

Institutional profile, absorptive capacity and internalization of international joint venture foreign parent organizational practices in the African context

Olumide Ijose
Governors State University

ABSTRACT

Drawing on previous work from the institutional theory and absorptive capacity perspectives, this article examines and tests a model of IJV internalization of a foreign parent's organizational practices based on the three components of institutional environment originally proposed by Kostova and Roth (2002) as well as the absorptive capacity of the IJV. First, a country's normative, cognitive and regulatory institutional dimensions are suggested to influence the extent to which an IJV internalizes a foreign parent's organizational practices. Second, an IJV's management development practices as proxies of IJV learning are posited to influence internalization of new knowledge from a foreign parent. Support was found for the normative and regulatory dimensions predictions as well as for the formal training and international assignment predictions. Surprisingly, the results suggest that the cognitive dimension is not associated with the internalization of foreign practices. The model and results offer a new perspective on the internalization of foreign organizational practices in Sub Sahara Africa under the condition of institutional duality.

Keywords: Practices, Institutional Environment, Absorptive Capacity, Internalization

INTRODUCTION

The choices that multinational corporations (MNCs) make with their foreign direct investments, inherently reflects their strategic and operational needs (Dunning, 1993). As a result, MNCs are more likely to invest directly in locations where they can take advantage of the presence of valuable commodities and national differences in the cost and quality of factors of production. This often leads to establishing operations in a foreign country whose efficiency is tied to the successful transfer of a parent firm's organizational practices (Behrman, 1960; Lee and Tcha, 2004). This in turn suggests the existence of a link between successful transfers, a micro level construct and the effects of a foreign country's institutional environment, a macro level construct, as well as the absorptive capacity of the overseas headquarters subsidiaries or joint venture, a micro level construct. Although the last two decades in particular has witnessed a surge in research activity examining the role absorptive capacity (e.g. Szulanski, 1996; Cohen and Levinthal, 1990; Bierly, Damanpour, and Santoro 2009) and institutional forces play (e.g. Foss and Pedersen, 2002; Bjorkman, Fey and Park 2007) in the transfer of organizational practices (e.g. Mowery, Oxley and Silverman, 1996), the harder and more interesting issue of how these mechanisms work in sub Saharan Africa has yet to be studied (Kamoche and Harvey, 2006).

Taking on this challenge, the paper focuses on institutional profile, which in this article is defined as the cognitive, normative and regulatory environments of a country (Kostova and Roth, 2002; Lane, Salk and Lyles, 2001) and absorptive capacity, defined "as the ability of a firm to leverage its prior knowledge (Cohen et. al, 1990) and investigated the relationship between both constructs and successful transfer. The literature suggests that the greater the institutional distance between two national economies and the less the absorptive capacity in a firm, the harder it becomes for a foreign parent to successfully transfer its organizational practices (e.g. Lane and Lubatkin 1998; Kostova and Roth, 2002). The paper focuses on the attitudinal component – internalization - of adoption, holding that successful internalization is reflected in how institutional environments and absorptive capacity are configured and impact transfer. Given that most of the existing research has taken place in relatively stable Western economies, it follows that our knowledge may not accurately reflect the sub Saharan Africa context (Kamoche and Harvey, 2006). Specifically, the institutional environment and firm absorptive capacity may be significantly different from that of a foreign parent in ways that may enhance or hinder successful transfer. The sub-Saharan Africa setting thus offers an intriguing setting to explore the micro-macro links.

Using survey data from an International Joint Venture (IJV) in Nigeria's upstream oil and gas sector, the paper demonstrates that institutional environments and absorptive capacity both impact on successful transfer of quality management and customer focus practices. The paper proposes and tests an integrated model to specify the nature of the micro-macro link suggesting that institutional environments and firm absorptive capacity impact the internalization of a foreign parent's organizational practices. The data facilitated an examination of institutional duality pressure that comes from the need to maintain legitimacy in the face of isomorphic pressure as well as the role of absorptive capacity on successful transfer. Overall, these efforts extends the work of Kostova and Roth (2002) and Kamoche and Harvey (2006) by providing the first set of quantitative data demonstrating the extent to which institutional forces and absorptive capacity enhance or impede the internalization of a foreign parent's organizational practices in sub Saharan Africa, and the limits of those effects.

THEORETICAL BACKGROUND

When an organizational practice is transferred, the response of recipients will be both behavioral and attitudinal (Kostova and Roth, 2002). The behavioral component is captured by the implementation of the practice but the more important attitudinal component can only be operationalized by internalizing the practice. Internalization occurs when recipients infuse a practice with value (Simonin, 1997). It is a function of interpretations about the value of transferred practices to getting the work done. When a practice is internalized, employees use it without coercion. This view is supported by Kostova and Roth (2002) who frame internalization as employee judgment about new practices, which are in turn affected by elements of the employees' cognitive, normative and regulatory institutional environment. Without internalization, adoption will be ceremonial. Ceremonial adoption is defined by Kostova and Roth (2002) as "a relatively high level of implementation accompanied by a low level of internalization." In this paper, it is contended that the internalization of a practice is a function of the institutional environment of the recipient and the organizational methods used to transfer it. The model developed in this paper, builds upon that developed by Kostova and Roth (2002) for evaluating the relationship between institutional contexts and dyadic knowledge transfer. In the context of an IJV, it tests the relationship between theoretical constructs of a country's normative, regulatory and cognitive dimensions and the internalization of foreign organizational practices, while also accounting for international assignments and formal training as transfer methods.

