Organizational Receptivity – Understanding the Inter-Organizational Learning Ability

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Abstract: The aim of this paper is to discuss which factors can be seen essentially affecting a company's learning ability through its organizational receptivity in inter-organizational knowledge transfer. This will be done by developing a typology of the factors affecting company's organizational receptivity (and absorptive capacity) of new knowledge in inter-organizational knowledge transfer. Yet, only after the pre-conditions for the cooperation are created, it is the individuals' abilities and the organizational culture that can essentially affect the outcome.

Keywords: Organizational receptivity, Knowledge transfer, Absorptive capacity

1. Determinants of successful inter-organizational knowledge transfer

Along with the emergence of the knowledge-based view the development of tacit knowledge and core competencies, as the most vital task for the long-term development of sustainable competitive advantage, has gained vast support (e.g. Hamel 1991; Nonaka – Takeuchi 1995). As tacit knowledge cannot be readily bought or sold, companies can develop new knowledge and competencies either through their own experiences or the experiences of other organizations (Von Krogh et al. 2001; Bierly – Hämäläinen 1995). In knowledge transfer the challenge is to develop new competencies by transferring and integrating knowledge from external sources into the organization's knowledge base (Almeida et al. 2002).

The aim of this paper is to discuss which factors can be seen essentially affecting a company's learning ability through its organizational receptivity in inter-organizational knowledge transfer. Inter-organisational learning can be regarded as a process of developing new knowledge and insights through knowledge transfer enabling improved actions through better understanding (Fiol – Lyles 1985, 803; von Krogh et al. 2001). The knowledge transfer is a complex process that is dependent on the relationship context, knowledge characteristics and the companies' learning abilities (Goh 2002). As the pre-conditions for the transfer process are created, then it is the individuals' and the organizations' abilities to learn and interact as well as the encouragement of the

organizational culture that can be seen essentially affecting the company's ability to absorb new knowledge (Cohen – Levinthal 1990; Bierly – Hämäläinen 1995). Thus, it can be seen that organizational receptivity represents the first steps in the process of learning and understanding, and therefore, forms the starting point to successful knowledge integration (Helleloid – Simonin 1994; Morey 2001). Without understanding, knowledge can not be transferred, integrated and developed in a meaningful manner.

Organizations learn based on the learning efforts of the individuals (Hedberg 1981). A company can have documented knowledge or standardised procedures, but it does not literally have a mind, but is a manifestation of the minds of the individuals (Nonaka – Takeuchi 1995). However, it would be incorrect to say that organizational learning is merely the sum of the individuals' activities. What individuals learn is not totally unrelated to the organizational context. The aims and rewarding schemes of the company and the prior related knowledge essentially affect and direct the individuals' learning efforts (Kim 2003; Weick 1995; Cohen – Levinthal 1990). In the context of inter-organizational knowledge transfer this same argument can be further applied - the context matters and both of the partners and their activities will affect the eventual learning process.

Before exploring the concept of organizational receptivity further, one must understand the web of interdependencies affecting an organization's ability to learn. In the knowledge transfer literature,

especially three determinants are emphasized as basic elements for effective learning through relationships: *mutual intent to learn, transparency and receptivity* (See Hamel 1991; Lane – Lubatkin 1998; Johnson – Sohi 2003). These elements can be seen to include the intent, possibility and ability to learn from an external source. Furthermore, the concept of absorptive capacity, as referred to by Cohen & Levinthal (1990), has been widely recognised as an important facilitator to inter-organizational learning. It has been defined as the company's ability to "*recognize the value of new, external information, assimilate it, and apply it to commercial ends*" (Cohen – Levinthal 1990; Lane – Lubatkin 1998). However, it can be argued that considering the context of knowledge transfer Cohen & Levinthal somewhat overemphasize the importance of the receiving company's characteristics and the role of previous knowledge base regarding the individuals' cognitive abilities (Lane – Lubatkin 1998). This undermines the transferor's ability to cooperate and support the process. One must thus notice that these issues are not totally up to the receiver, but the process needs to be supported by the transferor's characteristics and activities in order to assure the balance of the basic elements for learning. Therefore, it can be suggested that the concept should be understood more comprehensively in the analysis of companies' inter-organizational learning efforts.
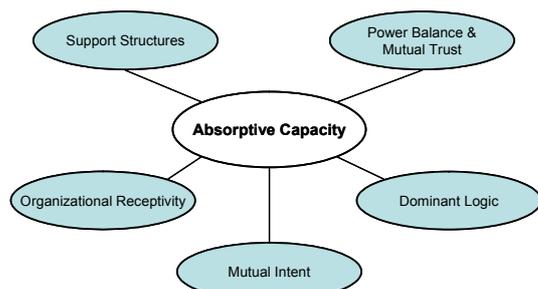

Figure 1: Determinants of absorptive capacity in an inter-organizational knowledge transfer context (Based on Lane – Lubatkin 1998; Hamel 1991; Minbaeva et al. 2003; Cohen – Levinthal 1990; Lane et al. 2001).

