their sales activities, aiming to streamline the MNCs' activities with their own.

Second, there is tension between the distributor's ability to provide an adequate level of compliance with the MNC's standards and how it wishes to be treated by the MNC. This tension may be sensed from the following quote from a marketing director of a distributor expressing his feelings about the partnership his organisation has with a specific MNC: *"as a sales director, I feel like I am always juggling balls to keep different sides happy"* (Sls.Dist-17). Both tensions are expected to manifest themselves in the strategy of compliance and must be resolved for the required procedural knowledge transferred. The solution patterns are

dependent on the contingent factors described earlier (in part a), which makes the relationship between partners unique and variable. However, the tensions between them are resolved by these solution patterns. The evidence shows that each solution pattern is unique when examined from the four angles identified earlier: the three-stage process with which procedural knowledge is transferred, the process's resemblance to Kim and Choo's models, the type of compliance adopted by the distributor to enable such a solution and, consequently, whether the types of benefits reaped will yield competitive advantages for the distributor.

c) Evidence-based explanation of the problem in the sales/marketing stream:

While the findings confirm the specific problem that must be solved, they also indicate that there is a variation in how the problem is managed. The problem is rooted in the tight link between the sales procedural knowledge practiced by the distributor and the marketing procedural knowledge prescribed by the MNC. It is expected that the MNC heavily interferes in how the distributor conducts sales to the point of imposition relative to the pre-agreed service level agreements. This phenomenon is evident in the following quotes from the general managers of two distributors:

"the distributors and the MNCs setting together to agree on what is required to meet the expected service level agreements" (Sls.Dist-38).

"the core of sales and marketing operations executed by the distributor teams are highly impacted by how MNCs wants it to be done[...] Ideally, the sales force should follow their standards even if they MNCs are explicit about such standards and the common knowledge in distributor's sales and marketing force" (Sls.Dist-12).

However, the evidence confirms that MNCs' interference becomes less aggressive when the distributor is professional and capable: the following quote from the distributor's perspective describes a less aggressive approach:

"The MNCs do a presentation to distributors to allow them to understand the objective, the distribution network, marketing strategy, visibility in the market and the general guide lines of that product or brand in order for the distributor to implement these strategy and execute in your market. Then, comes the distributor's execution which should be in line with the expected visibility of the product given." (Sls.Dist-21).

This following quote from a marketing director of an MNC describes how aggressive MNCs may be in transferring procedural knowledge and "forcing" the sales team to comply with their systems:

"We started doing our own reporting system where we forced the distributor to install certain operating systems with which they can generate pure data for us and we receive the data and we were responsible for analysing it on their behalf. (Sls.MNC-11).

We could argue that when the distributor is knowledgeable and sophisticated, the transfer of sales procedural knowledge evidently becomes routine and less aggressive. In fact, the following quote from a general manager of a self-motivated and sophisticated distribution firm highlighted that even in the sales knowledge stream, MNCs have little to offer their organisation, as he believed that such procedural knowledge is highly contextual:

"the selling techniques are not very much different from the universal practice.[...] This kind of knowledge can be easily translated and transferred from anywhere in the world to us. The same goes for marketing strategy practices which are also universal but sometimes ... How would I say this ... needs to be localized and tailored to make it work in Saudi Arabia [...] the marketing techniques of how to promote a product are not much different unless the product involves a function of taste. As the taste is different in Saudi Arabia from Europe, then we need to know how to market to accommodate the taste difference in the market." (Sls.Dist-38).

In exceptional cases in which the distributor does not have the absorptive capacity to run the sales operations in the way required by the MNC (due the high technical competence involved), the MNC tends to take over the sales operations with the consent of the distributor. This phenomenon is clear in the following quote from two different CFOs describing how their MNCs commandeered the distributors' sales operations and transferred the required sales procedural knowledge:

“the MNC advised to bring more people to teach and transfer their knowledge to them to develop their business knowledge and practices [...] they have agreed to this and brought their own business development team around 15-people [...] the GM of that MNC’s sales division in our distribution company was an ex-employee of that MNC and he worked with us for a long time to develop its MNC’s business”(Fin.Dist-27). “I know that it is not a secret that a good percentage of the distributor’s employees are Ex-MNC” (Fin.MNC.25).

What must be taken away is that the MNCs' approach to transferring sales procedural knowledge to their distributors depends on the latter's absorptive capacity and motivation to learn and the level of trust that both partners share. When the distributor lacks motivation and the required absorptive capacity but trusts the MNC, the MNC takes over the distributor's sales operations and provides the investment required to run its business. However, when the distributor lacks the same capabilities but does not trust the MNC, the MNC aggressively transfers the required procedural knowledge and learning and forces the distributor to comply, which most likely creates a crisis situation within its organisation, forcing it to catch up to stabilise the partnership.

d) What are the solution patterns that resolve the key problem in sales/marketing stream?

As mentioned earlier in this section, the solution patterns reflect the strategy of compliance adopted by the distributor to resolve the key problem in a specific stream. In the sales/marketing stream, four patterns were found through which the distributor will resolve the problem in the sales stream and achieve balance between its survival and satisfying MNCs. The following (table 20), reiterates and illustrates the most influential factors and the level at which they are found available. It was found that the variation in these factors impacts the shape of the transfer process, the adopted strategy of compliance and the benefits ultimately reaped by the distributor.

Pattern No.	Source of require knowledge	Dist.'s Absorptive capacity & Self-motivation		Shared trust		MNC's control over Sales operations		MNC% of Dist.'s portfolio		Strictness of industrial regulations	
		High	Low	High	Low	High	Low	High	Low	High	Low
S1	MNC		X	X		X		X		X	X
S2	MNC	X		X		X		X		X	
S3	MNC, Dist. & 3 rd party	X		X		X		-	-	X	X
S4	Dist. + 3 rd party	X		X			X	-	-		X

Table-20: The relevant contingency factors influencing the solution patterns in sales/marketing stream.

At this point, it is helpful to view the variation in the range of the most influential factors in the sales/marketing stream. However, later on, each of these four patterns will be examined and evaluated separately based on the evidence. Ideally, each pattern represents how the distributor exploits the process by which procedural knowledge is transferred and achieves a type of benefit determined the contingency factors. The contingency factors involved provide information about (1) the unique nature of the business partnership between MNCs and their distributors and (2) the distributor's knowledge-processing capabilities (i.e., absorptive capacity and self-motivation).

Pattern (S1):

Pattern No.	Source of required knowledge	Dist.'s Absorptive capacity & Self-motivation		Shared trust		MNC's control over Sales operations		MNC% of Dist.'s portfolio		Strictness of industrial regulations	
		High	Low	High	Low	High	Low	High	Low	High	Low
S1	MNC		X	X		X		X		X	X

Overall description of Patterns (S1):

It was found that the MNC in this pattern has high control over the sales operations executed by the distributor due to the distributor's lack of self-motivation and absorptive capacity. To illustrate this structure, the following quote is from a marketing director of an MNC describing the distributor's participation in the transfer process:

"We started doing our own reporting system where we forced the distributor to install certain operating systems with which they can generate pure data for us and we receive the data and we were responsible for analysing it on their behalf. (Sls.MNC-11).

The MNC's excessive control is also found to be due to the high leverage it has over the distributor. This leverage is due to the MNC's high representation of the distributor's portfolio. Unfortunately, the evidence of this leverage is considered sensitive and part of the researcher's personal knowledge. However, obtaining specific and official data to support this point was not possible. In this pattern, the MNC drives all three stages of the transfer process (preparation, transfer and exchange and sustainability) according to **Kim's (1998) model**. The MNC continuously motivates the distributor to catch up by migrating the required sales procedural knowledge to enhance the distributor's knowledge-base and creating external crises within the distributor's organisation. The distributor contributes little to the process and trusts the MNC in terms of deciding what is to be transferred and how it is transferred. The distributor's contribution is limited to participating in providing the required intensity of effort – more specifically, investment – to facilitate the execution and sustainability of the transfer process itself. For this reason, this pattern is labelled as an **"implementer"** (Gupta & Govindarajan, 1990;2000) because first, the distributor has fewer capabilities in terms of learning and developing sales/marketing procedural knowledge, and second, because the MNC is more likely to control the direction of the flow of knowledge. This set of characteristics entails that the MNC has better learning capabilities and thus will dictate the transfer and development of procedural knowledge (Hamel, 1991). In addition, the presence of trust limits disputes over control and ownership in the alliance (Kausar & Shaw, 2004).

The effect of contingency factors:

- Challenges to the distributor's absorptive capacity: are evident when the distributor does not have a prior knowledge base and the intensity of effort to accommodate and utilise the transferred procedural knowledge from MNCs to expedite its own learning, as based on Cohen & Levinthal (1990) and Kim's (1998) definition. The lack of a prior knowledge-base is found when sales and marketing procedural knowledge involves highly technical skills and competence that the distributor cannot comprehend. This characteristic is found in the distribution of fast-moving consumer goods (*FMCG*), medical and life-saving industries due to the difficulty of finding Saudi employees who would work for the distributor to absorb and disseminate highly technical knowledge. The common procedure in these fields is that the MNC transfers its own employees onto the distributor's payroll to enable the transfer, dissemination and application of the required procedural knowledge to grow and sustain the business. **In the pharmaceutical and medical industries**, transferred procedural knowledge is more related to product knowledge and to whether the distributor has the absorptive

capacity to comprehend and utilise it; this phenomenon likely exists because this procedural knowledge does not add value to the distributor's core operations, product registration, distribution, sales invoicing and payment collection. This concept is made very clear in the following statements from marketing directors of MNCs:

"We do not see the reason to do that and to be honest, even if we wanted to do that, who do we invite from the distributor's side? Simply because their job does not require such knowledge in marketing and sales. Their main job is warehousing, invoicing, logistics and payment collection" (SlS.MNC-30). "See MNC-X does not act as a teacher to the distributor's sales team [...] we communicate the required action where most them are not pharmacists and their product knowledge is really limited. So we cannot share with them product knowledge. Their capability reaches up to understanding the capability and purpose of each item that we manufacture to be able to sell it without deep understanding of the medication itself. The distributor's sales team's help us in increasing the demand due to their networks, good relations and know-how of the market dynamics in Saudi Arabia" (SlS.MNC-37).

In FMCG, a similar strategy is adopted, but for different reasons. MNCs in the FMCG industry are more controlling with regard to the distributor's sales/marketing operations. This characteristic is clear in the following statement from a CFO of a distributor describing the level of compliance expected in sales practices: *"Sales practices and reporting practices are done based on the MNC's preference"*(Fin.Dist-12). Therefore, it is common to find the MNC **assigning its own directors** to work within the distributor organisations for two reasons: first, to transfer all required procedural knowledge and actual activities to the sales force of the distributor, and second, to create a crisis within the sales divisions that include hiring, training, knowledge dissemination and proper application to ensure that total compliance is achieved by the distributor's sales force. High levels of trust between the two organisations are required to establish the supportive knowledge transfer and exchange channels (Nonaka & Takeuchi, 1995; Michailova & Mustafa, 2012). This practice is clearly described in the following quote from an operations director of a distributor describing how an MNC transferred its general manager to the distributor's organisation to transfer knowledge;

"our MNC was interested in not only sharing processes but sharing calibres as well. So, at one point of time, our MNC's team was managing the distributor's full operations. So, the distributor's GM was our calibre working for the distributor [...] so, our MNC was actually pulling the distributor's business and calibres to their standards. The GM was working in distributor-X as part of an assignments (seconded) to the distributor because the legalities." (Log.MNC-26).

The other practice found **in the FMCG industry** is to **allow the distributor's talented sales managers to complete an assignment within the MNC's organisation**. In this assignment, the candidates are trained and geared up to work for the MNC as if they are its employees. This approach allows the distributor's candidates to be exposed to multinational procedural knowledge and work environment to absorb all of what the MNC has to offer and also participate in the development of hybrid practices for the MNC that improve the business of both organisations (the MNC and the distributor). This reversed knowledge transfer was highlighted by many researchers, such as McGuinness *et al.* (2013) and Rabbiosi (2011). These candidates will also assist the MNC to sustain the development of further hybrid practices once they complete their assignment in the MNC and return to work for their distributor in the sales division. This responsibility is clear in the candidate's feedback in this quote:

"distributors' sales employees go to do an assignment in MNC-X, it is usually seen as a step up for the sales manager when he reaches to a certain level to acquire a broader view of the business. By doing so, this sales manager will be able to apply the acquired knowledge and practices in the distributor's sales operations and therefore allow for the development of the sales department [...] I imagine what will happen after I finish my assignment in the MNC, is to go back to my original organisation and lead a team in the sales force and try to apply what I have learnt from the MNC. This would involve

clarifying all job descriptions, deploy clear measures or KPIs, develop the right competence for everyone in the team” (SlS.Dist-22).

- *The distributor lack of self-motivation to expand the business further:* the lack of motivation by a distributor can be due to the owners’ satisfaction with the current financial gains generated by the existing portfolio and services provided. Evidently, the distributor is found to avoid investment in its organisations and its members, which is clear in the following quote from a marketing director describing the distributor’s motivation: *“We started forcing the distributor to put a certain budget for personal development for their team to enhance their effectiveness in the market. They started to do that after we took the initiative to push that then they started replicated that” (SlS.MNC-11).*

It should be recognised that the distributor’s willingness to provide intensity of effort (money and time) indicates its motivation to transfer procedural knowledge and learn. This overlap is the reason for linking these two factors (absorptive capacity and self-motivation) together in the analysis.

The distributor’s lack of motivation is balanced by the MNC’s eagerness to codify procedural knowledge for the distributor and create a set of hybrid practices that would enhance the MNC’s competitiveness. Eventually, some of created hybrid practices spill over to the distributor with a minimal contribution of intensity of effort allocated. This element was specifically highlighted by (McGuinness *et al.*, 2013). Despite the distributor’s passive contribution to the transfer process and to the creation of hybrid practices, the distributor trusts the MNC, without which this alliance would cease to continue.

- *High level of trust between the two organisations:* it has been established that trust is essential to the establishment of supportive knowledge transfer/exchange according to many researchers (i.e., Nonaka & Takeuchi, 1995; Michailova & Mustafa, 2012). In this pattern, it is found that trust is high between the MNC and its distributor, which lacks self-motivation and absorptive capacity. However, this trust is not found to be voluntary in this pattern. According to the researcher’s personal knowledge, this result holds because the MNC represents the majority of the distributor’s portfolio and thus has significant leverage over its strategy of compliance to ensure that all sales practices performed by the distributor’s sales force are in full compliance with the MNC’s requirements. For this reason, it is found that even though trust had clearly been promoted between the two organisations, it might not have existed in reality. Consequently, tension between organisational members from both organisations exists. The findings show that the distributor’s sales division is under continuous pressure from the MNC’s sales and marketing directors in demanding alignment with their sales/marketing procedural knowledge. As a consequence, negative tension between sales managers from both ends is found, where they both struggle to assess the business’s performance. A similar scenario was found among members of a distributor trying to provide total compliance to more than one MNC. A quote from a sales director of a distributor supports this scenario:

“With regards to the transfer of knowledge from our MNCs, honestly I do not want to be negative from the beginning, but I am having a hard time coping with the MNCs having its own language, standards, formalities, how to do things and how not to do things ...etc and honestly, local companies here sometimes don’t speak the same language. And this is an issue that I am facing big time. I do not want to claim that us “the distributor’s team” is super heroes but it seems that in my position as a Sales director, I feel like I am always juggling balls to keep different sides happy. Sometimes it is too tedious as it requires me to interpret, translate and rephrase the instructions coming from them to our team which consists of native Saudis. So, in other words I act as a translator and vice versa as I am kind of the middle man or the bottle neck ... to also repackage what our team is doing in a way to be understood by the principles” (SlS.Dist-17).

- *MNC's control over sales operations:* control over the subsidiaries' operations has been both criticised for hindering the creative capabilities of subsidiaries because it destroys trust between partners (Jiang *et al.*, 2008; McGuinness *et al.*, 2013) and promoted for facilitating centralisation and sharing and unifying standards among alliance members (Das & Teng, 2001). In this pattern, control over sales/marketing operations varies among industries. The highest control demanded by MNCs is evidently found within **the FMCG industry. In the pharmaceutical and medical industries**, control over sales is found to be dependent on the service-level agreements between the MNC and the distributor. In the pharmaceutical and medical industries, the core of the sales operations is found to be achieved by the MNC's employees due to the high technical knowledge-base required, whereas the distributor's sales teams are more focused on sales invoicing and payment collection. This division of roles within sales operations is due not only to the distributor's weakness in terms of absorptive capacity but also to the strict regulations (international and local) governing all business practices and the roles of both the MNC and its distributor(s) operating in the Saudi market. The following quotes from the CFOs of distributors highlight the strictness of regulations in FMCG:

"Sales practices and reporting practices are done based on the principles preference"(Fin.Dist-12). In the pharmaceutical/medical industry: "Those compliance sources regulates how the MNC is conducting its activities in Saudi Arabia and how it conducts its activities in communication with health care professionals inside the country and how is process operations are done between the MNC and the distributor and between the distributor and a third party. The compliance policies regulates handling health care professionals ideally what kind of expenses that can the MNC do and what kind of activities the MNC can perform. As the MNC-X is working with distributor-x, they must adhere to this code of conduct while they are performing on behalf of MNC-x in the market place (Fin.MNC-29).

Nevertheless, the distributor's contribution to the success of a business partnership in the pharmaceutical and medical industry is evidently high because the process requires product registration with Saudi authorities. The following quote from a sales director of a distributor in the pharmaceutical industry supports this point:

"The regulation of Saudi Arabia has mandatory requirements for MNCs to have a local team to handle such operations effectively. So, the two teams set together and review the files going through the requirements, fine tune them and the registration marathon starts. Once the product is registered, here we are talking about a transfer of knowledge between the two. [...] Now the registration requires also some other files which explains the supplier role and there is also another requirements which should explain the role of the distributor. Then, there should be a continuous follow up from both organisations to complete and close the files. The files go to different and long processes which I am not going to elaborate on. For example; the files goes for registrations to ensure the manufacturing site is registered...etc" (Sl.Dist-15).

Based on the previous evidence representing the pharmaceutical and medical and life-saving industries, the distributor does not sharply fit this pattern because of the evidence demonstrating that the distributor's high self-motivation does not fit this pattern. The distributor's only obstacle is its incapability to process and disseminate highly technical procedural knowledge, which represents a limitation only in terms of absorptive capacity and not in terms of motivation.

Explanation of the findings about the process and benefits reaped by the distributor:

As promised earlier, the reporting of the findings for each solution pattern will be consistently achieved from four angles to enable subtlety in the description. These angles are as follows: (1) the transfer process stages, (2) the process's resemblance to Kim and Choo's models and the strategy of compliance adopted by the distributor, (3) the benefits reaped by the distributor as a result and finally (4) whether the distributor will reap a competitive advantage. This structure

of reporting the findings will be followed in describing all solution patterns in all investigated knowledge streams.

i) The three-stage process:

As mentioned in the methodology section, the storyline of the process provided by candidates' interviews is carefully analysed in terms of the chronology and purpose of events in the transfer process. Doing so enables the identification of events featuring the transfer of sales procedural knowledge. It is important to highlight that the first two stages (preparation and transfer/exchange) were found to occur concurrently, which applies to all solution patterns in the sales stream. It is difficult to identify the start of each stage.

With regard to the preparation and transfer/exchange stages: it was observed that both stages appear to occur concurrently, as all missing sales procedural knowledge is available and migrated from the MNC. The MNC prepares the distributor in several main ways to ensure the identification and proper dissemination of sales/marketing procedural knowledge and actual activities within the distributor's sales team. The MNCs' overwhelming control over these two stages is a form of interference to enable the distributors to meet the expectations once the required procedural knowledge has been successfully transferred. As mentioned previously, the sales procedural knowledge and actual activities performed by the distributor should be in total alignment with the MNC's marketing strategy, and deviation is usually not tolerated. Therefore, the distributor's sales team must demonstrate total compliance with the MNC's standards. To be specific, the most common events that highlight that these two stages are adopted by MNCs are identified and supported with relevant quotations as follows:

- 1- **Brand and marketing strategy meetings:** these are usually designed in terms of content and provided in the form of presentations to convey the important sales/marketing strategies to the sales directors of the distributors. These events mark the MNC's coverage of the preparation and exchange stages of the process:

"In terms of the market analysis MNC-X does this and we share it with the distributor and putting the entire plan for any sales channel, MNC-X does it and present it to them and see if we can adjust based on their feedback" (Sls.MNC-11).

- 2- **Trainings designed by the MNC for core and soft sales skills:** these events mark another role that the MNC plays in preparing the distributor's sales force to understand and use the same sales language and thus enable compliance.

"MNC-X considers distributors as an extended arm for them in sales operations. So, which logically mean that the sales teams in the distributors have to think like MNC-X and speak the same language. This is usually done by training those sales forces in MNC-X's schools and this how it was done throughout history. And it starts by the sales forces receiving specific trainings from MNC-X on sales techniques and all knowledge and skills that a salesman would require to sell their products. Basically, MNC-X tends to train all distributors sales forces on specific trainings that matches their channel of sales. For example, offering specific trainings for key account selling and van sales operations...etc. This is how MNC-X do it and it is an ongoing process of transferring knowledge and cannot be described with a specific project" (Sls.Dist-22).

- 3- **Direct supervision by the MNC's sales leaders:** these events mark the MNC's role in the dissemination of transferred sales procedural knowledge and actual activities to ensure compliance in its application as well.

"Now, let's talk about the execution part when it involves lots of business negotiations. Again MNC-X helped the distributor big time in terms of how to seal a good contract with the customers. Usually, the traditional distributors are always looking at things from a price angle or dimension. [...] So, taking the mind-set of the customer to change from a normal discount to a full contract was the responsibility of the MNC-X. We sat with the customers and we negotiated and show the sales managers and sales men how do we negotiate with the customer to seal a deal without disrespecting your selves. We aimed to change the distributor's sales mangers mind-set about their

approach to please the customer and instead, we taught them how to demand what they want from customers as well.” (SlS.MNC-11).

- 4- Assigning MNC’s employees to operate within the distributor’s organisation and vice versa: these events indicate that the MNC leads the preparation, transfer and exchange. This event demonstrates the extent of MNCs’ efforts to instigate change within the distributor’s organisation. Allowing the distributor’s sales force to view the business from the MNC’s side deploys the fundamental reasons behind these sales practices, thus enabling the distributor’s compliance:

“as long as I can I remember, there was a lot of MNC-X’s employees were working in the distributors locations on assignment basis in order to transfer the sales knowledge to the distributors and there are also employees from the distributors teams allowed to work in MNC-X on similar assignment arrangements. That is how MNC-X does it and it has been happening like forever [...] that is basically one of the most effective setups to transfer the expertise of MNC-X to the distributors.” (SlS.Dist-22).

The start of these two stages is marked by an introductory meeting for the distributor’s sales teams conducted by the MNC’s marketing leaders to share with them all the marketing and sales strategies that they will be part of. This combined stage ends with the distributor’s sales teams being trained on the MNC’s sales procedural knowledge and actual activities to enable full compliance with the MNC’s marketing strategies.

Sustainability stage: the MNC’s ultimate goal is to sustain the creation of valuable procedural knowledge that allows it to sustain its competitive edge over the other multinational competitors in the market through its Saudi distributors, as directly investigated in the work by Gupta & Govindarajan (1990;2000). The creation and development of valuable procedural knowledge and actual activities is found to be a combination of multinational procedural knowledge (available within the MNC) and local knowledge (available within the local distributor). Therefore, the actual activities that enable the MNC to sustain its business may only be described as hybrid procedural knowledge and activities. Because the MNC also drives this stage in this pattern, the distributor’s local knowledge is extracted to help the MNC create valuable hybrid practices that are tailored to the Saudi market to ensure that it indeed enables growth. The sustainability stage in this pattern includes events such as the following:

- 1- The MNC’s sales/marketing directors enforce the continuous creation of hybrid practices: these events demonstrate how aggressive the MNC may be in terms of forcing the distributor to catch-up and comply with its standards. Because the distributor in this pattern is not self-motivated and lacks absorptive capacity, MNCs adopt the practices shown in these events to enforce improvement within the distribution organisations.

“We started forcing the distributor to put a certain budget for personal development for their team to enhance their effectiveness in the market. They started to do that after we took the initiative to push that then they started replicated that” (SlS.MNC-11).

- 2- Sales managers assist in sustaining the development of valuable procedural knowledge that is aligned with the MNC’s strategies and future vision: these types of events demonstrate the extent of an MNC’s efforts to empower the distributor to sustain the transfer process by creating hybrid practices when it demonstrates sufficient creative potential. This step also highlights the important role that the distributor may play in the process.

“In terms of the market analysis MNC-X does this and we share it with the distributor and putting the entire plan for any sales channel, MNC-X does it and presents it to them and see if we can adjust based on their feedback. This was in the beginning; later on we started engaging the distributor more in the planning stage. So, throughout the process of planning we started bringing the distributor along with us and actually setting with us when analysing the information with us and we found out that this guarantees more buy-in from the distributor’s side because he feels that he is part of the process and become keener to make it happen” (SlS.MNC-11).

There are two important inferences that must be highlighted with regard to the MNC's excessive control over the distributor's sales operations. First, it was argued by many authors that the MNC's control may limit the distributor's innovation and ability to create valuable procedural knowledge (McGuinness *et al.*, 2013; Rabbiosi, 2011). In addition, it is believed to destroy goodwill and trust between partners in alliance (Jiang *et al.*, 2008). However, the findings of this pattern appear to dispute these views as far as sales/marketing procedural knowledge transfer is concerned. It is found that MNC's excessive control over sales/marketing procedural knowledge is found to offer a solution to the key problem in the sales stream. Ideally, this control forcing the distributor to provide total compliance will benefit the distributor, which lacks absorptive capacity and self-motivation. Therefore, this argument agrees with authors who believed that the MNC's centralisation of knowledge facilitates procedural knowledge development and transfer to subsidiaries (i.e., Christoffersen, 2013; Merchant, 2002; Ding, 1997; Glaister & Buckley, 1998; Kogut, 1988).

Second, the MNC's overwhelming control will continue as long as the variance between its marketing strategies and the distributor's sales procedural knowledge and activities exists. Therefore, it may be argued that as long as the distributor remains lacking in self-motivation and absorptive capacity, the MNC will continue to drive all three stages of the transfer process (preparation, transfer/exchange and sustainability), provided that trust is available between the partners.

ii) The three-stage process's resemblance to Kim's and Choo's models and the adopted strategy of compliance:

All the evidence provided in this pattern so far shows that the distributor lacks self-motivation and absorptive capacity and trusts the MNC to drive all three stages of the process. This finding clearly allows us to infer that the distributor prefers to manage externally evoked crises (which **resembles Kim's model**) rather than lead its own development, according to Choo's model.

Therefore, the strategy adopted by the distributor to achieve the balance between surviving and satisfying the MNC is **total compliance**. What may be inferred from this passive strategy, especially when the distributor in this pattern is found to be dedicated to a single MNC, is that the distributor reduces its spending on procedural knowledge development to improve its margins. From the MNC's perspective, bearing the cost of transferring procedural knowledge and developing hybrid practices is considered to be an investment, especially when the distributor provides total compliance. Keeping in mind that the distributor is a family-owned business, its resistance to adopting and implementing new procedural knowledge will not be considered an issue between partners in this pattern.

iii) What types of benefits are reaped by the distributor in pattern (S1)?

According to the evidence presented so far, it may be concluded that the distributor's contribution to the transfer process (all three stages) and thus its ability exploit the transferred procedural knowledge to develop its capability to create new knowledge is minimal. It is found that the distributor's lack of contribution is caused by the following: (1) the lack of self-motivation and absorptive capacity, (2) the MNC's leverage stemming from the nature of this knowledge stream and the MNC's majority share of the distributor's portfolio or (3) the strictness of the industrial regulations in the case of pharmaceuticals and medical industries.

In this pattern, the MNC is found to provide most if not all the intensity of effort (time, money and other resources) required to codify valuable local knowledge and share it with the distributor to enable its implementation. As a result, the MNC will utilise the created procedural knowledge and hybrid practices to enhance its global competitiveness (this strategy of reverse knowledge transfer has been excessively explored by such authors as McGuinness *et*

al.(2013), Rabbiosi (2011), Pedersen *et al.*(2003), Cantwell & Mudambi (2005) and Gupta & Govindarajan (1991). However, the benefits reaped by the passive distributor in this pattern are undeniable. Therefore, the solution pattern adopted by the distributor following a total compliance strategy will be labelled as an “**implementer**”. This label is adopted from Gupta & Govindarajan’s (1991) work, as the distributor in this pattern is a mere recipient of new procedural knowledge and not a creator.

iv) Evaluation of reaping competitive advantage:

What must be evaluated here is the impact of this particular solution pattern by which procedural knowledge is transferred on the Saudi distributor’s competitiveness. It has been established that the distributor’s contribution to the process under study in this pattern is limited, as its organisation acts as a mere implementer providing total compliance with the transferred procedural knowledge from the MNC. This phenomenon may resemble what Das & Teng (2000) referred to as a **unilateral alliance**, where a single partner provides the greatest contribution to the alliance. Regardless of the reasons behind the distributor’s inability to participate in the process, the distributor may be described as being under-diversified (due to its dedication to a single MNC) and lazy (due to its lack of self-motivation). The combination of these two areas of improvement suggests that the distributor’s ability to exploit the transferred procedural knowledge to improve its own competitiveness is limited as well.

The general evaluation is that the distributor is satisfied with its current position, where the MNC provides the majority if not all the intensity of effort to create, transfer and sustain the process and its content in terms of competitive procedural knowledge. It is important to highlight that the process may not be executed as such unless both organisations share an exceptional level of trust, which is evidently found to be fundamental to the success of transferring procedural knowledge between partners. This step is also aligned with the value and role of trust in facilitating knowledge transfer between alliance partners (i.e., McGuinness *et al.*, 2013; Michailova & Mustafa, 2012; Rabbiosi, 2011; Inkpen & Tsang, 2005; Kostova, 1999; Buckley *et al.*, 2006; Engelhard & Naëgele, 2003). As a result, the Saudi distributor’s organisation develops only in the direction that enables that particular MNC to grow. Ideally, this step will limit its capacity to grow away from the MNC or attract any other MNC in the future because each MNC has its own business practices and thus must be satisfied differently. Because the distributor in this pattern might not have the competence to develop competitive sales procedural knowledge itself due to its inability to contribute to the process by which it is transferred and developed, the distributor’s learning and development capacity may be described as low.

Part of the research objective is to evaluate the impact of the process by which procedural knowledge is transferred on the distributor’s competitiveness in terms of Barney’s (1991) VRIN criteria and Teece *et al.*’s (1997) notion of the dynamic capability criterion. Taking into consideration the distributor’s inability to participate in the process, which entails its inability to drive its own learning and development and its acting solely only as an “implementer”, it may be concluded that the Saudi distributor in this pattern (S1) will **not reap a competitive advantage**. This outcome holds because the distributor’s “lazy” strategy of totally complying with a single set of procedural knowledge transferred from a single MNC may be offered by another firm, especially when the cost of creating, transferring and sustaining procedural knowledge is a burden that any MNC would like to avoid. When this fact is coupled with the new WTO regulations providing MNCs the option to operate without the obligation to partner with a Saudi distributor, the distributor’s survival becomes questionable. Therefore, according to Barney’s (1991) criteria, the “implementer” distributor will offer services that (1) are not rare, (2) are not significantly valuable and (3) can be easily imitated by other competitors. In addition, a distributor that may only execute and comply with procedural knowledge transferred from single MNC has the exact opposite of a dynamic capability (Teece *et al.*, 1997).

In fact, such a distributor has no will of its own, as its organisation grows in accordance with the MNC's strategies. Therefore, it may be concluded that the distributor in this pattern will reap limited benefits spilled over from the MNC but certainly not gain a competitive advantage.