Isomorphism and Internalization – the regulatory, normative and cognitive dimensions

The institutional perspective suggests that as practices become institutionalized, they become subject to mimetic, coercive and normative forces (DiMaggio and Powell (1983) and are accorded a legitimacy that exerts institutional isomorphic pressures on other organizations in the same country to adopt them (Javidan, Stahl, Brodbeck and Wilderom, 2005). Institutional theorists asserts that mimetic forces pressure organizations to copy other organizations practices, systems and organizational structures even when there may be no compelling evidence that copying would result in increased efficiency; that coercive forces are exerted by government through its legal, regulatory, oversight activities or contractual obligations with other parties for organizations to adopt the forms of organizing it prefers and manifests the impact of political as opposed to technical stimuli on organization activities; while normative forces reflect the impact of societal norms and values on the technical and work organization choices organizations make (DiMaggio and Powell, 1983).

The concept of institutional profile seeks to capture the effect of a country's institutional environment on the internalization of a foreign parent's practices. It is based on a key tenet of institutional theory that employees are socialized by their institutional environment and bring their beliefs, attitudes and behavior patterns along with them when they join an organization (Kostova and Roth, 2002). Such beliefs, attitudes and values in turn affect the value employees place on employer practices, regardless of origin and while the practices of local firms tend to be isomorphic with a country's institutional profile, those of foreign countries are differentiated to the extent to which a country's institutional profile differs from that of a foreign country (see figure 1). Building on insights from the literature, this paper posits that internalization of a

foreign practice will be influenced by the characteristics of a country's institutional profile (Xu and Shenkar, 2002; Kostova and Zaheer, 1999).

The construct regulatory dimension includes laws and regulations that support or compel the usage of a practice (Kostova and Roth 2002; Rosenzweig & Singh, (1991). A country's cognitive profile refers to "cognitive structures that help people understand and interpret a foreign practice correctly" while its normative profile refers to "social norms that enforce the practice". Though each dimension reflects different parts of an institutional environment, they are theorized to have independent coercive, mimetic and normative effects on an individual's motivation to internalize practices (Kostova and Roth, 2002).

Hypothesis 1: The internalization of the foreign partner's organizational practices will be affected by the favorableness of host country's institutional environment. Specifically, internalization will be positively related to the favorability of the host country's regulatory, cognitive and normative profiles.

Absorptive capacity and internalization – the role of training and international assignments

Cohen and Levinthal (1990) define absorptive capacity as the ability of an organization to understand, assimilate and apply new external knowledge to commercial ends. Absorptive capacity is required to successfully transfer organizational practices between organizations, a difficult proposition that may become more challenging when the transfer is between a foreign parent and a developing country IJV. The absorptive capacity literature, suggests that factors that influence successful transfer include the ability of the recipient organization to adapt, disseminate and integrate the foreign organization's knowledge, a factor that is related to the efficiency and effectiveness of the recipient organization's training and development processes and activities (Cohen and Levinthal, 1990).

International assignments have traditionally been used as a tool for transferring knowledge (Boyacigiller, 1990; Bonache, Brewster and Suutari, 2001; Torbiorn, 1994) and can be of two types: one, the instance of expatriates and third party nationals working in a MNCs foreign subsidiary or IJV and the other, local employees working in the foreign operations of a MNC employer (Minbaeva, 2007) and in this IJV situation, both types are practiced. Empirically, it has been demonstrated that working with expatriates positively affects the use of parent firm organizational practices (Rosenzweig and Nohria, 1994), the dissemination of the shared values of a parent firm (Harzing, 1999; Minbaeva, Pedersen, Bjorkman and Fey, 2003) and the transfer of knowledge from a parent firm to a subsidiary (Riusala and Smale, 2007). This suggests that the incidence of local employees going on international assignments to work directly with foreign parent employees will have a positive effect on internalizing a foreign parent's practices.

Hypothesis 2: The internalization of the foreign partner's organizational practices will be positively affected by local employees going on international assignments to the foreign parent's facilities, subsidiaries or operating units

Training focuses on helping employees perform their current jobs better by helping them acquire job related skills, behaviors and knowledge (Porter, 1980; Porter, 1986). Given the extremely capital and skill intensive nature of the oil and gas business model, the need for tight integration amongst functions, and the close commercial ties that typically exist between the foreign parent and the developing economy oil and gas IJV, the foreign parent can be expected to place a premium on formal training. In addition, the relational view literature has demonstrated the influence of the strength of the ties, trust, shared values and systems between foreign and local partners on the motivation to transfer practices (e.g. Dyer and Singh, 1998; Lavie, 2006), factors that are present in the Nigeria IJV. The incidence of training is therefore hypothesized to influence internalization in trained employees.

Hypothesis 3: The influence of formal training on the internalization of the foreign partner's organizational practices by IJV local employees will be positive and significant.