In Figure 1 the essential determinants of absorptive capacity are introduced, as discussed in the literature. A very basic pre-determinant of inter-organizational learning is the atmosphere within the relationship. One important question in this regard is the level of *mutual trust and power dependencies* within the relationship. Trust can be characterised as the parties' ability to believe that the counterpart's behaviour will remain consistent in the future, although they may have a possibility to behave opportunistically (Adapted from MacMillan et al. 2000). Dependencies are essentially important regarding the access and development of resources due to their vitality to the activities and competitiveness of any company (Pfeffer – Salancik 1978). Related to the dependency, mutual trust between the partners is needed in order to ensure the transparency of the partners. This also stresses the importance of *support structures (e.g. governance mode, infrastructure)*, which can be adapted according to the relationship goals. (Minbaeva et al. 2003; Goh 2002; Lane et al. 2001.) The *mutual intent* to learn depicts the receiving company's desire to gain new knowledge based on the mutual motivation of the partners to transfer knowledge (Johnson – Sohi 2003; von Krogh et al. 2001; Nahapiet – Ghoshal 1998). The *dominant logic* represents the receiver's ability to capitalize on the transferred knowledge, which is largely dependent on the receiver's ability to understand the value of the knowledge within the new context (adapted from Lane – Lubatkin 1998; Lane et al. 2001). This can be seen very much related to the complementary nature of the transferred knowledge (as well as the close linkages between the industries in which the partners have their activities) as well as the innovative abilities of the organizations.

Finally, *organizational receptivity* determines the receiver's ability to identify, understand and transfer valuable knowledge (adapted from Hamel 1991; Lane – Lubatkin 1998). It can be subsequently regarded as a measure of the organizational and individual characteristics supporting the inter-organizational learning process. Both of the last two determinants are strongly dependent on the preconditions the relationship context and the developed trust creates to the transfer process (e.g. Goh 2002; Lane et al. 2001). *Consequently, it can be seen that the trust and support structures represent the structural determinants where as*

receptivity and the dominant logic represent cognitive determinants for successful knowledge transfer and integration (Lane et al. 2001). This paper will be next concentrating especially on understanding the role of organizational receptivity in analysing organizations' ability to learn.

2. Understanding organizational receptivity in international business relationships

As stated, it is the aim of this paper to concentrate on the factors affecting the organization's ability to assimilate knowledge from an external source. Next a typology based on a literature review about the antecedents of organizational receptivity will be presented (See Cohen – Levinthal 1990; Hamel 1991; Kogut – Zander 1997; Bierly – Hämäläinen 1995). The essential factors are presented in Figure 2.
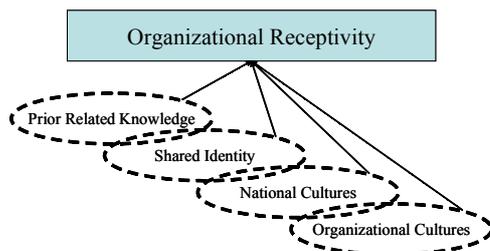

Figure 2: Typology of organizational receptivity

Considering the development of companies' organizational knowledge bases, internal development has an important advantage compared to learning from external sources, as the firm represents a social entity with shared values and understanding for the developed knowledge (Kogut – Zander 1997). However, a strong shared identity and consequent trust as well as extensive social linkages may offer partnerships many of the benefits of firm's internal development processes, and can subsequently be considered fundamental in developing mutual understanding (Almeida et al. 2002). Finally, besides the cultural issues, also the organization's prior knowledge base can be distinguished as one important variable affecting the absorptive ability of the receiver (Cohen – Levinthal 1990). Next each of the variables will be discussed more closely.