Pattern S2

Pattern No.	Source of required knowledge	Dist.'s Absorptive capacity & Self-motivation		Shared trust		MNC's control over operations		MNC% of Dist.'s portfolio	
		High	Low	High	Low	High	Low	High	Low
S2	MNC	X		X		X		X	

Over all description of pattern (S2):

The distributor in this pattern is found to possess high levels of absorptive capacity and share trust with the MNC it serves. However, the distributor is found to be dedicated to a single MNC because it represents the majority if not all of the distributor's business portfolio. Therefore, the MNC is found to have high leverage over a distributor with high potential to grow its business. As a result, the MNC aims to streamline its business operations and procedural knowledge, with the distributor transforming its organisation to be its true extension. As a result, the **MNC drives all three stages** of the transfer process despite the distributor's potential to drive the third stage (sustainability). The distributor is found trapping itself in serving a controlling MNC that does not allow for any deviation between its marketing procedural knowledge and the distributor's sales procedural knowledge and activities. As a result, the transfer process is found to **resemble Kim's model**, featuring little room for the distributor to develop its capabilities to create new procedural knowledge of its own with which it may attract other MNCs. It was found that the strategy adopted by the distributor to sustain its partnership with the MNC is to provide **total compliance** with its standards. Considering the WTO's changes in regulations in the Saudi market, the distributor benefits from the transfer process as a mere "**implementer**". The distributor, operating as an implementer to a single MNC, is found to offer a solution to the key problem in the sales/marketing stream. However, this position will **not enable the distributor to reap or sustain any competitive** advantage when examined against Barney's (1991) criteria and Teece *et al.*'s (1997) notion of dynamic capability. The main reason is that the distributor in this pattern will not be able to develop the competence to create the procedural knowledge needed to attract other MNCs and thus expand its business portfolio.

The effects of contingency factors:

- The distributor's absorptive capacity: the distributor involved in this pattern possesses a higher level of absorptive capacity. In Kim's (1998) words, it has a sufficient amount of valuable sales/marketing procedural knowledge, which has been accumulated and refined as a consequence of a long process of knowledge transfer and creation. This knowledge base reflects how the distributor conducts business, which is usually assessed when approached by any MNC. On this basis, the distributor's potential capacity to add value and support the growth of the MNC's business in the Saudi market is judged. This finding confirms the misunderstanding in the literature identified by Michailova & Mustafa (2012), who argued that the past literature falsely portrayed subsidiaries as mere recipients of knowledge and not as innovators. The authors have also identified the subsidiaries' capability to create knowledge because the accumulated procedural knowledge has undergone a process similar to that followed by MNCs: exposure, adaption and the development of context-dependent procedural knowledge.

The second element of the distributor's absorptive capacity is its intensity of effort provided to enable the organisation to meet the MNC's standards and service expectations. The distributors that belong to this pattern possess a set of tangible and intangible resources that demonstrate their commitment to the MNCs they wish to serve or are already serving. Ideally, the distributors' commitment is demonstrated by their existing absorptive capacity and their ability to change, upgrade and improve their processes and business procedural knowledge and actual activities to satisfy these MNCs. This concept is clearly shown in the following quote from a general manager of a distributor describing how his organisation's capabilities are demonstrated: *"From MNCs' perspective, when they find a distributor who is knowledgeable to the point that they can suggest adjustment to their structure to make us succeed, they will be really Waawed²"* (SlS.Dist-38).

- **The distributor's self-motivation:** the distributors belonging to this pattern possess a high level of self-motivation, which enables them to improve and sustain their partnership with MNCs. This motivation is highly appreciated by MNCs because it enables them to work with these distributors as though they were true partners and not mere distributors. However, we must note that the reasons behind a distributor's motivation to meet the MNC's expectations is because this distributor is fully dedicated to a single MNC (the MNC represents a high percentage of the distributor's portfolio). Therefore, this motivation to comply is to satisfy its only client. This quote from a marketing director from an MNC describes its fully dedicated distributor's response to change:

"once it becomes clear that the distributors has the ownership over the business results, you know that this relationship is going a long way [...] our distributor has this kind of ownership in their DNA. We sometimes communicate to them that a certain SKU has a higher profitability and automatically, they start to collaborate with us on how we can make this a success" (SlS.MNC-24).

- **Control of sales operations:** it was found that MNCs have high control over the sales operations executed by the distributor, especially in the FMCG industry. The main reason for this finding is the MNC's leverage stemming from its high representation within the distributor's portfolio. With the exception of automotive distributors, this pattern is found among FMCG distributors that are dedicated to a single MNC selling in Saudi Arabia. The findings show that in the automotive industry, MNCs do not manage their own dealerships and prefer to focus on manufacturing. The MNCs control "what" procedural knowledge is required by the distributor and "how" it is best transferred. Ultimately, the distributor's sales operations must be completely streamlined with the MNC's operations. This quote from a sales director describes the level at which the sales force should be aligned with the MNC's sales/marketing procedural knowledge:

"MNC-X considers distributors as an extended arm for them in sales operations. So, which logically mean that the sales teams in the distributors have to think like MNC-X and speak the same language. This is usually done by training those sales forces in MNC-X's schools and this how it was done throughout history" (SlS.Dist-22).

- **The availability to trust:** in this pattern, trust is found to be high between the distributor and the MNC, which is the main contributor to its business. This level of trust is clear in the following quote from a marketing director of an MNC describing how much he trusts the distributor: *"once it becomes clear that the distributor has the ownership over the business results, you know that this relationship is going a long way"* (SlS.MNC-24). In this sense, trust may be considered both a facilitator of the process by which procedural knowledge is transferred and created among partners in an alliance.

² Waawed: the candidate's term for the word "impressed".

The explanation of the process and benefits reaped by the distributor:

i) The three-stage process:

With regard to **the preparation and transfer/exchange:** The events found to represent these stages resemble Kim's model, where MNCs resort to similar events to those mentioned in pattern (S1). However, the way in which the MNCs aim to keep the distributor informed are less aggressive. This step is evident from the distributor's continuous demonstration of its ability to communicate with and relate to the MNC and its belief in the value of the MNC's agenda. This level of alignment makes it easier for MNCs to convey their strategies and corresponding procedural knowledge across to the distributor's sales force. Nevertheless, the events identified to prepare, transfer and exchange new procedural knowledge are mostly the same (as mentioned in pattern S1), but they are less aggressive and more routine in nature. The MNC's resorting to less instructive events is a natural progressive outcome, as the distributor's absorptive capacity improves after some time. To support this argument, the MNC's way of transferring required sales/marketing procedural knowledge is found to initially be aggressive and then become more of a routine. The following candidates' statements from the FMCG industry support this realisation.

The following quotes from two different marketing directors from two MNCs demonstrate the aggressive means of transferring procedural knowledge:

"MNC-X provided many workshops and training sessions to the distributor teams to develop them [...] we usually do launch seminars to introduce the products to the whole sales team and share with them the strength in our products, the gaps in the market and how we are going to attack competition, etc. again MNC-X's marketing team are the one taking the distributor's teams and engaging them in the execution part" (Sls.MNC-11).

"MNC-X employees were working in the distributors locations on assignment basis in order to transfer the sales knowledge to the distributors [...] they help them to understand the needs of the markets, the need of MNC-X and the needs of the customers as well. They tend to work closely with the customers and try to make sure that the knowledge is transferred to the distributor's sales force quicker and more effectively." (Sls.Dist-22).

This quote demonstrates a less aggressive method used at a later stage;

"if I know that a specific SKU can drive more profitability than the SKU supported. So, we do plan such activities that might not do any good for my products but I am doing it for the company as a whole. Our distributor has this kind of ownership in their DNA. We sometimes communicate to them that a certain SKU has a higher profitability and automatically, they start to collaborate with us on how we can make this a success" (Sls.MNC-24).

Because the MNC continues to have high control over the sales operations executed by the distributor, these two combined stages begin with events similar to those described in pattern (1).

With regard to **the sustainability stage,** it is found that the MNC may appear to give the distributor room to sustain the process once the first two stages (preparation and transfer/exchange) are driven by the MNC. However, a critical analysis of the evidence reveals that the MNC (not the distributor) drives the sustainability stage. While the distributor's ability to absorb the transferred sales procedural knowledge from MNCs is recognised, its true ability to drive this stage is questionable.

As shown earlier, the distributor is prepared with procedural knowledge deemed necessary by the MNC. This preparation is achieved through one of the following methods identified: (1) *"MNC-X employees were working in the distributors locations on assignment basis in order to transfer*

the sales knowledge to the distributors” or (2)-“distributors’ sales employees go to do an assignment in MNC-X” (SlS.Dist-22). The declared purpose of adopting such events is to enable the distributor to develop its sales operations when the sales managers return, which is accomplished only in accordance with the MNC’s standards and future strategies, as is clearly demonstrated in the following quote:

“when distributors’ sales employees go to do an assignment in MNC-X, it is usually seen as a step-up for the sales manager when he reaches to a certain level to acquire a broader view of the business. By doing so, this sales manager will be able to apply the acquired knowledge and practices in the distributor’s sales operations and therefore allow for the development of the sales department.” (SlS.Dist-22).

Based on this evidence, it is found that the distributor merely executes the MNC’s standards and that providing it **total compliance** is considered inevitable. The distributor is believed to benefit from transferred procedural knowledge, but its contribution to the development of such knowledge is limited. Therefore, such benefits are considered limited as well. What is clear and worth noting is that the sustainability stage when the distributor is motivated by the MNC’s leverage is in fact driven by the MNC and not the distributor, despite the latter’s self-motivation and sufficient absorptive capacity.

ii) The three-stage process’s resemblance to Kim and Choo’s models and the adopted strategy of compliance:

Despite the evidence indicating the distributor’s absorptive capacity, **the MNC is found to drive all three stages of the transfer process according to Kim’s model**. Because this pattern is found among distributors whose business portfolios are represented by a single MNC, the distributor’s self-motivation and ability to contribute to the transfer process and the development of new procedural knowledge are found to be limited. Although the evidence appears to suggest that the MNC gives the distributor much room to create new procedural knowledge to sustain the transfer process, this does not occur in reality. The distributor’s sales force are trained to think and act as though they belonged to the MNC, which ensures that when they do find room to be creative, the new procedural knowledge produced is aligned with the MNC’s procedural knowledge and business strategies. Therefore, it is found that the distributor in this pattern provides **total compliance** with the MNC’s procedural knowledge and that its contribution to both the transfer process and the development of hybrid practices is limited.

iii) What types of benefits are reaped by the distributor in pattern (S2)?

In this pattern, the benefits reaped by the distributor are limited because of the MNC’s excessive control of the sales operations stemming from its high representation in the distributor’s portfolio. The distributor is found to be capable of absorbing many types of sales/marketing procedural knowledge transferred to its organisation, with limited room to innovate. In addition, the distributor provides total compliance with procedural knowledge transferred from a single MNC, which is found to drive all three stages (preparation, transfer/exchange and sustainability) of the transfer process. When all sales managers are heavily trained to be aligned with the dominant MNC, the distributor’s ability to experiment without deviating from the MNC’s procedural knowledge is difficult. Therefore, it may be argued that the distributor’s ability to exploit the transfer process and develop the capability to create hybrid practices is limited. However, we should recognise that this solution pattern resolves the key problem in the sales/marketing stream and thus enables the distributor to balance profitability with satisfying the MNC. It may be inferred that the distributor has sufficient absorptive capacity but that its creativity is found to be stifled by the MNC’s excessive control, as was highlighted by (McGuinness *et al.*, 2013). It may be concluded that the distributor is considered to be under-diversified and that the strategy adopted by its

organisation may allow it to reap benefits as an “**implementer**”. This label is adopted from Gupta & Govindarajan’s (1991) work, as the distributor in this pattern receives high volumes of procedural knowledge, but its ability to produce knowledge is hindered by the MNC’s excessive control.

iv) Evaluation of reaping competitive advantage:

This distributor in this pattern is found to act as an implementer of a dominant MNC despite its evident absorptive capacity. Therefore, the motivation stems from the leverage that this MNC has over the distributor. The distributor is found to share a high level of trust with the MNC, which drives all three stages of the transfer process. Although the distributor has the potential to experiment to create hybrid procedural knowledge, it is hindered by the MNC, which it has dedicated itself to serving. This pattern must be recognised as a solution pattern to resolve the key problem in the sales/marketing stream. However, it may be argued that this pattern appears to benefit the MNC more than it benefits the distributor. The distributor’s dedication to a single MNC helps to sustain its business with that MNC; the following statement made by a candidate illustrates this point:

“[...] distributor-Y is operating by MNC-X’s standards which made MNC-X expand distributor-X’s distribution operation in different countries such as; Pakistan, Egypt and Bahrain. [...] And honestly, I think this is the right model depending on how involved the MNC wants to be” (Fin.Dist-12).

However, acting as a mere implementer of a set of sales/marketing procedural knowledge to achieve full compliance with a single MNC is the reason for describing the distributor as under-diversified. Given the new WTO changes, a distributor’s ability to dedicate itself to a single MNC and limit its development to its strategies may be replicated by other competitors. Moreover, given that different MNCs might have different types of procedural knowledge, the distributor in this pattern will not develop the capability to satisfy more than one set of procedural knowledge; in other words, it will not be able to develop the competence to create hybrid practices. Therefore, the distributor is rarely prepared to attract other MNCs and diversify its portfolio. Therefore, the capabilities possessed by the distributor in this pattern are: (1) not rare, (2) valuable, (3) able to be imitated and (4) not able to sustain the distributor’s competitive advantage because it has trapped itself through its dedication to a single MNC. It may be concluded that the distributor inn pattern (S2) will **not gain a competitive advantage** in terms of Barney’s (1991) criteria and Teece’s *et al.* (1997) notion of dynamic capability.

Pattern S3

Pattern No.	Source of required knowledge	Dist.’s Absorptive capacity & Self-motivation		Shared trust		MNC’s control over Sales operations		MNC’s % of Distr. portfolio		Strictness of industrial regulations	
		High	Low	High	High	High	Low	High	Low	High	Low
S3	MNC-Dist + 3 rd party	X		X	X	X		X		X	X

Overall description of pattern (S3):

In pattern (S3), the distributor also possesses high levels of absorptive capacity and self-motivation and shares high levels of trust with an MNC that is in control of sales/marketing procedural knowledge and actual activities. The difference between this pattern (S3) and the previous pattern (S2) is that the MNC allows the distributor to contribute equally in the processes of sales/marketing procedural knowledge transfer and the creation of hybrid

practices, which are required by the alliance. In this sense, the MNC is still in control, yet it gives the distributor the room to participate in the process by which procedural knowledge is transferred and the process with which hybrid practices are developed. It is found that the greater the involvement and help the MNC provides, the less the distributor struggles to comply with its standards. Consequently, both organisations equally drive the three-stage process of sales/marketing knowledge transfer (preparation, transfer and exchange and sustainability). Because both organisations benefit from the synergy produced out of this mutual understanding, they combine their knowledge, and they work and act as if they were a single organisation driving its own development. This quote from a general sales manager of an MNC describes how both partners, in addition to a third party, brainstorm to tackle business issues: “[...] *In that process many teams were involved; a global team from MNC-X, a local team from MNC-X, a team from consultant firm-X and a team from the distributor*” (SIs.MNC-32).

More specifically, they have the same deliverables, but the roles are distributed among them based on their areas of expertise to facilitate the achievement of their business goals. The distributor’s capabilities in terms of its knowledge-base and intensity of effort is found to be high and sophisticated, such that it is treated as equal to its multinational partners and not as a mere distributor. Therefore, when studying the process concerned, the findings show that both partners transfer, share and develop procedural knowledge as if they are a single organisation. In this case, the three stages are driven equally by both partners, which indicates that the process **resembles Choo’s model**. The findings reported in this pattern contribute to answering Michailova & Mustafa’s (2012) call for research that studies subsidiaries as innovators rather than mere recipients of knowledge, for which many researchers, such as Kostova (1999) and Kostova & Roth (2002), were critiqued.

The value and effectiveness of the emerging hybrid practices stem from the synergy between the MNC and the distributor. Most interestingly, this scenario is found among distributors serving several MNCs, which entails that there is not a single MNC that is dominant (within the distributor’s portfolio) and that directs the distributor’s decision-making. Therefore, the distributor’s eagerness to transfer the required knowledge and develop hybrid practices truly stems from its self-motivation. Ultimately, the MNC recognises the distributor as an equally contributing partner, and its success and development becomes part the MNC’s goals.

In this pattern, the MNC highly involves itself and requires the same involvement from the distributor as if they were a single organisation. This pattern is found in fast-moving consumer goods (FMCG) and pharmaceutical, medical and life-saving industries. The following quote from a general manager (GM) of a distribution firm describes the level at which both organisations act as one:

“Honestly, I feel great when we set in annual and quarterly reviews with our MNCs for a full day and we had our whole team in there. And I was challenging one of our MNCs that if there was someone who was sitting there as an observer of that meeting from 9am to 6pm, I can bet him to know who is from the distributor side and who is from the MNC side. They cannot make the difference. Cause at the end of the day it is one organisation with different shareholders [...] we all have the same objectives which is to deliver what the customer wants in a flawless way” (SIs.Dist-26).

Judging from the benefits reaped in this pattern, it is appropriate to label the distributor as a **“synergetic partner”**. It is also important to note that in both industries the distributor is found to practice exceptional levels of trust with their multinational counterparts. Therefore, most problems researchers in IJVs have found are diffused, such as knowledge ambiguity (Lucas, 2005), knowledge codification challenges (Gupta & Govindarajan, 2000; Krause & Ellram, 1997; Handfield *et al.*, 2000; Modi & Malbert, 2007), conversion and exchange challenges (Nonaka *et al.*, 2000), excessive control over operations (Jiang *et al.*, 2008), opportunism (Kajuter & Kulmala, 2005; Nelson *et al.*, 1998), disputes over ownership of resources (Kausar & Shaw,

2004) and a black-box alliance strategy (Buckley & Casson in Beamish & Killing,1997). Therefore, once the distributor's contribution to the transfer process and its dynamic competences to develop hybrid practices are evaluated against Barney's (1991) criteria and Teece *et al.*'s (1997) notion of dynamic capability, the distributor in this pattern is found to **gain competitive advantage**.

The effects of the contingency factors:

The effect of the most influential contingency factors will be analysed in this section. Because the MNC in this pattern does not have leverage stemming from a high representation in the distributor's portfolio, the corresponding contingency factor is found to not be influential. Therefore, this factor will not be included in the following analyses.

- **Distributor's absorptive capacity:** in this pattern, the distributor's absorptive capacity is found to be high and is recognised by the MNC(s). The knowledge base available within the distributor's organisation helped it earn the right, once owned by the MNCs, to participate in at least the first two stages (preparation and transfer/exchange). Strangely, supporting evidence was found among the distributors of FMCG and medical/lifesaving manufacturers because sales operations are found to be excessively controlled by the MNC in FMCG industries and strictly governed by international and local regulations in the pharmaceuticals, medical and life-saving industries. Similarly, the distributor's potential intensity of effort is also found to be high. In light of Kim's (1998) model, the distributor demonstrates its competence not only by absorbing new sales procedural knowledge but also by creating and contributing to the creation of hybrid practices because of the high level of absorptive capacity that acts as an input in Nonaka's SECI model. Therefore, MNCs are found to migrate, transfer and exchange sales/marketing procedural knowledge to and with the distributor with a minimum intensity of effort from their side. The distributor is perceived to be efficient not only in adopting new procedural knowledge but also in applying it and using it to develop its own organisation. This is clear in the following quote from a sales director of a medical and life-saving distributor:

"normally, in any marketing and launch plan of any product, there are pre-launch activities, launch activities and post launch activities. Now the pre-launch activities are shared between the two organisations. The distributors' access and reach to the market and out-lets is extremely important. Because in this phase in addition to the trainings, brochures, gimmicks, lectures, speakers tours, there are many activities are required to launch the product. The preparation is done by the marketing and the execution is done between the marketing and sales of MNCs. But the execution part in terms of the products availability on the shelves is completely the distributor's role. The distributor must ensure that the "seeding process" which the pre-launch activity is properly done by the distributor..." (SlS.Dsit-15).

The distributor's ability to contribute to the sales/marketing practices transferred from the MNC is also clear in the following quote from another FMCG sales director of a distributor:

"the kind of knowledge they pass to us are just guide lines to understand their products and brands' requirements that are in line with fashion houses and trends. Distributors must have a clear understanding of that to be fully aligned with them in the most accurate manner. Also, it is also important to tell you that sometimes when we give our comments on plans and strategies that might not fit to your market. Distributors are expected to adjust to those guide lines and policies to learn how to market and launch certain products and that is what I meant" (SlS.Dist-21).

- **The distributor's high self-motivation:** the distributor's self-motivation or capacity to drive its own development by seeking and exploring new sources of procedural knowledge to create hybrid practices of its own is found to be high as well. It is important to emphasise that the distributor in this pattern is not motivated by a single MNC that has overwhelming leverage. The distributor's true self-motivation combined

with its high absorptive capacity has also made the MNC more inclined to involve the distributor in the sustainability stage (in addition to the first two stages). It is found that the role of the distributor becomes more important for the production of valuable, practical and unique hybrid practices that both organisations can actually work with. In line with Choo's model, because not all sales/marketing procedural knowledge transferred from the MNC suits the Saudi market and consumers, the distributor's role is to make sense of the transferred procedural knowledge (Weick, 1988) and to share its findings with the MNC (Nonaka & Takeuchi, 1995). This type of sharing will enable both entities to make knowledge-based decisions towards optimising new knowledge capabilities. The findings show that the distributor has the capacity to contribute to the three stages of the process of sales/marketing transfer, as demonstrated by its ability to create hybrid practices that suit the Saudi market. This is clearly shown in the following quote from a GM of a distribution firm:

"The same goes for marketing strategy practices which are also universal but sometimes How would I say this ... needs to be localized and tailored to make it work in Saudi Arabia [...] the marketing techniques of how to promote a product are not much different unless the product involves a function of taste. As the taste is different in Saudi Arabia from Europe, then we need to know how to market in order to accommodate the taste difference in the market and this is where good distributors come in handy" (SlS.Dist-38).

- **The level of trust between partners:** in this pattern, the level of trust between the MNC and its distributor is perceived to be the highest of all patterns in the sales/marketing stream. Although this factor is intangible, its role in facilitating all three stages of the transfer process is tremendous because with high levels of trust, most of the problems that hinder the transfer of knowledge between partners in an alliance are diffused. For example, establishing supportive "ba" for knowledge conversion and exchange (Nonaka *et al.*, 2000), knowledge ambiguity (Lucas, 2005) and codification-related issues (Gupta & Govindarajan, 1990; 2000) disappear.

It also means that each organisation is expected to not only to contribute equally but also to be explicit in recognising missing knowledge. Such openness in recognising areas of improvement is adopted for the sole purpose of resolving joint business issues, which is the key problem in this stream. Without trust, the efficiency and effectiveness of all three stages (preparation, transfer/exchange and sustainability) of the process by which sales/marketing procedural knowledge is transferred will be limited, if not unsuccessful. Surprisingly, this level of trust and mutuality is found between some FMCG and medical/lifesaving manufacturers and their distributors, where total compliance is usually required. This is clearly demonstrated in the following quote from an MNC's sales director describing some of the questions that came up during their brainstorming sessions with the distributor about missing knowledge;

"firstly we thought of what can we do differently?. That was one motive for us to widen the gap between us and the competitors. Secondly, we also reached to a business model that in my opinion was not efficient [...] then, there was the direction in our MNC that the distributor needs to expand coverage. Now we were wondering if we had the right business model to analyse this expanding of coverage? Will it pay back as we like? ...and many more other questions [...] In that process many teams were involved; a global team from MNC-X, a local team from MNC-X, a team from consultant firm-X and a team from the distributor" (SlS.MNC-32).

- **The MNC's control over the sales operations:** in this pattern, the MNC's control is more inclusive in nature. The MNC's contribution extends to inviting the distributor to contribute to and provide helpful sales procedural knowledge to enable benchmarking and to provide supervision when members from both organisations act to create hybrid sales/marketing practices. In this sense, the MNC demonstrates its control over the sales operations by involving the distributor in the process itself. This type of control practiced by the MNC is to take advantage of the local knowledge (possessed by the distributor) while ensuring that the hybrid practices being developed will be

aligned with its standards. This implies that the MNC in this pattern actually helps the distributor achieve that balance between surviving and satisfying its requirements and thus resolving the key problem in this stream. This approach evidently stems from considering the distributor's development and survival as part of the MNC's objectives. In return, more effective and valuable hybrid practices are developed synergistically between them. What makes this pattern different from pattern (no. 2) is that the MNC's involvement in the latter is more passive, as it limits its contribution to migrating sales/marketing procedural knowledge, leaving the distributor to address the external crisis invoked as a result. It needs to be highlighted here that the level of trust, the distributor's absorptive capacity and the distributor's self-motivation together enable the distributor to comfortably comply with the MNC's standards, simply because the distributor was part of developing such sales/marketing practices from the beginning. In other words, the distributor was part of developing all sales/marketing practices adopted by the MNC to operate in the Saudi market. Therefore, sales operations are highly controlled by both organisations using a single business agenda that is targeted to make the best of the synergy between them. The emerging hybrid practices will benefit the MNC; however, this point is outside the scope of this thesis. This approach can be further explored as being part of reverse knowledge transfer (**RKT**), as highlighted by authors such as McGuinness *et al.* (2013) and Rabbiosi (2011). The MNC's motivation to include the distributor in developing new hybrid practices is clear in the following feedback from a sales director of a distributor:

"MNCs would like to ideally have the distributors to be a normal continuation to their operation. So, ideally they would like to have each and every one of their systems and processes; be it the S&OP processes, or the replenishment process, or the push-pull process in the market and all the other consumer and customer specific processes to be just a pure extension to their own. The way they do it is just try to ensure that the distributor runs within exactly the same processes I mentioned earlier therefore, they talk the same language and the same processes" (SLs.Dist-35).

The explanation of the process and benefits reaped by the distributor:

i) The three-stage process:

It is important to highlight that the MNC's supportive involvement of the distributor in the process to achieve control over sales operations is what makes this pattern (S3) different from pattern (S2). While the MNC in pattern (S2) limits its involvement to simply migrating sales/marketing procedural knowledge and leaves the distributor to address the crisis and stabilise itself, the MNC in pattern (S3) adopts a more inclusive approach, which has implications for the transfer stage process as follows.

Preparation, transfer and exchange: In this stage, sales/marketing procedural knowledge is exchanged freely between the two organisations with few constraints or obstacles. The level of trust enables the establishment of a strong platform "ba" through which sales/marketing procedural knowledge and hybrid practices are transferred and exchanged between the two organisations. It is very difficult to identify which organisation is preparing the other and which is transferring procedural knowledge to the other. Members from both organisations jointly make sense of existing procedural knowledge and actual activities, and both develop hybrid practices capitalising on international standards provided by the MNC and on local know-how provided by the distributor. The events representing these two stages **resemble Choo's model**, where members from both organisations are equally involved and work together as a single organisation. The common activities that describe this stage are as follows:

- 1- Brainstorming activities, highlighted by a quote from a sales director from the distributor of pharmaceuticals:

“we came up with an initiative called ‘the innovation zone’ which was developed by the multinational partner of ours to develop ideas about how to improve the quality of the product and how to improve the quality of people, hospitalsetc. then high decision makers come together and go through those ideas and pick up the ones which have business potential” (SlS.Dist-9).
- 2- Jointly exploring other sources of valuable knowledge outside of both organisations’ boundaries, such as consultancies. The following quote is from a sales director of a distributor of FMCG: *“many teams were involved; a global team from MNC-X, a local team from MNC-X, a team from consultancy firm-X and a team from the distributor” (SlS.Dist-32).*
- 3- Internal training sessions provided by the MNC when the required sales/marketing procedural knowledge is available within the MNC in the pharmaceutical, medical and life-saving industries: *“The most impactful role which the scientific offices do is the product training for our sales force [...]” (SlS.Dist-9).*
- 4- The MNC sharing global experiences in the form of the best sales/marketing procedural knowledge and actual activities from its organisational memory to help the distributor improves its sales operations.

“For me it is a generic process in sense of the distributor should be the sales field execution extension of his principles. To do so, it means that all the processes operations, sales, HR and finance have to be fully engrained and the knowledge and know-how transfer has to be exactly the same to a certain extent. You might argue that those fields are different entities in reality they are not. It is just an extension with different ownership” (SlS.Dist-26).
- 5- The MNC’s sales employees seconded to work and develop the distributor’s sales organisation. This quote is from a logistics director commenting on the impact of the MNC on its organisation’s sales operations: *“The GM was working in the distributor organisation as part of an assignment (seconded) to distributor because the legalities” (Log.MNC-26).*

Because this pattern entails a synergetic business relationship between the two organisations, it starts with events that show the two organisations jointly preparing themselves (as if they were a single organisation), such as conducting brainstorming sessions to identify the gaps in their practices. This stage ends with developing a project plan in which gaps and their sources are identified for both organisations to work on. This plan can also include the means by which such gaps can be reduced.

The findings show that the **sustainability stage** in this unique pattern is also achieved jointly between the MNC and the distributor. It is also found that MNCs are more inclined to offer solutions to enable the distributor to meet the increasing demands for services. This is enabled by the level of trust, which fundamentally facilitates the explicit sharing of the MNC’s best procedural knowledge and actual practices with the distributor. In an exceptional case, the type of sales/marketing procedural knowledge that is offered by the MNC becomes more suitable for the distributor when the MNC has experience in running its own distribution operations in other parts of the world. The main objective of adopting such an approach is the MNC’s belief that by being more inclusive, the distributor has a better chance of achieving the balance between surviving by development and meeting their standards. Therefore, both organisations seem to equally contribute to the development and sustenance of competitive hybrid practices, which consequently strengthens the alliance’s position in the Saudi market.

We should highlight that the impact on the MNC’s competitive advantage is not the focus of this thesis, but it is difficult to segregate the distributor’s role in the process when the two organisations choose to operate as a single organisation. Therefore, the events identified that represent this stage also **resemble Choo’s model**. The following quote is from a GM of an MNC describing the adopted exercise to sustain and share the value of created hybrid practices with the distributor:

“many teams were involved; a global team from MNC-X, a local team from MNC-X, a team from the consultancy firm and a team from the distributor. Part of the objectives of this project is that we want to deliver not only the main objective of the project, there were two more objectives need to be introduced; to use this exercise as a base when all the learning need to be recorded and properly documented throughout the entire process where this can be used by MNC-X global office later on. The second objective is to use it to develop internal capabilities within the distributor to sustain this business model and effectively replicate and roll it out to other business until and MNCs” (SlS.MNC-32).

The synergetic nature of this partnership is also reflected in what constitutes the start and end of this stage. The sustainability stage starts with events displaying the start of the execution of the plans developed jointly at the end of the preparation stage. Therefore, it ends with events that mark the completion of the transfer or joint development of hybrid sales/marketing practices that satisfy the MNC and suit the Saudi market.

ii) The resemblance of the three-stage process to Kim and Choo’s models and the adopted strategy of compliance :

As established earlier, the process by which sales/marketing procedural knowledge is transferred to the distributor **resembles Choo’s model throughout the three stages** (preparation, transfer and exchange and sustainability). However, in this solution pattern, both organisations chose to work together as a single organisation driving its own development. The findings show that the sales/marketing hybrid practices that emerge will comply with the MNC’s standards and are suitable for the Saudi market. This is clear in the following quote from a logistics director commenting on the MNC’s motivation to collaborate with the distributor and involving it in this process:

“So, MNC-X from the beginning since it was part of their 5-principles is mutuality. Their direction was if I manage to bring the distributor to a certain level of standard in terms of execution and knowledge by sharing the best practices available in MNC-X -which may not all be relevant to distributor-X- but customizing them to fit the market. This would help driving the long term relationship and the long terms capability of distributor-X” (SlS.MNC-32).

In this case, we cannot deny the MNC’s control over the sales operations executed by the distributor. However, the MNC provides supervision, while members from both organisations act to develop hybrid sales/marketing practices. When analysing the outcome of this approach from the distributor’s side, it is found that the distributor has managed to strike a balance among developing its organisation, surviving and satisfying the MNC by **creating hybrid sales/marketing practices**.

iii) What types of benefits are reaped by the distributor in pattern (S3)?

