Questioning the Positive Effect of External Knowledge Transfer Incurred by Industry Attractiveness: the Case of Mobile Virtual Network Operators (MVNOs)

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Abstract: The contribution of knowledge transfer to an organization's overall performance outcomes has become one of the central themes of investigation among the theorists and scholars in the field of knowledge management. This paper questions the positive effect of external knowledge transfer on an organization's financial performance, taking into account that even coordinated knowledge transfer is time consuming and likely to impair the performance outcomes when the conditions appropriate for obviating the inherent difficulty of knowledge transfer are not established. Its aim is to examine the fundamental role of the attractiveness of industry as a main moderator in an external knowledge-transfer activity which takes place between two parties in an alliance. Consistent with prior work on knowledge management this study argues that transfer costs are determinative factors for an organization's performance and include: (i) the considerable amount of time spent searching in order to identify the appropriate new knowledge required, (ii) the effort to effectively distribute this knowledge between the parties of an alliance and (iii) the time needed for the external knowledge to be implemented effectively to an organization's daily processes. The case to be examined is that of organizations which are in great need of obtaining and using new knowledge to achieve business model innovation. This kind of organizations is more likely to be affected by search and transfer costs since they are trying to reduce time-to-market entry, thus, achieving first mover advantage. A plausible source of knowledge for these organizations (knowledge seekers) is the formation of strategic alliances with organizations which not only possess the required knowledge (knowledge keepers) but also operate in attractive environments. An attractive environment, among others, is liable to frequent entries of new players and this may not give time to such organizations to elaborate and effectively utilize the knowledge that is externally derived. These assumptions are shaped on an overarching conceptual framework, which identifies the role of the attractiveness of the industry and delineates research propositions, taking the Mobile Virtual Network Operators (MVNOs) as a case study. To determine the attractiveness of the mobile telecom industry we apply Porter's five forces framework and then we draw on a number of interviews which allows us to provide data suggesting that with an increase in the number of new entrants in the mobile telecom industry, an increase in the amount of knowledge derived externally may reduce the organization's ability to increase its performance outcomes.

Keywords: external knowledge, knowledge transfer, industry attractiveness, strategic alliances

1. Introduction

In the era of knowledge economy, most researchers have placed great emphasis on the contribution of knowledge – either in its codified or non-codified format - to an organization's overall performance outcomes. Indeed, they have argued conceptually or supported empirically that organizations with the ability to effectively manage the knowledge already possessed or that acquired from outside, gain a better claim to superior innovativeness (Davenport and Prusoak, 1998), superior effectiveness and efficiency (Argote and Ingram, 2000) as well as superior customer responsiveness (Darr *et al*., 1995). Focusing on the knowledge transfer process which allows an organization to obtain knowledge from outside its boundaries, it is posited out that for such a process to be effective, thus enabling organizations to make valuable use of new knowledge acquired from outside, the whole process should be conducted under specific conditions, namely to take place within time constraints and in a coordinated sequence of actions.

Seeking knowledge from outside an organization's boundaries has become one of the principal activities for the majority of organizations which are in great need of obtaining and using new knowledge in order to effectively and economically develop new products (product innovation), apply new methods of delivering services (service innovation) and/or redefine an existing product, service or process (business model innovation), aiming at the further maximization of their business (Damanpour, 1991; Davenport *et al*., 1996; Chesbrough and Rosenbloom, 2002). Both scholars and practitioners have simultaneously supported that the transfer of knowledge external to the firm has a

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direct and positive effect to an organization's overall performance (Ancona and Caldwell, 1992; Hansen, 2002; Dushnitsky and Lenox, 2005).

Although the ability to gain access to and allocate external knowledge often promises organizational success (as it has been found to improve organizational performance), the implementation of knowledge acquired from outside may lead to the opposite effect and as Haas and Hansen (2005) posited out "… *may hurt organizations*". A plausible explanation could be the tendency within some organizations to obtain knowledge sourced outside unquestioningly, combined with a failure to subject incoming knowledge to sufficiently rigorous analysis. In addition, factors, such as the attractiveness of the industry in which organizations wish to maximize their business, often do not ensure effective knowledge implementation. Closely related to these knowledge-elaborating obstacles is the trend followed by many brand companies to offer innovations to their customers without previously possessing the relative knowledge. The acquisition of external knowledge alone, however, is not always adequate to secure an organization's maximization of its business.