METHODS

Research Setting

The foreign parent Royal Dutch Shell is a global integrated oil and gas company that has been the technical and management partner of the IJV – Shell Petroleum Development Company - for over forty years. Transferring organizational practices to the IJV has been a key initiative for the foreign parent and the host government for strategic and endogenous reasons. For the foreign parent, successful adoption enhances the ability to operate the IJV at world class standards with implications for its consolidated global financial and strategic performance. Two, MNOCs have historically considered the country a strategically important source of crude oil albeit one where local organizational practices may not be ideally suited to the exploration and production of crude oil, making the transfer of MNOC organizational practices a strategic and operational necessity.

For the host government, successful transfer deepens the country's stock of human capital with implications for potential spillover effects into the local economy, while also generating revenues that could be used for developing the country. Earnings from oil and gas, represents over 90% of its foreign exchange earnings and it is dependent on IJVs with multinational oil companies (MNOC) for extracting the commodity (Akinlo, 2004; Agundu, P. and Obaleke, O. 2004). Secondly, in consonance with the externalities literature (Krugman, 1991; Lipsey, 2002; Li and Liu, 2005), the country sees the IJV, as a means to exploit locational advantages to generate knowledge spillovers that can potentially be transferred into its labor market. Collectively, the importance of transfers to the country, the foreign parent, and the IJV, and the centrality of the industry to Nigeria's economy, makes Nigeria an appropriate context for analyzing the effect of the institutional environment and company practices on the internalization of foreign organizational practices, adding confidence to the reliability of results in the statistical analysis.

The hypotheses were tested by examining institutional profile and absorptive capacity rates for a sample of 60 out of a population of 70 Nigerian senior managers of the IJV on international assignments. Although coverage of the entire population is inevitably incomplete and common method bias cannot be completely ruled out, the respondents remain reliable. Being international assignees, maximized the ability of the respondents to compare the organizational

practices (in this study, quality and customer focus) used in the IJV with those used in the parent company's developed country locations thus, laying the foundation for examining the extent to which the IJV suffused the practices with value. The respondents were identified by the corporate human resources department of the IJV. One of the international assignees acting as a representative contacted the respondents. Out of a population of 80 potential respondents, 60 cutting across all functional areas responded to the online survey (mean years of experience = 11 years, mean number of years on international assignment = 4 and mean number of formal courses attended = 7). Although the sample size is relatively small, the completion rate was 86%. In addition sample size larger than 30 and smaller than 500 have been found to be appropriate for most research projects (Roscoe, 1975).

The survey instrument was adapted from Kostova and Roth (2002) in a process that began with open-ended interviews of ten Nigerian senior managers in the IJV that averaged forty five minutes each. The open ended questions were designed to elicit information on the nature of the respondents work experience in the IJV, as they related to customer and quality management practices. The information provided was used to develop a survey instrument with standardized and structured questions that was first pretested on a group of local senior managers (who did not participate in the survey) but who had a prior history of completing international assignments before being used to collect data for the empirical analysis.

Dependent variable

Following Kostova and Roth "internalization of the practices was defined as the IJVs overall commitment to the quality management and customer focus practices" (2002). Internalization was measured by a 7-item scale based on Likert type responses to normative questions rating the extent to which respondents believed that they had internalized the foreign partner's quality and customer focus practices such as: (1) "I really like the quality management component of the performance delivery," (2) "I think the IJV should continue to implement this component of the performance delivery process" (3) "I believe the quality focus is valuable for the company" (see Table 1). The internalization construct was developed by computing the average of the aggregated response of the respondents to the IJV's customer focus and quality practices. Since data was collected from one IJV, the variation in responses was not computed. The data was collected from 60 senior managers of the IJV and the internal consistency of the construct was acceptable ($\alpha = .90$).

Independent variables

Institutional profile

Using a seven-point Likert scale questionnaire again adapted from Kostova (1996), respondents were asked questions relating to Nigeria's regulatory, normative and cognitive profiles that were anchored in customer satisfaction and quality management. Respondent's perception of Nigeria's institutional profile was assessed using a 7 point Likert scale ranging from 1 "strongly disagree" to 7, "strongly agree." For the regulatory dimension, questions were asked concerning the existence of laws designed to guaranty product quality and to enable organizations focus on customer satisfaction and the extent to which such laws were implemented. The cognitive dimension assessed the extent to which the country's media reported

on quality and customer issues, while the normative dimension examined the extent to which the provision of quality products and a focus on the customer was part of the country's culture (See Table 2 for survey questions and Table for a description of the variables). Grounding the measures of the institutional profile as independent issues is consistent with past research, since the dimensions are distinct from each other (Walsh, 1995). After an exploratory factor analysis, items with eigen values less than 1.0 were dropped and the remaining items were used to construct the cognitive, regulatory and normative measures.

Relative absorptive capacity

Relative absorptive capacity (learning) was measured by asking respondents to document the number and type of formal training events organized by the foreign parent that they had attended (Lane et. al, 2001; Cohen et. al, 1990). Following responses, only those events that were related to customer focus and quality management were aggregated for the analysis. Likewise, respondents recorded the number of months they had been on international assignments in the course of their career in the IJV.