As established earlier, the creative capabilities Saudi distributors evidently possess have an impact on the MNC’s approach to transferring the required procedural knowledge, which makes this pattern unique. Both organisations jointly participate in all three stages (preparation, transfer/exchange and sustainability), utilising the synergy among them to drive not only the transfer process but also the process by which hybrid practices are developed. While the distributor has sufficient absorptive capacity and self-motivation, which reflects its innovative capabilities, according to McGuinness *et al.* (2013), the MNC provides procedural knowledge that is jointly customised to fit the Saudi market. As a result, the MNC supportively supervises the development of new hybrid practices, whilst the Saudi distributor develops the competence of creating them. In other words, the lessons learned from this process will be stored in the distributor’s organisational memory and can be retrieved to replicate the process with another MNC. This could resemble what Das & Teng (2000) referred to as a **bilateral alliance**, where both partners contribute equally to the alliance. It is important to note that this exceptional level of trust and mutuality can be considered unprecedented, especially in

the sales/marketing stream, where MNCs are generally in control. Therefore, based on the described benefit reaped by the distributor, it is only logical to label the distributor in this pattern as a “synergetic partner”.

iv) Evaluation of reaping competitive advantage:

The synergetic business relationship between the MNC and the Saudi distributor in this pattern has an important impact on the latter’s competitive advantage, especially because the distributor is effectively allowed to reap exceptional benefits when allowed to participate in both the process by which procedural knowledge is transferred as well as in the process of developing hybrid practices. This involvement is part of the MNC’s aim to develop its distributor and to bring the valuable procedural knowledge developed back to its global offices, which is clear in the following quote: *“all the learning need to be recorded and properly documented throughout the entire process where this can be used by MNC-X global later on” (Sls.MNC-32)*. It is found that the distributor’s contribution to these two processes enables it to learn how to develop hybrid practices and thus strike a balance between its survival and satisfying the MNC. Most importantly, the benefits reaped by acquiring this capability within a self-motivated distributor with a high absorptive capacity can be described on two levels: (1) At an internal level, the distributor is able to replicate the success story with other MNCs being served and thus strengthen its capacity to satisfy them. (2) At an external level, the distributor develops a dynamic capability that enables it to develop hybrid practices that are uniquely designed to satisfy individual MNCs. Once this has been achieved, this exercise can also be repeated to attract future MNCs.

Based on this analysis, it is claimed that the distributor in this pattern is enabled to reap competitive advantage because acquiring the competence to develop hybrid practices that are customised to specific MNCs is considered valuable, rare, inimitable and certainly non-substitutable (Barney, 1991), or as described in this quote: *“a formula for success” (Sls.MNC-32)*. This is true for two main reasons: (1) The level of trust required for this pattern to take place needs a long time to develop, according to this quote: *“actually this is exactly what happened to the business relationship between MNC-X and distributor-X through 20-years” (Sls.MNC-32)*. (2) Such competence is highly inimitable simply because each MNC’s service demands and strategies are different, which is clear in this quote: *“we were sure that what fits MNC-X might not fit other MNCs and it is distributor-X team’s responsibility to take it from there, drive it themselves as they saw MNC-X’s local and global teams do it” (Sls.MNC-32)*. Therefore, this competence also fits Teece et al.’s (1997) notion of dynamic capability, which confirms that the distributor in pattern (S3) **will reap and sustain competitive advantage** as a result of the process by which procedural knowledge is transferred in this pattern.

Pattern S4

Pattern No.	Source of required knowledge	Dist.’s Absorptive capacity & Self-motivation		Shared trust		MNC’s control over Sales operations		Industrial regulations	
		High	Low	High	Low	High	Low	Strict	lenient
S4	MNC-Dist. + 3 rd party	X		X			X		X

Over all description of pattern (S4):

This pattern is found when the MNC decides to focus on its core operations and areas of strength (manufacturing and marketing) and trusts the Saudi partner to do the same, covering the rest of the value chain (distribution, sales and payment collection). It is surprising to find such a pattern, especially in the sales/marketing stream, as MNCs like to be in control of the

sales practices executed by the distributor. This pattern is **found only among automotive manufacturers and their distributors in Saudi Arabia**, which are also family-owned businesses. Given that hardly any automotive MNC manages or runs its own dealership (distribution operations) anywhere in the world, this pattern is unique to this industry. This clearly describes a unilateral alliance that is expected to be difficult to coordinate and manage, according to Das & Teng (2000); however, that is not found to be the case here. Because the sales practices in the automotive industry are context-dependent, it is logical to find that automotive MNCs decide to focus more on their core business, which is manufacturing and marketing. The reasons behind this are described by a general operations director of a distributor in the following quote:

“MNC-X will never come to operate by themselves because distributor-X is doing fine and we have developed their business from scratch in Saudi Arabia. The other thing here is, no car manufacturer does its own retail business. So, automotive MNCs do not refile for themselves. If you look at most manufacturing companies won't do that. Instead, they sell to dealerships and dealerships will sell to the consumer. Because the operations costs and headache coming from the retail is very high compared to the gain out of that. And by the way that is what is happening all over the world. Manufacturers sell to several dealerships that cover certain areas where they provide sales operations and service operations as well” (Log.Dist-18).

The distributor in this pattern is found to be completely in charge of the sales operations, which include adopting the best procedural knowledge and developing hybrid practices to achieve sales targets and enable the growth of the alliance. However, due to the strong relationship between the marketing (which is handled by the MNCs) and the sales procedural knowledge (which is handled by the distributor), the distributor still has to align its sales procedural knowledge with the MNC's marketing strategies. However, **the control the MNC has over the sales operations is less** than what is found in other industries (i.e., FMCG, pharmaceuticals, and medical/life-saving industries) and among all the other solution patterns.

In addition, **the industrial regulations** governing the automotive dealership/distribution **are much more lenient** in comparison with the other industries. The combination of these two factors provides the distributor with sufficient room to be creative and results in less compliance pressure from MNCs, which is related to the irrelevance of the manufacturing and technological procedural knowledge to the distribution firms, as they have no intention of becoming automotive manufacturers themselves. Aligned with McGuinness *et al.*'s (2013) argument, the distributor's innovations in terms of creating knowledge (hybrid sales/marketing practices) that suits the Saudi market solely depends on the distributor's self-motivation and absorptive capacity. In other words, it all depends on the distributor's ability to drive its business by adopting **Choo's model**, where all relevant procedural knowledge that can be transferred from the MNC is considered generic external information and knowledge. Therefore, the type of benefit reaped by the Saudi distributor in this pattern (S4) as an outcome enables us to label the distributor as an **“independent partner”** because it describes the distributor's way of taking advantage of the transfer process and managing to satisfy the MNC by creating hybrid practices with little help from the MNC. Once this capability is evaluated against Barney's (1991) criteria and Teece *et al.*'s (1997) notion of dynamic capability, the distributor is **found to reap competitive advantage**.

The effect of contingency factors:

The contingency factors found to be most influential are the distributor's absorptive capacity, self-motivation, trust and control over sales practices. Because the distributors are family-owned businesses that operate in an industry governed by relatively lenient regulations, the impact of industrial regulations as a factor will not be explored further.

- *The distributor's absorptive capacity and self-motivation* are found to be high for the Saudi distributor in this solution pattern. In terms of absorptive capacity, the

distributor's prior knowledge-base and potential intensity of effort is high to support the absorption and development of the new hybrid practices to be created. Because MNCs in the automotive industry allow the distributor to look after sales operations and decide to focus more on their core responsibilities (manufacturing and marketing), the only way the distributor's organisation will develop is by proactive (internal) crisis creation (Kim,1998) or by making business decisions based on internally developed knowledge (Choo,1998). Although the concept of proactive crisis appears to be relevant, Kim's model is perceived as irrelevant in this pattern. Because the creation of sales/marketing procedural knowledge and actual activities in this pattern is not driven by migratory knowledge and externally evoked crises, it is much more driven by the distributor's self-motivation, which **resembles Choo's model**. This claim is aligned with the argument of McGuinness *et al.* (2013), that absorptive capacity reflects the subsidiaries' capability to create knowledge. This also provides more evidence that subsidiaries should not be examined as a mere recipient of knowledge but rather as creators of knowledge (Michailova & Mustafa, 2012). In addition, the distributor's autonomy in this pattern facilitates knowledge creation, according to Rabbiosi (2011) and Jiang *et al.* (2008).

The distributor in the automotive industry is found to have sufficient sense-making and knowledge-based decision-making skills that enable it to identify missing procedural knowledge, explore all external sources of knowledge and make decisions to change and improve its actual business activities (e.g., processes, systems). This competence of self-development can be inferred from the statement of a sales director from a Saudi automotive distributor:

"Since I was a management trainee coming from an engineering background, they wanted to invest in me and send me to transfer knowledge from the mother company MNC-X in Japan. The preparation stage started getting involved to go for business trips to Japan just after the selection process was concluded [...] the goal for me was to go and capture the knowledge available to me there given that all operations are very organized and clear [...] we had a full day of how to live in Japan which included how to talk, how to walk, how to communicate, how to look after the country, how to recycle, ...etc. [...] I was given the responsibilities related to strengthen the relationship and communication between MNC-X and the my employer 'the distributor' and that was my major objective. Then, I started to become more involved in the marketing operation related to ordering, product specs and the promotion activities done by the distributor" (SlS.Dist-20).

The lenient industrial regulations in Saudi Arabia with regard to the automotive industry also helped in providing room for creativity. However, only the knowledgeable and self-motivated distributors will be able to take advantage of such freedom. We need to note that given the small amount of data collected that belongs to this industry, we cannot generalise that this is the case in every automotive distribution firm in Saudi Arabia.

- *Shared trust between partners*: despite the evidence highlighting that automotive MNCs frequently audit their distributors' business development and organisation to assess their capacity to keep adding value to the alliance, the level of trust is found to be high between the two organisations. Because trust between partners has been described as time-consuming in the literature, the partnership's duration is linked to the shared level of trust between the two organisations. Thus, newly contracted distributors might not share the same level of trust compared with those that have been in a partnership with a particular MNC for more than 40 years. Once the distributor has earned the MNC's respect and trust, the business relationship is more likely to move towards the single organisation business model, as was previously discussed in solution pattern (S3). In this business model, both organisations unify their business agendas and strategies for growth and act as a single organisation working together to drive the growth of the alliance. The depth of the business

relationship between the Saudi distributor and the MNC is clearly described by the following quote using the analogy of a parent and child:

"[...] distributor-X as a local company would need much longer time to develop and learn on its own [...] Distributor-X is building on MNC-X's experience and developing and improving regardless of the pace" (Log.Dist-18).

- **Control over sales operations/practices:** it has already been highlighted that the lower control of MNCs over sales operations (executed by the distributor) has three causes. First is the MNC's decision to focus more on its core operations and to allow the distributors to do what is best to manage the sales operations. This supports Jiang *et al.*'s (2008) argument that MNCs' excessive control can destabilise alliances. Second, lower MNC control is due to the lenient industrial regulations enjoyed in the Saudi market, which allow the distributors to be creative in developing their own hybrid practices. Third and most important, the lower control is due to the high self-motivation and absorptive capacity demonstrated by Saudi distributors. However, it is inaccurate to say that the developed sales procedural knowledge and actual activities demonstrate the distributor's misalignment and in compliance with the MNC's marketing strategies. On the contrary, they demonstrate the distributor's complete understanding of how to customise and localise the MNC's sales/marketing procedural knowledge, and they are in total compliance with the MNC's standards. This is clear in the candidates' feedback: *"Distributor-X is building on MNC-X's experience and developing and improving regardless of the pace" (Log.Dist-18)*. In addition, the following quote from the continuous improvement director (**Kiezen department**) clearly shows how much autonomy the distributor has in creating its own hybrid practices in all streams of knowledge:

"Now the Kiezen department's role is to embed the MNC-X's philosophies of how to do business in the company by focusing on the divisional managers and the department heads. So, we do not have many sources. Our main source is MNC-X where in many cases we cannot apply the standards copied from MNC-X in the distributor's top management because MNC-X is much stricter. So, what we do is what we call "localization of standards". Over all, you cannot compare how MNC-X's employees apply the 8-steps of the Hoshin process to the distributor's organisation. It became part of their culture and how they actually think. But to our employees in this culture, this process needs to be broken down." (Log.Dist-19).

The explanation of the process and benefits reaped by the distributor:

i) The three-stage process:

With regard to **the preparation and transfer and exchange stages**, in this pattern it is found that these two stages are more driven by the distributor, even though the MNC audits the distributor's business capabilities and resources before signing a distributorship (dealership) contract. However, the findings show that the distributor is the driving force behind its own development to enable the growth of both organisations. More specifically, the distributor is the organisation that seeks relevant procedural knowledge that is available within the MNC or any other external source. The type of sales/marketing procedural knowledge transferred from the MNC is mainly generically managerial and incorporates business skills that assist the distributor's organisation in developing and being more aligned with the MNC's standards. However, there is also evidence that the distributor demonstrates the capability not only of seeking and exploring the required procedural knowledge from other sources but also of making decisions about missing procedural knowledge. The events that describe this stage in this particular pattern include the following:

- 1- The distributor requests that the MNC train candidates in different departments. *"Of course each one of us was going to be trained in a different department" (Sls.Dist-20).*

- 2- The distributor requests that the MNC share its best practices and SOPs to enhance its knowledge base:

“the KPIs involved and adopted were not only based on what we have seen in MNC-Japan, we went to MNC-Europe and we picked up some criteria from these as well because they have similar culture to us and they are not strict as MNC-Japan. The criteria which we picked up was worked on in Saudi Arabia as well to localize them further and introduced other concepts” (Log.Dist-19).

- 3- The distributor seeks other professional sources of sales/marketing procedural knowledge, such as consultancies, to provide more tailored procedural knowledge and actual activities:

“distributor-X is not only a receiver of knowledge only from MNC-X. I personally obtained my MBA from the University of Nebraska with the collaboration of Gallop University which mostly based on research. So, at distributor-X we are not only dependent on MNC-X’s knowledge, we are also trying to adopt other types of knowledge from other sources. The ACD department are also working on developing training programs like; strength finder, leadership, MBA for executives...etc. all of these programs are not linked to MNC-X and it is all distributor-X’s initiative to develop people and acquire knowledge from different western cultures and sources” (Log.Dist-19).

- 4- The distributor adopts some of the business ethics and philosophies practiced by the MNC to enable a better alignment between the practices of the two organisations:

“Now the Kiezen department’s role is to embed MNC-X’s philosophies of how to do business in the company by focusing on the divisional managers and the department heads” (Log.Dist-19).

The findings show that these combined stages start with events demonstrating that the distributor drives its own preparation, transfer and exchange, such as the distributor requesting that the MNC train its employees on pre-identified procedural knowledge and means of transfer. It ends with events showing the distributor absorbed valuable but generic sales/marketing procedural knowledge. Thus, customisation is required to make the transferred procedural knowledge effective within the Saudi market.

It is found that ***the sustainability stage*** hinges entirely on the distributor’s self-motivation, absorptive capacity and aspiration to grow. The distributor demonstrates its capacity not only by seeking missing sales/marketing procedural knowledge related to its core operations but also by creating new hybrid sales/marketing practices that are based on the multinational standards (provided by the MNC or other sources) and local know-how (provided by the distributor). This demonstration takes the form of a set of events that are similar to the events mentioned in the first two stages; however, the aim is to sustain the transfer process by creating valuable hybrid practices such as the following:

- 1- Developing and tailoring internal standard operating procedures (SOPs) based on the MNC’s SOPs: *“The criteria which we picked up was worked on in Saudi Arabia as well to localize them further and introduced other concepts” (Log.Dist-19).*
- 2- Establishing an internal training school within the organisation to seek missing procedural knowledge and to drive knowledge creation and advanced learning:

“The ACD department are also working on developing training programs like; strength finder, leadership, MBA for executives...etc. all of these programs are not linked to MNC-X and it is all distributor-X’s initiative to develop people and acquire knowledge from different western cultures and sources” (Log.Dist-19).
- 3- Adopting the MNC’s philosophy (knowledge creation vision, Kiezen, professionalism, etc.) behind its success to replicate similar standards: *“the Kiezen department’s role is to embed MNC-X’s philosophies of how to do business in the company” (Log.Dist-19).*

ii) *The resemblance of the three-stage process resemblance to Kim and Choo’s models and the adopted strategy of compliance:*

As explained earlier, the Saudi distributor in this solution pattern drives all three stages (preparation, transfer and exchange and sustainability) in the process by which sales/marketing procedural knowledge is transferred from the MNC. In other words, the distributor is in charge of driving its own development in all three stages, in accordance with **Choo's model**. The distributor in this pattern is found to voluntarily use the MNC's standards as a benchmark to build on. It is important to highlight that this unique pattern is found in the automotive industry only for three reasons. First, automotive manufacturers are generally not interested in being involved in running highly context-dependent operations anywhere in the world. Second, the distributor's high self-motivation and absorptive capacity motivate the MNC to trust the distributor to run the sales operations. The third reason is the lenient industrial regulation governing the automotive industry in Saudi Arabia. Therefore, the MNC decides to focus on its core business operations (manufacturing and marketing) and trusts the distributor to develop the appropriate set of sales procedural knowledge and hybrid practices that are suitable for the Saudi market. It is also important to highlight that the developed sales hybrid practices by the distributor meet the MNC's standards. This requires high levels of self-motivation and absorptive capacity from the distributor's side. At the end of the day, the distributor in this pattern is successful in terms of satisfying the MNC by complying with its standards via creating **hybrid sales practices** that are aligned with the MNC's marketing strategies. In this sense, the distributor's systems, operations, practices and vision are considered to be streamlined with those of the MNC.

iii) What types of benefits are reaped by the distributor in pattern (S4)?

The distributor in this pattern (S4) has managed to achieve a balance between sustaining its business while satisfying the MNC, ideally because the marketing procedural knowledge (executed by the MNC) and the sales procedural knowledge (executed by the distributor) are streamlined. Due to the lenient regulations governing the automotive industry and the MNC's disinterest in being involved in the sales procedural knowledge and activities, sustaining this partnership hinges on the distributor's self-motivation and absorptive capacity. The findings show that the distributor is capable of exploring and seeking the required knowledge as much as developing hybrid practices, enabling the MNC to treat the distributor as a true partner that shares high sense of ownership towards the alliance. Because the MNC focuses more on its core operations (manufacturing and marketing), the distributor in this pattern demonstrates the capability to look after its part of the business despite the low knowledge flow from the MNC. Therefore, the distributor in this pattern builds on the MNC's standards and philosophy of doing business to develop its organisation and sustain its survival. Thus, the benefit reaped by the distributor causes it to be labelled as an "**independent partner**".

iv) Evaluation of reaping competitive advantage:

The distributor in this pattern (S4) has proven capable of resolving the key problem of this stream due to its high absorptive capacity combined with the room given to it to innovate and create valuable procedural knowledge and hybrid practices. This room is earned by the distributor and supported by the lenient industrial regulations governing the context-dependent automotive industry in Saudi Arabia. Because the distributor has access to Saudi social capital, the MNC trusts the distributor to control the sales operations at its end, which entails the distributor's efficiency in identifying missing knowledge, seeking the required knowledge and customising procedural knowledge to create effective hybrid practices. These hybrid practices are found to be aligned with the MNC's standards and are effective in the Saudi market.

The competence developed and reaped by the distributor in this pattern is considered exceptional because it proves that the distributor has the capacity to overcome all knowledge transfer issues between the two partners, which many researchers warned about. More importantly, the distributor has acquired the ultimate competence of harnessing the process

by which procedural knowledge is transferred. The distributor's development of this competence relieves the MNC from investing further in: (1) controlling or codifying developed knowledge (Rabbiosi, 2011; Pedersen *et al.*, 2003) and (2) transferring the required knowledge to the distributor, which can be very costly (Hansen *et al.*, 2005). It can be argued that this knowledge is considered difficult and time-consuming to develop when partnering with MNCs with international standards. Therefore, the competence developed by the distributor qualifies it to benefit from transferred procedural knowledge as an **"independent partner"**, which is considered most valuable, very rare, inimitable and non-substitutable (Barney, 1991), especially when the distributor is a family-owned business. Furthermore, the distributor's ability to identify, seek and customise procedural knowledge and develop hybrid practices that satisfy an MNC has an important implication. It suggests the ability to replicate this exercise to develop its organisation to either meet the expectations of another MNC being served or to attract future ones; this is a dynamic capability (Teece *et al.*, 1997). Thus, the distributor in this pattern (S4) not only **reaps competitive advantage but also sustains it**. This conclusion is aligned with the following feedback: *"the owners' relationship with MNC-X is extremely strong and many have tried in the past to convince MNC-X to give them part of the current distributor's business and they rejected that [...]"* (Log.Dist-19).

Summary of the patterns identified in the sales/marketing stream (case):

In this section, the findings regarding the solution patterns (S1, S2, S3 & S4) to the key problem in the sales/marketing stream are identified. The solution patterns are manifested in the strategies of compliance adopted by the distributor to facilitate the process by which the required sales/marketing procedural knowledge is transferred and thus resolve the key problem in this stream. This stream is found to be contingent upon a set of factors that in turn enable the Saudi distributor to engage in the transfer process and thus reap different types of benefits. The most influential contingency factors in the sales/marketing stream are the distributor's self-motivation and absorptive capacity, the level of trust between the two organisations and the MNC's control over sales operations, which is linked to the amount of leverage the MNC has over the distributor. Therefore, the MNC's leverage stemming from its representation (percentage) in the distributor's portfolio is important to include in some solution patterns.

To best examine and explain the impact of these factors on the distributor's reaped benefits and its potential to enable the distributor to reap competitiveness, this impact was consistently examined from four angles: (1) the impact on the three stages of the transfer process, (2) the process's resemblance to either Kim or Choo's models and the strategy of compliance adopted, (3) the type of benefit reaped as a result and (4)-whether the distributor will be reaping a competitive advantage. It is important to highlight that the potential for reaped benefits that enable the distributor to gain competitiveness was assessed against Barney's (1991) VRIN criteria and Teece *et al.*'s (1997) notion of dynamic capability in light of the recent WTO changes in the Saudi market. These changes currently allow MNCs to operate individually without being obligated to partner with a Saudi partner. Therefore, some of the capabilities used to generate competitive advantages for the distributor in the past are now considered threshold capabilities.

The findings show that the Saudi distributor's engagement with the process by which sales/marketing procedural knowledge is transferred is associated with its ability to sustain its alliance with MNC(s). This is achieved by managing to take advantage of the transferred procedural knowledge to balance between developing its organisation so it can survive and satisfying the MNC. Therefore, the distributor's engagement and compliance with the MNC's standards must enable the distributor to achieve this balance. In essence, it is found that **the source of competitive advantage lies in** the distributor's ability to take advantage of transferred procedural knowledge and develop its dynamic capability of customising its own hybrid practices that can both suit the Saudi market and satisfy the MNC(s) served.

Considering the strong link between marketing procedural knowledge (developed by the MNC) and sales procedural knowledge and activities (executed by the distributor), with the exception of pattern (S4), it is found that allowing the distributor to develop these competences is limited in the sales/marketing stream.

As a result of examining the impact of the contingency factors on the process by which procedural knowledge is transferred from the MNC to its Saudi distributor, **four patterns** (S1, S2, S3 & S4) were revealed. These patterns are analysed and described consistently with the four angles mentioned earlier. (**table 17**) summarises these findings, where each pattern is found to offer a different solution to resolve the key problem in the sales/marketing stream. The problem stems from the variation between the marketing practices (executed by the MNC) and the sales practices (executed by the distributor).

In pattern (S1), the distributor lacks self-motivation and absorptive capacity. For the distributor to resolve the key problem in the sales/marketing stream, it has to practice a high level of trust and submit to the MNC, which drives the three stages of the process by which the required procedural knowledge is transferred. Therefore, the process **resembles Kim's model**, and the strategy of compliance adopted by the distributor is **total compliance**. The type of benefit expected to be reaped suggests labelling the distributor as an **"implementer"**. This label was adopted from Gupta & Govindarajan's (1991) work, which reflects the distributor's passive contribution to the process because it receives high knowledge flow and does not create new knowledge. However, the distributor that follows this pattern is able to maintain the balance between surviving by developing its organisation and satisfying the MNC, but its development is completely guided by the MNC's plans for growth. This pattern was found among distributors that are dedicated to a single MNC and thus lack the motivation and ability to diversify. In light of the new WTO changes in the Saudi market, it was concluded that the distributor will **not gain a competitive advantage** over its rivals, as the MNC seems to carry the burden of driving the process of knowledge transfer with little contribution from the distributor. According to Barney (1991), this means that the services provided by the distributor are considered replaceable and therefore not valuable, not rare, imitable or substitutable.

In pattern (S2), the distributor's self-motivation and absorptive capacity is high, which demonstrates its capacity to contribute to the process by which sales/marketing procedural knowledge is transferred. However, this was found to be the case in its capability to develop sales/marketing practices for two reasons: (1) because of the tight link between the marketing and sales procedural knowledge, the MNC is found to control the distributor's sales operations to streamline them with their marketing operations; (2) the distributor in this pattern is dedicated to a single MNC, which gives the MNC greater leverage over the distributor's decisions in regard to compliance to transferred procedural knowledge. As a result, the MNC tends to drive the first two stages of the process (preparation and transfer/exchange) and gives the distributor the illusion of driving the third stage (sustainability). Despite the distributor's high absorptive capacity, its sales force is trained and prepared to create procedural knowledge that only aligns with that of the dominant MNC. Therefore, the distributor's motivation is found to stem from the MNC's leverage, not from its own organisation. Although the distributor may appear to contribute to its development, in reality it does not. **The process resembles Kim's model**, where the distributor provides a **total compliance** strategy to a single set of procedural knowledge that satisfies a single MNC. Because the distributor's contribution to the transfer process is found to be modest, the benefit gained is also labelled as an **"implementer"**. The distributor's lack of diversification, which traps its organisation to only serving a single MNC, has implications for its development. Because the distributor in this pattern does not develop the competence of creating sales/marketing hybrid practices based on its aspirations, its ability to take advantage of the transfer process to enhance its competitiveness is limited. Therefore, it is concluded that the

distributor will **not gain a competitive advantage** because the services provided are not rare, can be imitated by other competitors (Barney, 1991) and are surely not dynamic enough, according to Teece *et al.*'s (1997) notion of dynamic capability.

In pattern (S3), the distributor is found to generate one of the greatest competitive advantages. This pattern is supported by some authors' belief that the local partners (distributors) of an MNC are not to be considered as mere knowledge recipients (McGuinness *et al.*, 2013; Michailova & Mustafa, 2011; Rabbiosi, 2011). This pattern offers the solution to the key problem in the sales/marketing stream in a way that enables the distributor to achieve true balance between developing its own organisation, and thus surviving, and meeting the MNC's requirements. The findings show that this unique setup can only be achieved when the two organisations (the MNC and the distributor) work together as if they were a single organisation driving its own development in terms of **Choo's model**. In other words, both organisations take advantage of the synergy between them because they both contribute equally not only to the process by which the required procedural knowledge is transferred but also to the development of hybrid sales/marketing practices that fit the Saudi market. Based on the benefit reaped, the distributor was labelled as a "**synergetic partner**". This pattern is aligned with what Das & Teng (2000) call bilateral alliance. Furthermore, because the distributor develops the competence of developing hybrid practices to meet the needs of a specific MNC, it is concluded that the distributor will reap a competitive advantage mainly because this competence is difficult to develop, is time-consuming and requires exceptional trust between partners. This also suggests that the distributor gains dynamic capability, enabling it to replicate this exercise with other MNCs. Therefore, it can be concluded that the distributor will not only reap a competitive advantage but also sustain it according to Barney's (1991) criteria and Teece *et al.*'s (1997) notion of dynamic capability.

The solution offered in **pattern (S4)** is found to be unique to the automotive industry in Saudi Arabia. However, due to the limited data from this industry, the pattern cannot be generalised. In this pattern, the distributor's level of self-motivation and absorptive capacity is high and is provided voluntarily in the absence of real institutional pressures. This is due to the lenient industrial regulations governing the automotive distribution industry in Saudi Arabia and that very few automotive MNCs control the sales operations of their distributors anywhere in the world. Because the sales procedural knowledge and actual activities in this unique industry are highly context-dependent, the MNC decides to focus on its core responsibilities and to leave room for the distributor to create and adopt hybrid sales practices that fit the Saudi market. However, such partnerships can generate benefits only for self-motivated distributors with high absorptive capacity. In this pattern, the distributor is found to be capable of independently identifying required knowledge, seeking required knowledge from any source and of developing required **hybrid practices** that facilitate the growth of the alliance, in accordance with **Choo's model**. Considering the benefit reaped, it is appropriate to label the distributor in this pattern as an "**independent partner**". When assessing the potential impact of this process, according to Barney (1991) and Teece *et al.* (1997), it was concluded that this distributor **can reap a sustainable competitive advantage** because the dynamic capability to identify, seek and develop hybrid practices that suit the Saudi market and satisfy the MNC enables the distributor to develop competences that are valuable, rare, inimitable and non-substitutable, especially in the absence of real institutional pressures.

Finally, it is important to note that the identification of the start and end of the three-stage process in the sales/marketing stream is not sufficiently clear due to the nature of this stream, which features the MNC's high level of control over the transfer process in terms of stages and content. The MNC adopts a set of means that are deployed to transfer the required sales/marketing procedural knowledge in a way that enables the distributor to comply totally with them. In general, the process by which the required procedural knowledge is transferred in all patterns starts with events that are designed, driven and executed by the MNC to

prepare and transfer missing knowledge to the distributor, at least in the early stages of the alliance. Later on, the distributor's engagement evidently varies from no contribution from the distributor (in pattern S1), a modest contribution (in pattern S2) to a high contribution (in patterns S3 and S4). Based on the analysis provided in this section, the essence of reaping competitive advantage in the sales/marketing stream lies in the distributor's ability to contribute on at two levels: (1) the process by which sales/marketing procedural knowledge is transferred and (2) the customisation process by which hybrid practices are developed. Last but not least, it is important to highlight that the role trust plays in the process by which procedural knowledge is transferred is believed to be fundamental to the success of the process and to the distributor's ability to reap a competitive advantage.

4.3.2- *Logistics/supply chain knowledge stream:*

a) **Influencing factors:**

The logistics/supply chain stream is found to be less complex and relatively easier to interpret compared with the sales/marketing stream, which is reflected in the sharpness with which the backbone of the transfer process by which logistics/supply chain procedural knowledge is transferred from the MNC to the Saudi distributor is described. The ease in describing the transfer process in this stream stems from the ability to identify the events by which each stage in the process starts and ends, which is more difficult to achieve in the sales/marketing stream. We also need to highlight that the transfer process in this stream was also found to take place in the same three stages highlighted in the sales/marketing stream (preparation, transfer/exchange and sustainability).

Both the transfer process and the solution patterns (**L1, L2 & L3**) in this stream are found to be **contingent on the following factors:** the distributor's self-motivation and absorptive capacity, the source of the required logistics/supply chain procedural knowledge, the level of trust between the MNC and its distributor, the strictness of the industrial regulations governing the industry, the MNC's representation (%) of the distributors portfolio and the distribution firm owners' ethos of doing business. It is found that these factors impact how the distributor takes advantage of the transfer process and thus impact the type of benefits reaped as a result. Similar to the sales/marketing knowledge stream, the remaining contingency factors explains the distributor's rationale of adopting a certain strategy of compliance that constitutes the solution pattern with which it resolves the key problem in this stream.