2. Questioning the positive effect of external knowledge transfer

2.1 Stating the problem

The amounts of knowledge sourced outside organizations' boundaries are found to be influential for the innovative actions they undertake. In most cases that have been empirically investigated, obtaining knowledge – either codified or non-codified – from various external sources has a direct positive impact on organizations' performance (Arrow, 1974; Cohen and Levinthal, 1990). That is to say by acquiring knowledge from outside, organizations obtain considerations for, elaborations on, and modifications to the existing knowledge that broaden and add considerable value to the ongoing growth of knowledge. Thus, organizations have the opportunity to allocate, assimilate, and effectively use the amounts of the necessary knowledge they previously lacked in order to innovate.

However, the positive effect of external knowledge transfer on an organization's performance outcomes followed by the effective exploitation of the new knowledge is related to specific factors which may disable the potential benefits that the externally derived knowledge may offer. Consistent with prior work on knowledge management, it is argued that, among others, search and transfer costs determine the effectiveness of a knowledge transfer process between two parties Specifically, the considerable amount of time an organization spends searching in order to identify the appropriate knowledge required, along with the effort to effectively obtain and share this knowledge with another organization, as well as the time needed for the incoming knowledge to be implemented effectively to an organization's daily activities in order for the later to innovate, may be detrimental to an organization's performance.

Several studies have analyzed the difficulties in transferring either codified or non-codified knowledge (Zander and Kogut, 1995) arguing that such difficulties influence the time needed in order for a new product to be developed. Generally, in the knowledge transfer costs literature the project completion time is regarded as one of the main factors which contribute to an effective knowledge transfer process. Hansen (1999) considered the nature of the relationships between subunits (strong vs. weak ties) in an organization and their impact on knowledge search and transfer efforts. Additionally, the significance of time constraints for the incoming knowledge to be implemented effectively was discussed by Edmondson (2003) in her study on action teams whose members have to deal with unpredictable situations.

These elements sum up the complexity of the utilization of knowledge acquired from sources external to an organization indicating, at the same time, that its effectiveness is the outcome of different factors related either to the external or the internal organizational environment. Taking this prior work one step further and questioning the positive effect of external knowledge transfer on the organizational level, this study focuses on the moderating role of the industry attractiveness in an external knowledge transfer procedure which occurs between two parties within a strategic alliance.

2.2 The conceptual framework

Drawing upon the existing empirical and conceptual work and aiming to expand this prior research, an overarching conceptual framework of the situated perspective of organization's performance is proposed which identifies the role of the industry attractiveness, taking the Mobile Virtual Network

Operators (MVNOs) as a case study. More specifically, what is examined is the extent to which the industry's attractiveness – as an external environment parameter – moderates the effective use of both codified and non-codified knowledge transferred between two parties in an alliance.
The case to be examined builds on the need of organizations to maximize their business by effectively and economically achieving business model innovation. To do so, the aforementioned organizations, which play the role of *knowledge seekers*, need to obtain, among other things, specific knowledge (either codified or non-codified) possessed by other organizations which are leaders in the specific domains (e.g., mobile telecoms) and which play the role of *knowledge keepers* operating in attractive environments. In practice, knowledge seekers lacking such knowledge seek to secure alliances with knowledge keepers in order to embrace the knowledge required.

Hence, this kind of organizations is more likely to be affected by search and transfer costs since they are trying to reduce time-to-market entry, thus, achieving first mover advantage. Additionally, it is posited out that an attractive environment is liable to frequent entries of new players and this may not give time to such organizations to elaborate and effectively utilize the knowledge that is externally derived.