2.1 The role of prior related knowledge

The organization's learning capacity is essentially a result of the cognitive abilities of the individuals combined. One of the most recognised concepts regarding inter-organizational learning is the importance of prior related knowledge to the organization's absorptive capacity (Cohen – Levinthal 1990). Companies try to understand the environment and learn according to the existing causal maps that have been constructed based on previous activities and the resulting environmental changes as well as the understanding of the underlying causal relationships (Hedberg 1981; Shrivastava 1983; Weick 1979). The similarities regarding prior expertise are important to the company's ability to learn from external sources as it enables organisations to find a common understanding of the basic pros and cons of the knowledge and the possibilities for applying it more easily. Furthermore, due to their prior experiences, individuals will have developed schemas and mental maps for handling similar situations and problems, and subsequently the individuals have better abilities to absorb highly complex and tacit knowledge. (Cohen – Levinthal 1990.)

In order to integrate new knowledge a company needs to be able to identify transferable entities of knowledge. The cumulative nature of knowledge means that a certain level of prior knowledge has to be acquired in order to understand the further developed issues (Cohen – Levinthal 1990; Cook – Brown 1999). If the knowledge gap between the companies is too great, learning may become impossible (e.g. Hamel 1991). Especially if the knowledge is highly tacit and complex in nature, the abilities to absorb new knowledge will play an important role considering the possible success or failure to integrate the knowledge efficiently (See Cohen – Levinthal 1990). Therefore, one could emphasize the importance of considering that the people involved with the learning process cover a diverse range of competencies so that essential problems can be dealt with. Considering the professional characteristics of people, they should possess: (a) similar prior knowledge and expertise in order to understand the possibilities for knowledge transfer and the exploitation possibilities

and (b) diverse backgrounds and wide understanding of related competencies so that the available knowledge in its complexity and tacitness could be understood in its full breadth (Cohen – Levinthal 1990; Helleloid – Simonin 1994).

The prior experience from similar situations and problems leads to a multiplicity of interpretive schemes, which can be utilized when encountering new projects. However, this is not an issue of the knowledge from previous situations per se, but rather the experience – and the consequent ability to interpret and adapt to similar situations based on the previous learning (See Cohen – Levinthal 1990; Compare Gelbuda et al. 2003). It is here that knowledge becomes applied into action through the process of knowing which can be referred to as the use of knowledge within a situated and social context (Cook – Brown 1999). Based on the effects of their actions on the environment organizations learn and develop new maps of causal relationships (Hedberg 1981; Weick 1979). Finally, it could be noted that external learning can be seen essential in the sense that external knowledge sources are not limited either by the individuals' cognitive maps, the organization's mental maps or procedures used in knowledge creation (adapted from Sinkula 2002; Leonard-Barton 1992).

2.2 The importance of shared identity in inter-organizational learning

A company is different from the market transaction in the sense that coordination, communication and learning (i.e. the essence of the transfer process) are situated and mentally within an identity. This so called *social identity* not only lowers the cost of communication and the fear of opportunism, but also sets certain tacit rules and values for efficient coordination and learning. (Kogut – Zander 1996.) If these organizational bases for perceiving and interpreting environment are very different, it will create challenges to knowledge transfer. The role of shared social identity between the partners is essential in inter-organizational learning, as it helps the partners' possibilities of understanding the underlying mechanisms of knowledge transfer and subsequently enables

interpretation of knowledge. (See Nahapiet – Ghoshal 1998; Child – Rodrigues 2003; Kogut – Zander 1996.) The role of shared identity will be next discussed as a combination of the easiness of finding (a) shared social identity, (b) shared national identity and (c) shared professional identity, between the interacting individuals (See Child – Rodrigues 2003).

2.2.1 Building shared social identity

In order to efficiently communicate the essence of tacit knowledge with one another in a business relationship parties need to be able to trust and relate to each other in order to find mutual understanding. This can be achieved through developing a shared social identity for identification within the interacting group in the relationship. (Kogut – Zander 1996; Child – Rodrigues 2003.) A strong social identity within the separate organizations may mean that individuals distance themselves from differing identities and oppose their views about learning (Child – Rodrigues 1996). It can be seen that the basis for similarity and shared social identity may be derived from close interaction and e.g. similar expertise or occupational background, the familiarity to the specific environmental context or a common organizational or national cultural background (Kogut – Zander 1996; Bogenrieder – Nooteboom 2002; Child – Rodrigues 2003). These bases may enable the individuals to find a common identification based on the distinctiveness and prestige of the group involved within their values and trust as well as based on the shared perceptions of outsiders (Asforth – Mael 1989).