Controls

Since the respondents had spent varying amount of time working in the IJV, years of experience was used to control for differences in their perception of their level of internalization, as the extent of internalization of the practices, may increase or decrease over time. This could occur due to their observation of the effect of using the foreign parent's customer focus and quality management practices as the longer they had worked for the IJV, the more likely they were to have used them (Lane, Salk and Lyles, 2001). Experience with foreign practices could have varying impact on the value placed on them ranging from liking them to inertia, to a feeling that they were impositions (Kostova and Roth 2002; Rosenzweig & Singh, 1991). Second, it is important to control for the fact that there could be a lag between the acquisition of knowledge, its use, and the observation of the results that is a function of ability to use the practices and that can affect perceptions of internalization (Lane, Salk and Lyles, 2001). As such a measure of the years of experience working for the IJV was included to control for these theoretical limitations.

Analysis

There were no missing responses in the final data set. The hypotheses were tested using multiple regression analyses. Two models were tested by regressing the institutional profile and relative absorptive capacity predictors on internalization. The first model included only the control variable, while the second model included the control variable and the institutional profile and relative absorptive capacity constructs. As each variable was added, the relative predictive power of the model was assessed by examining the incremental increase in the F-value. Common method bias can be a problem when dependent and independent variable data are collected from the same source. Following Podsakoff and Organ (1986), the Harman's one-factor test was used to determine if a single factor or a general factor that could account for the covariance in the variables would emerge. A principal components analysis of the factor structure of the survey instrument was conducted and factors with eigen values greater than 1.0 were aggregated to create constructs of the cognitive, regulatory and normative dimensions. The factor analysis reveals that 5 of the 10 cognitive dimension factors, 5 of the 14 normative

dimension factors and 5 of the 7 regulatory dimension factors had eigen values greater than 1.0. The presence of several distinct factors and the relatively low amount of variance explained by the first factor in each construct (only 21%) indicates the absence of severe common method variance in the data (Podsakoff and Organ, 1986). In addition, the square root of the variance inflation factor was collected for the independent variables in the main model (model 2). All the variables fell within the accepted acceptance range indicating the absence of multicollinearity problems in the model (Fox 1991).

Results

Table 4 presents the means, standard deviations and correlations among the variables entered into the regression equation. All variables exhibit reasonable variance in response to normality and are generally in the middle of their ranges. For each measure, a higher score means that more of that phenomenon was reported. Interestingly, the mean for the normative dimension is slightly lower than the means for the regulatory and cognitive dimensions, thus on average the respondents in the sample believed that societal norms had a slightly lower effect on internalization. The patterns of association are as expected with internalization having strong positive association with formal training received from the foreign parent, and perceptions of the regulatory, cognitive and institutional environments ($r = 0.89, 0.93, 0.93, 0.93$ and $p < 0.01$ respectively) but not on years of experience or being an international assignee. This raises the possibility that the institutional environment and absorptive capacity in a more limited way are related to the extent to which a foreign partner's practices are internalized.

Results from the institutional environment and absorptive capacity model

Table 5 presents the results of a regression analysis of the empirical models. Model 1 examining the relationship between the control variable work experience and internalization was not significant. Model 2 tested the measures of the institutional environment and absorptive capacity while controlling for work experience. The result is highly significant with an adjusted R^2 of 0.94. The results for the institutional environment paralleled the findings from the Kostova and Roth (2002) study as shared norms and government regulation has significant positive associations with internalization ($p < .001$ respectively). However, shared cognition has no significant association. This may mean that though there is a cultural basis and government support for focusing on quality and customer service standards, the country's media is not adequately reporting on such issues. Results for absorptive capacity was similar to the findings of the Lyles and Salk (1996) study of knowledge acquisition in IJVs in that formal training provided by a foreign parent have positive associations with internalization of a foreign parent's organizational practices ($p < .01$). In addition the study found a positive relationship between international assignments and internalization ($p < .01$). This may mean that efforts by the foreign parent to transmit its practices through training activities and going on international assignments facilitate internalization. Model 2 thus provides support for the institutional environment and absorptive capacity. Taken together, Institutional Environment measures are significant when tested with indices of Formal Training and on-the-job training (International Assignments) as well as Years of Experience.

Discussion

This study proposed and tested a model of the institutional environment and absorptive capacity in the context of IJV internalization of the organizational practices of a foreign parent. It builds on prior research into the relationship between institutional environments and internalization by including measures of absorptive capacity and extends our knowledge to include the case of Sub Sahara Africa. The model was tested using a sample of Nigerian managers on international assignment to a number of industrialized country facilities and operating units of a major multinational oil and gas company. The results provide strong support for the hypotheses concerning factors from the institutional environment influencing the IJV's ability to internalize the foreign parent's organizational practices, as well as strong support for the hypothesis regarding the interplay between firm absorptive capacity and internalization. However, unexpectedly, the cognitive dimension was not a significant factor affecting internalization as the correlation was weak and not in the hypothesized direction. More research is clearly needed on this relationship.

While these findings have implications for International Human Resource Management researchers as well as for practitioners, it is also limited by the fact that the data was entirely self-reported. Though self-reports has been widely used for collecting data for empirical analysis, there is always the concern that such data may be biased. Though it is not clear that collecting data from more IJVs or headquarter subsidiaries would have affected the findings, the fact that the data was collected from managers of a successful and well established IJV, thus resulting in a smaller sample, may mean that the generalizability of the findings to less matured or smaller IJVs in other Sub Saharan Africa countries may be limited. Also, since the data on the constructs were gathered at a particular point in time, it was not possible to test for changes in those relationships over time.