What is proposed as a moderating factor is the aforementioned industry attractiveness. Such a factor has a significant effect on the utilization of knowledge acquired from outside the organization. This rationale is depicted in the framework presented below (Figure 1), which provides a conceptual situated perspective of the organization's performance influenced, in this case, by the new knowledge that is externally derived.

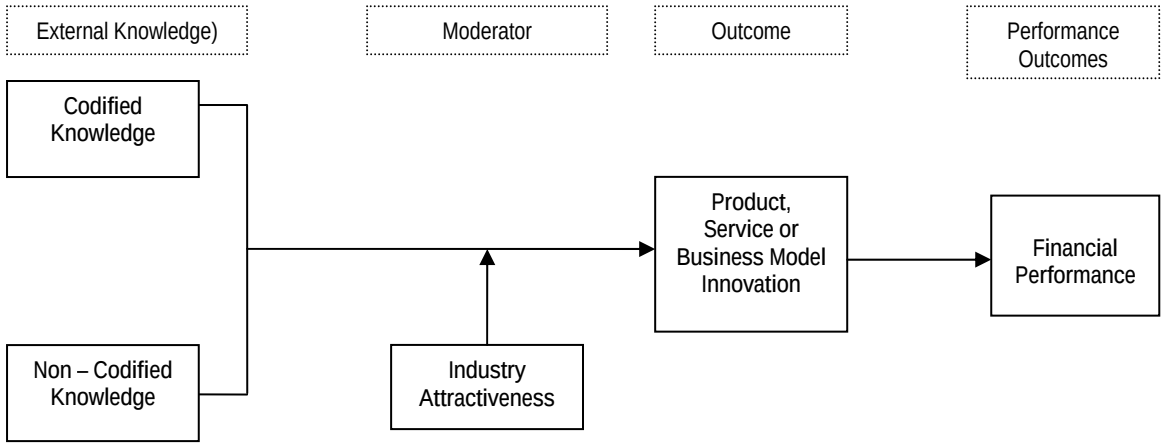


Figure 1: The situated perspective of organization's performance

2.3 Research propositions

The propositions developed here aim at shaping considerations for new research and insights into knowledge management problems. The issues to be addressed concern the negative effects of the incoming knowledge on organizations' performance outcomes and are as follows:

2.3.1 External Knowledge (EK)

According to the existing theory of knowledge management, possible sources from which an organization can extract the required knowledge may be distinguished into two broad groups (Souitaris, 2001, Caloghirou *et al*., 2004). The first group includes available sources of knowledge such as technical reports, patent databases, conferences, scientific publications and use of internet, whilst the second group includes sources which occur after coordinated efforts on the part of organizations for establishing linkages. Specifically, such sources are found to be the Academic and Research sector (i.e. University-industry cooperation) (Cohen *et al*., 2002), mergers and acquisitions or strategic alliances (Capron *et al*., 1998; Ahuja and Katila, 2001), recruitment and selection of highly skilled personnel or even investments in corporate venture capitals. To gain access to such sources, though, the collaboration between organizations must be secured in order for a knowledge transfer process to take place.

It is assumed that the knowledge which an organization obtains from a strategic partner in an alliance contributes to product, service or business model innovation, which in turn, increases its performance. The valuable contribution of knowledge acquired in an alliance and its relationship to performance outcomes, in terms of growth, innovation rate and survival, has already been investigated by management scholars (Inkpen and Beamish, 1997; Grant and Baden-Fuller, 2004). These studies illustrate the direct positive effect of external knowledge acquisition on an organization's performance.

However, prior knowledge management literature lacks evidence to support factors which obstruct the beneficial outcomes for an organization which implements knowledge that is externally derived. Consequently, there is a need to examine whether or not the acquisition of external knowledge is a secure source of competitive advantage for organizations that seek to gain access to new business. Besides, external knowledge should be examined by taking into account other factors, without following the tendency of past research to unquestionably accept the one-dimensional nature of knowledge that is externally derived.