To meet the same objectives achieved in the logistics/supply chain stream while maintaining subtlety in its description, analysing the transfer process and its impact on the distributor's competitiveness will be explained from the same four angles: (1) the three-stage transfer process, (2) the process' resemblance to Kim and Choo's models and the adopted strategy of compliance by the distributor, (3) the benefits reaped by the distributors as a result and (4) whether the distributor will be reaping a competitive advantage. In each solution pattern, the contingency factors are found to suggest the distributor's knowledge-processing capability and the nature of the business partnership between its organisation and the MNC. When this is combined with what is revealed from the analysis in the aforementioned four angles, the distributor's ability to reap competitive advantage can be assessed against Barney's (1991) VRIN criteria and Teece *et al.*'s (1997) notion of dynamic capability.

b) **What is the problem in the logistics/supply chain knowledge stream?**

The key problem in the logistics/supply chain knowledge stream needs to be reemphasised. Because the MNCs are not the experts in how to run logistics/supply chain operations in the Saudi market, this part of the value chain is outsourced to the Saudi distributor, which explains its role in the partnership. The findings show that the MNC has its own logistics procedural

knowledge and actual activities, which cover the “up-stream” of the value chain. For this reason, this knowledge is not significantly helpful to the distributor. The type of logistical procedural knowledge and actual activities used by the distributor are focused on the “down-stream” of the value chain, which is heavily context-dependent. Therefore, the problem in the logistics/supply chain stream lies in the distributor’s ability to create a set of hybrid practices that suit the Saudi market and meet the MNC’s service requirements. This is clear in the following quote from the CEO of a distributor:

“MNC-X is not the logistics expert [...] even if MNC-X had their own supply chain perspective, they would have that from the manufacturing point of view not from the distribution point of view and that is basically why MNC-X is contracting a distributor to do that job” (Log.Dist-10).

It is important to highlight that the development of applicable logistical procedural knowledge hinges on the distributors’ self-motivation and absorptive capacity, which requires the distributor to be able to identify, explore, seek and transfer missing procedural knowledge regardless of its source. The findings show that the procedural knowledge that could be offered or transferred to the distributor serves to help the distributor create its own. Therefore, the pressure MNCs put on the distributor comes in the form of demanding specific services at certain levels. However, the MNC does not develop the required logistical procedural knowledge with which such service demands can be achieved. In other words, MNCs demand end results but are not involved in how these results can be achieved. This is the distributor’s main objective, and not being able to meet such service demands threatens its survival because the ability to provide efficient and cost-effective logistical services is the core function of any distribution firm. When the distributor achieves this, the MNC can focus on its core responsibilities – marketing and manufacturing – which require only (up-stream) logistical knowledge.

Additionally, the fact that Saudi distributors are family-owned businesses has implications for their ability to take advantage of the transfer process and create the required procedural knowledge in the logistics stream. Because MNCs are not experts in running logistics operations in Saudi Arabia, they are not the main source of required knowledge for the distributor. The findings show that the severity of the problem in this stream can be linked to the source of required knowledge, the owners’ business ethos and the MNC’s practice of reducing the profit margins gained by the distributor against its services. It is found that the MNC can help the distributor seek the required logistical procedural knowledge. Therefore, if the MNC decides to help, then the distributor is more likely to resolve the key problem in this stream and to achieve the desired balance. This is clear in the following quote from a logistics director describing how they try to help the distributor seek missing knowledge: *“When do don’t have the knowledge here locally in the company, we tend to go together to visit one of the markets that is similar to our set up and then we get trained together on getting these new processes” (Log.MNC-23).* However, if such is not the case, then the distributor needs a much higher intensity of effort to achieve that balance.

The owners’ ethos is found to have a major impact on the severity of the problem. If the owners prefer to conduct business according to a black-box mind-set (reducing investment to improve profits), its organisation is expected to struggle as the MNCs keep increasing their service demand to beat the competition. When this situation is coupled with a profit margin reduction by the MNCs, the distributor will be under continuous pressure (external crisis) until the service expectations are provided. This is clear in the following quote from a distributor’s CFO describing the pressure the distributor could face to improve its logistics services:

“when we talk about food businesses, it was 10% to 12% having in mind that the direct cost, [...] the distributor will lucky if he ended up 2%. So, the distributor cannot operate inefficiently. In other words, the distributor has to adapt to new strategies and new processes in order to upgrade the level of services in a way to end up with a positive bottom line in their P&L.” (Fin.Dist-12).

In summary, for a distributor to achieve a balance between surviving (by developing its organisation) and satisfying the MNC, it must identify, seek and transfer missing procedural knowledge and then use it to create new hybrid logistical hybrid practices. These hybrid practices need to improve the logistics services offered to the MNCs in terms of efficiency and cost effectiveness.

c) What are the solution patterns to resolve the key problem in the logistics/supply chain stream?

As mentioned earlier in this section, the solution patterns reflect the strategy of compliance adopted by the distributor to resolve the key problems in a specific stream. In the logistics/supply chain stream, **three patterns (L1, L2 & L3)** were found through which the distributor will resolve the problem in the logistics stream and achieve the balance between ensuring its survival and satisfying MNCs. **(table 21)** reiterates and illustrates the most influential factors and the level at which they are available. It was found that the variation in these factors impacts the shape of the transfer process, the adopted strategy of compliance and the benefit reaped by the distributor in the end.

Pattern No.	The source of PK&L	Distributor's self-motivated & Absorptive capacity		Level of trust		Strictness of industrial regulation		Owner's business ethos		MNC's % of distributor's portfolio	
		High	Low	High	Low	High	Low	High	Low	High	Low
L1	MNC	X		X		X	X	X		X	X
L2	MNC		X		X		X	X			X
L3	Dist. & 3 rd party	X		X		X	X	X		-	-

Table-21: The relevant contingency factors influencing the solution patterns in the logistics/supply chain stream.

At this point, it is helpful to view the variation in the range of the most influential factors in the logistics/supply chain stream. However, each of these three patterns will later be examined and evaluated separately based on the evidence. Ideally, each pattern shows that the way the distributor takes advantage of the process by which procedural knowledge is transferred and achieves benefits is dictated by the contingency factors. The contingency factors involved provide information about (1) the unique nature of the business partnership between MNCs and their distributors and (2) the distributor's knowledge-processing capabilities (i.e., absorptive capacity and self-motivation).

Pattern (L1)

Pattern No.	The source of PK&L	Distributor's self-motivated & Absorptive capacity		Level of trust		Strictness of industrial regulations		Owners' business ethos		MNC's % of distributor's portfolio	
		High	Low	High	Low	High	Low	High	Low	High	Low
L1	MNC	X		X		X	X	X		X	X

Over all description of pattern (L1):

The findings show that the distributor in this pattern has high levels of self-motivation and absorptive capacity and has high levels of trust with the MNC. In this pattern, the required **"generic"** logistical procedural knowledge can be provided by the MNC. This pattern is found among distributors of the fast-moving consumer goods (FMCG), pharmaceuticals, medical and

life-saving industries. In FMCG, the MNC helps the distributor seek missing procedural knowledge from its global network. In the pharmaceutical, medical and life-saving industries, the MNC helps the distributor become updated and aligned with the international standards (i.e., goods distribution procedures or “GDP”). The findings show that the main reason behind the MNC’s involvement is to help enhance the distributor’s knowledge base and thus help it develop the required hybrid practices and meet its service requirements. This process is also found to be facilitated by the distributor’s self-motivation and absorptive capacity, which reflect its eagerness to learn and grow. This pattern was found among the distributors in which the MNCs have high and low representation in their portfolios. Thus, the influence of this contingency factor is found to be relevant but not significant in this pattern.

Therefore, the transfer process in this pattern is found to resemble **Kim’s model** (in the preparation and transfer/exchange stages) **and Choo’s model** (in the sustainability stage). Although the MNC in this pattern helps the distributor seek procedural knowledge, the distributor’s contribution to create hybrid practices needs to be recognised. The distributor in this pattern builds on transferred procedural knowledge from the MNC to **create its own hybrid practices** that fit the Saudi market and meet the MNC’s standards. Therefore, the strategy of compliance adopted by the distributor to resolve the key problem in the logistics stream allows it to reap benefits as an **“innovative subsidiary”**. The term “subsidiary” is used because the source of transferred procedural knowledge is still the MNC. Because the distributor in this pattern (L1) has demonstrated its capability to develop hybrid practices that suit the Saudi market and satisfy the MNC, it **will reap competitive advantage** as well.

The effect of contingency factors:

- *The source of the required “generic” practices is the MNC:* as mentioned earlier, even though the logistics/supply chain practices used in the up-stream (by the MNC) are different from those used in the down-stream (by the distributor), they all belong to the same science. For this reason, the MNCs evidently share with the distributor explicit yet generic logistics/supply chain practices that help the latter to improve its services and catch up. This type of procedural knowledge includes quality assurance standards, first-in-first-out systems, racking systems, pest control and general health and safety standards. The distributor can thus meet the expectations once the gaps in the practices are identified. According to Kim’s model, such practices are classified as migratory knowledge to improve the distributor’s knowledge base. In other words, the MNC basically guides the distributor to those gaps in service levels to enable it to focus on them and eventually reduce them to a satisfactory level. In terms of learning orientation (according to Kim’s model), the distributor is found to creatively imitate the transferred logistics/supply chain procedural knowledge. The following quotes from the logistics directors of two MNCs explain how they help their distributors in sourcing knowledge. In the medical and life-saving industries:
“Now when the distributor is seeking any help on how to achieve and apply such standards, we interfere to enable them meet the GDP or the GMP standards” (Log.MNC-28). In the FMCG industry: *“When do don’t have the knowledge here locally in the company, we tend to go together to visit one of the markets that is similar to our set up and then we get trained together on getting these new processes” (Log.MNC-23).*
- *The distributor’s self-motivation* is found to be high. The findings show that the distributor’s self-motivation is required to absorb, make sense of and identify the gaps between the transferred procedural knowledge from the MNC and its own. The distributor needs to be self-motivated to develop an action plan to reduce the gap based on the transferred procedural knowledge and provide the intensity of effort required to execute this plan. Because the MNC does not have the distributor’s access to Saudi social capital, it can only help in transferring generic logistical procedural knowledge, which is found to cover the MNC’s part of the value chain (up-stream

logistics). The distributor has to be self-motivated to absorb such knowledge and create its own (down-stream) hybrid practices. This is clear in the following quote from a logistics director of a distributor describing the distributor's role in creating logistical hybrid practices: *"it is mainly the initiative and decision of the division head of distributor-X logistics and distribution"* (Log.Dist-10).

- *The strictness of the industrial regulations* is found to be more relevant to the pharmaceutical, medical and life-saving industries because all aspects of the value chain in these industries are strictly regulated by international and local (Saudi food and drug agency) entities, including the logistics and distribution operations in local markets. This is clear from the following quote from a logistics director of a medical and pharmaceutical MNC operating in Saudi Arabia with a Saudi distributor: *"we would not start with a distributor if we did not think that he is not ready and capable to apply the GDP [...]"* (Log.MNC-28).
- *The level of trust between partners* is found to be high in this pattern. Although the MNC does not interfere much with "how" the distributor provides the agreed-upon services and meets its expectations, it is found that the MNC needs to know "what" the gaps are in the distributors' logistics operations. The findings show that the MNC's interference and trust is related to the sensitivity of the product being handled by the distributor. In the FMGC industry, the distributor is trusted to run its operations as long as it stores, handles and delivers goods in sellable condition. However, in the pharmaceutical, medical and life-saving industries, the distributor is frequently audited by the MNC's logistics director and by external auditors. Therefore, the distributor is trusted but is not given the chance to deviate from the international code of conduct due to product sensitivity. This is clear in the following quote from a logistics director of a pharmaceutical and life-saving MNC: *"Most of the time, I do frequent inspections; be it yearly of every six months since I am MNC-X's logistics operations representative in Saudi Arabia. Some other times, inspectors can come to visit from outside Saudi Arabia as well"* (Log.MNC-28). After a long period of partnership, it is found that the MNC shares an exceptional level of trust with the owners of the distribution firm.

The explanation of the process and benefits reaped by the distributor:

As mentioned earlier, identifying the events representing the start and end of each stage in the transfer process is found to be much easier in the logistics/supply chain when compared with the sales/marketing stream. Unlike in the sales/marketing stream, unique events are identified to mark the start and end of each stage.

i) The three-stage process:

The preparation stage is driven by the MNC. The findings show that prior to forming a partnership with a Saudi distributor, the distributor is visited by the MNC to assess its logistics and distribution capabilities and whether it will be able to provide the required services. At the end of this visit, a summary report is prepared by the MNC, which forms the basis of the "**service-level agreements**". The summary report indicates all the gaps the MNC wishes to see eliminated by the distributor to be able to handle the MNC's goods. At this stage, the distributor will be able to identify missing knowledge, and its organisation needs to devise a plan to close this gap to provide a satisfactory service for the MNC. It is found that the production of the service-level agreements is the event that marks the beginning of the preparation stage, while the end is marked by the partners' agreement on the produced document. The events that highlight the occurrence of this stage include the following:

- 1- The MNC visits potential distributors to assess their capabilities and resources, which is clear in the following candidates' descriptions:

"distributor-X asked MNC-X to start auditing the warehouses and logistics practices of distributor-X against certain standards" (Log.Dist-10).

“The way I see it is that it starts with the distributor bringing some expertise –three or four- from different departments from the MNC. Those candidates come to visit the distributor’s operations and do a gap analysis between how things are done in the MNC and the distributor [...] Now we need to keep in mind that in phase-1, the knowledge needed and the people to be trained were already identified and selected.” (Log.Dist-2).

“it starts by identifying a gap somewhere in our standards. Then, we do some gap analysis and I mean by “we” is us (MNC-X’s operations) and the distributor’s logistics and supply chain department. Now we have different operational measures and we develop gap analysis based on the gap in these measures versus the target or our glide path to achieve the target. Such analysis includes, Pareto charts, root-cause analysis..etc.” (Log.MNC-23).

- 2- The MNC generates a report after the visit to the distributor’s location, which states the areas of improvement, the expected services to be performed and the standards at which these services are executed. This is usually referred to as **“the operational gap analysis report or plan”**, and this is clearly described in the following quotes:

“a report would be submitted saying that the distributor lacked these points in certain areas and acceded the standards in others. This was part of the quality assurance key elements standards” (Log.Dist-10).

“Then, once the gaps are identified we can know what the later phases involved and their sequence. These plans could also include what is required to be trained on” (Log.Dist-2).

“then, we construct an action plan with short terms fixes and long term fixes. The short terms one is immediate rectifying of those processes. The long terms fixes, most of the time is changing something in the process of deploying another process or by creating another one which did not exist before otherwise there would not be any gap in the measures of the process concerned to begin with” (Log.MNC-23).

The findings show that the preparation stage based on the evidence provided above **resembles Kim’s model** because the MNC audits and creates an external crisis within the distributor’s organisation. In this sense, the distributor is expected to provide the required intensity of effort that might be combined with generic procedural knowledge transferred from the MNC as “migrated knowledge” to stabilise the organisation.

In addition, the findings show that this solution pattern is adopted by a distributor that is expanding its business by diversifying in new logistical services. The distributor is found to diversify its logistics services portfolio by becoming a third-party logistics provider (**3PL**) instead of offering traditional distributorship services. Because this type of operation requires a different type of procedural knowledge and actual activities, the distributor prepares its organisation by totally complying with the MNC’s requirements, especially when the MNC has expertise in running this type of operation in a different market. The distributor adopts this strategy to enhance its knowledge base as a first step. This is clear in the following quote from the CFO of that particular distributor:

“we came to know that they are starting their own business here and they want to establish their own office. Later the deal was to handle a 3PL business for them [...] we were honest and frank with them as well as we explained our systems and how we do business to them in details. It got to a point of what kind of racking do we use and where the warehouse offices were located and they shared their requirements in terms of staff, material handling equipment and the IT department capabilities. But the point for us was to see how do they want us to work and they replied by “we have our own standards”. We then replied; “then, you guys need to be there to tell us how do you want us to serve you”. So, they agreed to that and we will look after all of everything in the operation within your facility and we will even arrange it ourselves” (Fin.Dist-6)

From the above quote, it is clear that the distributor shows extreme flexibility by providing total compliance as a strategy and by acquiring procedural knowledge that its organisation is missing. In this case, transferring procedural knowledge in accordance with Kim’s model is

found to be the first step towards diversification and business expansion. This decision in terms of compliance is aligned with the model explained earlier (figure 16 above), which explains the distributor's strategy of compliance.

With regard to ***the transfer/exchange stage***, in this pattern, the required logistical procedural knowledge is transferred (or migrated) from the MNC. Therefore, this stage generally **resembles Kim's model more** than Choo's model. However, the distributor's contribution to the transfer/exchange stage in facilitating the transfer process varies. The events that highlight this stage include:

- 1- The migration plan of required procedural knowledge. It is found that this plan is informed by the analysis report of the gaps produced by the MNC. Because the required procedural knowledge is available and can be offered by the MNC, it is found that both organisations jointly contribute to this action plan. It is found that this plan contains information about which operations are involved in the improvement project, which members from which departments are involved, the standards of each task involved and the location of training in which new knowledge is transferred to the distributor's members. This is clear in the following quote from a logistics director of a distributor who was involved in the development of such a migration plan:

"Now we need to keep in mind that in phase-1, the knowledge needed and the people to be trained were already identified and selected. Basically phase-2 is just an application or execution of phase-1 as the trainees will be trained on the missing types of knowledge which was identified in phase-1. It can be described as if those candidates need to be certified on understanding and applying the new knowledge [...] After the plan of the those phase are developed, the first step is to do the opposite; select candidates from the senior management of the distributor and assign them to work and spend time in the MNC may be for a week or two. The aim for them working there is to absorb the know-how and practices and knowledge they are exposed to as they are done in the MNC. Usually, a single candidate is selected from each department and sometime section to transfer the knowledge in his own filed [...] Those candidates are deployed within their corresponding department to work not less than 4-6 months. In that period, these candidates are expected to work, be trained and evaluated as if they belonged to the MNC's payroll. It is important to say that these candidates are not only expected to understand the new practices and knowledge but also are expected to deliver" (Log.Dist-2)

- 2- Events highlighting that the MNC leads the transfer of procedural knowledge. This is found when the knowledge required by the distributor to meet the MNC's expectations is not available within the MNC's local network. The MNC leads the process of seeking other sources to help the distributor and enhance its own knowledge about the market. This is clear in the feedback from a logistics director of an MNC helping the distributor source missing knowledge.

"Usually if the process we are looking for is big, we tend to check with our central team on which region is best in terms of handling this process before we actually go to that market. Once the region has been identified, we communicate to them that we have an issue in this area and if they have a similar set up to us or not. Because having a similar set up is extremely critical. Then, we brief the process handlers on that market about our issue and they usually create and conduct a sort of training on how they conduct this process. Only then, we go with the distributor to that location and attend that training session" (Log.MNC-23).

- 3- Events highlighting that MNCs help transfer logistical procedural knowledge by transferring its own employees. It is found that some MNCs transfer their logistics and supply chain leaders to work within the distributor's organisation. This facilitates the transfer of missing procedural knowledge and the deployment of logistical practices, thus enabling the distributor to meet the service expectations faster. Because the MNC's leaders found the logistics operations, they ensure that the MNC's knowledge is internalised and utilised to create hybrid practices. This is clear in the feedback from

two different logistics directors describing how the MNCs helped transfer the required knowledge to their divisions. The following quote is from the distributor's side:

"in the beginnings of distributor-X, supply chain was not very much hocked to the standards of MNC-X not as much as the sales and marketing schemes. But it started in 1996-1997 when the first distribution manager was assigned from MNC-X to start transferring this type and level of knowledge to distributor-X [...] It was like the engine has to be deployed first before putting fuel in it. Ever since that time, the terminologies such as; SOPs, best practices, ...etc was introduced and evolved in the logistics and distribution department in distributor-X" (Log.Dist-10). The following quote is from the MNC's side: *"at one point of time, MNC-X's team was managing distributor-X's full operations [...] MNC-X was not only sharing the processes but they was sharing its calibres with distributor-X" (Log.MNC-26).*

- 4- Events highlighting that the MNC leads the transfer/exchange stage in the case where the distributor diversifies its operations to learn how to operate as a third-party logistics company. The following quote from a logistics director of the MNC describes how MNC-X's procedural knowledge about running (3PL) operations is transferred:

"all staff where are distributor-X's and they were trained on MNC-X's operation system and practices. For some time, MNC-X' was involved to train distributor-X's staff in terms of development and get to understand the best practices which need to be adopted system wise[...] it started with presentations which represented 1-week of teaching sessions. Then, they moved to one-one-sessions. Then the hands-on approach." (Log.MNC-16).

With regard to ***the sustainability stage***, the findings show that the transfer process is sustained by the distributor, which is self-motivated and has absorptive capacity. As demonstrated earlier, the MNC evidently helps the distributor by (1) transferring procedural knowledge to help enhance the distributor's knowledge base and (2) helping to seek the required knowledge from other sources. The distributor is found to be capable of sustaining the process by taking advantage of the transferred knowledge from other sources with the MNC's help, combining it with its local knowledge and creating hybrid practices of its own in accordance with **Choo's model**. The following quote is from a logistics director of a distributor who explains why MNCs cannot help them in creating valuable logistical practices:

"firstly, MNC-X is not the logistics experts. Secondly, even if MNC-X had its own supply chain perspective, it would have that from the manufacturing point of view not from the distribution point of view. And that is basically why MNC-X is contracting a distributor to do that job [...] again MNC-Xers³ are not the experts in terms of how to manage a warehouse. They might have warehouse operations in their plants but as I said this type of warehousing is different from the distribution operations" (Log.Dist-10).

The events that highlight the distributor's capability to sustain the process include:

- 1- Events in which the MNC delegates one of its responsibilities to the distributor because its employees proved they could do it better and create value for the alliance. This is clear in the following quote from a logistics director regarding their success story:

"Let me give you a real example; the S&OP (sales & operation plan). MNC-X used to do it as part of their worldwide standards. They were doing it in isolation of the logistics guys in distributor-X and they only include the sales guys of distributor-X and they were running the show literally with all the demand planning decisions etc.. Now, distributor-X is running the S&OP job on behalf of MNC-X for the Saudi Market. In other words, the demand planning of MNC-X's business is being run by distributor-X now. And honestly, that was a big motivation for distributor-X" (Log.Dist-10).

³ MNC-Xers: The employees belonging to MNC-X.

Similar feedback was obtained from an owner of one of the competitive distributors, arguing that MNCs transfer little in regard to logistics procedural knowledge:

“No they don’t because this knowledge is not usually transferred from MNCs. The type of knowledge which we benefited from in supply chain is when we brought consultancies on our expense that helps us to better our supply chain and so on. That is to work on the areas of improvement pointed out by the MNCs” (Owner.Dist-36).

- 2- Events showing that hybrid knowledge is created by bringing back employees after completing an assignment within the MNC’s organisation:

“It is important to say that these candidates are not only expected to understand the new practices and knowledge but also are expected to deliver. Once they are proven to absorb the knowledge, Phase-3 (deployment and application) takes place; they return back to the distributor, each in his own department, with a deployment program. This program is designed by the MNC to enable those trainees to best transfer what they have learnt in the distributor’s organisations. These candidates are usually called ‘ the Key Users’ who are responsible to enforce the program and make sure the new practices, systems, SOPs, knowledge is enforced in all targeted business areas and units as planned. In my opinion, this step – the assignment in the MNC and coming back and start the deployment- will take something between 1-1.5 years minimum. And in some case, it could take up to 2-years [...] they need to revise and change the company manual for all areas of distributor business based on what has been learnt. Now if there was a manual to begin with, then it is changed. And if there is not yet, then a manual must be developed but most importantly, that does not mean that the SOP of the MNC is to be copied to the dot. No, those candidates need to build their own company manual in order to enable the distributor to meet the service level agreements and KPIs agreed upon in the contract.” (Log.Dist-2).

- 3- Events describing how the distributor’s strategy of compliance started with total compliance and changed in the sustainability stage to self-sustenance:

“part of the role out, for one moth MNC-X’s team was monitoring the whole role out project. After the first month, they started reducing their numbers gradually until they handed the operations completely to distributor-X’s employees” (Log.MNC-16).

ii) The resemblance of the three-stage process resemblance to Kim and Choo’s models and the adopted strategy of compliance:

The findings show that the process by which procedural knowledge is transferred in this pattern **resembles Kim’s model** in the preparation and transfer/exchange stages. This is because the MNC is found to drive the preparation stage when it assesses the distributor’s logistics capabilities, which helps the distributor identify the gap in its current logistical procedural knowledge. Additionally, because the source of missing procedural knowledge in this pattern is available and provided by the MNC, the transferred procedural knowledge is considered to be migratory knowledge. Therefore, the strategy of compliance adopted by the distributor in both the preparation and transfer/exchange in this pattern is **total compliance**. However, in the sustainability stage, it is found that the distributor is capable of driving its own development in accordance with **Choo’s model**. The findings show that once the required logistical procedural knowledge is successfully transferred to the concerned members, sustaining the process hinges on the distributor’s self-motivation to take advantage of the transferred knowledge from the MNC, combine with its local knowledge and **create hybrid logistical practices**. These practices will enable the distributor to provide the best logistical service level as per the service-level agreements and thus satisfy the MNC.

iii) What types of benefits are reaped by the distributor in pattern (L1)?

As explained earlier, the process by which logistical procedural knowledge is transferred to the distributor in this pattern **starts** in the first two stages (preparation and transfer/exchange), resembling **Kim's model**, and ends in the third stage (sustainability), resembling **Choo's model**. Accordingly, the solution pattern informed by the strategy of compliance offered by the distributor starts with total compliance and ends with compliance by creating hybrid logistical practices. The findings show that the distributor takes advantage of the procedural knowledge identified and transferred from the MNC and customises it to create its own hybrid practices. Although the required procedural knowledge is sourced from the MNC, the distributor is required to customise it because transferred knowledge is not found to be suitable for the Saudi market. The findings show that the distributor receives knowledge from the MNC as if it was a subsidiary, but it is allowed room to innovate. Therefore, the benefit reaped by the distributor in this pattern causes the distributor to be labelled as an **"innovative subsidiary"**.

iv) Evaluation of reaping competitive advantage:

The findings show that the benefits reaped by the distributor in this pattern demonstrate two qualities possessed by the distributor. First is its high absorptive capacity, which entails its ability to process transferred knowledge from the MNC and its ability to provide the intensity of effort (time and capital) to process this knowledge. Second is the distributor's high self-motivation, which demonstrates its capacity to drive its own development in this pattern with the MNC's help. However, it is important to keep two important points in mind that directly affect whether the benefit reaped by the distributor will enable it to reap a competitive advantage. First, the MNCs are only knowledgeable about up-stream knowledge, which might not be helpful to the distributor whose side of the business requires down-stream logistics. Therefore, the transferred logistical procedural knowledge is considered to be generic and requires customisation. Second, logistics and supply chain procedural knowledge and actual activities are the core function of any distribution firm. Ideally, this stream of knowledge is highly contextual and requires sufficient access to the social capital the Saudi distributor has. Therefore, the distributor is the organisation that should possess the most effective set of logistical procedural knowledge and actual activities, not the MNC.

Because the MNC is the organisation that drives the preparation and transfer/exchange stages of the transfer process, we can investigate the distributor's ability to drive the development of its core function. Because the distributor should be the organisation to drive the development of its core functions in regard to the logistics and supply chain's procedural knowledge and actual activities. However, the distributor in this pattern drives and sustains the third stage in the transfer process. This means that the distributor also develops the competence to customise the transferred knowledge and create hybrid logistical practices. It is found that this competence is where competitive advantage lies in regard to procedural knowledge transfer. It can be recognised that the level of benefits reaped by the distributor is limited, as the MNC is still the main source of required procedural knowledge. However, the distributor's ability to enhance its competence in creating new hybrid practices cannot be undermined either.

Given the exceptional self-motivation and absorptive capacity possessed by the distributor that enable it to develop the competences of creating new hybrid logistical practices, it can be concluded that the potential benefits reaped as an outcome of adopting this solution pattern are valuable, rare, inimitable and non-substitutable, according to (Barney, 1991). This is also true because the distributor is a family-owned business, and such flexibility, openness and creativity are rare, valuable and inimitable. Considering the distributor's ability to innovate and create new knowledge, the distributor is dynamic, according to (Teece *et al.*, 1997). Therefore, it is concluded that a distributor that adopts this solution pattern (L1) **will reap a competitive advantage**.

Pattern (L2)

Pattern No.	The source of PK&L	Distributor's self-motivated & Absorptive capacity		Shared trust		Strictness of industrial regulation		Owners' business ethos		MNC's % of distributor's portfolio	
		High	Low	High	Low	High	Low	High	Low	High	Low
L2	MNC		X		X		X	X			X

Over all description of pattern (L2):

The findings show that the distributor in this pattern has opposite traits to those in pattern (L1), while the MNC is found to be the main source of the required procedural knowledge. The distributor is found to lack absorptive capacity as well as self-motivation and shares a low level of trust with the MNC. It is found that, due to the distributor's uncooperative style of conducting business, the MNCs **drive all three stages** of the transfer process in accordance with **Kim's model**, while the distributor generally resists adopting transferred knowledge. It is important to highlight that the distributor in this pattern serves several MNCs simultaneously. In other words, the MNC's representation (percentage) in the distributor's portfolio is low. Therefore, there is no single MNC that has a high representation of its portfolio and, thus, the leverage to force the distributor to comply with its standards. This is clear in the following quote from a logistics director of an MNC: *"see all the mechanism for any knowledge or learning MNC-X want to transfer or introduce the distributor were designed internally as in MNC-X" (Log.MNC-3)*. As a result, the distributor's organisation is found to be under continuous pressure (external crisis) from the MNC. It is important to highlight that this pattern was found among distributors that serve several MNCs at the same time and struggle to satisfy all of them. The MNC develops and transfers hybrid practices to the distributor to be implemented and struggles to convince the distributor to participate in the process and create its own hybrid practices. This is clear in the following quote from a logistics director of an MNC: *"To be very frank and not being selfish, we never wanted to invest our time and resources to find solutions for them because we are consumed in trying to find solutions for ourselves" (Log.MNC-3)*. It is found that the strategy the distributor provides is **partial compliance** to just barely sustain the alliance. Because the distributor does not contribute to the transfer process or take advantage of the knowledge transferred and create hybrid practices, the distributor gains benefits as an **"implementer"**. Given that the logistical procedural knowledge transferred and forced on the distributor is part of its core functions, the distributor does **not gain any competitive advantage**.

The effect of contingency factors on the process:

- *The distributor's self-motivation and absorptive capacity* is found to be low in this pattern. The findings show that this is due to two reasons. First, the distributor in this pattern is found to serve several MNCs at the same time, where each requires a different range of logistical services. Each MNC demands that the distributor meet its service demands, which enable it to grow and compete in the Saudi market. The distributor finds its organisation under continuous crisis, trying to change its current logistical procedural knowledge and actual practices to satisfy as many of the MNCs' collective demands as possible. This is found to demotivate the distributor and its employees in the logistics department. The following quote is from a logistics director from a distributor describing the struggle to meet the MNC's service demands:
"For MNC-X, they are predominantly sales focused [...] it seems that logistics and supply chain is not part of their concern [...] Because simply nothing so far was based on analysis or simulation of the impact of these changes on the current practices" (Log.Dist-13).

Second, the reason behind the distributor's lack of these two factors is related to the owners because distributor firms are family-owned businesses. The owner's business ethos can influence the organisation's openness to new procedural knowledge transferred from MNCs, as owners pay little attention to the required change in logistics practices compared with sales practices. Therefore, they make promises to satisfy the MNC without understanding the feasibility of such demands, forcing the employees to manage the crisis, which is clear in the following quote:

"Usually what happens is that directors or top managers from MNCs approach the owners in private meetings and get them or trick them into agreeing to some project or plan. Obviously the owners do not most of the time understand the impact of the new plan. Now the tough part comes. Owners negatively push these plans or new projects and practices to us as instructions and we just cannot say no" (Log.Dist-13).

- Trust shared between partners is found to be low, which is understandable, especially when many MNCs require a change in logistical procedural knowledge in a way that increases their sales volumes. The findings show that under these conditions the distributor's members struggle to trust their counterparts, as they perceive their involvement to be interference in their business. For example:

"Sadly, it was clearly an exercise of dictating the processes with which distributor-X needed to operate by with no regard or analysis or even persuasion to our existing processes. [...] That was honestly a bad experience that we went through which actually led to much larger issues in our teams such as frustration, almost collapse in the supply chain's processes" (Log.Dist-13).