Implications for Internalization research

This study has important implications for International Human Resource Management research. The model tested findings from previous research in a non-traditional setting, Sub Sahara Africa. Though the overall result was consistent with Kostova and Roth's (2002) findings, the addition of absorptive capacity proxies, suggests that the relative absorptive capacity of an IJV or headquarter subsidiary should be considered as a factor in the internalization of organizational practices. The results suggest that the regulatory and normative dimensions as well as provision of formal training and the ability to work overseas, have significant and positive effects on the successful internalization of a foreign partner's organizational practices. Surprisingly, the results suggests that the ability of employees to internalize foreign practices may have only two components, as cognitive factors were not shown to be significantly related to successful adoption. Future research should explore these findings by testing the model with data from other Sub Saharan African contexts and using other additional measures of absorptive capacity, such as trust relationships between local and foreign partners (Chiles and McMackin, 1996), the ability of host country employees to understand, assimilate and apply foreign practices (Lane et. al, 2001), differences in national cultures, cognitive structures, and compatible norms and values (Parkhe, 1993; Prahalad and Bettis, 1986).

Implications for managers

The results have several important implications for practicing managers. They indicate that foreign companies in Africa should consciously consider the effects of a host country's institutional environment when seeking to transfer their organizational practices. In addition, the results suggest that employee training contributes to successful internalization. Specifically, the study shows that going on international assignments as well as attending formal training in foreign partner locations may aid successful internalization. An important question from a prescriptive perspective is thus how to select employees for international assignments and overseas training, such that the firm does not underinvest or overinvest in absorptive capacity to its own long-run detriment. As internalization is more likely to happen when a host country's institutional environment and learning practices are supportive, host country managers are well advised to dedicate effort exclusively to creating absorptive capacity when a foreign partner's organizational practices are critical to organizational performance. More research is however necessary to understand the decision processes that determines the extent to which local managers should examine their institutional environment and the type and extent of investments that should be made into the organizations' investments in absorptive capacity.

Conclusion

Although the generalizability of the findings is limited by the context of the research, the study adds new insights to two important areas of the international human resource management literature. It confirms and extends previous research suggesting that institutional environments and absorptive capacity have significant impact on the successful adoption of organizational practices from a foreign parent and demonstrates that the theory can be extended to the Sub Saharan Africa region. Second, it presents a theoretically robust model based on a detailed examination of institutional environment constructs that will be useful to future research testing the theoretical predictions and findings. And by including constructs and measures of the institutional environment and absorptive capacity in the same empirical model, it suggests that further integration will yield insights that will be beneficial to researchers of the new institutional theory as well as practitioners.

Acknowledgement

An earlier version of this paper was presented at the International Symposium on HRM and the Creation of Effective Organizations in Africa, Nottingham Business School, Trent Nottingham University, September, 13-14 2010.

References

- Agundu, P. and Obaleke, O. (2004), 'Financing Oil and Gas Business in Nigeria Banks' Predisposition and Preferences,' *Journal of Financial Management and Analysis*, 17, 2, 73-76.
- Akinlo, E. (2004), 'Foreign Direct Investment and Growth in Nigeria: An Empirical Investigation,' *Journal of Policy Modeling*, 26, 5, 627-639.
- Behrman, J. (1960), 'Promoting Free World Economic Development through Direct Investment,'

- American Economic Review*, 50, 2, 271-281.
- Bierly, P.E., Damanpour, F. and Santoro, M.D. (2009), 'The Application of External Knowledge: Organizational Conditions for Exploration and Exploitation,' *Journal of Management Studies*, 46, 3, 481-509.
- Bjorkman, I, Fey, C.F. and Park, H.J. (2007), 'Institutional Theory and MNC Subsidiary HRM Practices: Evidence from a Three-Country Study,' *Journal of International Business Studies*, 38, 430-446.
- Boyacigiller, N. (1990), 'The Role of Expatriates in the Management of Interdependence, Complexity and Risk in Multinational Corporations,' *Journal of International Business Studies*, 21, 3, 357-381.
- Bonache, J., Brewster, C., and Suutari, V. (2001), 'Expatriation: A Developing Research Agenda,' *Thunderbird International Business Review*, 43, 1, 3-20.
- Chiles, T.H. and McMackin, J.F. (1996), 'Integrating Variable Risk Preferences, Trust, and Transaction Cost Economics,' *Academy of Management Review*, 21, 1, 73-99.
- Cohen, W.M. and Levinthal, D.A. (1990), 'Absorptive Capacity: A New Perspective on Learning and Innovation,' *Administrative Science Quarterly*, 35, 1, 128-152.
- DiMaggio, P.J. and Powell, W.W. (1983), 'The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields,' *American Sociological Review*, 48, 2, 147-160.
- Dunning, J. (1993), *Multinational Enterprises and the Global Economy*, Reading, MA: Addison-Wesley.
- Dyer, J.H. and Singh, H. (1998), 'The Relational View: Cooperative Strategy and Sources on Interorganizational Competitive Advantage,' *Academy of Management Review*, 23, 4, 660-680.
- Foss, N.J. and Pedersen, T. (2002), 'Transferring Knowledge in MNCs: The Role of Sources of Subsidiary Knowledge and Organizational Context,' *Journal of International Management*, 8, 49-67.
- Fox, J. (1991). *Regression Diagnostic*, Newbury Park, CA: Sage.
- Ghoshal, S. and Bartlett, C. (1988), 'Creation, Adoption, and Diffusion of Innovations by Subsidiaries of Multinational Corporations,' *Journal of International Business Studies*, 19, fall, 365-388.
- Javidan, M., Stahl G., Brodbeck F., and Wilderom, C. (2005), 'Cross-Border Transfer of Knowledge: Cultural Lessons from Project Globe,' *Academy of Management Executive*, 19, 2, 59-76.
- Kamoche, K. and Harvey, M. (2006), 'Knowledge Diffusion in the African Context: An Institutional Theory Approach. *Thunderbird International Business Review*, 48, 2, 157-181.
- Kostova, T. (1996), *Success of transnational transfer of organizational practices within multinational companies*, Unpublished thesis directions: University of Minnesota.
- Kostova, T. and Roth, K. (2002), 'Adoption of Organizational Practices by Subsidiaries of Multinational Corporations: Institutional and Relational effects,' *Academy of Management Journal*, 45, 1, 215-233.
- Kostova, T., Roth, K., and Dacin, M.T. (2008), 'Institutional Theory in the Study of Multinational Corporations: A Critique and New Directions,' *Academy of Management Review*, 33, 994-1006.
- Kostova, T. and Zaheer, S. (1999), 'Organizational Legitimacy Under Conditions of