The present study defines as external knowledge the knowledge - either codified or non-codified – which an organization (knowledge seeker) acquires from its strategic partner (knowledge keeper) and proposes that the external knowledge may increase an organization's chances at increasing its performance. Where this paper differs, regarding this point, from prior work is that it questions the positive impact (viewed in a holistic manner) of external knowledge acquisition on performance outcomes (measured by objective performance indicators). Thus, it proposes the situated perspective of organizational performance which has rarely been discussed earlier in the knowledge management field. This is reflected in the following propositions:

- Research Proposition 1: The extent to which the external codified knowledge that an organization obtains from its strategic partner increases its performance outcomes.
- Research Proposition 2: The extent to which the external non-codified knowledge that an organization obtains from its strategic partner increases its performance outcomes.

2.3.2 Industry Attractiveness (IA)

Based on previous work on knowledge management, it is assumed that in order for the transfer of new knowledge acquired from outside organizations to be useful and effective and thus enable organizations to gain the first mover's advantage, it should take place within time constraints in a coordinated sequence of actions (e.g., Hansen, 1999; Edmondsom, 2003). Taking into account that the knowledge transfer process, even if it is coordinated, is by nature time-consuming and likely to impair the expected performance outcomes, the appropriate factors for obviating the inherent difficulty of knowledge transfer should be established.

Transfer costs could be a determinant factor for organizations which are willing to maximize their business by delivering new services and entering new industries characterized as attractive (i.e. they demonstrate future profit potential and growth) (Hofer and Schendel, 1978 in Wernerflet and Montgomery, 1986; Porter, 1980; 1985; Ramarwarny *et al*., 1993). More specifically, search and transfer costs include the considerable amount of time spent in order to identify the appropriate new knowledge required as well as the effort to effectively assimilate the incoming knowledge. Organizations which lack previous knowledge and experience in the new domain they wish to enter are more likely to be affected by search and transfer costs since they are trying to reduce time-to-market entry, thus gaining the aforementioned first mover's competitive advantage. It is also posited out that an attractive industry is, among others, liable to frequent entries of new players and this may not allow the necessary time for inexperienced organizations to elaborate and effectively utilize the knowledge that is externally derived.

- Research Proposition 3: The extent to which the industry attractiveness moderates the effective use of the external knowledge that an organization acquires from its strategic *partner*.

2.3.3 Performance outcome

Various performance measures, in terms of objective (e.g., financial rates) and subjective indicators (e.g. reputation or customer loyalty), have been proposed by many researchers in order to measure innovative efforts but they have rarely been used by researchers in the field of knowledge management to measure performance outcomes related to knowledge utilization.

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It is estimated that the performance outcome of knowledge seekers might be based on objective financial indicators (e.g. revenues, Average Revenue Per User (ARPU), number of subscribers and years of operation) (Subramanian and Nilakanta, 1996) which were also collected from various valid sources, as described earlier in this paper. Subjective performance measures are not taken into consideration since they might potentially confound the research outcomes of this study. Generally speaking, the utilization of customer loyalty or reputation are found to be indicators which are not applicable to business ventures such as the case of the business model innovation examined in this study.

3. Methodology

3.1 Data collection and analysis

Data for this study has been divided into two main categories: primary and secondary data. Primary data has been collected through thirty semi-structured interviews at the workplace of the interviewers, each lasting 90-120 minutes approximately. Interviews were recorded and taped in order to extract qualitative process data which were further interpreted through qualitative deductive content analysis (theory driven proposition testing). Secondary data has been collected from specialized archival sources such as telecom journals and newsletter, Internet sources and annual reports

The qualitative sampling (i.e., Subject Matter Experts (SMEs), Informants and Gate Keepers (GKs)) for this study is purposive (not random). It was selected using the dimensional sampling strategy in order to decide upon a purposive sample composed of knowledgeable, reliable and well-informed participants (Johnson, 1990). In this case, the risk of the great uniformity that such participants may exhibit has also been taken into consideration (Pelto and Pelto, 1975).The interviewees consisting of ten SMEs (i.e., consultants in the sector of mobile telecoms who possess a thorough knowledge of the formation of MVNOs), twenty Informants (i.e., senior level managers who had contributed to the MVNOs operation and had been directly involved in the transfer of external knowledge from their strategic partners) and five GKs (three experts and two academics).