The shared social identity can be seen as a result of the cognitive and the social relatedness (identification, norms and trust) towards other individuals involved with the partnership. This is at the same time also essentially bound to the structural dimension of the organizations, i.e. the network ties and the configuration of networks. (adapted from Nahapiet – Ghoshal 1998.) Shared social identity defines the rules, norms and values according to which individuals coordinate their behavior – perceived as the essence of organizational culture. (Kogut – Zander 1996; Child – Rodrigues 1996.) Furthermore, the identity and the aims of the organization affect how individuals perceive the relationship and decision-

making within it, thus essentially affecting knowledge transfer within relationships (See Wiig 2003; Simonin 1999).

Understanding the basis of the knowledge requires the development of a common language, which enables the learning process through more efficient communication and interpretation. Shared language will help in the development of social relations, shared interpretation of the environment and the individuals' ability to communicate and learn. (Kogut – Zander 1997; Nahapiet – Ghoshal 1998.) Essentially, previous experiences with other organizations and their social worlds can be seen affecting the individuals' ability to develop a shared identity within new relationships (Gelbuda et al. 2003). Furthermore, it can be argued that the more specific the aim of the relationship is, and the more diverse backgrounds the people involved have, the more important will the development of shared identity become (See Asforth – Mael 1989).

The identity will further affect the way people perceive each other as members of the group, and thus affects the way self-interest and trust are perceived. The essence of identity is often discussed in terms of the organization's internal cohesion and the identity's ability to diminish the need for control and coordination. (Nahapiet – Ghoshal 1998; Kogut – Zander 1996; Asforth – Mael 1989.) However, it can be argued that the shared identity is not just related to the social context and the companies' ability and willingness to change their processes and values, but also to the relationship context and the aims of the partners. Shared identity may essentially help in developing mutual trust as the partnership becomes more transparent and the intent to learn becomes mutual (Child 2001a). This trust will also help the companies to understand each other better, as it requires more transparency than trust based on enforced agreements and contracts (Child 2001a; Nahapiet – Ghoshal 1998).

2.2.2 Building shared national and professional identities

The basis of identification can come from different issues but there are two essentially important bases for identification that can be recognized in the context of inter-organizational cooperation – the shared national and professional identities. These bases for identification may span further than the socially built identities but still differ between themselves. (Child – Rodrigues 1996; 2003.)

The shared professional identity is related to the development of the shared understanding based on the similarities in individuals' professional background (Child – Rodrigues 2003). Often people with a specific education and working background may lead people thinking in a certain way (Kim – King 2004). Furthermore, it has been noted that strong professional identity may lead to a weaker identification to the individual's organization (Alvesson 2000). Yet, closely related to this one can also see the prior experience in dealing with similar learning situations before, which can be seen characteristics to a specific profession. It can be argued that the role of shared professional identity is especially important in developing a basis for shared language and mutual understanding in cooperation between cross-functional teams.

Additionally, also the similarities and differences in national identities may represent a factor in developing shared identity. This challenge will become even more important as organizations increase their international activities globally (Child – Rodrigues 2003). Especially, as MNCs are facing changes in their global business environment they are forced to place more emphasis on coordinating and managing their set of innovative initiatives and capabilities in different cultural (national and organizational) contexts. Furthermore, this must be done without forgetting the needs of the customers possibly acting in a totally different or a number of differing cultural settings. Thus, the nationally based values and shared identification will play an essential role in developing a mutual base for interpretation and trust.

Besides the developed mental maps and rewarding systems, also the shared social identity within the organization supports the internal knowledge development process in a specific way (Leonard-Barton 1992, 119-120; Senge 1990). Thus, it can be argued that, as the organization's social identity focuses the coordination and learning activities within an identity, it

at the same time sets limitations on the company's ability to search for new areas of knowledge and competencies. Integrating knowledge from external sources can be also argued to stress the importance of questioning the underlying assumptions of the knowledge that is being transferred, as it is not based on the familiar frame of reference.

2.3 The challenges of national cultures for inter-organizational learning

It can be seen that besides the development of a shared identity, the role of national cultures affects also the interaction between companies more comprehensively in terms of the ease of interacting and communicating as well as the development of mutual trust (See Child 2001a; Simonin 1999). On the other hand, it has been argued that the significance of cultural differences in close cooperation diminishes as the relationship matures (Simonin 1999).