- Complexity: The Case of the Multinational Enterprise,' *Academy of Management Review*, 24, 64-81.
- Krugman, P. (1991), 'Increasing Returns and Economic Geography,' *Journal of Political Economy*, 19, 3, 483-99.
- Lane, P.J. and Lubatkin, M. (1998), 'Relative Absorptive Capacity and Interorganizational Learning,' *Strategic Management Journal*, 19, 5, 461-477.
- Lane, P.J., Salk, J.E., Lyles, M.A. (1996), 'Knowledge Acquisition from Foreign Parents in International Joint Ventures,' *Journal of International Business Studies*, 27, 5, 877-904.
- Lane, P.J., Salk, J.E., Lyles, M.A. (2001), 'Absorptive Capacity, Learning, and Performance in International Joint Ventures,' *Strategic Management Journal*, 22, 12, 1139-1161.
- Lavie, D. (2006), 'The Competitive Advantage of Interconnected Firms: An Extension of the Resource Based View,' *Academy of Management Review*, 31, 3, 153-154.
- Lee, M and Tcha, M. (2004), 'The Color of Money: The Effects of Foreign Direct Investments on Economic Growth in Transition Economies,' *Review of World Economics*, 1402, 211-229.
- Li, X. and Liu, X. (2005), 'Foreign Direct Investment and Economic Growth,' *World Development*, 33, 393-413.
- Lipsey, R.E. (2002), 'Home and Country Effects of Foreign Direct Investment,' *NBER Working Paper no. 9293*.
- Minbaeva, D. (2007), 'HRM Practices and Knowledge Transfer in MNCs,' *Center for Strategic Management and Globalization*, SMG Working Paper No. 8.
- Minbaeva, D., Pedersen T., Bjorkman I., and Fey, C. (2003), 'MNC Knowledge Transfer, Subsidiary Absorptive Capacity, and HRM,' *Journal of International Business Studies*, 34, 6, 586-599.
- Mowery, D.C., Oxley, J.E. and Silverman, B.S. (1996), 'Strategic Alliance and Interfirm Knowledge Transfer,' *Strategic Management Journal*, 17, 77-91.
- Nohria, N. and Ghoshal, S. (1997). *The differentiated network: Organizing multinational corporations for value creation*, San Francisco: Jossey-Bass.
- Parkhe, A. (1993), 'Partner Nationality and the Structure-Performance Relationship in Strategic Alliances,' *Organization Science*, 4, 2, 301-324).
- Podsakoff, P.M. and Organ, D.W. (1986), 'Self-Reports in Organizational Research: Problems and Prospects,' *Journal of Management*, 12, 4, 531-545.
- Porter, M.E. (1980). *Competitive Strategy*, New York: Free Press.
- Porter, M.E. (ed.) (1996). *Competition in Global Industries: A Conceptual Framework*. In *Competition in Global Industries*, Boston, MA: Harvard University Business School Press, 15-60.
- Prahalad, C.K. and Bettis, R.A. (1986), 'The Dominant Logic: A New Linkage Between Diversity and Performance,' *Strategic Management Journal*, 7, 6, 485-501.
- Riusala, K. and Smale, A. (2007), 'Predicting Stickiness Factors in the International Transfer of Knowledge through Expatriates,' *International Studies of Management and Organizations*, 37, 3, 16-43.
- Roscoe, J.R. (1975), *Fundamental Research Statistics for the Behavioral Sciences*. New York: Holt, Rinehart and Winston
- Learning and Innovation,' *Administrative Science Quarterly*, 35, 1, 128-152.