The process was conducted in three phases. As an initial guide for the entire interviewing process, phase one involved ten grounded open-ended interviews, with the SMEs in order to obtain basic information concerning (i) telecom industry current status and trends (ii) MVNO concept, market and operations and (iii) MVNO technical – technology issues. After appropriate information and data being collected, an interview protocol of thirty six guided questions was developed which was also consistent with the existing knowledge management literature. This interview protocol was used in phase two, where informants were contacted with a specific target to form an interpretation of primary data by selecting evidence and juxtaposing it with the expectations from the related literature as well as our conceptual estimations. Informants were not asked to fill in any questionnaire Instead we used the questionnaire as a manual to direct the twenty semi-structured interviews with them. In phase three a panel of GKs was set up with a view to testing reliability (i.e., data quality checks for bias, deceit and Informants' applied cognitive background) as well as internal validity (i.e., the linking of presented data with prior or emerging theory) and external validity (i.e., the consistency of findings with the theory and the situation experienced). .

3.2 Findings of the interviews

The study supports the claim that the transfer of external codified or non-codified knowledge from knowledge keepers to knowledge seekers, in the context of a strategic alliance, enhances the performance of the later, though this effective outcome is moderated when the whole process occurs in an industry that is characterized by high attractiveness.

The interpretations of interview data extracted from SMEs linked evidence to knowledge management theory and led us to define *external knowledge* in its *non-codified* format as the personal knowledge possessed in the form of advice or insights by people involved in the examined case (e.g. experts, senior employees). Such knowledge is a source of information concerning customer care services, billing processes, managerial practice and policies and tricks of sales. Similarly, *external knowledge* in its *codified format*, consisting of either electronic or hard-copy documents (i.e., executive reports, newsletters, manuals) gives information, among others, about market share growth, lost client rate and investment project evaluating speed.

Data extracted from the interviews with the Informants was classified into two themes related to the aforementioned research propositions. Informants responded to a set of questions evaluating the extent to which the external codified knowledge and the external non-codified knowledge which an organization obtains from its strategic partner in an alliance increases its performance outcomes. Concerning the external codified knowledge transfer, the majority of the respondents identified a significant positive relationship between the codified knowledge that is externally derived and organizational performance outcomes. Indeed, a significant percentage of informants relied heavily on the explicit knowledge in cases of technology transfer as opposed to theorists (e.g., Nonaka, 1995; Spender, 1993) who venture to suggest that non-codified knowledge is more valuable than codified knowledge. Other informants dealt with codified and non-codified knowledge not as two different and distinct kinds of knowledge but as two interdependent kinds, a view which Polanyi (1966) strongly supported in his seminal work. Specifically, they recognize that the non-codified knowledge possessed by people outside an organization constitutes the necessary background for the development and interpenetration of codified knowledge that is also externally derived. Without the accessibility to know-how, hints and advice of the informants, explicit knowledge cannot be implemented effectively.

Concerning the external non-codified knowledge, Informants supported its positive effect on the performance of an organization which derived the necessary knowledge from its partner in an alliance. However, they argued that the effectiveness of the external non-codified knowledge on an organization's performance is depended, to a great extent, on the willingness of knowledge keepers to share this knowledge with the knowledge seekers and transfer it within the appropriate time constraints. Additionally, it was indicated that the extensive participation of knowledge keepers in the knowledge transfer activities, in terms of personnel movement, training, formal and informal communication channels, scheduled meetings and replicating techniques, has a considerable effect on the efficiency of the knowledge transfer process. Issues of knowledge transferability were also discussed followed by a consensus that the codified knowledge - by its nature – is more easily articulated and transferred between individuals and organizations than non-codified knowledge (Kogut and Zander, 1992). The subject-related quotations from the interviews are in the box below.