The difficulties in managing within a mix of national cultures are based on that people are often unwilling to adapt to different ways of organizing and managing, as people are more comfortable in working with others with similar values and manners (See Child – Rodrigues 1996). As an important factor regarding the differences of national cultures one should recognise the importance of language and how it creates obstacles for effective communication about the partner's knowledge and the development of trust and shared identity (See Simonin 1999; Barner-Rasmunssen – Björkman 2003).

These issues are basically related to the traditional problems with relationship management, but can be seen especially important in the context of knowledge transfer as the role of possible opportunism and the need for trust is often emphasized. The issues are also essentially important since the knowledge is often tacit in nature and embedded within the partner's processes – requiring the development of a shared identity and deep understanding of the context for effective knowledge transfer.

2.4 The challenges of organizational cultures for inter-organizational learning

As shared identity is considered in terms of shared recognition and interpretation, the role of organizational culture will be considered in terms of the compatibility of the partners' learning intents and organizational structures. Differences in people's organizational cultures can have important implications on inter-organizational knowledge transfer in three dimensions: (a) in terms of the way they perceive cooperation as a way of operating; (b) the way they encourage learning and (c) the operational level of the cooperation and interaction (Simonin 1999; Osland – Yaprak 1995; Child – Heavens 2001).

Firstly, the differences between organizational cultures may represent profound challenges concerning the relationship as a learning environment. A learning culture is usually realised in an atmosphere of continuous development and evolution and a level of autonomy, which supports individuals' development efforts (Englehardt – Simmons 2002; Child – Heavens 2001; Osland – Yaprak 1995). The willingness to learn can be realised in an organisation, which is willing to question its practices in search for more efficient ways of operating (Child 2001b). Besides that, the organization will also need to unlearn current practices in order to fully adopt new procedures from partners (Hamel 1991; Cohen – Levinthal 1990). It can also be argued that the management's role is essential in encouraging and coordinating the organization's learning efforts according to the knowledge development strategies (Hutt et al. 2000; Child – Heavens 2001). As a part of these managerial decisions one could especially consider the support for open communication within relationships and the use of rewarding schemes in encouraging learning (Bresman et al. 1999; Gupta – Govindarajan 2000; Dyer – Singh 1998).

Secondly, the company's tradition and willingness to cooperate with other companies and the subsequent penetrability and willingness of making adaptations and investments can be seen affecting the company's abilities to learn from relationships (Bogenrieder –

Nooteboom 2002; Child 2001b; Dyer – Singh 1998). Similarly, being actively involved in similar kinds of partnerships will help companies in building an alliance capability which supports the organization's ability to coordinate and manage its partnerships better (Draulans et al. 2003).

Thirdly, the company's willingness to learn is essentially bound to the organizational structure of the companies. One of the key elements in inter-organizational learning is the level of open communication and information sharing (Lennox – King 2004). Closely related to this, according to previous research, is the supporting role of the similarity of organizational structures and decision-making processes as well as reward systems between the partners (See Lane – Lubatkin 1998; Cummings – Teng 2003; Simonin 1999). Furthermore, one could expect that companies with a learning intent will try to develop such management practices and relationship structures that support the learning efforts, which further helps in the development of shared identity. Thus, it is essential to notice that these factors are all closely interrelated and will together form a supportive and active learning environment.

3. Discussion

As discussed, organizational learning through knowledge transfer requires the existence of the possibility, intent and ability to learn. This will create essential challenges considering the individuals' learning efforts that can be overcome within a supporting environment, in which the parties are able and feel confident in transferring knowledge. Especially, the inter-organizational context sets challenges on the individuals' ability to communicate and learn. It can be argued that the level of similarity between organizations is not just a question of physical similarities, but similarity may also be of great advantage in the development of a co-operational social context and shared identity.

The aim of this paper was to concentrate on the factors affecting a company's ability to learn in a knowledge transfer context by analysing the concept of organizational receptivity. As discussed, as a pre-requirement for understanding and

learning complex knowledge, one must possess a certain level of prior experiences. Besides that, the development of shared identity can be seen especially important in inter-organizational cooperation due to the possible anxiety as the usefulness of the identification with one's original organization is questioned (Child – Rodrigues 2003). In order to be able to transfer socially constructed knowledge, the individuals would need a certain level of shared identity as a basis for interpretation. The role of shared identity is especially important when knowledge contains tacit components as they are closely related to the assumptions about the company's values and processes and thus require double-looped learning (See Child – Rodrigues 2003). This underlines the importance of the individual characteristics of the people included in the project team. It can be seen beneficial to include people from diverse backgrounds in order to capture the knowledge in its full complexity, but also people with good social and (intercultural) communication skills and people who are willing to learn and adjust to new and unpredicted situations.