The explanation of the process and the benefits reaped by the distributor:

i) The three stage- transfer process:

The MNC drives the preparation and transfer/exchange stage, including the assessment of the distributor's operations, the development of a gap analysis and the design of the action plan with which the gap will be closed within the distributor's organisation. This is clear in the following quote from a logistics director describing how the knowledge required by the distributor is transferred from the MNC:

"MNC-X tend it identify which process we need to change and challenge them [...] all the mechanism for any knowledge or learning MNC-X want to transfer or introduce the distributor were designed internally as in MNC-X. Then, we brought those mechanisms to them and told "this is how we want to execute the plan" and during this step, we took some comments during the discussion. Some of the distributor's comments were valid and we did take them on board and some were not that convincing (Log.Dist-3).

Moreover, these specific events show how the MNC drives the transfer of new knowledge to the distributor:

- 1- Following up with members to ensure that knowledge is properly understood and transferred:
"[...] though the pilot run and through the partial deployment stage so much knowledge and learning was transferred to the distributor via MNC-X trying to explain to the people involved how does this model work and should work." (Log.MNC-3)
- 2- The MNC deploying its own employees to supervise the transfer: *"we deployed one of our logistics people as a MNC-X's liaison to supervise the project deployment within their offices." (Log.MNC-3)*
- 3- Continuously customising the transferred knowledge by the MNC:
"there was the tweaking in terms of how we deal with special event such as promotions, stock returns from the market, expiries, re-pricing, introducing a new product line.. etc and honestly, that was a continuous process [...] But it was based on the same underlining principles which were established upfront from the beginning by MNC-X."(Log-MNC-3).

The distributor is found to be incapable of or uninterested in driving ***the sustainability stage*** to sustain the process. Therefore, the success of the entire process by which procedural knowledge is transferred depends on the MNC's interference. It is found that the MNC drives this stage as well by continuously providing new practices and enforcing change within the distributor. In this case, this additional intensity of effort will logically form an extra burden that not all MNCs are prepared to carry. The findings show that the MNC makes extra efforts to provide supervision until the distributor is stable enough to manage its own logistics/supply chain operations based on new transferred knowledge at an acceptable efficiency. The following points showcase how the MNC drives the sustainability stage by continuously assessing the partnership and developing new procedural knowledge to introduce to the distributor's organisation to help the partnership grow:

“see whatever MNC-X think that would add value to the overall operations and business and be in the favour of the distributors as well, they will act to transfer. Usually what we did in MNC-X is that we start by analysing our performance looking where can we find inefficiencies and areas of improvements internally not in the distributor's organisation. We never come in touch with the distributor unless the solution we want to implement in MNC-X has some business or operational link with the distributor. But the transfer of knowledge is selected based on what is necessary to improve our own work within MNC-X. And that is never voluntary as I realized. The problem that we are about to fix within the distributor has to have an impact on our work within MNC-X otherwise, I would not be bothered.” (Log.MNC-3).

ii) The resemblance of the three-stage process to Kim and Choo's models, the adopted strategy of compliance and the benefit reaped

The findings show that the MNC drives **all three stages** of the transfer process (preparation, transfer/exchange and sustainability), in accordance with **Kim's model**. The distributor is found to be resistant to any change, as per the following quote: *“The generalization about the type of individuals in the distribution firms who were working the same positions for 20-years. And the common argument we get from them is that “it has been working for 20-years, why should I change know?”(Log.MNC-3).* This is because the MNC does not have sufficient leverage over the distributor's compliance strategy. The MNC incurs all the costs to convince, prepare, transfer, deploy and sustain the process, stemming from its will to make the partnership work. Therefore, the transferred procedural knowledge creates an external crisis that the MNC sometimes helps stabilise within the distributor's organisation as well. Eventually, it is found that the distributor (in pattern L2) provides **partial compliance** with what the MNC transferred and meets its service expectations with little contribution from its side. This solution pattern is found to resolve the key problem in the logistics/supply chain stream, but it is completely driven by the MNC. The distributor's choice of this strategy of compliance proves that the rational model developed in this thesis (figure 16, p.126) to understand the reasons behind the distributor's decisions stands. Ideally, when the MNC's representation in the distributor's portfolio is low, the distributor is found to be more inclined to adopt partial compliance as a strategy. Therefore, the benefit reaped by the distributor causes the distributor to be labelled as an **“implementer”**. In other words, the distributor only implements the procedural knowledge and hybrid practices the MNC developed and implemented within its organisation.

iii) Evaluation of reaping competitive advantage:

The findings show that the distributor in this pattern acts as a mere implementer, and its contribution to both the transfer process and the creation of logistical hybrid practices is minimal. Because the procedural knowledge and the hybrid practices involved are developed and transferred by the MNC as part of the distributor's core function, this has serious implications. It indicates that the distributor is clearly incapable of performing the service its organisation is contracted to do, which makes the entire partnership questionable. Moreover, the fact that the MNC drives all three stages of the transfer process indicates its ability to run

its own logistics and supply chain operations in the Saudi market, indicating that the distributor is expendable. Considering the recent changes to the WTO regulations (allowing MNCs to operate on their own) in the Saudi market and the current distributor's adopted strategy as a solution, the MNC has one of two choices: either (1) run its own logistics operations or (2) terminate its partnership with the current distributor and partner in favour of a more competitive one. In this situation, the distributor **will not reap any competitive advantage** because it is not capable of taking advantage of the transfer process and developing its competence to create hybrid procedural knowledge and practices. The distributor (in pattern L2) acts as an "implementer", not as a creator of logistical procedural knowledge and its actual activities, indicate that its services are not valuable, not rare and substitutable (Barney, 1991) and certainly not dynamic, according to Teece *et al.*'s (1997) notion of dynamic capability.

Pattern (L3)

Pattern No.	The source of PK&L	Distributor's self-motivation & Absorptive capacity		Shared trust		Strictness of industrial regulation		MNC's % of distributor's portfolio		The owner's business ethos	
		High	Low	High	Low	High	Low	High	Low	High	Low
L3	Dist. & 3 rd party	X		X		X	X	X	X	X	

Over all description of pattern (L3):

Pattern (L3) arguably represents the best-case scenario among all the patterns identified in the logistics/supply chain stream because all contingency factors are found to provide the right ingredients for the distributor to unlock its true potential and realise the highest competitive advantage over its rivals in the Saudi market. The findings show that the source of required logistics/supply chain practices is not the MNC; rather, the distributor **drives its own developments based on its own expansion plans and creates hybrid practices** that are suitable for the Saudi market and with which current and future MNCs can be satisfied or attracted. The distributor in this pattern has high self-motivation and absorptive capacity and shares high levels of trust with the MNCs due to the distribution firm owners' supportive business ethos. This pattern is found among distributors where the industrial regulations are strict (pharmaceuticals, medical and life-saving industries) and lenient (the automotive industry). In addition, the MNCs' representation (percentage) in the portfolios of their distributors varies between high and low. The distributor is found to treat the MNC as a customer, and from this perspective all intensity of effort (investment) deployed to improve the process, systems and business practices are justified. The owners' business ethos is opposite the black-box mind-set highlighted in other patterns. It is important to highlight that the required logistical procedural knowledge is not offered by the MNC for various reasons, among which are availability or intellectual property issues. The MNC simply communicates to the distributor how it wants to be served. The distributor provides all the intensity of effort required to identify missing knowledge and seek, transfer and customise it to satisfy the MNC. Eventually, the distributor creates its own hybrid logistical hybrid practices that meet the MNC's service expectations and are suitable for the Saudi market. This pattern provides proof that distributors are capable of creating new knowledge when they have sufficient access to social capital (Rottman, 2008; Walter *et al.*, 2007), absorptive capacity and autonomy (McGuinness *et al.*, 2013). However, the findings show that the distributor's social capital, absorptive capacity and autonomy in themselves are insufficient to enable the distributor to create new logistical procedural knowledge and hybrid practices. But when they are combined with high levels of self-motivation, as found for the distributor in this pattern, the distributor is able to drive its own development.

The findings show that the distributor (in pattern L3) drives all three stages of the transfer process, according to **Choo's model**. Furthermore, its capabilities are dynamic enough to create its own unique logistical procedural knowledge and actual activities with which several MNCs are satisfied. Therefore, the distributor complies with the MNCs' standards by **creating hybrid practices** as a strategy. As a result of providing this solution pattern, the distributor will reap a benefit as an **"independent partner"**. Given the distributor's evident competence to drive the transfer process, which is found to be individually driven, and to develop competence in creating new hybrid practices, the distributor **will gain competitive advantage**, according to Barney's (1991) criteria, and dynamic capability to **sustain such advantage**, according to Teece *et al.*'s (1997) notion of dynamic capability.

The effect of the contingency factors:

- The distributor's self-motivation and absorptive capacity are found to be high in this pattern. The distributor's motivation to develop its organisation is found to stem from its perspective (ethos) of doing business, which is customer service-based. Therefore, the distributor perceives its organisation as providing services to groups of customers: the MNCs and end customers in the trade. Therefore, the distributor continually revises its logistical procedural knowledge and practices with which it provides services to the MNCs. This is clear in the following quote from a logistics director of an MNC who describes the motivation behind its distributor's change:

"Because as a distributor, you are working with the MNC and you are working with another partner which is the trade; the customers [...] and they progressing as well and changing how they do business and they are adopting best practices from Wall marts and Tesco. The distributors are in the middle trying to make sure that they run by a business model that works with the MNCs as well as with the trade" (Log.MNC-26).

In some cases, the distributor invites specific members of the MNC with certain expertise to visit its location in Saudi Arabia to give it feedback. The intention of this action is to identify how the distributor can better serve its client (MNC). This is clear from the following quote from a logistics director describing the extent to which the distributor is self-motivated:

"a distributor can bring-in some expertise –three or four- from different departments from the MNC. Those candidates come to visit the distributor's operations and do a gap analysis between how things are done in the MNC and the distributor. Then, once the gaps are identified we could know what the phases involved and their sequence. These plans could also include what is required to be trained on" (Log.Dist-2).

The findings also show that the distributor is willing to invest in training personnel and exploring other sources to enhance its knowledge-base. This is clear from the feedback of a distribution firm's owner describing how its organisation enhances its logistical knowledge base and services: *"the consultants will come and tell where your weaknesses are through an audit or an assessment and then you have to take the action whether it is physical, processes or whatever it is" (Owner.Dist-36).*

- Trust between partners is found to be high. The findings show that the distributor buys into the MNC's learning agenda in optimising the logistics and supply chain operations and streamlining its operations with those of the MNC. This is clear in the following quote from a logistics director describing how the distributor trusts the MNC's learning agenda:

"[...] the most important thing in the process is the healthiness of the relationship. The minute the distributor moves in to win-win mutual business relationship that is built on trust and sharing benefits, the distributor will automatically go to the learning phase and move to the stage of "active listening" which leads to learning" (Log.MNC-26).

The explanation of the process and the benefits reaped by the distributor:

- i) ***The three-stage transfer process:***

As explained earlier, the distributor in this pattern (L3) is capable of driving all three stages of the transfer process. However, there is evidence showing that the MNCs direct the distributor to potential sources from which they can obtain missing knowledge. From that point on, the distributor is found to drive the rest of the transfer process and eventually develop its own hybrid practices.

The findings show that the distributor sometimes drives **the preparation stage**. In the automotive industry, for example, the MNC shares its contacts with other sources, such as consultancies. Overall, however, the distributor drives this stage in accordance with **Choo's model**. The MNC's assistance is limited compared with the distributor's effort in driving this stage. The following are examples of events that describe this stage:

- 1- The distributor (in the pharmaceutical and life-saving industries) invests in transferring knowledge from sources other than the MNC to prepare its organisation:
"Because of our foresight with regards to market changes were had anticipated years earlier. We were thinking of this scenario and we knew that there will come a time where the MNCs will be given the option to exist without us. Unless the distributors did not bring up their standards to the MNC's level we will die. That is why we kept upgrading our systems and process and knowledge by consultants and trainings for all the employees" (Log-Dist-7).
- 2- The distributor (in the FMCG industry) invites the MNC to assess its operations and provide feedback:
"a distributor can bring-in some expertise –three or four- from different departments from the MNC. Those candidates come to visit the distributor's operations and do a gap analysis between how things are done in the MNC and the distributor. Then, once the gaps are identified we could know what the phases involved and their sequence. These plans could also include what is required to be trained on" (Log.Dist-2).
- 3- The distributor (in the automotive industry) individually prepares its organisation:
"the job description and requirements of each and every job we have in distributor-X are known to the 'distributor-X's continuous education centre' and based on that, internal trainings or external trainings are planned for the entire company" (Log.Dist-19).

The distributor also drives **the transfer/exchange stage**, according to **Choo's model**, because of its advanced knowledge base and strong access to social capital. The findings show that because the distributor initiates the exploration process for valuable knowledge, the identified procedural knowledge to be transferred is considered to be external information. The following events highlight this conclusion:

- 1- The distributor has the ability to transfer knowledge in the pharmaceutical, medical and life-saving industries:
"we kept upgrading our systems and process and knowledge by consultants and trainings for all the employees-the one they want but also the one they should- on yearly basis. Of course it has to be wisely categorised where we have to know the areas of improvements and take courses in them and there are areas where knowledge needs to be refreshed" (Log-Dist-7).
- 2- The distribution firm's owner drives knowledge transfer in the automotive industry:
"this initiative was started by the president of distributor-X who believes that it is very important for us to understand and be aligned with our suppliers MNC-X. Because as you know there are one of the best in the automotive industry. They have they unique ways of doing things and business and that is why we started to bring this initiative to distributor-X and we started to say that we need good candidates to go there and stay between 6-month to 2-years and then come back and transfer MNC-X's know-how to our organisation" (Log-Dist-18).

With regard to **the sustainability stage**, the distributor is capable of sustaining the process and creating new logistical procedural knowledge as well as hybrid practices. Transferred knowledge is effectively taken advantage of and used to develop hybrid practices in accordance with **Choo's model**. The following events highlight this conclusion:

- 1- The distributor creates hybrid logistical procedural knowledge with the help of external consultancies: *“distributor-X’s logistics created all SOPs for their operations internally by their own staff and with the assistance of external consultants” (Log.Dist-10).*
- 2- The distributor’s ability to build on procedural knowledge transferred to it via the MNC to develop its own unique hybrid practices:

“now there is also a lot of learning that was transferred to us and we have developed it even further and kind of made it our own. [...] MNCs are always developing and bring cutting edge technologies and ideas and distributor-X was able to accommodate that and try to change with them along the years” (Log.Dist-7).
- 3- The distributor in the automotive industry needs to customise the transferred procedural knowledge to make it applicable:

“each market has its own conditions, inputs and obstacles and that is why the output will be different as well. So, we cannot depend 100% of how the principles are doing things and running their business. It needs to be customized and a distributor needs to improvise [...] So, after the trainees have returned back to the distributor, they just copy what they have seen in MNC-X and follow their judgement in terms of how strict can they be in following those instructions. In distributor-X, we saw this as an opportunity for development; we start to develop our own Spare part program. In the end, we have the service program and standards adopted from MNC-X and we have developed our own program and standard fit for spare part in house” (Log.Dist-18).

ii) The resemblance of the three-stage process to Kim and Choo’s models, the adopted strategy of compliance and the benefit reaped:

As demonstrated earlier, the distributor in pattern (L3) is capable of driving all three stages of the transfer process (preparation, transfer/exchange and sustainability). In a few cases, however, the MNC offers assistance to the distributor by sharing some of its contacts or other sources of procedural knowledge, which are mainly consultancies. Other than that, the distributor has all the ingredients needed to drive its own development in accordance **with Choo’s model**. This is mainly because the distributor is self-motivated and possesses an advanced absorptive capacity, and it tries to benchmark its procedural knowledge and practices with those of the MNC. For this reason, there is no single piece of evidence among the involved distributors that indicates the occurrence of an external crisis created by the MNC. The findings show that the distributor drives the transfer process and develops its own competence in **creating hybrid practices** as a strategy of compliance. Therefore, the distributor will resolve the key problem in the logistics/supply chain stream and reap benefits as an **“independent partner”**.

iii) Evaluation of reaping competitive advantage:

It is important to reemphasise that distributors in Saudi Arabia are predominantly family-owned business. The findings show that the distributors involved in this pattern possess all the ingredients to drive their own development and grow independently. Their self-motivation and absorptive capacity are exceptionally high, and they share a high level of trust with their multinational partners. Consequently, they are found capable of driving all three stages of the transfer process and developing their competence in creating hybrid logistical practices that suit the Saudi market and satisfy the MNCs. Thus, the benefit reaped by the distributor adopting this solution pattern causes it to be labelled as an **“independent partner”**. The following feedback from a logistics director of a distributor of pharmaceuticals, medical and life-saving goods describes the impact of their exceptional capability to create knowledge about this business:

“now there is also a lot of learning that was transferred to us and we have developed it even further and kind of made it our own [...] MNCs are always developing and bringing cutting edge technologies and ideas and distributor-X was able to accommodate that and try to change with them along the years. To prove that, for the past three years, so many MNCs came to us due to

our reputation and standards in doing business and wanted to partner with us. And now distributor-X is selecting among them” (Log.Dist-7).

This distributor in pattern (L3) is thus considered attractive from the MNC’s viewpoint, and terminating the partnership would be a mistake. For this reason, it is concluded that the distributor in this pattern **will gain and sustain a competitive advantage** because its capability to transfer knowledge independently enables it to provide logistical services that are rare, valuable, inimitable and non-substitutable, according to Barney’s (1991) criteria. In addition, its ability to create hybrid logistical practices that are customised to a specific MNC is considered a dynamic capability, according to Teece *et al.* (1997).

Summary of solution patterns in the logistics/supply chain stream (case):

The findings in the logistics/supply chain stream (case) report two different views. They support the argument that local partners (distributors) should not be studied as mere knowledge acquirers or recipients; they should be studied as knowledge innovators and creators (McGuinness *et al.*, 2013; Michailova & Mustafa, 2012; Gnyawali *et al.*, 2009; Jensen & Szulanski, 2004). Patterns (L1 and L3) revealed in the logistics/supply chain stream confirm the cause for this gap in the literature. However, pattern (L2) explains the opposing view among researchers that perceives local partners as mere recipients of knowledge, where the extent of their capabilities is to create knowledge for MNCs only (i.e., Cantwell & Mudambi, 2005; Gupta & Govindarajan, 1991;2000). In addition, the findings show that the distributor’s innovation and capability hinge on its autonomy, absorptive capacity, effective access to social capital (McGuinness *et al.*, 2013; Rottman, 2008; Walter *et al.*, 2007) and self-motivation, which are overlooked by researchers. Ultimately, all patterns revealed in the logistics/supply chain stream confirm the important role of trust in sustaining the partnership, as is extensively highlighted in the literature. Trust is essential to enabling the distributor to adopt a solution pattern with which it is able to achieve the balance between surviving and satisfying the MNC despite the distributor’s knowledge-processing capabilities and self-motivation. For example, see solution pattern (L2).

It is important to reemphasise from this analysis that the key problem in the logistics/supply chain stream stems from the distributor’s ability to excel in providing logistical hybrid practices that suit the Saudi market and meet the MNC’s service expectations. Because MNCs do not have the same access to social capital as distributors, their ability and interest to develop such hybrid logistical practices are limited. This entails that the distributor’s ability to resolve the key problem in this stream hinges on its ability to drive the transfer process and the process by which hybrid logistical practices are created. Because creating such practices is the distributor’s core function and is the reason behind forming an alliance with MNCs. Therefore, the more the distributor drives the transfer process and the process of creating hybrid practices, the more its organisation reaps a competitive advantage. In addition, the more the distributor is driven as an implementer, the fewer the benefits reaped by its organisation. **(Table 18)** summarises the three solution patterns revealed in the logistics/supply chain stream.

The distributor **in pattern (L1)** is self-motivated and has a high level of absorptive capacity. However, the main source of the required procedural knowledge is still the MNC. Although the MNC may not possess the procedural knowledge required by the distributor, it still drives the first two stages of the transfer process (preparation and transfer/exchange), in accordance with **Kim’s model**. Once the required knowledge is transferred, the distributor is capable of driving the third stage (sustainability) and of creating valuable hybrid logistical practices that suit the Saudi market and satisfy the MNC’s service requirements. Despite the distributor’s partial contribution to the transfer process, its capability to develop hybrid practices in accordance with **Choo’s model** needs to be recognised, as this is what competitive advantage stems from. Based on the solution pattern adopted **(total compliance followed by compliance**

through creating hybrid practices), the distributor will gain benefits as an “**innovative subsidiary**” and reap a competitive advantage. The findings show that this pattern is found among distributors that are in the process of diversifying their business and turning themselves into third-party logistics providers (3PL). Because the distributor does not possess the knowledge base to operate as such, it adopts this two-stage solution pattern to develop its knowledge base and learning curve. In this sense, the distributor totally complies with the MNC’s procedural knowledge until sufficient knowledge is accumulated; then it starts to create its own hybrid practices. Moreover, in this case, the distributor **will gain a competitive advantage**. This also proves that the rational model that explains the distributor’s adopted strategy of compliance (figure 16) stands. According to this model, when the distributor’s expansion strategy requires procedural knowledge that is completely unknown to it, the distributor is more likely to provide total compliance until the knowledge base is sufficiently enhanced to enable it to comply by creating hybrid practices later on.

In pattern (L2), the distributor is aligned with some researchers’ views that local partners are viewed as mere knowledge recipients (i.e., Cantwell & Mudambi, 2005; Gupta & Govindarajan, 1991; 2000). The distributor lacks self-motivation and absorptive capacity and handles several MNCs simultaneously. Therefore, the MNC forcefully drives all three stages of the transfer process to motivate the distributor to satisfy its service requirements and standards. Because the MNC shares the distributor’s portfolio, the distributor adopts a solution pattern that involves **partial compliance** and continuously struggles to meet the MNC’s standards. As a result, the transfer process resembles **Kim’s model**, where the MNC creates an external crisis within the distributor’s organisation until the distributor meets its demands. Given that the type of procedural knowledge required by the distributor and migrated by the MNC represents the distributor’s core function, the distributor gains benefits as an “**implementer**”. Because the distributor does not contribute to the transfer process and is not capable of creating hybrid logistical practices to satisfy the MNC, it **will not gain a competitive advantage**. The strategy of compliance adopted by the distributor as a solution pattern supports the rational model proposed earlier (figure 16) to explain the reasons for the distributor’s decision about the strategy of compliance. Ideally, when the MNC’s representation in the distributor’s portfolio is low, the distributor adopts a partial compliance strategy as a solution pattern.

Pattern (L3) represents the best-case scenario among all patterns revealed in the logistics/supply chain stream because it possesses all the ingredients to independently drive its own development. Because the distributor possesses exceptional levels of self-motivation and absorptive capacity, it is capable of driving the transfer process in accordance with **Choo’s model** and of developing its competence in creating hybrid practices that suit the Saudi market and satisfy the MNC. The distributor’s ability to reach this level requires a long time, in which the distributor actively accumulates procedural knowledge from all sources and develops its competence to **create hybrid logistical practices** of its own. Therefore, the distributor achieves compliance by creating hybrid practices as a solution pattern that enables it to reap benefits as an “**independent partner**”. Given the recent changes in the WTO regulations in the Saudi market allowing MNCs to operate on their own, the distributor **will reap and sustain a competitive advantage**. The findings in this pattern are also aligned with the rational model proposed in (figure 16) to explain the reasons behind the distributor’s decision about compliance. Ideally, this pattern represents the future of a self-motivated distributor with high absorptive capacity, which started by modestly contributing to the transfer process and providing total or partial compliance until its knowledge-base is developed. During this period, this distributor develops its competence to create logistical hybrid practices that capitalise on its access to Saudi social capital.

4.3.3- Finance/Management accounting knowledge stream:

a) Influencing factors:

Similar to the logistics/supply chain stream, the finance/accounting stream is less complex and relatively easier to interpret in comparison with the sales/marketing stream. This is reflected in the sharpness with which the backbone of the transfer process by which finance/accounting procedural knowledge is transferred from the MNC to the Saudi distributor is described. The ease in describing the transfer process in this stream stems from the ability to identify the events by which each stage in the process starts and ends, which is more difficult in the sales/marketing stream. We need to highlight that the transfer process in this stream will also take place in the same three stages highlighted in the sales/marketing stream (preparation, transfer/exchange and sustainability).

The process by which procedural knowledge solution patterns are transferred in the finance/accounting stream is contingent upon a range of factors: the distributor's self-motivation and absorptive capacity, the organisations involved in the transfer process, the level of trust between the partners and the owners' business ethos. It is found that these factors impact how the distributor takes advantage of the transfer process and thus impacts the types of benefits reaped as a result. Similar to the previous streams, the remaining contingency factors explain the distributor's rationale for adopting a certain strategy of compliance that constitutes the solution pattern with which it resolves the key problem in this stream.

To meet the same objectives achieved in the previous two streams while maintaining subtlety in their description, analysing the transfer process and its impact on the distributor's competitiveness will be explained from the same four angles (perspectives): (1) the three-stage transfer process, (2) the process's resemblance to Kim and Choo's models and the distributor strategy of compliance, (3) the benefits reaped by the distributors as a result and (4) whether the distributor will reap a competitive advantage. In each solution pattern, the contingency factors suggest the distributor's knowledge-processing capability and the nature of the business partnership between its organisation and the MNC. When this is combined with what is revealed from the analysis from the four aforementioned angles, the distributor's ability to reap a competitive advantage can be assessed against Barney's (1991) VRIN criteria and Teece *et al.*'s (1997) notion of dynamic capability.

b) What is the problem in the finance/accounting stream?

The key problem in the finance/accounting stream stems from two sources: first, the distributor's ability to demonstrate that its business operations are accounted for in accordance with one of the international systems (British or American); and second, the distributor's ability to develop management accounting procedural knowledge and practices that complement the conventional ones. It is important to reemphasise that the main concern in this thesis in this specific stream is not the distributor's ability to operate in alignment with the conventional accounting systems, as this capability is considered to be a threshold capability, and no organisation will be able to operate by adhering to either one of them. This thesis is focused on the transfer of management accounting practices from MNCs to distributors. Management accounting practices are those complementary and highly contextual managerial practices that enable the distributor and its management to produce more accurate reports to reflect the performance of the business and share them with its partners. This is clear from the following quote from a CFO describing what the MNC wants from the distributor's finance/accounting department: "*How we report our financial statements is not important to them as long as we share these statements accurately and clearly on which they give us a certain percentage*" (Fin.Dist-27).

The distributor's side of the value chain (down-stream) suggests that the types of management accounting procedural knowledge and actual activities are focused on managing this part of the business, which is highly context-dependent. Therefore, the development of these management accounting practices hinges on the distributor's ability to create them because it has full access to Saudi social capital. The more the distributor fails to generate accurate and reflective reports to assess its business and to share them with its partners (MNCs), the more severe the problem will be. According to the literature on management accounting, most if not all researchers are focused on the development of this procedural knowledge and practices within the organisation (internally). However, the findings show that the amount of management accounting practices transferred from the MNC to the distributor is far less in comparison to the other streams, but it does occur. The following quote from a CFO of an MNC describes the types of management accounting practices that are transferred to the distributor: *"Another type of knowledge that is transferred to the distributors was due to their expired and damaged good claims. Though it looks like it is more of a logistics task yet it had the finance in the core" (Fin.MNC-25).*

Because distributors are family-owned businesses, they have limited access to funds in comparison with MNCs, which is directly related to the distributor's ability to develop hybrid management accounting practices that suit the Saudi market and enable it to generate reports that satisfy the MNC. This is clear in the following statement from a CFO of an MNC:

"The finance employees are not paid competitively and departments are not staffed well and they say the "he is an accountant, he does not need any investments". You can see that a lot and I have seen it personally in some distributor paying treble salaries to finance directors" (Fin.MNC-25).

c) What are the solution patterns to resolve the key problem in the finance/accounting stream?

Ideally, what constitutes a solution to the key problem in this stream, as well as the other streams, is the distributor's ability to balance between survival (by developing its organisation) and satisfying the MNC it works with. In this stream, the MNC will be satisfied when the distributor is able to generate and share accurate business reports that reflect the performance of the partnership. Therefore, the distributor needs to be able to develop hybrid accounting procedural knowledge and actual activities to meet the MNC's expectations. Any decision the distributor makes that does not enable it to achieve such balance and satisfy the MNC from this specific point will not be considered a solution.

The findings show that there are **three solution patterns (A1, A2 & A3)** revealed in this stream, as illustrated in **(table 22)** below, which also reiterates the most influential contingency factors in the finance/accounting stream.

Pattern No.	Source of required practices	Dist.'s Absorptive capacity & Self-motivation		Shared trust		Owner's business ethos	
		High	Low	High	Low	High	Low
A1	MNC		X	X		X	
A2	Dist. + 3 rd party	X		X		X	
A3	MNC + Dist.	X		X		X	

Table-22: The relevant contingency factor influencing the solution patterns found in the finance/accounting stream.

Pattern (A1)

Pattern No.	Source of required practices	Dist.'s Absorptive capacity & Self-motivation		shared trust		Owner's business ethos	
		High	Low	High	Low	High	Low
A1	MNC		X		X	X	

Over all description of pattern (A1):

The distributor in this pattern has low self-motivation and absorptive capacity. It also shares a low level of trust with the MNC, which acts as the main source of required management accounting procedural knowledge and activities. The distributor in this pattern follows the traditional model of doing business with MNCs, which is highly influenced by the distribution firm owner's business ethos. This is summarised in the following quote: *"our current business model that spells 'do not show them anything' and we as a distributor need to manage handling their requirements discreetly without the MNC's involvement"* (Fin.Dsit-34).

The distributor in this pattern adopts a **"black-box" mind-set**, which mainly stems from the owners of the distribution firm. The owners do not see the need to invest in skilful accountants or to support accounting systems. As a result, the **MNC takes over all three stages** of the transfer process in accordance with Kim's model to transfer innovative management accounting procedural knowledge and actual practices to enable it meet its expectations. Consequently, the distributor acts as an **"implementer"** (Gupta & Govindarajan, 1991) of transferred procedural knowledge with little contribution from its side in both the transfer process and the creation of innovative management accounting hybrid practices. Therefore, the strategy the distributor adopts as a solution to achieve the balance between ensuring its survival and satisfying the MNC is **total compliance**. Although the distributor will eventually be able to generate reports that satisfy the MNC, this action has a superficial impact on its competitiveness because the distributor did not contribute to developing its competence in creating new procedural knowledge and hybrid practices. Thus, the distributor in pattern (A1) will **not gain a competitive advantage**.

The effect of contingency factors:

- *The distributor's self-motivation and absorptive capacity* is found to be low. It is important to highlight that these two factors are directly impacted by the business ethos of the distribution firm's owners. It is found that the owners are not motivated to provide the intensity of effort (time and capital) to enhance their ability to generate better reports to share with the MNC. These characteristics of doing business resemble the black-box mind-set proposed and described earlier. When the owners conduct business in accordance with this mind-set, investment in organisational development is reduced to improve profitability, which is what is found to hinder the distributor's ability to develop innovative hybrid practices in this stream. This is clearly stated in the following quote from a CFO of an MNC:

“The finance employees are not paid competitively and departments are not staffed well and they say the “he is an accountant, he does not need any investments”. You can see that a lot and I have seen it personally in some distributor paying treble salaries to finance directors. They perceive the accounting and finance employees as an overhead and he is not a real core department which I have to invest in” (Fin.MNC-25).

The lack of investment in hiring skilful accountants and in systems that help them improve their performance directly impacts the distributor’s absorptive capacity.