The codified knowledge that is externally derived increases the performance of organizations in the case of technology transfer
The external non-codified knowledge constitutes the necessary background for the development and interpenetration of the external codified knowledge.
The effectiveness of the external non-codified knowledge on an organization's performance depending on the willingness of knowledge keepers to share the knowledge that possess
The extensive participation of knowledge keepers in the knowledge transfer activities has a considerable effect on the efficiency of the non-codified knowledge transfer process.
The codified knowledge - by its nature – is more easily articulated and transferred between individuals and organizations than non-codified knowledge.

Industry attractiveness of the mobile telecom industry was measured using Porter's five forces model, which provides a structured approach for examining the external environment of an organization. The data of the conducted interviews with the informants confirmed our estimations using the five forces analysis. Specifically, the conducted Porter's analysis indicated that the mobile telecoms industry is fairly attractive both for knowledge keepers and knowledge seekers. Informants confirmed the moderating role of industry attractiveness in the knowledge transfer process especially for the strategic group of knowledge seekers. Such a role is justified in terms of the frequent entries of new players, the bargaining power of the knowledge keepers to share the required knowledge as well as the knowledge seekers' dependence on knowledge keepers to effectively implement such knowledge. The subject-related quotations from the interviews are in the box below.

Rivalry among existing competitors
In contrast to the traditional mobile telecom market, the market liberalization created a significant number of players, thus MVNOs have a great number of competitors. Diversity among the competitors is based on the different services they offer, the segments they target, the market position they possess. MNOs strategic stakes are higher than MVNOs (capital investments) and concentrated on the mobile services The mobile telecommunication industry is growing very fast. Low fixed costs. Existence of differentiation and switching costs. Lack of capacity in large investments. MVNOs rent this excess capacity from MNOs (which they have high licenses and infrastructure costs).

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Weak exit barriers: low specialized assets, low fixed costs of exit, low emotional barriers, low governmental and social restrictions, average strategic interrelationship costs.
Threat of substitutes (product or services)
(i) 2,5 G services (sufficient for business and consumer needs) ii) 4G services (not in services – is coming soon, iii) 3G services (freedom of mobile multimedia access – uncertainty for investments), iv) WLAN (is seen as a complementary technology rather than a substitute.
Bargaining power of buyers
The market segments that the MVNOs target or wish to target determine the revenues. The offerings of MVNOs differ in terms of the different pieces of telecoms value chain owned y MVNOs. Buyer's switching costs: Low for the pre-paid tariffs, low for the residential customers, low for changing operator, relatively high for long-term contact subscribers (who are locked-in with an operator). High profitable buyers. There is no ability to backward integration. Customers have an ongoing easy access to the information concerning the prices as well as the various offerings of the various MVNOs across the world.
Bargaining power of suppliers
The main suppliers for the MVNOs are the MNOs Importance of the customers' industry for the suppliers, in terms of selling extra capacity increases their revenues Importance of suppliers' product for the buyers' 'business, in terms of network quality Suppliers' switching costs and product differentiation, depending on the commercial agreement and contract duration
Barriers to entry
General and administrative costs, billing, joint costs (brand names, know-how). Product differentiation, in terms of the offering of the existing MVNOs. Capital requirements: Depending on the business model represented by an MVNO. Average switching costs. There is no threat of access in distribution channels Governmental policy (Licenses requirements): NRA: realizes the importance of competition in telecom industry, monitors and controls the relationships between national operators and potential entrants, allows permission access of MVNOs to 3G network.

Upon completion of the primary data collection an extensive control followed in order to ascertain that the primary data are in accord with the secondary data. More specifically, we have estimated that the performance outcome of knowledge seekers might be based on objective financial indicators (e.g., revenues Average Revenue per User (ARPU), number of subscribers and years of operation) (Subramanian and Nilakanta, 1996) which were also collected from various valid sources, as described earlier in this paper. Informants confirmed that their estimations for the performance of knowledge seekers were consistent with the proposed objective financial indicators; meaning that the transfer of the external knowledge (codified or non–codified) causes a temporary increase in these indicators. Such an increase soon levels out or there is even a decrease in these rates, after a period of time, which could be consistent with the impact of industry attractiveness on the knowledge seekers.