This further highlights that developing shared identity is more than building network connections to other individuals. Shared identity can create a shared base of understanding of concepts, which allows for a more stable and encouraging basis for knowledge transfer. It can also be seen that the role of shared social identity is essential both in helping managers to resolve and avoid conflicts and in developing a shared base for interpretation as well as trust. However, most importantly the mutual basis for interpretation is required for the companies to be able to communicate the essence of the tacit, embedded knowledge. Thus, in a sense shared identity and the similar prior knowledge of the organizations can be viewed strongly interrelated and as pre-requisites for the exploitation of the receiver's learning abilities and the subsequent knowledge integration and utilisation. Without the shared social identity people will have difficulties in finding the right means of interacting and interpreting, but without prior experiences people may have difficulties in understanding the essentials of the competence and its underlying

assumptions. Subsequently, both of these factors are essential for successful integration of knowledge to the new organizational context.

Gaining experience from inter-organizational learning may have further implications. *Firstly*, cooperating with more partners will help the development of shared identity and organizational receptivity as the company gains experience from similar situations (Child 2001b). This can be further highlighted, as prior experience in business relationships and in inter-organizational learning seems to support companies' possibilities in knowledge transfer (Cummings – Teng 2003). On the other hand, it can be argued that formalized learning experiences from relationships may form a barrier to learning in subsequent relations, as the processes of learning and developing shared identity are strongly relationship specific (Child 2001b). Furthermore, although it may be argued that a variety of partners will mean more diverse knowledge base, it will also mean that sharing knowledge with new partners will become more challenging as finding a shared identity as basis for interpretation will become more complex. Thus, there also needs to be a balance between inter-organizational knowledge development activities and organization's capabilities and resources of engaging in such projects.

Secondly, the set of tacit and difficult to imitate social ties and strong shared identity as a basis for interpretation may be developed into a relationship specific asset yielding competitive advantage (Child 2001b; Dyer – Singh 1998; See Fiol 2001). On the other hand, the organizational identity supports the knowledge creation process in a specific way, which is based on the existing processes and mental maps, therefore, possibly limiting the individuals' innovativeness (Leonard-Barton 1992; See also Fiol 2001). Furthermore, also trust developed within a relationship may begin to support the restrictive nature of social identity, as it will support the mutual sense of cohesion and stability (Seines – Sallis 2003). Thus, it is important for managers to understand the role of mutual intent in the relationship – with clear, regularly revised objectives it is easier to support an atmosphere of constant development and encouragement for learning.

Furthermore, also the roles of organizational and national cultures can be seen strongly related to shared identity, as they represent the underlying structures and environment that individuals are supposed to work with. These are essential issues for managers to understand as companies engage in more international activities. The close connections and communication between individuals is important considering the sharing of knowledge but it also enables conflict resolution and learning through the development of shared identity and trust (Hutt et al. 2000; Bogenrieder – Nooteboom 2002). The consequent trust can support the transparency of the transferor as it reflects the company's openness in communication towards the receiver, and trust that the receiver will not opportunistically use the knowledge against the transferor (Johnson – Sohi 2003; Selnes – Sallis 2003).

Thus, it is essential to note that these issues are strongly related to the context of developing a co-operational atmosphere and a mutual learning intent within the relationship. Especially the role of shared identity can be seen to be central in the process of inter-organizational learning. Furthermore, besides the role of shared identity, the organizations must have the possibility to understand the context of the knowledge in order to be able to transfer it. One must emphasize the importance of noticing that the organizational receptivity is not only dependent on the receiver, but is rather a result of the interaction, commitment and efforts towards mutual goals of both partners.

These issues represent an essential area for companies and managers to analyse and understand in inter-organizational knowledge transfer. It could be further argued that especially studies using qualitative methods would be needed as they can be seen to allow for a more comprehensive behavioural perspective of the challenges and complex decision making process that the managers are facing (See Björkman – Forsgren 2000). Further research is needed in developing a more comprehensive and holistic understanding of the effects of the relationship context and the partners'

characteristics to the knowledge transfer process. Especially the relation and effects of the relationship atmosphere and the relationship management activities in developing pre-conditions for successful knowledge transfer need further research. Finally, also empirical research and testing of the presented conceptualization is needed.

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