- The source of required procedural knowledge is found to be the MNC. Because the distributor refused to invest to enhance its absorptive capacity and develop new innovative management accounting procedural knowledge, the MNC interferes to assist the distributor. The findings show that the MNC interferes in the distributor’s accounting practices for two reasons:

- 1- Emerging business issues that require urgent attention because they impact the alliance. Because the distributor is not motivated to act on such issues quickly, the MNC interferes. This is clear in the following quote from a CFO of a distributor:

“Usually, accounting is not an area which MNCs tend to interfere in unless it affects the business [...] How we report our financial statements is not important to them as long as we share these statements accurately and clearly on which they give us a certain percentage” (Fin.Dist-27).

This occurs because the business issues involved are those that impact the sustainability or profitability of both organisations in the Saudi market. The MNC interferes by investigating the root causes to drive change within its organisation and enforce corrective actions within the distributor's organisation. This is clearly indicated by a CFO of an MNC describing why the organisation acts in this way: *“we did a full audit and took us a week and an average of 52-people at that time” (Fin.MNC-25).*

- 2- Creating a solution to react to market changes: because MNCs invest extensively in the finance/accounting department, which involves legal teams, MNCs are more informed in regard to changes in international/regional laws and regulations than distributors. MNCs have the capacity to influence and lobby in government arenas, thus becoming among the first to react to the introduction and change of commercial rules in Saudi Arabia. Therefore, MNCs transfer any knowledge that has an impact on the relationship they have with their distributors. The main purpose for conveying this type of knowledge is to enable the distributor to react and develop procedural knowledge and activities to cope with the change in the market. This is clear in the following quote from a CFO of an MNC explaining how well-informed it is about the changes in regulations:

“as a multinational company we would like to be complying and adhering to all laws regardless of how active they are by the government [...] our distributors did believe that this law was active and they need to abide by that as well. So, there was a huge scale session about educating them about that law and its impact on the business. [...] Now especially regarding the updates on the country’s laws, we are much better as we have a much bigger and much more active legal department than the distributors. Not every distributor can invest in that. MNC-X has many employees not only in Saudi Arabia but in the GCC⁴ and Geneva as well in addition to our tax department. The distributors tend to have their legal consultants who visit them on case-by-case bases and they are not permanent or dedicated employees.” (Finc.MNC-25).

- The distribution firm owner’s ethos is high and negative in this pattern because the distributor does business with the MNCs using traditional closed-book accounting. This characteristic is part of the black-box mind-set of doing business, as proposed earlier. Traditional Saudi distributors provide business reports that show the bottom-line figures only to the MNCs. Ideally, the distributor is paid according to a cost-plus amount based on the bottom-line figures. However, MNCs need to ensure that these

⁴ GCC: Gulf Corporation Council (Saudi Arabia, Bahrain, Kuwait, UAE, Oman & Qatar)

reports show the true performance of the alliance. The distributor is fearful of opening its books to the MNC because it perceives that this information will be used against it. This is clear in the following quote from a CFO of a distributor describing this style of reporting: *“why we cannot share any information with them. Because whatever we “as a distributor” share, we feel that this could be used against us” (Fin.Dist-34)*. This is also supported by the following quote from a CFO of an MNC highlighting the same style of sharing accounting reports:

“unfortunately, not all of the distributors are willing to listen because of their egos and the confidentiality fear where they do not open their books to us and let us access their data [...] For those distributors how do not want to open to us, they do know that they have issues in some areas but they do not want us to help them and they would prefer to keep the way they do business as-is especially when understanding those issues require access to some data.” (Fin.MNC-25).

The explanation of the transfer process and benefits reaped by the distributor:

i) The three-stage transfer process:

The findings show that the distributor does not possess the self-motivation or the absorptive capacity to participate in the transfer of any management accounting practices. The MNC drives all three stages of the transfer process (preparation, transfer/exchange and sustainability). We need to highlight that our concern in this thesis is with the transfer of management accounting procedural knowledge, not with the transfer of conventional accounting based on the international accounting standards (American or British).

The findings show that the MNC drives ***the preparation stage***, in accordance with Kim’s model. The required management accounting procedural knowledge is developed within the MNC’s network and is transferred to the distributor. The events that highlight this understanding include the following:

- 1- ***The MNC gives training to the distributor:*** the MNC designs specific trainings to educate the distributor’s members about the best management accounting practices that are useful to them. The MNC sells new knowledge to the distributor by highlighting the positive impact these practices have on the distributor’s ability to manage and monitor the business and thus generate better reports. This is clear from the following quote from a CFO of an MNC describing these training courses:

“Generally, we run from time to time or at least twice a year a program called “the financial acumen” in which we address certain and specific technical knowledge and tools to our distributors. This could be in a form of trainings taking them through the financial statements, how important they are, how they are impacting the financial statements. Now it is important to say that this program is not attended only by finance people, it is also attended by sales and logistics people. It is a formal training conducted in a conference hall in a hotel for example. In this kind of training, we do convey that their organisations cannot live without proper finance. So, start by educating them on the three most important financial statements, and then we educate them on the impact of their day to day work of those statements.” (Fin.MNC-25).

- 2- ***The MNC investigates the root cause of business issues:*** it is found that the MNC drives this investigation on behalf of the distributor, which lacks the self-motivation and absorptive capacity to do so. Additionally, the MNC is even found to recommend the corrective actions to be executed by the distributor to eliminate any identified issues. This is clear from the following statement from the CFO of an MNC:

“Usually, accounting is not an area which principles tend to interfere in unless in affects the business. That is why I gave you that example of sales recognition which was an accounting practice that was affecting their business not to argue with the way we do accounting. Now especially for that example of sales recognition process is part of

international standards but here in distributor-X we were not following it strictly and that is why when we looked into it, we agreed to that change and we started following it ever since.” (Fin.MNC-27).

The distributor does not participate in allowing the MNC to drive **the transfer/exchange stage**. The events describing this stage vary depending on the severity of the issues involved. The findings show that the more severe and urgent the business issue, the more aggressive the MNC will be in transferring the required knowledge to tackle and resolve the problem within the distributor’s organisation. The following events highlight this variation:

- 1- A less aggressive means of transferring the required procedural knowledge, such as training sessions conducted in hotels:

“It is a formal training conducted in a conference hall in a hotel for example. In this kind of training, we do convey that their organisations cannot live without proper finance. So, start by educating them on the three most important financial statements, and then we educate them on the impact of their day to day work of those statements.” (Fin.MNC-25).

- 2- A more aggressive means of transferring the required procedural knowledge, such as educating the distributor about how to account for expired and damaged goods collected from the trade:

“we decided to instruct the distributors to go and check these expiries and understand why it is happening. [...]. So, we did a full audit and took us a week and an average of 52-people at that time [...] I was presenting the process follow [...] the result of my report to the distributor’s CEO and showed them the way forward” (Fin.MNC-25).

In **the sustainability stage**, the distributor in this pattern does not contribute to the sustainability of the transfer process. This means there is no evidence showing that the distributor provides the intensity of effort required to develop its competence in creating innovative management accounting practices independently. This is clear in the following quote from the CFO of an MNC that supports this understanding:

“Generally, we run from time to time or at least twice a year a program called “the financial acumen” in which we address certain and specific technical knowledge and tools to our distributors [...] I was presenting the process follow [...] the result of my report to the distributor’s CEO and showed them the way forward” (Fin.MNC-25).

This clearly indicates that the distributor in this pattern (A1) does not see the need to create hybrid procedural knowledge and practices of its own. The MNC also drives this stage and creates external crises by developing and transferring missing management accounting procedural knowledge and practices to the distributor to resolve any problems in the alliance.

ii) The resemblance of the transfer process to Kim and Choo’s models, the strategy of compliance provided and the benefit reaped by the distributor:

Based on the evidence provided above, the **MNC drives all three stages** of the transfer process in accordance **with Kim’s model**. The distributor, which lacks self-motivation and absorptive capacity, adopts **total compliance** as a strategy to achieve the balance between ensuring its survival and satisfying the MNC. To predict the benefits reaped by the distributor, two main points need to be kept in mind. First, the literature on management accounting indicates that such procedural knowledge and practices are developed internally within organisations and are not transferred. Therefore, effective management accounting practices are developed internally within the distributor’s organisation and are not transferred from the MNC. Second, management accounting procedural knowledge is not based on the international systems; rather, they are practices that complement those dictated by the international systems. Because the international accounting systems do not account for cultural and contextual constraints, management accounting practices are important to bridging this gap. Given that the Saudi distributor has access to Saudi social capital, the MNC should not develop those practices on the distributor’s behalf. Therefore, based on the strategy adopted by the

distributor in this pattern (A1), the benefit reaped by the distributor causes it to be labelled as an “implementer”.

iii) Evaluation of reaping competitive advantage in pattern (A1):

We need to highlight that given the new changes in the WTO regulations in the Saudi market, the distributor’s ability to adhere to international accounting systems is a mere threshold capability. The real contribution from the distributor stems from its ability to create innovative management accounting practices of its own that suit the Saudi market and enable it to generate more accurate reports for the MNC.

The findings show that the distributor in this pattern fails to take advantage of the transfer process to develop its competences in creating hybrid accounting practices. Keeping in mind that the required procedural knowledge and hybrid practices in management accounting are highly contextual and should be developed by the distributor, the distributor in this pattern can be described as lazy. This is because it does not exert any effort to contribute to the transfer process and develop its competences to create innovative management accounting practices that enable it to generate more accurate business reports to share with the MNC. Therefore, we can conclude that the reports (i.e., only showing bottom-line figures of sold goods) the distributor provides in this pattern do not enable the distributor to meet the MNC’s increasing demands for business visibility. This strategy of compliance can barely satisfy the MNC, and thus, the solution pattern it suggests portrays the distributor’s services as not valuable, not rare, imitable and substitutable, according to Barney’s (1991) criteria. In addition, the distributor does not have the ability to cope with market changes and it is unable to create innovative accounting practices independently. Thus, its capabilities are not dynamic, according to Teece *et al.*’s (1997) notion of dynamic capability. Therefore, the distributor in this pattern (A1) will **not gain a competitive advantage**.

The findings in this pattern also support the validity of the proposed rational model (figure 16), which explains the distributor’s adopted strategy of compliance. Because the owner’s ethos is found to be most influential in this pattern, it impacts the other contingency factors (shaded in black in figure 16). In this sense, the owner’s disbelief in investing in enhancing its accounting staff and systems to improve profits forces the distributor to adopt a solution pattern that suggests total compliance as a strategy.

Pattern (A2)

Pattern No.	Source of required practices	Dist.’s Absorptive capacity & Self-motivation		Shared trust		Owner’s business ethos	
		High	Low	High	Low	High	Low
A2	Dist. + 3 rd party	X		X		X	

Over all description of pattern (A2):

The distributor in this pattern is self-motivated, has a high absorptive capacity and shares a high level of trust with the MNC. The findings show that **the distributor in this pattern is capable of driving all three stages** of the transfer process as well as developing its competence in creating innovative management accounting practices. This suggests that the distributor is capable of identifying, seeking and transferring the required procedural knowledge and of utilising it to create its own hybrid practices in accordance with **Choo’s model**. Although the distributor’s owners influence their organisation to trust MNCs, they believe that MNCs do not contribute to their development or their learning of finance/accounting procedural knowledge; in fact, it is found that the MNCs do not do enough to support the distributors. This is clear

from the following quote from a CFO criticising the MNCs for not helping the distributor develop:

“if you ask me for my opinion, I do not see that the multinational companies have worked hard enough toward moving the experience to the distributors. Actually, the distributors have worked harder to adapt to the new changes more and build their own efficiencies and capabilities due to these two factors; tight margins given by the multinationals and the high demand in service levels by the multinationals”(Fin.Dist-12).

The findings show that the distributor is capable of improving its adherence to the international accounting standards by investing in skilful accountants. In addition, it develops its competence in developing hybrid practices by permanently hiring auditors from international consultancies to operate as internal auditors of the entire organisation. In this way, the distributor not only facilitates its audit ability by third parties but also grows its business with a visibility that matches the MNC’s standards. Therefore, the distributor complies with the MNC’s standards by **creating hybrid practices** as a solution pattern and thus reaps the benefits, causing it to be labelled as an **“independent partner”**. Because the distributor, in this pattern (A2), independently develops its competences in creating hybrid management accounting practices that suit the Saudi market and enable it to generate more reflective reports to share with the MNC, it **reaps and sustains a competitive advantage** as well.

The effect of contingency factors:

- *The distributor’s self-motivation and absorptive capacity* are high in this pattern. The distributor aims to benchmark its organisation against international standards that are usually prescribed by external auditing agencies. Instead, the distributor establishes an internal auditing department and hires skilful accountants and auditors from multinational agencies to (1) enhance its knowledge-base and (2) transfer cutting-edge procedural knowledge to the organisation. Therefore, the distributor is self-motivated to continuously enhance its absorptive capacity to operate at multinational standards. This is clear in the following quote from the CFO of that specific distributor:

“Yes .. Hiring talent and building the capabilities within the team internally. Because you cannot replace all the team. The distributor hires talented people and ensures this would create a learning curve in the company when they build and train the people under them” (Fin.Dist-12).

- *Trust between partners* is high in this pattern. However, given that the distributor is exceptionally motivated and provides an exceptional intensity of effort to improve its absorptive and innovative capacity, it can be argued that the high level of trust found in this pattern is earned due to the distributor’s efforts. When the distributor operates at such a professional level in accounting for its entire business, the reports generated are accurate and reflective. These business reports will help the MNC assess the performance of the alliance and make better decisions that facilitate its growth. This is clear from the following CFO statement:

“when we get audited by a third party, they would look if the distributor has an internal audit department or not. If yes, it makes a lot easier for the third party auditor to do their job and becomes easier for the distributor to be audited and recognized them as well” (Fin.Dist-12).

The explanation of the process and benefits reaped by the distributor:

i) The three-stage transfer process:

The distributor drives ***the preparation stage***, which involves its ability to identify missing knowledge and seek procedural knowledge. However, the MNC’s increasing demands contribute to motivating the distributor to drive this stage. Ideally, the MNC needs the distributor to report its performance accurately and transparently in a way that enables the

MNC to assess the alliance's performance. The events highlighting this understanding involve the following:

- 1- Head-hunting and hiring talented finance/accounting leaders, which indicate the distributor's ability to provide the intensity of effort to enhance its knowledge base and absorptive capacity and not depend on MNCs:

"distributors started hiring professional heads of finance and their looking for qualified chartered accounts and they started to become more picky not like before. You know accountant with qualifications such as CPEs CMAs .. etc I mean carrying professional certifications and have the experience of multinational companies. They are also looking to hunt from the biggest consultancies like PWC and Delloit .. etc." (Fin.Dist-12).

- 2- Investing in technological systems to support the absorption and application of transferred procedural knowledge. The following quote is from the CFO of a distributor who describes how far its organisation was willing to invest in new systems to be able to absorb the knowledge transferred to it and apply it to generate the reports the MNC required from it:

"there was a separate team working with us on SAP implementation here in distributor-X's head office and now I can check any financial figures [...] And this access is not for just simply tracking the goods .. No.. even financial records [...] SAP system is being used in the warehouse which is handling their operations [...] our system "Oracle" has its own reports and we had to comply with what they required to serve them. This means that we had to generate our reports from Oracle and reconciled with the reports generated by SAP before submitting MNC-X's reports" (Fin.Dist-5).

The distributor drives the transfer/exchange stage by seeking and transferring the required procedural knowledge. The events highlighting this understanding involve establishing an internal audit department under the finance and accounting division. In this unit, skilful accountants are attracted by and hired from international consultancy firms to transfer the most updated knowledge by training the people reporting to them as clear in the following quote;

"Yes .. Hiring talent and building the capabilities within the team internally because you cannot replace all the team. The distributor hires talented people and ensures this would create learning curve in the company by building and training the people under them [...] once they are hunted they are placed in top positions in their teams where they start building the teams under them to provide the management with proper financial analysis/reports and putting the right controls" (Fin.Dist-12).

The distributor develops its own organisation in the sustainability stage to enable it to develop the required procedural knowledge and benchmark its actual activities and business reporting against the standards of international consultancy agencies, which is appreciated by the MNCs. In fact, according to the following quote from the CFO of a distributor, the MNC contributes to this decision:

"You can see nowadays most distributors have their own internal audit department which never existed before. Also, the multinational rules have caused this change as well [...] when we get audited by a third party, they would look if the distributor has an internal audit department or not. If yes, it makes a lot easier for the third party auditor to do their job and becomes easier for the distributor to be audited and recognized them as well. Therefore, the first thing that third party auditor will look into, is the report of the internal audit department of the distributor. Because this will give them the right insight to the company" (Fin.Dist-12).

Once the distributor develops the ability to sustain its own development, the distributor is keen to announce such achievements. Because these achievements are appreciated by MNCs, the distributor is keen to bring them to the MNC's attention, which is clear in the following quote:

“Now multinational need to know that [...] So, both the international standards in addition to the requirements of the multinationals had created that learning move which dictated having an internal audit department and the professional way of doing business and that what shows in reports” (Fin.Dist-12).

In other words, the distributor voluntarily audits its own organisation internally to achieve two objectives: (1) facilitate the job of hired external auditors and (2) meet the MNC’s increasing demands. Consequently, the distributor drives its own development by transferring the required procedural knowledge and developing its ability to create its own hybrid practices and reports. These hybrid practices in the form of accurate and detailed business reports are developed internally to satisfy the MNC’s requirements.

ii) The resemblance of the transfer process to Kim and Choo’s models, the strategy of compliance adopted and the benefits reaped by the distributor in pattern (A2):

Based on the evidence provided earlier, the distributor, in the pattern (A2), drives all three stages of the transfer process in accordance with **Choo’s model** because the distributor in this pattern is motivated to develop its internal capabilities to assess its own operations, identify missing procedural knowledge, seek the required knowledge and transfer it to its organisation. This is achieved mainly by responding to the MNC’s increasing demands for more visible reports by establishing its own internal auditing department that provides advice to the finance and accounting division. Thus, the strategy adopted by the distributor as a solution satisfies the MNC by **creating hybrid management accounting practices**. Because the findings show that the distributor also develops competences in creating its own procedural knowledge based on the advice provided by its own internal auditors, the benefit reaped causes the organisation to be labelled as an **“independent partner”**.

iii) Evaluation of competitive advantage development in pattern (A2):

Ideally, the solution pattern that will enable the distributor to gain benefits allows the distributor to achieve the balance between surviving and satisfying the MNC. This is achieved when the distributor is capable of developing management accounting practices that enable it to generate accurate and detailed business reports to share with the MNC(s). This solution provided by the distributor in this pattern enables it to achieve that balance. The distributor’s ability to gain a competitive advantage stems from its ability to take advantage of the transferred procedural knowledge to create its own hybrid management accounting practices. The findings show that the distributor, in this pattern (A2), not only demonstrates its ability to drive its own development but also its ability to develop the dynamic capability to do so motivated by its own internal auditors. This capability can be considered rare, valuable, inimitable and non-substitutable. Therefore, we can conclude that the distributor **will gain and sustain a competitive advantage** according to Barney’s (1991) criteria and Teece *et al.*’s (1997) notion of dynamic capability. The findings in this pattern also support the validity of the proposed rational model that explains the distributor’s choice of a compliance strategy (see figure 16). The owner’s influence in this pattern drives the organisation’s strategy of expansion that would improve its future profitability. Because this suggests (1) developing new hybrid practices to (2) improve long-term profitability, the distributor in this pattern provides a solution pattern by creating hybrid practices.

Pattern (A3):

Pattern No.	Source of required practices	Dist.'s Absorptive capacity & Self-motivation		Shared trust		Owner's business ethos	
		High	Low	High	Low	High	Low
A3	MNC + Dist.	X		X		X	

Over all description of pattern (A3):

The distributor in this pattern represents the best-case scenario in the finance/accounting stream because both the distributor and the MNC open their books to each other and work together as if they were a single organisation. Because the distributor possesses a high level of self-motivation and absorptive capacity that matches those of the MNC, it is treated as a true partner and not as a mere distributor. Therefore, both partners capitalise on the synergy between them and **jointly** drive the transfer process and the development of **hybrid management accounting practices** that will benefit the overall alliance in accordance with **Choo's model**. According to Das & Teng (2000), this form of bilateral alliance will improve the coordination of tasks between partners. It needs to be highlighted that finding this level of collaboration and trust is considered unprecedented because one of the partners is a distributor, which is a family-owned business, and sharing accounting information with a foreign partner is not the norm.

This solution pattern (A3) will enable the distributor to equally participate in all three stages of the transfer process and thus develop competence in creating hybrid practices. Due to the distributor's significant involvement in the process by which procedural knowledge is transferred and created, its ability to replicate this process with another MNC is possible. Therefore, the benefits reaped by the distributor cause it to be labelled as a "**synergetic partner**", which **will enable the distributor to reap and sustain a competitive advantage**, according to Barney's (1991) criteria and Teece *et al.*'s (1997) notion of dynamic capability.

The effect of contingency factors:

1- *The distributor's self-motivation and absorptive capacity* are sophisticated and match those of the MNC in this pattern. The findings show that the reason behind the distributor being treated as equal to the MNC is the conviction with which the distributor contributes to the MNC's business. This conviction stems from the distributor's ability to demonstrate its motivation and to provide the intensity of effort that enables the alliance to grow. It is important to highlight that the distributor's contribution to this pattern is its ability to develop and apply management accounting practices that enable it to control its side of the business and report them to the MNC at an accurate and detailed level. This is clear from the following quote from a CFO describing the value of its contribution to the finance/accounting stream:

"the strength of any distributor, which normally principles do not have, is the working capital or the receivables management to be more specific. This where local distributors strength come from and most distributor have built this knowledge within themselves where nothing has been transferred from the MNC they work with" (Fin.Dist-27).

2- *Trust between partners* is found to be high because of the long period of time in which the distributor demonstrated self-motivation and ownership towards the growth of the alliance. The findings show that the communication barrier, which is usually a sign of distrust, was removed, enabling the financial/accounting procedural knowledge and best practices to be exchanged between the members of both organisations. This level of mutuality and transparency is unprecedented among MNCs and their Saudi distributors, especially in the finance/accounting stream. This is clear in the following

quote from the CFO of a distributor describing the level of trust its organisation shares with the MNC:

“Now because to this open book policy and transparency with the MNC, we both keep on sharing with each other the best practices in finance and accounting. So, it is not the case anymore where only MNCs are the ones sharing valuable knowledge, we are also doing the same to them as well” (Fin.Dist-27).

It is important to highlight that the high level of trust found in this pattern refers to the joint effort from the distribution firm’s owner and the MNC’s leaders, as per this statement from the CFO of that specific distributor:

“frankly, I would give the credit to our owner where his directives were to build a stronger relationship. The same was coming from the MNC’s side from the top levels to really stop looking down to your distributors and rather treat them as business partners” (Fin.Dsit-34).

The explanation of the transfer process and the benefits reaped by the distributor:

i) The three-stage transfer process:

The fact that both organisations work with each other as if they were a single organisation in this pattern (A3) impacted our ability to describe (1) which organisation drives which stage and (2) the events that mark the beginning and end of each stage. The general understanding based on the findings is that both organisations contribute equally to all three stages (preparation, transfer/exchange and sustainability). Ideally, management accounting procedural knowledge and actual activities are context-dependent and are mostly developed within the organisation. Because the distributor is the organisation with access to Saudi social capital, it can be argued that the MNC’s participation will boost the distributor’s ability to develop such procedural knowledge as well as its competence in creating hybrid ones.

The preparation and transfer/exchange stages take place concurrently and are jointly driven by both organisations in accordance **with Choo’s model**. Accordingly, the main event that marks the occurrence of these two stages is the occasional brainstorming sessions between members of the two organisations. In these sessions, both organisations work with a unified agenda and identify issues and propose solutions. The findings show that these meetings involve not only leaders in the finance/accounting function but also other leaders that are invited according to the problem at hand. This is clear from the following quote from the general manger (GM) of a distribution firm describing how closely the organisations work together:

“Honestly, I feel great when we set in annual and quarterly reviews with our MNCs for a full day and we had our whole team in there. And I was challenging one of our principles that if there was someone who was setting there as an observer to that meeting from 9am to 6pm, I can bit him to know who is from the distributor side and who is from the MNC side. They cannot make the difference. Cause at the end of the day it is one organisation with different shareholders [...] we all have the same objectives which is to deliver what the customer wants in a flawless way” (SIs.Dist-35).

The findings show that both organisations jointly drive **the sustainability stage** as well, according to **Choo’s model**. Both organisations identify the missing procedural knowledge, seek sources of knowledge, make sense of the transferred knowledge and customise the transferred knowledge to create hybrid practices. The developed practices suit the Saudi market and satisfy the MNC’s standards. The synergetic contribution from both partners eventually enables them to share the fruits and benefits received. Both partners’ collaboration in driving the sustainability stage is clearly described in the following quote from the CFO of the distributor:

“Then, come the questions of creation of knowledge. It is basically useful at right level meetings where we can collectively and mutually learning from each other and end up creating some new

form of knowledge that did not exist before.[...] both teams from both organisations keep enhancing each other's knowledge in that process of discussion where someone learned from his counterpart of the opposite" (Fin.Dist-34).

ii) The resemblance of the transfer process to Kim and Choo's model, the strategy of compliance adopted and benefit reaped by the distributor in pattern (A3):

Based on the evidence provided above, both organisations drive all three stages of the transfer process in accordance with **Choo's model**, as they are found to operate as if they were a single organisation. In this sense, both organisations equally contribute to the **development of hybrid management accounting practices** to sustain the transfer process. Because the distributor is equally involved, the solution pattern it provides will enable it to benefit as a **"synergetic partner"**. Thus, the distributor in this pattern (A3) is able to achieve the balance between surviving and meeting the MNC's requirements, which resolves the problem in the finance/accounting stream. This pattern also resembles what Das & Teng (2000) called a bilateral alliance.

iii) Evaluation of reaping competitive advantage in pattern (A3):

The distributor in this pattern is exceptionally well suited to achieve the greatest benefits among all patterns in the finance/accounting stream because it possesses all the ingredients that enable it to take advantage of transferred knowledge and drive its development by creating new knowledge. In this pattern, the distributor operates as an equal partner to the MNC, which obligates its contribution to the alliance and entitles it to share in the benefits produced by the alliance. The level of openness and trust in sharing financial/accounting procedural knowledge and activities is unprecedented, especially among family-owned businesses such as Saudi distributors. For this reason, the solution approach adopted in this pattern will enable the distributor to (1) take advantage of transferred procedural knowledge and (2) develop its competence in creating hybrid management accounting practices. It can be argued that as the distributor becomes knowledgeable about transferring knowledge and creating hybrid practices that suit a single MNC, it is believed that the distributor's ability to replicate this exercise is almost certain. In this way, the distributor's capability and competence in driving its own development is described as valuable, rare, inimitable and non-substitutable. As a result, the distributor's services, in this pattern (A3), **will enable it to reap and sustain a competitive advantage**, according to Barney' (1991) criteria and Teece *et al.*'s (1997) notion of dynamic capability, respectively. The findings in this pattern support the validity of the rational model, which explains the distributor's adopted strategy of compliance. The owners' trusting ethos of doing business with MNCs suggests the distributor's expansion strategy, which is linked to its growth with the MNC as if they were a single organisation. This bilateral form of alliance (Das & Teng, 2000) will improve the coordination in completing tasks and thus improve the performance of the alliance. As a result, the distributor will enhance its long-term profitability. In this pattern, the distributor provides a solution pattern that suggests compliance with the MNC's standards by equally contributing to the development of hybrid practices

Summary of solution pattern in the finance/management accounting stream (case):

The key problem in the finance/accounting stream stems from the distributor's ability to develop hybrid management accounting practices with which it develops its ability to generate and share more accurate and reflective reports with the MNC. These reports are fundamental to the partnership because the distributor is paid for its services according to a cost-plus calculation. MNCs rely on the business reports submitted by distributors to assess their growth and make business decisions with regard to their partnership with Saudi distributors. As the market changes and become more competitive, the MNC's visibility demands increase and the profit margins offered to the distributor shrink. It is important to highlight that providing such

reports to the MNC requires openness and trust, which leaves the inefficient distributor vulnerable. While some distributors resort to a black-box mind-set and only report bottom-line figures to the MNC (i.e., pattern A1), others act proactively to develop and optimise their operations to meet the MNC's requirements (i.e., patterns A2 and A3).

The findings show **three different solution patterns** (see **table 19**) in which the Saudi distributor resolves the key problem in the finance/accounting stream. Each solution pattern is informed by a different strategy of compliance, which enables the distributor to reap different benefits. It is found that the benefit reaped by the distributor is positively related to the distributor's contribution to the process by which required procedural knowledge is transferred. In addition, it is found that the distributor's ability to reap competitive advantage is positively related to its ability to take advantage of the transfer process to develop competence in creating its own hybrid management accounting practices. With these hybrid practices, the distributor is able to generate reports that provide a clearer picture for the MNC and thus meet its expectations. Because these hybrid practices are context-dependent, the MNC requires that the distributor be audited by a third-party agency to ensure the accuracy of the reports submitted by the distributor. The findings show that while some distributors remained passive, which forced the MNCs to interfere, others took a much more proactive position. Some distributors benchmarked themselves to international auditing agencies, while others operated closely with the MNCs as if they were a single organisation.

Finally, there is another important finding that needs to be reported with regard to the contingency factors that influence the finance/accounting stream. As established earlier, the trust between partners is a contingency factor that is adopted from the literature and viewed among researchers to be the responsibility of the alliance's leadership to promote and control. For this reason, the transfer process in this thesis considers trust as an independent factor adopted from the literature. However, trust as a factor is associated with a different independent emergent factor, which is the owner's business ethos in the accounting stream. This link is strong because the distribution firm's ability to trust and share business information with the MNC is highly dependent on the owner's ethos of doing business. The owner's high but negative influence is presented in pattern (A1), while its positive influence is presented in patterns (A2 and A3). This link between these two factors is much higher than in other investigated knowledge streams (sales and logistics). (Table 19) summarises the three solution patterns found in the finance/accounting stream.

In pattern (A1), the distributor lacks self-motivation and absorptive capacity and relies on the MNC to invest and transfer the required management accounting procedural knowledge and actual practices. The distributor acts as a mere recipient of knowledge with little contribution to the transfer process that enables it to reap benefits as an "**implementer**" (Gupta & Govindarajan, 1991). Because this solution pattern requires **total compliance** as a strategy, the distributor will **not gain a competitive advantage**. Because the creation of hybrid management accounting practices should be driven by the distributor as it requires access to Saudi social capital. For the distributor to remain lazy and not provide the required intensity of effort to develop such competence makes its capabilities non-valuable, non-substitutable (Barney, 1991) and not dynamic enough to cope with the market changes (Teece *et al.*, 1997).

In pattern (A2), the distributor takes matters into its own hands and independently drives its own development (all three stages of the process) according to **Choo's model**. The findings show that the distributor is motivated to invest in establishing its own internal auditing unit to benchmark its entire business against international standards. In this way, the distributor aims to achieve two objectives: (1) to proactively **create management accounting practices** that help it manage its business and (2) to provide accurate business reports to share with the MNC and thus meet its expectations. The distributor proactively changes with the market requirements because it has developed competence in creating hybrid practices that satisfy

the MNCs, enabling it to manage its business in accordance with international standards. Therefore, the distributor's ability to drive all three stages of the transfer process in accordance with Choo's model enables it to benefit from providing this solution pattern as an **"independent partner"**. Considering the distributor's utilisation of the transfer process, the contribution of the distributor in this pattern will enable it to **gain and sustain a competitive advantage**, according to Barney's (1991) criteria and the concept of dynamic capability described by Teece *et al.* (1997).

