

# Mechanisms Influencing IJVs' Knowledge Acquisition and IJVs' Innovativeness in Algeria: A Proposed Framework

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## Abstract

Throughout the past few decades, joint ventures with foreign partners have become a popular vehicle for businesses in emerging countries to gain access to the foreign partners' knowledge and skills. However, according to the statistical report by the World Economic Forum in 2018, many developing countries have weak knowledge base and management which include Algeria. Therefore, based on the issue of practical and theoretical interest, the authors propose the notion of conceptual framework from literature reviews to consolidate and annotate a research on the roles of transfer mechanisms (replication and adaptation) and formal mechanisms (contract and control) in IJVs' knowledge acquisition. These potential determinants can facilitate the acquisition of knowledge, thus enables IJVs to enhance the level of innovativeness. In addition, the paper also suggests recommendations and important future research directions.

**Keywords:** IJV' Knowledge Acquisition, Transfer Mechanisms, Formal Mechanisms, IJV' Innovativeness, and Developing Economies.

## Introduction

The rapid change in the global business rules and norms, the advancement of new technologies, the economics switch from closed system to open system and the augmented global incorporation have the potential to bring new rivals and customers into emerging markets. Thus, the very survival of local firms in emerging markets is at stake. The dynamics

of national and global competition and intensified pressure has pushed local firms to optimize their capabilities to match the abilities of their new rivals and meet international standards by tapping into international knowledge and skills (Low & Robins, 2014). More often local firms in emerging markets experience difficulties and necessitates greater efforts not only to access and generate advanced knowledge but also to equip their workforce with new technology, skills and tools; In battles for emerging markets, firms are challenged by the home country's impoverished means, limited physical infrastructure and weak system such as technological centers operated by government and local universities, industry associations of sophisticated firms, professional consultants, research groups, and private organizations (Low & Robins, 2014); thus, in order to assimilate such knowledge, local firms are motivated to form international joint ventures or alliances with foreign partner(s) (Shenkar & Li, 1999). In the context of foreign investment, like many other developing countries, Algeria is also motivated to undertake further trade liberalization. Of the many of aims of establishing trade liberalization is knowledge and technology transfer. According to the data published by UNCTAD in the World Investment Report 2014, Algeria has recorded FDI inflow of \$26786 million and in 2015, UNCTAD has declared that the inflow of FDI has trebled within ten years (2005-2014). Such spectacular growth reflects the impact of MNC's benefits particularly in technology capital transfer. However, as suggested by (Bamford, Ernst, & Fubini, 2004), managing the risk in strategic inter-firm collaborations is a complex and difficult task and only less than half of such alliances have managed to achieve their goals. The Global Innovation Index (GII) 2017 reported that Algeria ranked 107th out of 127 countries in the presence of global knowledge and technology outputs. Further to this, the report from GII also reflected that Algeria is one of the lower-middle income countries that are not on the innovation map based on its performance in the index which ranked at 108 out of 127 countries. We can understand that the report is not a true reflection of the broad range of issues afflicting the situation in the country; nevertheless, the report reflects the competitive advantage of nations particularly at firm levels (table 1.1).

Table 1.1

*Knowledge & technology outputs in Algeria in 2018*

No	Label	Score 0–100 or value (hard data)	Rank Out of 127
1	Knowledge & technology outputs	14.4	107
2	Innovation	24.3	108

Source: The Global Innovation Index 2017

From the aforementioned, the researchers can assume that the impaired performance outcome is potentially due to ineffective knowledge transfer transactions between the local and the foreign partner(s) in IJVs. As observed from the aforementioned issues, there is a substantial need to do a careful research to understand more about contextual factors that influence effective knowledge acquisition from foreign parent(s) which in turn affect the trajectory of innovation and posits positive impact on IJVs' performance.

It appears that there are only a small number of empirical studies that focus on the mechanisms that influence the process of effective knowledge acquisition which further shape IJVs' innovativeness and performance. Former studies have examined absorptive

capacity (Anh, Baughn, Hang, & Neupert, 2006; Thi Thuc Anh, 2017), social capital (Dhanaraj, Lyles, Steensma, & Tihanyi, 2004), knowledge transferor's support (Park, Giroud, & Glaister, 2009), and management practice (Elhachemi & Ahmadc, 2018; Nguyen & Aoyama, 2012, 2015). Based on the open literature of knowledge transfer in inter-firms, multinational companies, subsidiaries, and alliances, the current study suggests transfer mechanisms (Chen, Hsiao, & Chu, 2014; Williams, 2007) and formal mechanisms (Elhachemi & Ahmad, 2018; Liu, Li, Shi, & Liu, 2017; Q. Zhang & Zhou, 2013) as factors that can potentially influence effective knowledge acquisition from foreign partners in IJVs. It should be noted, however, these set of factors have not been given great attention by the researchers in the past which leaves a gap in the literature and this has motivated the present study.