- Rosenzweig, P.M. and Nohria, N. (1994), 'Influences of Human Resource Management Practices in Multinational Corporations,' *Journal of International Business Studies*, 25, 2, 229-251.
- Rosenzweig, P. M. and Singh, J.V. (1991), 'Organizational Environments and the Multinational Enterprise,' *Academy of Management Review*, 16, 2, 340-361.
- Simonin, B. (1999), 'Ambiguity and the Process of Knowledge Transfer in Strategic Alliances,' *Strategic Management Journal*, 20, 7, 595-623.
- Simonin, B.L. (1997), 'The Importance of Collaborative Know-How: An empirical Test of The Learning Organization,' *Academy of Management Journal*, 40, 5, 1150-1174.
- Szulanski, G. (1996), 'Exploring Internal Stickiness: Impediments to the Transfer of Best Practices within a Firm,' *Strategic Management Journal*, 17, 27-43.
- Torbiorn, I. (1994), 'Operative and Strategic use of Expatriates in New Organizations and Market Structures,' *International Studies of Management & Organizations*, 24, 3, 5-17.
- Walsh, J. (1995), 'Managerial and Organizational Cognition: Notes from a Trip Down Memory Lane,' *Organization Science*, 6, 280-321.
- Xu, D. and Shenkar, O. (2002), 'Institutional Distance and the Multinational Enterprise,' *Academy of Management Review*, 27, 4, 608-618.

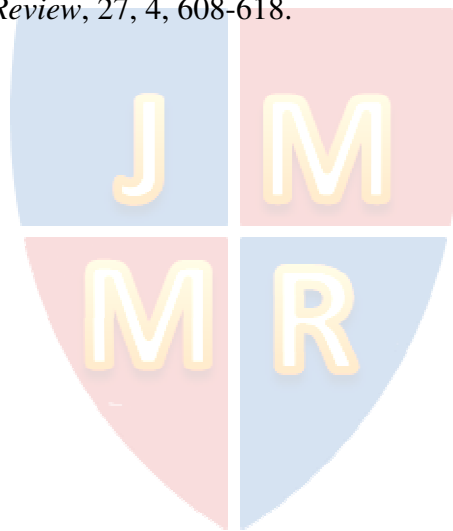


Figure 1. An Institutional Theory/Absorptive Capacity Model of Learning and Internalization in an IJV

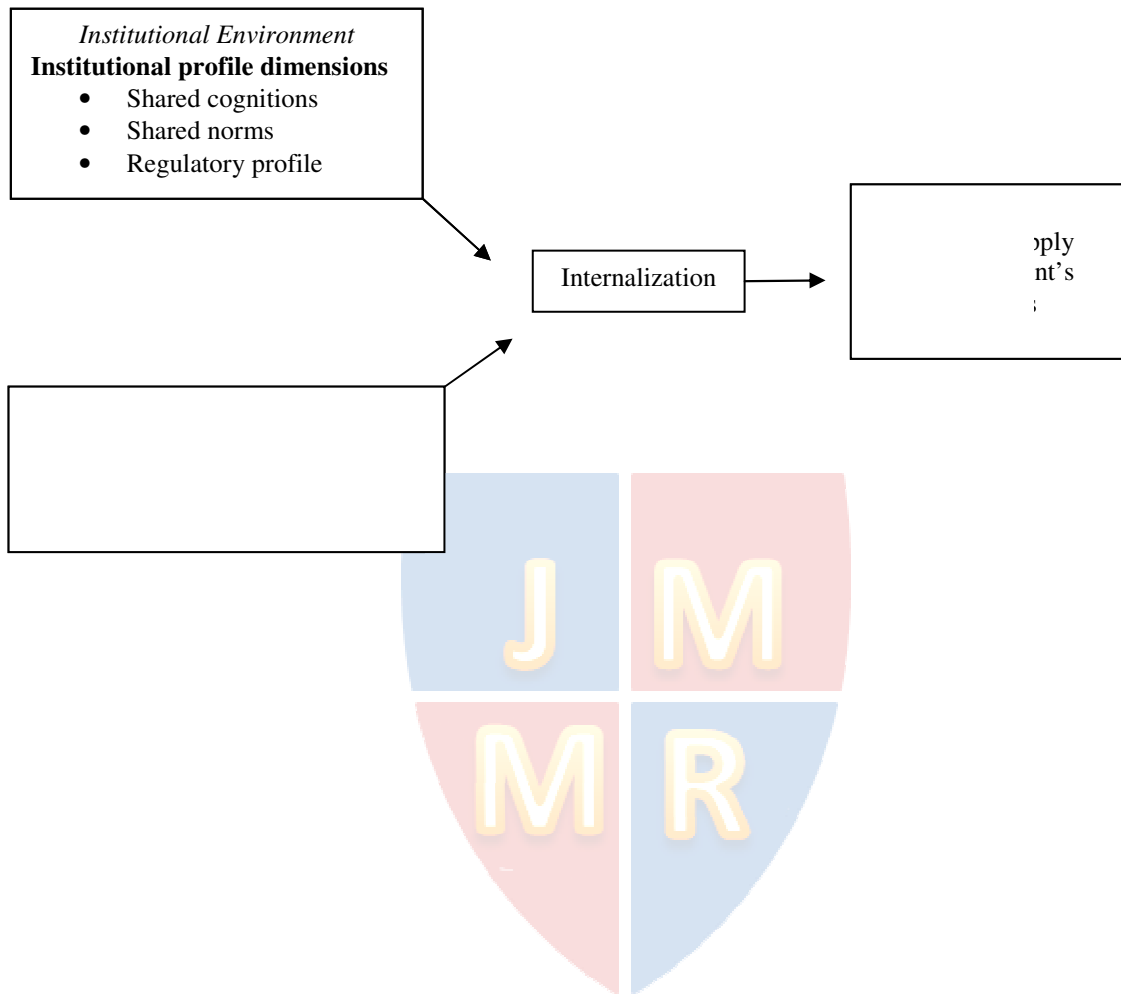


Table 1: Internalization Items (Adapted from: Kostova, 1996)