In pattern (A3), the self-motivated distributor possesses high absorptive capacity that matches that of the MNC. The transfer process and the creation of hybrid practices are found to be **driven jointly by both organisations** in accordance with **Choo's model**. Both organisations operate to deliver a unified agenda as if they were a single organisation, or as Das & Teng (2000) called it, a bilateral alliance. In this case, the transfer of required procedural knowledge and the creation of hybrid practices is a joint effort by both organisations. Therefore, most problems that researchers in IJVs have found are diffused, such as knowledge ambiguity (Lucas, 2005), knowledge codification challenges (Gupta & Govindarajan, 2000; Krause & Ellram, 1997; Handfield *et al.*, 2000; Modi & Malbert, 2007) conversion and exchange challenges (Nonaka *et al.*, 2000), excessive control over operations (Jiang *et al.*, 2008), opportunism (Kajuter & Kulmala, 2005; Nelson *et al.*, 1998), disputes over the ownership of resources (Kaiser & Shaw, 2004) and a black-box alliance strategy (Buckley & Casson in Beamish & Killing, 1997). As a result, the distributor is able to achieve the balance between surviving and satisfying the MNC and thus resolves the problem by equally participating in the **creation of hybrid management accounting practices** from the beginning. Therefore, it is concluded that the distributor will benefit as a **"synergetic partner"** and will **gain and sustain a competitive advantage** (Barney, 1991) because the distributor shares the intensity of effort required to transfer knowledge and equally contributes to develop the required hybrid practices. Therefore, this competence enables it to act dynamically (Teece *et al.*, 1997), to replicate this exercise with other MNCs and to cope with market changes and thus sustain its competitive advantage.

4.4- Chapter's Summary:

i) **Revisiting the research questions and objectives after consulting the empirics:**

As explained throughout the thesis, the impact of consulting both the relevant literature and empirics needs to be reiterated to demonstrate the achievement of the thesis' objectives and highlight the areas that require further exploration. **The main research question is: how is procedural knowledge transferred from MNCs (the process) to Saudi distributors and impacts the latter's competitiveness?** This question is linked to the main argument put forward in this thesis that understanding the process by which procedural knowledge is transferred to the Saudi distributor has a bearing on understanding how the distributor develops a competitive advantage.

Consulting the literature had two main implications for the research questions: *first*, it provided the two process models that explain the transfer process: Kim (1998) and Choo's (1998) models. Second, it provided partial answers about the contingency factors that could influence the process under study, such as trust between partners, control in IJVs, the role of IJVs' leadership and insights about the strategies of compliance (Kostova, 1999; Kostova & Roth, 2002). As a result, a clearer picture was developed in terms of **how the main research question can be answered, which lies in the following sub-questions:**

- 1- What does the process look like?

- 2- Are there any contingency factors in addition to those adopted from the literature, including those suggested by Kim and Choo's models that influence the transfer process?
- 3- Is the compliance strategy suggested by Kostova (1991) and Kostova & Roth (2002) relevant to understanding the transfer process?
- 4- What are the benefits that could be reaped by the Saudi distributor as a result of the transfer process?
- 5- In light of the new changes in the WTO regulations in the Saudi market, will the benefits reaped enable the distributor to reap a competitive advantage?

The role of empirics, then, is to provide answers to the above questions. After collecting, analysing and interpreting the data, the findings were complex and disorganised. To reduce complexity, maintain subtlety in the description and enable comparability between the three investigated case studies (sales, logistics and management accounting), a solid structure to lead the description of the findings was required. The five sub-questions above **suggested four angles from which the main research question can be answered:** (1) the transfer process and its resemblance to either Kim (1998) and/or Choo's (1998) models, (2) the contingency factors that influence the shape and behaviour of the transfer process, and (3) the benefits reaped as an outcome of the distributor's strategy of compliance, as Kostova & Roth's (2002) advice was found to be incomplete but relevant to understand the pattern that constitutes the transfer process. The final sub-question (4) is whether the distributor will reap a competitive advantage as a result of the transfer process. The last angle was reached by using Barney's (1991) RBV and Teece *et al.*'s (1997) notion of dynamic capability as criteria. Ultimately, when the findings of each case study were explained in this four angle-structure, the two main objectives of the thesis were met: (1) understanding the transfer process and (2) understanding its impact on the distributor's competitiveness.

ii) Chapter's summary according to the adopted four angle structure:

Accordingly, this chapter was divided into three main sections: (4.1, 4.2 and 4.3). To set the stage for describing the findings in section (4.3), the key problems of each investigated knowledge stream and a detailed description of each contingency factor that influences the transfer process was explained **in section (4.1)**. Eleven factors (both adopted from the literature and emergent) were identified that influence the process by which procedural knowledge is transferred. However, the transfer process in each knowledge stream is found to be influenced by a different set of contingency factors.

Section (4.2) was dedicated to explaining the four angles from which the findings will be described in all three streams. This was done to explain the structure of explanation before actually using it to present the findings. This further reduced the complexity and enabled subtlety in the elaboration. These four angles were: (1) the findings with regard to the transfer process' shape based on its stages, (2) the evaluation of each stage of the process in terms of its resemblance to Choo and Kim's models, (3) the strategy of compliance provided by the distributor and the benefits reaped by the distributor as an outcome and (4) whether the distributor will be able to reap a competitive advantage.

Section (4.3) was divided into three sub-sections in which the findings in each investigated stream (case) were described in detail. Each stream is influenced by a different set of contingency factors, and the variation in such factors reveals a different set of solution patterns per stream. Each solution pattern represents the distributor's way of taking advantage of the process by which procedural knowledge is transferred to achieve the balance between surviving and satisfying the MNC. This solution pattern provided by the distributor informs a strategy of compliance adopted by the distributor to achieve this balance and thus resolves the key problem in each stream. Because the influencing factors in each stream

inform the type of relationship between the MNC and the Saudi distributor and the latter's knowledge-processing capabilities, the type of benefits reaped as result was predicted for each solution pattern. Finally, considering the recent changes in the WTO agreements in the Saudi market, the predicted benefits per solution pattern in each stream were evaluated to determine whether the distributor will gain a competitive advantage. This evaluation was based on Barney's (1991) criteria and Teece *et al.*'s (1997) notion of dynamic capability. To present the final outcomes of this thesis, **tables (17, 18, & 19, p.130)** were used to summarise the findings in each stream. These tables present the findings in a way that enables the reader to view them based on the pre-identified four angles.

iii) What has been achieved and what is next?:

What was achieved in the findings chapter (4) is to first reiterate the main influencing factors which were adopted from literature and had emerged from the data (4.1). Secondly, define the platform with which analysis and findings are synthesised, analysed, identified and reported (section 4.2). Due to the complexity of the findings, the definition and the consistent utilisation of such platform was instrumental to this thesis. This is considering that the thesis is aiming to answer the same research question (how is procedural knowledge is transferred from MNCs to Saudi distributors and impact their competitiveness?) by conducting three different case studies (sales, logistics and management accounting). It is important to reiterate that this 4-angel approach was suggested by the reviewed literature. Using such platform consistently had not only facilitated the analysis and the synthesis of findings for each case (knowledge stream), it provided the basis for developing a comparative accounting between those findings in all three cases as well. Considering the key problem in each investigated knowledge stream, it can be argued that the description of the solution patterns (in each stream) and the level of subtlety in which such description is articulated can be considered unprecedented (in section 4.3). Simply because the depth of advice provided in this chapter provided multidimensional knowledge about the transfer process, its contingency factors, the potential benefits reaped by the distributor and even predicted whether competitive advantage will be reaped. This was also enhanced by providing such advice for three different knowledge streams and presented in a way that facilitates comparison between them.

Such high confidence in the value and nature of the advice stems from **its contribution towards methodology, literature and to practitioners** as this will be discussed in the next chapter (5). Never the less, it is deemed useful to briefly set the stage for that by briefly shedding the light on the contributions of this thesis. **Methodologically**, the research design adopted in this thesis has demonstrated that Van de Ven's (2007) approach to study a process (event-and-outcome) is arguably the best approach to explore and processual phenomenon. As it enabled studying the process by which procedural knowledge is transferred in IJV setting it yielded a level of understanding which many researches called for in the past few decades especially within IJVs. Therefore, it can be argued that this thesis contributes **to literature** as well. *Firstly*, it complements the literature on IJVs, knowledge management (KM) and organizational learning (OL) since the majority if not all had only explored the MNCs side of the transfer process. *Secondly*, it defuses the claim that local partners are incapable to creation knowledge and promotes the notion of bilateral alliances among partners in JVs. *Thirdly*, it introduces additional factors that influence the knowledge transfer process and should be included in the future as far as studying knowledge transfer is concerned. *Fourthly*, because the thesis answers a consistent set of questions using a single platform (4-angels) to investigate three different case studies (sales, logistics and management accounting); it provides a multidimensional account of the transfer process. This is will contribute to the literature exploring the transfer process within these three knowledge streams in IJVs. Considering the depth and diversity of the advice provided by the findings of this thesis, it can

be argued that it will be very valuable **to practitioners** in IJVs. Even though, this thesis focused on exploring the local partners' (Saudi distributors') side of the process, the revealed knowledge will benefit both partners equally. From the MNC's side, the advice offered per knowledge stream will complement its knowledge about how to transfer required knowledge to distributors and thus enhance the success and outcome of the process. From the distributor's side, offered advice will enable it to assess its strategy of compliance with their current MNCs (in three different knowledge streams). Also, it will offer its organisation insights of the consequences of the path they currently follow or will follow in the future. Such knowledge will surely enable them to leverage the knowledge transferred from the MNCs to their favour and develop the competence that will enable them reap competitiveness in the future. In the following chapter (5), the contributions of thesis will be extensively elaborated on.

Chapter-5: Conclusion and Discussion:

This chapter will be divided into **two main sections**: firstly, the thesis's conclusion (**section 5.1**) which will be divided into two sub-sections in order to adequately demonstrate the thesis's success in answering the research question (sub-section 5.1.1) in addition to the providing advice beyond them (sub-section 5.1.2). The second main section is (**section 5.2**) which will be dedicated to elaborate on the thesis's discussion, reflections and the contributions (methodological, conceptual and practical).

5.1- Thesis conclusion

The thesis aimed to answer the **main research question: how is procedural knowledge is transferred to Saudi distributors and impact their competitiveness?** The focus of this thesis is the phenomenon of the transfer process between two distinct entities (MNC-Saudi distributor). That is to understand the transfer process and its impact of the distributor's competitiveness. **The phenomenon (the transfer process)** is investigated in three different knowledge streams (sales, logistics and management accounting); three corresponding case studies were conducted. Due to the complexity of the data and the nature of the business relationship between MNCs and their distributors in the Saudi market, the informants (candidates) were grouped to describe the transfer process each in their field. Therefore, candidates were selected and interviewed to represent one of the three case studies. As a result of this research strategy, the process by which procedural knowledge in each investigated stream is explored, understood and described.

Following a research design that is favoured by Andrew Van de Van, two process models were selected to execute such a study; Choo's model of knowledge management (KM) and Kim's learning model for catching-up organisations (OL). The strategy of inquiry started deductively to understand the process's resemblance to either Kim or Choo's models and inductively extended beyond these frames of reference to achieve the main two objectives of this thesis: (1) understand the transfer process and (2) its impact on the distributor's competitiveness. Such a strategy of inquiry was consistently adopted to investigate the process in the three identified knowledge streams (cases).

After consulting the relevant literature, the picture with which the main research question can be best answered was developed. As the literature provided partial answers to understand the transfer process and some of the factors influencing its shape and behaviour, five sub-questions emerged suggesting how the research question is going to be answered in this thesis. To demonstrate the thesis' success in both answering the research questions and going beyond them, the conclusion will be divided into two sub-sections: (5.1.1) we will recall the same five sub-questions that emerged after consulting the literature and use them as a checklist, and (5.1.2) we will provide answers beyond the research question to demonstrate the practical implications of the findings.

5.1.1- Based on the five sub-emergent questions after consulting the literature:

- 1- How is procedural knowledge transferred to the distributor? What is the process?

The process by which procedural knowledge is transferred consists of three main stages: preparation, transfer/exchange and sustainability (**see figure 15, p.123**). Because the adopted research design requires deductive investigation using Kim and Choo's process models and frames of reference, the findings show that both models explain the transfer process depending on the influence of the contingency factors in each knowledge stream. These findings show that the transfer process is shaped by different contingency factors that impact the question of which partner drives which stage in the process (preparation,

transfer/exchange and sustainability). Initially, the transfer process in each knowledge stream was investigated separately. The findings were then compared, which enabled the identification of a general backbone that describes how procedural knowledge is transferred to the distributor in all three streams. The deductive strategy of inquiry provided part of the answer to this question in terms of the process' resemblance to the two process models and provided partial advice about the contingency factors that influence the process. Therefore, the empirics gathered according to the deductive strategy enabled answers to this question.

2- What are the most influential contingency factors that impact the transfer process?

Because the deductive strategy of inquiry provided partial advice about the contingency factors, especially those adopted from the relevant literature (five factors; no.1, 2, 3, 4 & 9), the inductive inquiry enabled the research to go beyond the adopted process models. This advice provided complementary knowledge about the remaining contingency factors (the remaining six factors; no.5, 6, 7, 8, 10 & 11) (see table 16, p.112). The findings show that the contingency factors have a fundamental impact on the process and its outcomes because the contingency factors hold a description of the distributor's knowledge-processing traits and the nature of the business relationship between the partners. In effect, the variation in the contingency factors is found to impact how the transfer process is shaped, which organisation drives which stage of the process, the distributor's strategy of compliance and the benefits reaped as an outcome. Therefore, the contingency factors inform the solution patterns revealed in each knowledge stream.

3- Is the strategy of compliance suggested by Kostova (1999) and Kostova & Roth's (2002) work relevant?

The empirics gathered in this thesis indicated that Kostova & Roth's (2002) account of the strategy of compliance specifically between MNCs and Saudi distributors is relevant but incomplete. Because this research is viewed as a problem-solving exercise, providing no compliance is not considered a solution and was thus not explored. However, the total and partial compliance strategies are found to be relevant based on the evidence. The findings show that the distributor complies with the MNC's transferred procedural knowledge by adopting one of three strategies: total compliance, partial compliance or developing hybrid practices (see figure 16, p.126). The rationale behind the distributor's decision about which strategy to adopt is considered as a pattern that constitutes the transfer process because the strategy of compliance mainly explains the distributors' ability to sustain the transfer process and enable the prediction of the types of benefits reaped as a result. Therefore, the empirics have provided answers to this question.

As demonstrated in the summary of each investigated knowledge stream (case), all the findings support the validity of the proposed rational model with which the distributor's adoption of a certain strategy of compliance can be explained (see figure 16). The impact of the owner's ethos as a contingency factor on the three other contingency factors (shaded in black in the model), namely, the MNC representation of the distributor's portfolio, the distributor's strategy of expansion and the amount and speed of financial gains, was also found to be valid. This impact was highest in the finance/management accounting stream (case).

4- What are the types of benefits reaped by the distributor as a result of the transfer process?

The findings show that answering this question hinges on the knowledge accumulated from the previous answers. The benefits reaped by the distributor can be predicted when learning about the distributor's knowledge and organisational capabilities, the nature of its partnership with the MNC, and the strategy of compliance adopted by the distributor, which are all

informed by the contingency factors that influence the process in a specific pattern and stream. The findings show that there is a range of benefits reaped in all three streams, which are labelled individually to distinguish them. These labels are “implementer”, adopted from Gupta & Govindarajan’s (1991) work, “innovative subsidiary”, “synergetic partner” and “independent partner” (see tables 17, 18 & 19, p.130). Ideally, each distinctive label describes how the distributor takes advantage of the transfer process and its contents (procedural knowledge).

5- How does the transfer process impact the Saudi distributor’s competitive advantage?

The thesis has also succeeded in answering the question of how the transfer process impacts the Saudi distributor’s competitive advantage. The findings show that the distributor’s ability to reap benefits is dependent on its ability to contribute to the process by which procedural knowledge is transferred, regardless of the source. This capability mainly involves taking advantage of the transfer process and its contents (procedural knowledge) to develop its competence in creating new knowledge or hybrid practices. These practices suit the Saudi market and satisfy the MNC’s standards and requirements. Thus, if the distributor participates in the transfer process but fails to develop its own hybrid practices, the competitive advantage reaped is limited. This realisation was also achieved in light of the recent changes in the WTO regulations in Saudi Arabia. These changes led to the revision of the value of the capabilities possessed by distributors. In other words, those capabilities that were used to enable the distributor to gain competitiveness in the past are now mere threshold capabilities. For the distributor to gain and sustain its competitive advantage, it needs to take advantage of the transferred procedural knowledge to develop its dynamic capability to create new knowledge that is unique to it.

Building on the findings about benefits, it is important to note that not all benefits enable the distributor to reap a competitive advantage (see tables 17, 18 & 19, p.130). With the exception of those with the label of “implementer”, distributors reap a competitive advantage in all solution patterns in all three streams mainly because the WTO’s recent changes in the regulations in the Saudi market motivated the reassessment of the distributors’ competences. For the distributor to be a mere implementer of the MNC’s procedural knowledge and standards without taking advantage of them and developing its own hybrid business practices will not enable it to reap competitiveness. In addition, there is a distinction that should be made with regard to the type of knowledge transferred. In the sales/marketing stream, the distributor will never be given sufficient room to freely innovate as a result of the tight link between the marketing procedural knowledge (designed and executed by the MNC) and the sales procedural knowledge (executed by the distributor). The MNC will not tolerate any variance between its marketing strategies and how the distributor actually sells its goods. For this reason, in the majority of patterns, the MNC will maintain high control over the sales operations, with the exception of the automotive industry. However, in the logistics and accounting streams, a distributor acting as a mere implementer is a serious matter because both logistics and management accounting practices are highly contextual and require access to social capital. In other words, the distributor is expected to drive its own development and participates in the overall growth of the alliance. Therefore, the distributor’s survival is considered threatened if it fails to drive the transfer process and the development of innovative hybrid practices, specifically in the logistics and management accounting knowledge streams.

5.1.2- Findings about the practical implications of the new WTO regulations on IJVs in Saudi Arabia:

- Will MNCs take advantage of the WTO’s changes in regulations and decide to operate alone in the Saudi market?

To begin, it is important to report that all candidates from both organisations (MNCs and distributors) among all involved industries have agreed that transferring procedural knowledge from the MNCs they work with has positively impacted their development and ability to cope with market changes. They also agreed that it will take the Saudi distributor a much longer time to reach this level of knowledge-based sophistication without the MNC's help.

The answer to this specific question was particularly captured in the last part of the conducted interviews. The majority of the feedback received revealed that MNCs will be less likely to take advantage of the changes in regulations and choose to run their own distribution operations because it is too risky. This is clear from the following quote from the GM of an MNC:

"[...] I think many of the MNC players will think first 'can I deliver if I owned the whole business model?' 'can I live with the complexity of doing business in Saudi Arabia' and 'what could be the implications?'. So, the safer option for MNCs is to find the right partner invest in their capability and reach to a point where we both can do business based on a win-win business model and this exactly what has been happening ever since these WTO changes" (SIs.MNC-32).

For such advice to be of value to practitioners, it is important to shed light on the reasons behind MNCs refraining from operating individually. These reasons are mentioned below where the evidence for each point will be attached in the form of a **summative (table 25, p.238)** in the appendix (**attachment 5**). This method of presentation was inspired by Graebner & Eisenhardt's (2004) work. These reasons are as follows:

- 1- MNCs have attempted to replace local distributors in other markets in the past and ended up failing.
 - 2- MNCs do not have the local knowledge, networks or access to social capital that the distributor has.
 - 3- MNCs will not take the risk of managing "the receivables" side of the business; this side is basically the down-stream part of the business, where the distributor's core function and expertise lie. This is clearly described by an owner and CFO of a distribution firm.
 - 4- MNCs do not like to change as long as the distributor is efficient and offers the MNC good services. This clearly stated by many logistics operations directors for distribution firms.
 - 5- The political position of the region does not support long term investment. Such investment will mainly be fixed assets which require a long time to be depreciated.
 - 6- The Saudi distributor has already depreciated assets and a lower running cost, which the MNC will not be able to achieve should it decide to operate individually.
 - 7- The Saudi market is not mature and sophisticated enough to address MNCs directly without an intermediary. In this case a Saudi distribution firm is the perfect intermediary as it has the best local know-how.
- What do the findings say about the Saudi distributors' views of the WTO's changes in regulations and their impact on their businesses?

The feedback from the distributors generally reveals that the WTO's changes in regulations are not alarming to active distribution firms that learned from and took advantage of their long-term partnership with MNCs. However, such changes will force these distributors to change how they conduct business and serve the MNCs in way that discourages the MNCs from operating individually. The following points summarise how different distribution firms viewed and reacted to the WTO changes in the regulations which perhaps might not be in their favour. Inspired by Graebner & Eisenhardt's (2004) work, the evidence which supports each view has been organised in **summative (table 26, p.239)** and posted part of **attachment 5** in the appendix. The distributors' views are as follows:

- 1- Distributors provide diversified types of services to demotivate MNCs to consider operating individually. This was clearly stated by a distribution firm owner and two other directors from sales and finance.
- 2- Some of the distributors that are dedicated to a single MNC have heavily invested in the MNC's assets in the Saudi market and secured its business with that particular MNC as a result. This is clear stated by a distributor's logistics director describing the owner's investment in the MNC's plants in Saudi Arabia.
- 3- Some distributors have developed their organisations and competences to customise their own business practices to a level that forces the MNC to sustain its business with it.
- 4- Some distributors are already developed to the point that they call for room to shape how MNCs conduct business in the Saudi market.

In summary, all the feedback from the candidates from both MNCs and distributors highlight that MNCs seek to keep operating with their competent distributors, which they help develop over a very long time. Through such a long business relationship, the distributor's assets are already depreciated. In addition, the GCC region is believed to be politically unstable and thus not inviting to foreign investments. Therefore, the distributors expected to survive are those that have worked actively in taking advantage of the process by which MNCs' procedural knowledge is transferred to develop their competence in creating their own hybrid practices and value-adding business models. The distributor's knowledge-based development is what will enable it to keep its current MNCs satisfied and to attract new ones as the market changes. This conclusion applies to all industries involved in this study: fast-moving consumer goods, pharmaceuticals, medical and life-saving equipment, and automotive. Therefore, the overall impact of the WTO on the Saudi market can be summarised in the following points where the evidence will be provided in **summative (table 27, p.239)** posted part of **attachment 5** in the appendix.

- 1- Distributors that worked actively in the past to develop their competences based on the transferred procedural knowledge from MNCs will not only survive but will expand their businesses at the expense of the less-competitive ones.
- 2- Due to the reasons mentioned earlier, dissatisfied MNCs are not inclined to operate individually, and they either invest in their current distributors to enable them to meet their expectations or break their partnership and partner with a more competitive distributor. Newly arriving MNCs will not be able to replicate the distributor's role in Saudi Arabia. Also, newcomers are advised to partner with competitive distributors that serve many MNCs simultaneously.

5.2- Discussion, reflections and contributions:

- *Surprising findings about the impact of contingency factors on the transfer process:*

Among the interesting revelations of this thesis are several related to contingency factors, which may be summarised into two main points. The first point is that the type of knowledge transferred helps to shape the process of knowledge transfer between partners. In this case, because this thesis has investigated three different knowledge streams (cases), it may be argued that the type of procedural knowledge transferred (sales, logistics or accounting) impacts the process by which such knowledge is transferred to the distributor. In the sales/marketing stream, the transfer process is predominantly driven by the MNC to prevent any variation between the marketing strategies (designed and executed by the MNC) and the sales procedural knowledge and activities (executed by the distributor). The tight link between the marketing and sales procedural knowledge suggests the MNC's excessive control over the transfer process and the development of hybrid practices, leaving little room for the distributor to contribute. Even when the distributor is capable of contributing, the MNC maintains its supervision to ensure the alignment of the new hybrid practices. However, this is not found to be the case in the transfer of logistics and accounting procedural knowledge because both types (streams) of knowledge are highly contextual, thus requiring access to social capital, which the MNCs usually do not have. Therefore, effective logistics and accounting procedural knowledge and hybrid practices are developed internally by the distributor, which occurs when the distributor contributes to the transfer process and to the development of new hybrid practices as a "synergetic partner" or as an "independent partner". For this reason, it may be argued that the type of procedural knowledge involved in the transfer process impacts the shape and behaviour of the transfer process. In other words, the type of procedural knowledge involved should be considered an additional contingency factor that influences the transfer process.

The second point involves the link between the two factors: the owner's business ethos and the trust between partners. Initially, these two factors are identified as independent factors in all three streams. However, it is observed that the link between these two factors is very strong in the finance/management accounting stream because of the nature of the knowledge and information being shared between partners in the accounting stream. Ideally, MNCs are satisfied in this stream when the distributor generates and shares accurate business reports with which the performance of the alliance may be judged. For the distributor to be able to generate such reports, two elements are required: (1) effective management accounting procedural knowledge and activities possessed by the distributor, which requires self-motivation and great effort, and (2) the owners' trust that the MNCs will share such reports with them. The business reports involved are not mere bottom-line figures; they are detailed accounts of the distributor's operations, which entail profit and loss figures that may clearly show the distributor's vulnerability. This level of detailed reporting could give the MNC a clearer picture of the performance of the alliance, which enables it to make future effective business decisions. Because Saudi distributors are family-owned businesses, the owners' ethos of doing business with foreign MNCs is fundamental to the level of trust shared with the MNCs. However, the link between the owners' business ethos and trust is not found to be significant in the sales logistics streams. In the sales stream, it is found that the only way for the distributor to satisfy the MNC is to adhere to its requirements; consequently, the owners' interference is negligible. The owners are obligated to provide the required intensity of effort to support the transfer and execution of the MNC's procedural knowledge and activities based on the MNC's preferences. In the logistics stream, the owners are less concerned with sharing logistical information with the MNCs simply because the MNCs are not interested in such details. This lack of concern occurs because MNCs are not knowledgeable about the

downstream logistics in Saudi Arabia, and their requirements are manifested in end results and services. The MNCs are satisfied so long as the distributor meets the expectations, and how this happens is not their concern. To sum up, it may be argued that it is possible to combine the two factors (the owners' ethos and trust) that are initially considered to be independent factors only in the finance/accounting stream, as they both appear to capture the same information. This inference could offer advice for future process researchers aiming to study the transfer of finance/accounting procedural knowledge in IJVs in contexts similar to Saudi Arabia.

- *What is the real role of trust in the process of procedural knowledge transfer?*

It has been established in the literature review that trust is the most highlighted factor contributing to the success of knowledge transfer between organisations and to the success of IJVs. However, it may be argued that how trust plays this role may be considered ill-researched. It may be argued that this thesis's findings offer insight into precisely this issue. As explained in section (4.2) earlier, the process by which procedural knowledge is transferred to the distributor (in all three streams) is found to lie in three stages: the preparation stage, the transfer/exchange stage and the sustainability stage. It is also found that besides the distributor's self-motivation and absorptive capacity, trust is one of the most identified contingency factors influencing the process of procedural knowledge transfer in all investigated streams. It is important to highlight that the process by which procedural knowledge is transferred between partners will not succeed in the absence of a trusting environment. This realisation calls for revising the figure illustrating the three stages of the process (**figure 15, p.123**) to include the role of trust in facilitating the transfer process (see **figure 17 below**).

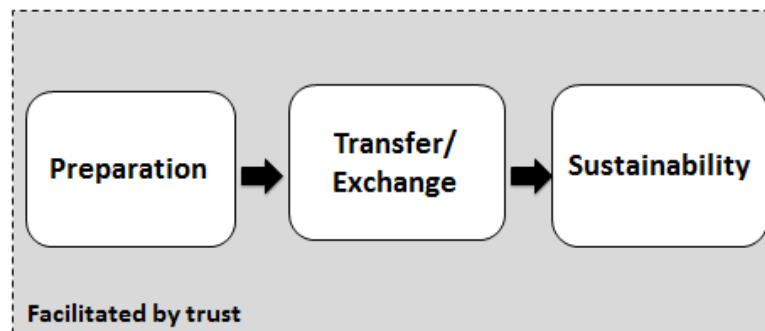


Fig-17: The process by which procedural knowledge is transferred from MNCs to Saudi distributors facilitated by trusting environment

Because this thesis is most concerned with the Saudi distributor, a higher level of trust shared between partners during and after the knowledge is transferred. It is found that this increases the likelihood that this process will succeed in transferring required procedural knowledge to the distributor to enhance its knowledge-base. However, it is important to highlight that the real benefit for the distributor will not be reaped unless the influence of trust is combined with the influence of the other identified contingency factors. For example, transferred procedural knowledge will only be exploited to develop the competence of creating new hybrid practices (in all three streams) by a distributor that is self-motivated and willing to provide the required intensity of effort.

- *Avenues for further research:*

- i) How procedural knowledge is customised into hybrid practices?

The thesis aimed to understand the transfer process and its impact on the distributor's competitiveness. However, it may be argued that the impact of the revealed transfer process may be considered incomplete because the findings show that for the distributor to unlock the true benefits of the transferred procedural knowledge, it requires two levels of contribution: (1) to contribute to the process by which the required procedural knowledge is transferred and (2) to take advantage of this accumulated procedural knowledge to develop its competences in creating new knowledge. In other words, the findings show that there are two processes involved: the transfer process, which this thesis has revealed, and another process of customising transferred knowledge to create a new set of hybrid practices that suit the Saudi market and satisfy the MNC's standards. The problem that arises from the findings and requires further study is how the Saudi distributor uses this transferred procedural knowledge and creates hybrid practices of its own. This issue is beyond the scope of this thesis, and studying the customisation process will complement the understanding of the transfer process and its impact on competitiveness.

- ii) Testing the findings in similar contexts:

It may also be suggested that it is possible to advance this research in two different ways: first, by expanding the sample size in depth by increasing the number of interviewed candidates representing the industries involved (FMCG, pharmaceuticals, medical/life-saving equipment and automotive industries) to explore whether more solution patterns could be revealed in these specific industries. Second, the research could be advanced by testing both the research design and findings using countries of similar economic and cultural settings, such as the remaining Gulf Countries Council (GCC). This approach might eventually reveal additional contingency factors with implications unique to the new contexts or confirm the factors identified in this thesis.

- iii) Can the distributor's strategy of compliance in the sales stream impact the process by which procedural knowledge and hybrid practices is created in logistics and accounting?

Even though this question is not part of the aims of this thesis however, it is evident that the most impacted among the distributor's forces by transferred new procedural knowledge are the members in the logistics and accounting departments. That is because the sales forces cannot be allowed to deviate from the marketing procedural knowledge designed and deployed by the marketing team of the MNC. However, since MNCs are not sufficiently knowledgeable about the Saudi market and do not have access to the social capital, which is required to develop logistical and management accounting practices, the distributor has more room to be creative. But such creativity is only to achieve the sales targets as per the MNCs strategies. Then, it can be argued that evoked crisis, by transferring new knowledge, is conveyed through the sales forces to the logistics and accounting expecting them to stabilise the organisation by creating new procedural knowledge and actual activities. Based on this inference, it might be valuable to study the impact of the distributor's strategy of compliance specifically in the sales stream on the process by which procedural knowledge (in logistics and accounting) is transferred to the distributors and also on the customisation process as well. This inference is suggested by an event identified with which MNCs transferred its sales/marketing procedural knowledge to the distributor. This event is when the MNC assigns talented sales managers, from the distributor's organisation, to serve within its organisation for two years and then send them back to apply what he/she had learnt during this period. Ideally, this member is expected to ensure that the distributor's sales procedures are in

complete alignment with the MNCs. This would logically have an impact on his/her fellow members in the logistics and accounting departments.

- iv) What is the role of middle management in the customisation process and the stabilisation of the distribution organisation? Building on the Nonaka *et al.*'s, (2000) "middle-up-down" management style.

There is a gap found in literature however deemed beyond the scope of this thesis. This gap stems from many researchers' claim that top management in general including in IJVs has the capability to orchestrate and manage knowledge transfer, knowledge codification and knowledge implementation. In fact most advice, with the exception of Nonaka *et al.* (2000), provided in literature concerned with the success of knowledge transfer and IJVs are directed to top management of IJVs. However, none of the advice offered to top management guaranteed generating or reaping desirable outcomes. Nonaka *et al.*, (2000) argued that this lack of confidence in generating desirable outcomes is due to the adopted management style by top managers. They suggested that in order for knowledge to generate desirable outcomes, the organisation need to avoid following the traditional top-down and bottom-up styles and instead follow a third one which they referred to as "middle-up-down" style in managing knowledge within organisations. This style argues that middle managers are more capable of driving the organisation's development by leading the conversion and creation of required knowledge between front-line managers (bottom) and top management in a spiral form. If we recall that it was found in this thesis that there are two processes involved to really understand the true value of transferring procedural knowledge: a transfer process and a customisation process. While the transfer process was revealed by this thesis, the second one remained unexplored. Then, it is only logical to aim to study the role of middle managers in the customisations process using Nonaka *et al.*'s (2000) as a frame of reference.