Knowledge-based view (KBV) emphasizes on the importance of IJV as organizational channels through which firms gain organizational knowledge embedded in parent companies. Knowledge is important resource of superior competitiveness and performance (Grant, 1996; Narteh, 2008). However, with very few exceptions ( e.g. Idris & Seng Tey, 2011), our understanding whether the acquired knowledge from foreign partners can effectively enhance IJVs innovativeness and contribute to the realization of IJVs competitiveness and performance has yet to be empirically established. Further to this, more research is substantially needed following the poor performance in the Global Innovation Index (2017). Based on the aforementioned issues of IJVs' knowledge acquisition and learning literatures, this study proposes to empirically examine the relationship of IJVs' knowledge acquisition and innovativeness.

Drawing upon theories of Knowledge-based View and Transaction Cost Economic, the current study is two-fold. First, we identify transfer mechanisms (replication and adaptation) and formal mechanisms (contract and control) as potential factors that influence knowledge acquisition in IJVs. Knowledge acquisition can be defined as a process by which an IJV obtains new knowledge (e.g. managerial, marketing, and production) from its foreign parent (Anh et al., 2006). Secondly, we propose to examine the effect of knowledge acquisition on IJV's innovativeness.

This study plans to add to the body of existing literature and practices linked to IJVs knowledge acquisition by addressing the research issues described above. Therefore, this study will explore the relationship of IJVs' knowledge acquisition and innovativeness on the basis of reviewed literature and proposes a conceptual framework with insightful suggestions. This study also invites for further empirical investigations to contribute into the field of knowledge acquisition in IJVs. This paper starts with the introduction that includes the background, issues, and organization of the study followed by the literature review. The last three sections are devoted to the proposed conceptual framework, methodology, and conclusion.

## **Review of the Literature**

### **Knowledge Acquisition**

The definition of knowledge is different from one context to the other, in the context of gaining knowledge from foreign partners by IJVs, some authors have posited that knowledge acquired from foreign parent(s) include the knowledge held by the source and the knowledge embedded in the parent's organizational' procedures, policies, systems, norms, and processes (Anh et al., 2006). In the context of IJV's knowledge transfer whereby knowledge is to be embedded with local sitting, we can further define that such acquisition and transfer is in line with Anh et al., (2006) which stated that the attained knowledge does not have to be newly created, only new to the organization (Davenport & Prusak, 1998).

In their studies, researchers demonstrated that the utilization of acquired knowledge in IJV is a result of two main processes; first, individuals acquire knowledge through their abilities to absorb and interact with functions, resources, technologies, and persons within a specific setting (Bourdieu, 1990; Tsoukas, 1996) and second, organizations (IJVs) gain knowledge through the relationship with foreign partners. Therefore, the acquired knowledge will become IJV's knowledge through the process of organizational knowledge creation (Anh et al., 2006).

However, acquiring knowledge from foreign partner is not straightforward due to the gap between IJV's sitting and foreign partner surroundings, culture difference and social systems. For instance, Algeria is a socialism emerging economy whereby most of its foreign investors are from well-developed capitalist countries. Therefore, the process of knowledge acquisition and transfer is challenging due to political differences between partners. Former studies have declared that there are two important issues that may influence the process of knowledge acquisition, namely, the nature of knowledge and the management of assets.

First, the fact that the nature of both practiced and acquired knowledge is ambiguous and context-dependent. In this regard, researchers clarified that causal ambiguity is inherent to most complex production processes (Lippman & Rumelt, 1982) whereby most often than not, the root causes of a firm's performance or the interaction between individual activities are not clearly understood by the workforce. Furthermore, scholar has described that the context-dependent nature of knowledge in firms is due to the rich connection between organizations and their environment (Henderson & Mitchell, 1997); these links determine the composition of knowledge in organizations and its fit with new environments (Williams, 2007). Given that, transfer mechanisms is therefore proposed by the authors which also suggested replication for ambiguous knowledge (Williams, 2007; Winter & Szulanski, 2002) and adaptation for context-dependent knowledge (Williams, 2007).

Second, the management of knowledge assets is as important as the management of any physical assets (Lane & Lubatkin, 1998). For instance, the governance structure (formal mechanisms) is decided upon during the formation phase of a partnering relationship (Reid, Bussiere, & Greenaway, 2001). Formal governance (formal mechanism) describes the organizational setting in which knowledge-related processes happen (Kogut, 1988). Meanwhile, some scholars argued that formal governance mechanisms (i.e., contracts) facilitate knowledge transfer by providing formal platforms to ensure effective inter-partners communication (Lane & Lubatkin, 1998; Mayer & Argyres, 2004). However, the questions of whether and how various formal mechanisms can positively affect knowledge transfer are still highly debatable (Liu et al., 2017). Therefore, this study proposes the examination of both transfer mechanisms and formal mechanisms as determinants of effective knowledge acquisition in IJVs. The next part of this proposal is to relate literature reviews of transfer mechanisms.