4. Discussion

The results from this study support that organizations which are in great need of obtaining and using new knowledge - which they temporarily lack - in order to gain access to an attractive industry might be affected by search and transfers costs and consequently mar their chance of gaining the first mover advantage.

The research evidence indicates that, in terms of search costs, this kind of organizations primarily face the difficulty of not only pin pointing but also to approaching and persuading a knowledge keepers in order to form a strategic alliance. In these cases, the brand name of the knowledge seeker is one of the determinative factors for the formation of such an alliance. Other factors are found to be negotiation-partners agreement and successful previous partnership. Even organizations with strong brand names are also affected by search costs in their attempts to enter high attractive industry environments. A plausible explanation could be potential market players, namely other knowledge seekers wishing to enter the same industry. The implication here is that an increase in the number of knowledge seekers wishing to join such industries, along with the considerable time needed to approach and form a strategic alliance with a knowledge keeper, decreases the possibility of knowledge seekers gaining the first mover advantage.

The latter could further be discussed by taking into consideration the transfer costs. Even when knowledge seekers secure the appropriate knowledge needed through the formation of an alliance, this alone is not adequate to promise an effective knowledge transfer followed by a successful implementation of the incoming knowledge. Knowledge seekers usually lack not only the appropriate knowledge needed in order for them to maximize their business to new markets but also the appropriate cognitive background to implement the external knowledge that is externally derived. Thus, the willingness on the part of knowledge keepers to distribute the appropriate knowledge along with the appropriate knowledge transfer mechanisms which are developed and implemented by both parties in a knowledge exchange relationship, should also be considered of significant importance.

The implication in relation to the knowledge keepers' willingness to transfer the knowledge they possess, is that an attractive industry can change the rules of the agreements between the two parties in an alliance, especially when stronger brands claim the same source of knowledge. It may be further suggested that the implementation of appropriate transfer techniques and tools are vital when time-constraints are considered to be determinative factors for superior performance outcomes. The effective implementation of appropriate knowledge transfer tools and mechanisms may give organizations which are in great need of external knowledge a time advantage over their competitors.

The present evidence suggests that not only the time spent on the transfer of codified knowledge obtained but also the time spent on the exchange of non-codified knowledge can be more harmful for organizations that face the difficulty of effectively interpreting and exploiting the incoming knowledge. Organizations with the appropriate cognitive background (such as organizations operating in similar sectors) can easily elaborate the external knowledge obtained from their strategic partner. The lack of cognitive background may prove detrimental when, the industry an organization wishes to enter is characterized by high attractiveness, an industry where the speed of the implementation of new knowledge that promises the launch of a new product, service or business model before the competitors determines the success of this new business venture.

The transfer of knowledge which is externally derived provides organizations with the ability to redefine their existing product, service or process, thus creating, in this case, MVNOs. In other words, knowledge seekers without the acquisition of the specific knowledge are not in a position to maximize their business. Consequently, from this point of view, an external knowledge transfer positively affects the performance of knowledge seekers. However, issues concerning the codifiedability of the knowledge that one partner in an alliance holds, the transferability of the external knowledge required along with the willingness of the knowledge keepers to share and transfer the amounts of knowledge they possess, influence the effectiveness of the knowledge transfer within the two parties. These further affect the performance of knowledge seekers.

5. Concluding remarks

The framework of the situated perspective of organization's performance provided exemplifies the role of a moderating factor, namely the industry attractiveness, in the context of knowledge transfer in a strategic alliance and its effect on a knowledge seekers' performance which acquires knowledge from its partner. The rationale behind such a suggestion is that industries of high attractiveness affect negatively the process of knowledge transfer occurring in an alliance. Constraint factors, namely search and transfer costs obviate the effectiveness of the knowledge either codified or non-codified that is externally derived. Perhaps, the most important requirement is that a better understanding of the way the proposed moderator and organizational performance outcomes are linked will expand the existing limited research on the costs and benefits of organizational knowledge. The research scheme developed aims at achieving these objectives. However, empirical testing is needed to enrich the support of our claims.

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