- *What are the contributions of the thesis?*

1- Methodological contribution:

The research design adopted in this thesis confirms the robustness and value of Van de Ven's (2007) approach to studying a process. The event-and-outcome approach, using a process model instead of a variance model, enabled this thesis to answer the call of many authors in different disciplines, such as Meier (2011) from knowledge management in IJVs, Prim & Butler (2001) from strategic management and Burns & Scapens (2000) from strategic management accounting. The richness of the findings revealed in this thesis empirically proved that this methodology is very capable of comprehending the process as a phenomenon and its constituting patterns, as claimed by Van de Ven (2007) and Van de Ven & Poole (1995).

2- Contribution to bridge gaps in the literature:

- i) Contribution to clarifying the general vagueness in the literature concerned with organisational knowledge, especially in IJVs:

Most of the literature theorises about what top management must do to improve their organisations' performance and competitiveness but provides no guarantees. It can be argued that this vagueness is due to the following: (1) the researchers focusing on "what" must be done rather than focusing on "how" things are done and (2) the majority of theories in knowledge management and organisational learning being considered frames of reference and empirically under-tested. Therefore, organisations' actual ability to acquire knowledge and thus develop skills and reap benefits remains superficial (Hamel, 1991) and not guaranteed (Huber, 1991; Levitt & March, 1988). The research exploring knowledge management and organisational learning in IJVs is considered incomplete and does not enable IJVs to enhance competitiveness because this research only focuses on the MNC's side of the process (i.e.,

Gupta & Govindarajan, 1991; 2000), investigating structural issues rather than how knowledge is actually transferred between partners (Simonin, 1999 a; b; Crossan & Inkpen, 1994). This characteristic could indicate the researchers' view of local partners as mere knowledge recipients, not creators (McGuinness *et al.*, 2013). The findings of this thesis empirically provide guidance on how knowledge is transferred to the local partner (the Saudi distributor), which was overlooked in the previous literature. Because the thesis specifically focuses on the MNC's partner, it provides complementary advice to the available and one-sided literature about how knowledge is transferred from MNCs to their local partners. The findings offer empirically based guidance that may enhance the understanding of the transfer process and thus improve the likelihood of reaping benefits, making such an outcome more certain. For this reason, it may be claimed that the findings of this thesis may contribute to clarifying an important dilemma in the literature on IJVs. Authors have claimed that the best form of strategic alliance that enables knowledge sharing is IJVs; however, it is recognised that it is also the most difficult to control and sustain. This dual nature is referred to the inherited complexity in managing knowledge-sharing and the ambiguity of knowledge itself (Simonin, 1999 a;b). Because this thesis investigated and revealed how procedural knowledge is transferred in three different streams (sales, logistics and management accounting), part of the complexity and ambiguity feared is reduced, mainly from the distributor's side. Therefore, how required knowledge by the distributor is transferred and exploited to sustain the process and used to enhance the distributor's competitiveness is clearer. Consequently, the distributor's ability to provide a solution pattern informed by a strategy of compliance to sustain the alliance is enhanced.

- ii) Contributing to cover the gap in the literature of organisational learning (OL) and knowledge management (KM):

Based on the reviewed literature (sections 2.4 and 2.5), three main gaps were identified. *The first gap* stems from the general literature on organisational learning. Authors in the field of OL focused on the motivations of learning and described them in the form of vague and under-tested (empirical) frames of reference, which are of little value to practitioners (Huber, 1991), especially when this advice does not guarantee firms' generation of desirable outcomes (Levitt & March, 1988). What was agreed upon is that OL is a potential (not guaranteed) source of competitive advantage. Despite the validity issues associated with the advice offered in the literature due to the lack of empirical testing, practitioners found these maps difficult to operationalise. The remaining gaps are identified based on the reviewed literature on organisational learning among firms in a strategic alliance. *The second gap* was highlighted by both Simonin (1999a) and Crossan & Inkpen (1994). The authors believed that past studies on learning between partners in an alliance were mainly focused on the MNCs' side, investigating static stories with mostly structural questions with little focus on the processes by which knowledge is transferred between partners and inter-organisational learning. *The third gap* was identified by Hamel (1991), who believed that the past literature provided little advice on how knowledge is acquired and how skills consequently developed within firms in an alliance.

It may be argued that this thesis will surely contribute to resolving all three identified gaps in the literature, especially those concerned with OL and KM in the context of strategic alliances. Because this thesis aims to empirically understand the process of procedural knowledge transfer from MNCs to Saudi distributors, the findings of the research will offer valid and operationalisable advice that may be of value to practitioners. This thesis is able to do so because it answers "how" (not "what") types of questions, which reveal the patterns and mechanisms of how this process occurs and thus offer a much clearer direction in which to advance the literature. As a result, practitioners, especially distributor organisations, are much more able not only to understand the process but also to leverage it to develop the skills that

will improve their performance and competitiveness. All three gaps are expected to be covered with the contribution of this thesis.

iii) Offering clarification on the contradicting views in studying subsidiaries within IJVs:

The findings of this thesis offered empirical evidence supporting the contradicting views found in the literature about studying knowledge within local partners of MNCs. Among the reported findings, the distributor of an MNC is found to act as a mere recipient (i.e., Cantwell & Mudambi, 2005; Gupta & Govindarajan, 1991; 2000) and as an active innovator, as suggested by McGuinness *et al.* (2013), Rabbiosi (2011) and Das & Teng (2001). However, it is concluded that the distributor may be considered a mere acquirer of procedural knowledge when it lacks self-motivation and absorptive capacity, provided that the type of knowledge involved allows the MNC to give sufficient room for the distributor to interfere. For example, even if the distributor is self-motivated and has high absorptive capacity, it will be given limited chance to interfere in creating new sales/marketing procedural knowledge because this knowledge is one of the MNC's core functions. When the distributor requires more procedural knowledge to achieve the balance between its survival and satisfying the MNC that is not possessed by the MNC, the expected contribution from the distributor is higher. When the required knowledge is more context-dependent and requires more access to social capital to develop (i.e., logistics and management accounting procedural knowledge), the distributor's contribution becomes essential to the success of the transfer process identified in this thesis.

The findings of this thesis also provide clarification on another dilemma that involves whether the MNC's control over its local partner's business and operations is beneficial to the alliance. This contradiction is found among authors who suggest that the MNC ought to have great control (i.e., Christoffersen, 2013) versus other authors that highlight the damaging effects of this control on the alliance (i.e., McGuinness *et al.*, 2013; Jiang *et al.*, 2008). The findings of this thesis offered evidence that both scenarios could offer a solution to key problems in the alliance depending on the type of knowledge involved and the distributor's knowledge-processing capabilities. It is found that the MNC's control is more likely to produce benefits for the alliance when (1) the type of knowledge involved belongs to the sales and marketing stream, which is a core function of the MNC, or (2) the distributor lacks knowledge-processing capabilities that are informed by the contingency factors influencing the transfer process. For example, if the distributor lacks self-motivation and is not convinced about providing the required intensity of effort required for knowledge transfer and creation, it is better for the alliance to have the MNC dominate the transfer process and the distributor's operations. This conclusion is aligned with Christoffersen's (2013) view of the MNC's centralisation. However, this thesis offers plenty of evidence that when the knowledge required by the distributor is context-dependent and requires access to social capital (i.e., in the logistics and management accounting stream) combined with the distributor's high knowledge-processing capability (i.e., self-motivation and absorptive capacity), the MNC's control over such operations is not advisable. This finding is believed to be true because excessive control is found to hinder the competent distributor's knowledge creation abilities and thus its potential to develop a competitive advantage in the Saudi market. This conclusion is perfectly aligned with McGuinness *et al.*'s (2013) view.

iv) Offering advice on potential contingency factors to be considered when studying the success of knowledge transfer in IJVs:

As summarised in the literature review chapter, the factors that influence the transfer of procedural knowledge are limited in the context of IJVs. Part of the findings of this thesis is a range of contingency factors that have inductively emerged from the data. In addition, the findings of this thesis offer information about which factors may be considered when studying the transfer process in relation to the type of knowledge involved in the transfer. Given that Saudi distributors are family-owned businesses; this advice offers a valuable contribution to

facilitate studying how knowledge is transferred to local partners, especially in contexts similar to Saudi Arabia. More specifically, the proposed model that explains the rationale behind the distributor's adoption of a certain strategy of compliance (total, partial or by developing creating hybrid practices) (see **figure 16, p.126**) is deemed valuable to complement the explanation of the behaviour and shape of how procedural knowledge is transferred to its organisation. In addition, the notion of the MNC's leverage over the local partner's (knowledge-related) decisions must be revised. The notion of leverage found in the literature between partners in IJVs is equity-based (Madhok, 2006). Part of the distributor's rational model is a contingency factor: the MNC's representation (percentage) in the distributor's portfolio. It is found that an MNC with higher representation (percentage) in the distributor's business portfolio has greater leverage over the distributor's decision to adopt a certain strategy of compliance to its standards. This is an important contribution that helps to understand the power structure of IJVs, especially in contexts similar to Saudi Arabia.

v) The gap in the under-researched context (Saudi Arabia):

It is commonly known that Saudi Arabia as a context is heavily under-researched. The findings of this thesis will contribute to the literature using Saudi Arabia as a context, especially in the fields of strategic alliances, knowledge management and organisational learning. Given that Saudi Arabia is the largest country in the Gulf region (economically and geographically), the findings could offer valuable advice for other neighbouring countries when empirically tested because of their cultural and political similarity. Ultimately, the findings of this research will contribute to the understanding of the business relationship between MNCs and their Saudi counterparts. This contribution thus will improve the overall attractiveness of the Saudi market and motivate both Saudi distributors and MNCs that seek to expand and invest.

3- Contribution for practitioners:

i) How is procedural knowledge transferred to the distributor's organisation in each stream?

The research design adopted in this thesis offers a distinctive level of understanding with regard to the process by which procedural knowledge is transferred from MNCs to their Saudi distributors. Because this process is investigated in three different streams of knowledge, which represent the core competences of any distribution firm: logistics/supply chain, sales/marketing and finance/management accounting. In this way, practitioners from both organisations (MNCs and distributors) will be offered a descriptive explanation of how and why the transfer process (in each stream) unfolds differently. This explanation will ultimately provide practitioners and readers with a comparative account of the process due to the nature of the procedural knowledge transferred and the uniqueness of the alliance between the partners (see **tables 17, 18 & 19, p.130**). In addition, the same findings may offer complementary knowledge to MNCs that are either currently working with Saudi distributors or attempting to internationalise to the Saudi market. Ideally, MNCs will not only be better informed about the impact of their transferred procedural knowledge on the Saudi distributors but also be more understanding of distributors' responses to new knowledge. This outcome is believed to be most valuable, given that all distribution firms in Saudi Arabia are family-owned businesses.

ii) Why do different distribution organisations follow different trajectories/strategies of compliance?

Following Ven de Ven's (2007) approach to study a process (events and outcomes), it is fundamental to uncover the patterns and mechanisms that constitute the process concerned. Because each distributor is assumed to be unique in terms of how it responds to the

transferred procedural knowledge, the rationale (see **figure 16, p.126**) and the contingency factors (see **table 16, p.112**) that influence them as part of this process is important. Revealing this information will not only enable the distributor to understand the factors that influence the transfer process but also impact their strategy of compliance given this new knowledge. Ultimately, part of the practical contributions of this thesis is to empower Saudi distributors to utilise their partnership with MNCs to enhance their competitiveness as an outcome of the procedural knowledge transfer process. In other words, the findings of this thesis will enable the top management (in the distributor's organisation) to design a strategy of compliance (to a certain MNC's standards) that will enable the distributor to reap benefits, among which is competitive advantage (see **tables 17, 18 & 19, p.130**). This outcome is believed to be very valuable given the new changes in the WTO agreements governing the Saudi market that now allow MNCs to operate without Saudi partners. This knowledge will enable distributors to improve their core competences, offering value-adding products and services which will enable them to sustain their business with existing multinational partners and attract future ones.

- iii) What is the implication on how distributors manage their strategy of compliance in relation to the number of MNCs they serve?

Ideally, the ultimate goal for distributors is to achieve the balance between satisfying the MNC(s) they serve and maintain profitability in the rapidly growing market (Saudi Arabia). As demonstrated in the list of contingency factors (**table 16, p. 112**), the number of MNCs being served under a single distributor's roof is found to impact the distributor's strategy of compliance. As the researcher reflect upon his own experience having worked for distributor's which served a single MNC as well as several MNCs, the difference between these two distributors in terms organisational pressure is significant. The higher an MNC represents (%) from the distributor's portfolio, the harder it is for all members within the distribution firm (including the owners) to resist complying with new standards. When the distributor is dedicated to single MNC, all business operations especially sales, logistics and management accounting seems to be in tune with that MNC. However, the sales operations (executed by the distributor) is completely aligned and synchronised with the marketing operations (executed by the MNC). the interesting part is that both members from the logistics and accounting departments seem to be under the highest level of crisis which they are usually offered little help (from the MNC) to stabilise. Such disturbing crisis is magnified in folds when the distributor serves several MNCs under one roof. Members from the logistics and accounting departments are usually the ones absorbing the heat and arguably are the most creative employees. Aligned with the findings of this research, that is because MNCs possess little logistical and management accounting knowledge within the context of Saudi Arabia. Therefore, the distributor's success with an MNC hinges on the sheer creativity and self-motivation of members from the logistics and accounting departments. However, some distribution owners' ethos of doing business hinders those talented members by not investing in them (salaries) and the supporting systems that would facilitate creating hybrid practices. Therefore, the more MNCs a distributor serves, the more intensity of effort it is required to enable its organisation to withstand crises while leveraging the knowledge transferred to them to develop the competence of creating hybrid practices. That is mainly because the distributor's ability to develop such competence is where its competitive advantage stems from regardless of the type of knowledge involved.

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The appendix:

Attachment -1: The interview guiding list of questions (3-pages)

Interview document		
Candidate's name:		Location:
Date:	Interv no.:	Stream: Log --- Sales --- Acct

Set-up:

- Give the candidate a brief description of the research : Y / N
- Obtain informed consent from candidate: Y / N , documented / Verbal

Questions:

Point -1: Preparation

- 1- When new knowledge/SOPs/Practices are to be transferred from MNCs to distributor,
 - Can you describe the preparation process?

 - Can you describe how does each step of the transfer process happen?

Point-2: creation

- 2- How is knowledge identified as required?
- 3- How is knowledge created and exchanged between MNCs and distributors?
- 4- Does the cultural and educational background of MNCs and their distributors have bearing on the process by which Knowledge is created and transferred?

Point-3: conversion/exchange:

- 5- Do you think that Knowledge need to be converted/tailored before exchange with distributors?
- 6- In either ways (Y / N), can you describe how does that happen?

Point-4: decision on value:

- 7- When new procedures are (or need to be) adopted by distributors;
 - Can you describe how does this process start from initial communication to completion? **Give example(s)**
 - Can you describe the possible scenarios by which the distributor reacts to such process and procedures? **Give example(s).**

Page-1

Interview document

Point-5: Assessment of capacity to create knowledge:

- 1- Can distributors create valuable knowledge? (Y/N);
 - If yes; how can its value be judged?
 - If no; why do you think so?

Point-6: Assessment of learning capacity:

- 2- Can distributors learn? (Y/N);
 - If yes; how can this be judged?
 - If no ; why do you think so?

Point-7: Crisis construction:

- 3- Hypothetically, if distributors are able to create knowledge, how do distributors stay motivated to do that? Can you describe the sources with examples?

- 4- Hypothetically, if MNCs is part of this motivation, do you think MNCs style could impact distributors' ability to create knowledge? Can you describe such impact with examples?

Point-8: Response to change:

- 5- Can you describe how fixable distributors are towards adopting new knowledge/practices?

- 6- Can you describe the distributor's responses ? How do they start and how do they end?

Point-9: Impact on competitiveness:

- 7- Hypothetically, if WTO was fully signed allowing MNCs operate without a Saudi Partner and distribute for themselves or work with international distributors; do you think Saudi distributors will be able to compete? If either (Y/N); why do you think so?

- 8- Do you think MNCs partnership with distributors could impact distributors' competitiveness?
 - If yes; can you describe such impact?

 - If no ; why not?

Attachement-2: The Introduction letter for gate keepers in organisations

Date : 10-Oct-2011
From : Eng. Esam Halawani
To : HR managers, Potential candidates
Subject : Introduction to Esam Halawani's PhD research

Dear Sir/ Madam,

The purpose of this letter is to clarify the objective of my research and what does it entail in terms of the data to be collected from the selected candidates within your organization. It can be considered as a supplement to the official field work letter from the University of Sheffield which supervises this doctoral research.

The literature in business and management had extensively explained the business relationship between the Multinational Companies (MNCs) and their affiliates but only from the former's side. The impact of such relationship on affiliates remained underexplored. Therefore, my research is concerned with the impact of Multinational Companies (MNCs) on local distributors' competitiveness operating in Saudi Arabia.

Based on western literature that described this particular business relationship, I am suggesting that the essence of distribution firms' competitiveness lies within the process by which procedural knowledge and learning is transferred from their multinational partners. The hypothesis which I am putting forward suggests that understanding the process by which such knowledge and learning is transferred from MNCs to their Saudi distributors has bearing on understanding the impact of MNCs on distributors' competitiveness. For this reason, data need to be collected from both sides of this partnership with much more emphasis on the distributors' side.

The proposed research methodology is a qualitative one which entails that I will be relying on interviewing candidates only. Since this research is not firm specific, the candidates whom I am looking for need to have a certain background and professional profile. I am interested in candidates who was (or still is) involved in tasks (projects) of knowledge and learning transfer from MNCs to distributors. I will be only interviewing few candidates from the fields (departments) of logistics, sales and accounting. Candidates will be asked to describe the process of knowledge and learning transfer which they were involved in currently or in the past. The business profile of the candidates that I wish to interview is preferably from top management levels (i.e. GMs, directors, CEOs, COOs, CFOs or national managers).

I hope that I have adequately explained the objective of my research and the nature of assistance that is kindly requested from you (your organizations).

Please do not hesitate to contact me if further inquiries are required.

Sincerely yours,

Eng. Esam Halawani

Doctoral researcher, The University of Sheffield, United Kingdom

Email : e.halawani@shef.ac.uk or esam.adel.halawani@gmail.com

Mobile: +44 7868 355 193

Attachment-3: The Official request for assistance (letter head from the University)



The
University
Of
Sheffield.

Management
School.

Dr Harry Sminia

Management School
The University of Sheffield
9 Mappin Street
Sheffield S1 4DT

29th September 2011

Phone : + 44 (0) 114 222 3390
Fax : + 44 (0) 114 222 3348
Email : H.Sminia@sheffield.ac.uk
Web : <http://www.shef.ac.uk/management/>

Dear Sir/Madam,

Re: Introduction Letter for Field Word Interview Activity in Saudi Arabia 2012

This is to inform you that **Esam Adel Halawani** is a PhD student under my supervision and he is currently undertaking research and writing his dissertation in partial fulfilment of the requirements for the Doctorate of Philosophy in Management through the Management School. His research focuses on the process by which procedural knowledge and learning is transferred from multinational companies to Saudi distributors.

In order to address his research questions, he will be required to conduct field work to obtain relevant data from both multinational and distribution firms operating in the Saudi Arabian market. In terms of the research strategy, he will mainly use audio recorded interviews to collect data from relevant candidates. Selected candidates will be asked to reflect on their experience to describe how knowledge and learning is transferred from multinational companies to their Saudi partners and its impact on the latter's competitiveness.

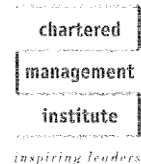
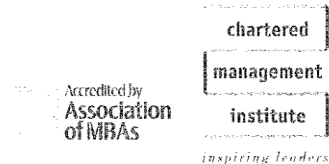
It is important to note that any form of obtained data (audio recording or documents), candidates' names and the organizations they belong to will be completely concealed and the findings will be used only for academic purposes. Additionally, audio recordings of interviews will be completely destroyed after transcription.

I hereby would like your organization to kindly assist him during his various stages of the interview processes. Your kind attention on this matter is very much appreciated.

Yours faithfully

Dr. Harry Sminia
University of Sheffield Management School,
9 Mappin Street, SHEFFIELD. U.K.

Management School
Sheffield University
9 Mappin Street
Sheffield
S1 4DT



Attachment 4 : The remaining emergent codes & relationships created in Nvivo-9

No.	Main node	Description	Sub-nodes
16	Strategies of Compliance	Gather all empirics to explain how the Saudi distributor comply with and take advantage of transferred procedural knowledge	1- Total compliance 2- Partial compliance 3- By Creating Hybrid practices
17	MNC's sources of satisfaction	Gather all empirics explaining the sources from which MNCs are satisfied with their Saudi distributor.	None
18	MNC's operating alone	Gather all empirics to explain whether and why MNCs would consider breaking their alliance (JV) with their distributors in light of the new WTO changes.	None
19	MNC's Interference in the transfer process	Gathering empirics to explain when, why and how would MNCs interfere with the transfer process and its content (per stream).	1- In the Sales/MKT stream. 2- In Logistics/Sc stream 3- In FIN/mgt Accounting stream
20	Transfer influencing factors	Gather empirics to explain the influencing factors which influence the process by which procedural knowledge is transferred	1- MNC % of Distr. Portfolio. 2- Strict Indust. Regulation. 3- Dist. Expansion model 4- Dist. FIN gain 5- Dist. Owners' Ethos
23	Dist. Competitive Advantage development	Gather empirics to understand the sources which impact the distributor's competitive advantage	None
24	Internal Validity of rational model (Fig-16)	Gather evidence related to the internal validity of the proposed rational model explain the distributor's adopted strategies of compliance (Fig-16, p.125)	None
25	Dist. Business model (s)	Gather evidence to understand the business models with which distributors are serving MNCs	1- Traditional 2- Others
26	Transfer process stages	Gather empirics to understand the stages of the process by which procedural knowledge is transferred.	1- Preparation 2- Transfer/Exchange 3- Sustainability
27	Dist. Operational efficiency	Gather information about the importance and impact of the distributor's operational efficiency and how professional its operations are. Also, whether this impacts transferring and complying with new knowledge.	None
28	Dist. Economic efficiency	Gather information about the importance and impact of the distributor's economic efficiency in the context of transferring and complying with new knowledge.	None

Table-23: The remaining emergent codes created in Nvivo-9

No.	1 st Node	2 nd Node	Description (To gather empirics to highlight the relationship between 1 st and 2 nd Nodes)
1	16.1	23	Total compliance and distributor's competitiveness
2	16.2	23	Partial compliance and distributor's competitiveness
3	16.3	23	Compliance by creation hybrid practices and distributor's competitiveness
4	18	23	MNCs operating alone and distributor's competitiveness
5	20.1	16	MNC's representation (%) of distributor's portfolio and the distributor's strategy of compliance
6	20.2	16	Strictness of Industrial regulations and the distributor's strategy of compliance
7	20.3	16	Distributor's expansion model and the distributor's strategy of compliance
8	20.4	16	Distributor's financial gains and the distributor's strategy of compliance
9	20.5	16	Distribution firm's owners and the distributor's strategy of compliance
10	27	17	Distributor's operational efficiency and the MNC's satisfaction
11	28	17	Distributor's economic efficiency and the MNC's satisfaction.
12	12	23	Transfer process in Sales/marketing and distributor's competitive advantage
13	12	23	Transfer process in Logistics/supply chain and distributor's competitive advantage
14	12	23	Transfer process in Finance/Management accounting and distributor's competitive advantage
15	13	23	Trust between partners and distributor's competitive advantage
16	13	26	Trust between partners and the Transfer process stages
17	5	19.1	The distributor's capacity to create knowledge and the MNC's interference in Sales/MKT stream
18	5	19.2	The distributor's capacity to create knowledge and the MNC's interference in Logistics/SC stream
19	5	19.3	The distributor's capacity to create knowledge and the MNC's interference in FIN/ mgt accounting stream
20	26.3	23	The sustainability stage of the transfer process and the distributor's competitiveness

Table-24: Relationship nodes based on the entire list of created nodes (table above and table 13, p.103)

Attachment 5: Summative tables (25, 26 & 27) to capture evidence that was not highlighted in the analysis chapter.

No.	Reason	Qoutation
1	MNCs failed to operate alone in the Saudi market based on history.	<p><i>"in bigger markets and geographies for example like Egypt, all MNCs had gone through the same cycle. MNCs came and operated via distributors and then, they decided to run it by themselves. Then, they returned back to the distributors and realized that they cannot do that part of the business and apologized for thinking so. Because the distributors provide all the types and levels of services that the MNCs do not want to do" (SlS.Dist-33).</i></p> <p><i>"For the distribution of a full fledged receivable it has already been tried out by MNC-X in Saudi Arabia [...] and decided to do that job themselves and it is pulling back now as it was a complete failure. Now they are integrating themselves with 'us' distributor-X because they have learned that they do not want to have this exposure and reach." (SlS.dist-15).</i></p>
2	MNCs will never have sufficient access to social capital to run their distribution operations.	<p><i>"We believe in long term partnerships and we are not thinking at this stage to change our business model. We will continue working as a partner to them [...] I believe that the Saudi distributors have a good advantage to compete capitalizing on their local experience and reputation. See you cannot take 50-80 years of trade presence lightly. For sure no MNC will have the same connections and details of the field like these organisations. Ideally, if international distributors decided to compete with the local ones they won't succeed. Because they might have the efficient process and prices but they will not have the emotional bank especially when a lot of the old customers do not have sophisticated systems, it is all manual [...] doing the sales in Saudi Arabia it is not dependent on mechanical staff of up-to-date IT systems; it requires a very unique and culturally capable sales force to seal the deal with old fashioned customers" (Fin.MNC-25).</i></p> <p><i>"The Saudi culture and consumers will not accept a person named 'Johnny' coming from an MNC trying to sell them products they needed in Ramadan season. The only way these goods are sold if the sale man name was Abdulla and the company supplying is a local one" (SlS.Dist-17).</i></p>
3	MNCs will can't take the risk of managing the "receivables side" of the business.	<p><i>"[...] all of our existing principle like the distributor business model and do not want to change. Because not every principle wants to take the risk of looking after market receivables in Saudi Arabia" (Owner.Dist-36).</i></p> <p><i>"One of the most important challenges that scare MNCs from running the business by themselves besides the depreciated infrastructure is the "account receivable". Nobody knows how much the distributor suffers and uses all the tricks in the book and personal relations to collect the payment from customers" (Fin.Dist-33).</i></p>
4	MNCs will not change their business model as long as they are satisfied with the current distributor.	<p><i>"if the MNC had already established an operation which is delivering good results and the operation can be trusted to continue running with the same efficiency. Then why would any MNC decide to establish another operation to compete with that? If MNC-X had a good distributor which have a solid foundation, trusted by the trade, offers a good partnership where we can rely on each other, then MNC-X would not change this" (Log.MNC-23).</i></p>
5	The political situation does not motivate MNCs to invest to operate individually.	<p><i>"MNCs today want to expand their business and focus more on their sales and promotion areas or in other words, they want focus more on their roles. [...] MNCs going full fledged and distributing for themselves is really questionable. Honestly, no one will take the risk in that area due to the political instability in the region. I do not see it happening any time soon" (SlS.Dist-15).</i></p>
6	Saudi distributor's assets had already depreciated.	<p><i>"the distributor has an infrastructure that has already depreciated and that fact should be appreciated by the MNCs. So, accordingly, the distributor's cost of running the business will never be like going today and investing in new infrastructure and it will never work. We can also look at the cost of employees, if an employee applies for a MNCs, he will expect 3-times the salary he will be receiving from a distributor for doing a similar job" (SlS.Dist-33).</i></p>
7	The Saudi market is not sophisticated enough for MNCs to operate without intermediaries.	<p><i>"I think this is something that is not feasible unless the trade has reached to a certain stage of maturity that are the same in Europe or other markets that MNCs had mastered before, local knowledge cannot be replicated. Because today we have 60% of the business is done through traditional trade which is a very ..very much based on traditional relationships built of personal relationships with the customers themselves. If you and your organisation did not have the ability to crack that, delivering business is not achievable" (SlS.Dist-33).</i></p>

Table-25: The summative table providing quotes to support the reason behind MNCs refraining for operating individually in the Saudi market.

No.	How distributors react to change in WTO regulations	Qoutations
1	Distributor need to provide diversified logistical services.	<p>"I think the distributor's role will change where he will be no more working as an agent who is distributing. It depends on principles strategies. Some principles still want to continue working with a distributor who would take the burden of sales and collection off of them. Others do not want that, they just want a 3PL services to assist them in moving those boxes while the sales are completely done by the principle[...] Ultimately, the distributor has great advantage if a distributor is doing and good job to attract principles to come and do business with him and minimize their risk. Honestly, the way I see it, MNCs are now more free to move to those distributor who are doing a good job." (Owner.Dist-36).</p> <p>"In my opinion, in case of distributor-X, he will remain in business with MNC-X but under different contractual terms" (SlS.MNC-30).</p> <p>"later on, the response from the biggest principles that we distribute for came as follows; "we believe that continuing with you as partners is in the best interest for both of us". Now that could mean that such partnership may not be exactly contractually remain the same which I unfortunately cannot explain on the record, but any changes in the contractual agreements will be in the benefit of both organisation which will surely drive both of their business" (Fin.Dist-34).</p>
2	Distributor's heavily invested in assts to secure their business with MNCs.	<p>"To be accurate Mr.X's5 share is different in both MNC-X's facilities in Jeddah and Dammam. I think that was clever because he also has a say if they ever want to partner with anyone else as well. [...] Honestly, I do not think that this would ever happen between MNC-X and distributor-X. Because they are real partners and contractually partners" (Log.Dist-10).</p>
3	Distributors took advantage partnership with MNCs and developed knowledge-based competences: create customised hybrid practices for different MNCs.	<p>"distributor-X can absolutely compete. I think they have raised the bar to a level that it would be so difficult for other organisations to attract MNC-X's distribution business [...] I had that impression from distributor-X's GM and the owners that they are always giving MNC-X's the feeling that spells 'we are here, we are ready, and we will not argue and fight for keeping MNC-X's business, it is MNC-X's call to take its business somewhere else"(Log-Dist-10).</p>
4	Some distributors have developed to a point they shape how MNCs future business plans.	<p>"MNCs must and I am saying must give the distributors a say in shaping how the MNCs do business. [...] The distributor knows better and should be believed and trusted to drive the business in its own country" (SlS.Dist-33).</p>

Table-26: The summative table providing the qoutes to support the Saudi distributors' view and reaction towards the new changes in WTO regualtions.

No.	Impact	Qoutations
1	Active distributor will survive and expand their business	<p>"frankly, they do not have a choice. If they do not learn, they will die. Saudia is changing it is not any more the old black box market. They need to learn from the principles or from the knowledge that is available in the market or they have to die. Then, principles will move away from them to other distributors or manage their own operations since it is becoming feasible to do that in the country" (SlS.Dist-35).</p>
2	Dissatisfied MNCs would rather invest to develop their distributor: distributors role can not be replicated by MNCs.	<p>"for multinationals to invest in buildings, stores, warehouses, equipment ..etc.. These are expensive. Transportation by itself is a main issue given the size of Saudi Arabia. Also, the Saudi distributors are working with several multinational companies and any investment put in will be distributed over those partners therefore the risk is much smaller on the multinationals. So, the distribution force of the Saudi companies is too convenient for new comers to work in Saudi Arabia." (Fin.MNC-29).</p>

Table-27: The summative table providing qoutes to explain the impact of changes in WTO on the survival of MNC-Distributor alliance.

⁵ "Mr. X" is the name of the distribution firm's owner, which had to be concealed as per ethical agreements.