QUALITY MANAGEMENT OVERALL	
QUALLIKE	I really like the quality management component of the performance delivery process
QUALCONTD	I think we should continue to implement this component of the performance delivery process
LEADVAL	I believe the quality management practices are valuable for the company
CUSTOMER FOCUS OVERALL	
CUSTLIKE	I really like the customer focus component of the performance delivery process
CUSTVAL	I believe the customer focus practices are valuable for the company
INFORMATION & ANALYSIS – QUALITY MANAGEMENT	
INFOLIKEQUAL	I really like the information component of the quality management process
INFOCONTDQUAL	I think we should continue to implement this component of the quality management delivery process
INFOVALQUAL	I believe the information focus is valuable for the quality management process
PEOPLE – QUALITY MANAGEMENT	
PPLIKEQUAL	I really like the people component of the quality management process
PPLGCONTDQUAL	I think we should continue to implement this component of the quality management process
PPLVALQUAL	I believe the people focus is valuable for the quality management process
RESULTS – QUALITY MANAGEMENT	
RESLIKEQUAL	I really like the results component of the quality management process
RESCONTDQUAL	I think we should continue to implement this component of the quality management process
RESVALUEQUAL	I believe the results focus is valuable for the quality management process
INFORMATION & ANALYSIS – CUSTOMER FOCUS	
INFOLIKECUST	I really like the information component of the customer focus process
INFOCONTD CUST	I think we should continue to implement this component of the customer focus process
INFOVALCUST	I believe the information focus is valuable for the customer focus process
PEOPLE – CUSTOMER FOCUS	
PPLLIKECUST	I really like the people component of the customer focus process
PPLCONTD CUST	I think we should continue to implement this component of the customer focus process
PPLVALCUST	I believe the people focus is valuable for the customer focus process
RESULTS – CUSTOMER FOCUS	
RESLIKECUST	I really like the results component of the customer focus process

RESCONTDCUS	I think we should continue to implement this component of the customer focus process
RESVALUECUST	I believe the results focus is valuable for the customer focus process

Table 2: Institutional Environment Items (Adapted from: Kostova, 1996)

ALLBEST	Always do your best is a common belief in Nigeria
GOVREGUL	Doing business in the oil and gas industry is highly regulated by the government
QUALITY	Quality work is the heart of who we are as a people
QUALAW	High quality standards in the oil and gas industry is mandated by law
ENFORCE	In Nigeria, laws and rules in business are strictly enforced
MORAL	In Nigeria, ensuring product quality is a moral obligation
BESTPAC	Most of the successful companies in Nigeria are implementing continuous improvement and customer focus best practices
CUSFOCUS	People in Nigeria care a great deal about their customers
QUALFOCUS	People in Nigeria care a great deal about their quality
MEDIACUS	The media in Nigeria is not quite concerned about the level of focus provided to customers
MEDIAQUAL	The media in Nigeria is not quite concerned about the quality of products provided to customers
SERDEMAND	The public in Nigeria demand superior customer service
QUALDEMAND	The public in Nigeria demand superior quality products
LAWSWERV	There are laws in Nigeria to protect customers from poor services
LAWQUAL	There are laws in Nigeria to protect customers from poor quality products

Table 3: Description of Variables (Adapted from: Kostova, 1996)

Information	Extent to which information is collected and analyzed to track quality performance and customer focus, trust in the information tracking system and usage of information to improve quality and customer experience
People	Extent to which employees are rewarded for meeting quality and customer focus performance standards
Process	Extent to which problem prevention is emphasized, causes of problems are actively sought, and need to efficiently and effectively rectify problems is emphasized
Results	Extent to which continuous improvement in meeting quality and customer focus targets and internal benchmarking is emphasized
Normative	Quality and customer service related social norms and values
Cognitive	Shared social knowledge about quality practices and customer satisfaction
Regulation	Regulatory rules about quality products and customer service and type of enforcement

Table 4: Descriptive Statistics and Correlations – Implementation

Variables	Mean	S.D.	1	2	3	4	5	6
1 Internalization	138.74	18.90						
2 Years of Experience	11.26	5.43	.08					
3 International Assignment	3.87	1.71	-.11	-.03				
4 Formal Training	6.54	1.83	.89***	.18	.09			
5 Regulation	20.61	6.57	.93***	.14	-.32**	.82***		
6 Cognitive	20.20	5.14	.93***	.09	-.33**	.85***	.96***	
7 Normative	19.45	5.85	.93***	-.06	-.30**	.80***	.93***	.96***

**Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

Table 5: Regression Analysis for Institutional Environment in Predicting Success of Transferred Practices

Independent Variables	Model 1	Model 2
Years of Experience	0.08	0.03
International Assignee		0.13**
Formal Training		0.19**
Regulatory		0.43***
Cognitive		-0.12
Normative		0.54***
R ²	.007	.951
Adjusted R ²	-.007	.946
F	0.495	203.95***



*p <.05
**p<.01
***p<.001