### **Transfer Mechanisms**

As mentioned earlier, IJVs should deal with the nature of practiced knowledge, whereby an IJV and its members have to adopt and locally generate broad transfer mechanisms in the process of foreign knowledge transfer to be embedded with the local sitting. Therefore, as defined by Easterby-Smith et al., (2008) and Mason & Leek, (2008), mechanisms of transfer are the manners by which firms conduct knowledge transfer activities. The mechanisms of transfer impact how firms interact and how to transfer knowledge (Jasimuddin, 2007; Prévot & Spencer, 2006). Replication and adaptation are considered as the main elements of transfer

mechanisms (Chen et al., 2014; Jasimuddin, 2007; Prévot & Spencer, 2006; Williams, 2007). Therefore, researchers have defined transfer mechanisms as the method that a recipient company encompass in replicating or adapting the know-how from the source company (Easterby-Smith, Lyles, & Tsang, 2008; Mason & Leek, 2008).

### *Replication*

Replication is the alteration in the accepting unit's operations to be more as its partner's (Chen et al., 2014; Williams, 2007). As stated by researchers, IJVs need to replicate is because that the casual ambiguity interaction with their foreign partner is inherent to most complex production processes (Lippman & Rumelt, 1982); the point when knowledge is perplexing and causally equivocal, a firm are most likely unable to anticipate which components of the knowledge are basic for its powerful operation. For instance, firm members' will replicate towards the exact copying of a set of activities which enables the transfer of those activities without the need to understand their causes, consequences, and inter dependence (Williams, 2007).

Replication prompts knowledge exchange since it is important to make another working duplicate of complicated and vague knowledge (Winter, 1995). During the utilization of elevated amounts of replication, the accepting units reproduce the training precisely as the source plays out the training until the point that the training accomplishes comparable results (Chen et al., 2014). Furthermore, replication guarantees that the exchanged practices contain components of knowledge that may end up with important benefits (Nonaka, Byosiere, Borucki, & Konno, 1994). Therefore, the following proposition is suggested:

P1: Replication has a significant positive relationship with IJV's knowledge acquisition

### *Adaptation*

Adaptation is a modification process to incorporate an organization with its new setting (Chen et al., 2014) this is because exchange process only helps if the knowledge is suited to the new setting in an IJV. Many lines of research related to system, innovation, and comprehensive business propose that knowledge relies upon its specific environment. Knowledge must be adapted and altered by the environment in which the organization works (Penrose, 2009). Knowledge gathering is track dependent (Cohen & Levinthal, 1990) and encoded in firm routines through replication after some time and crosswise over areas (Nonaka, Von Krogh, & Voelpel, 2006). While routines may work in the first set of the parent organization, they may not be important when exchanged to the new condition of the IJV and may even have disadvantages (Madhok, 2006). In the new context settings, pressure from various conditions including divergent areas, novel relationships, and one of a kind institutional settings to alter exchanged knowledge is expected in order to make it operational (Szulanski & Jensen, 2006). Knowledge in an organization has a tendency to be socially unpredictable, implanted in people, and unsaid by the environment. Accordingly, knowledge is hard to mirror or endeavor in different organizations (Nohria & Ghoshal, 1997). Consequently, knowledge is exchanged preliminary with one organization onto the next; ordinarily, knowledge needs re-contextualization, keeping it in the look for end goals to be appropriately planted into its new organizational setting (Foss & Pedersen, 2002). Therefore, in the context of this study of IJVs, adaptation modifies the transferred knowledge before it can be used. Adaptation enables receiving units in IJVs to focus on potentially valuable knowledge and modify or combine practices from foreign partners. Therefore, we suggest the following proposition:

P2: Adaptation has a significant positive relationship with IJV's knowledge acquisition

### Formal Mechanisms

Every country has a set of different variables which can be new for an offshore company e.g. rules and regulation, taxation, different currency Every country has a different set of cultures, rules, and regulations. In that sense, the pairing between two parties particularly from different countries has to be given formal mechanisms for bridging those differences that shape the inter-partner relationship with clear responsibilities and duties to work and learn together. Therefore, according to the standards of organizational knowledge devices, it is suggested that matters related to knowledge exchange are to be governed by organizational hierarchy. A common concurred model of conduct blocks private motivating force chasing; formal governance advances organization certainty, and subsequently induces more prominent duty in inter-firm exchange"(Zhang & Zhou, 2013).

Formalized and legitimate official understandings provide security in which the terms of exchanges shall be applied (Lee & Cavusgil, 2006). In terms of formal mechanisms elements, many recent studies have suggested the elements of contracts (Li, Poppo, & Zhou, 2010; Liu et al., 2017; Mayer & Argyres, 2004) and control (Farrell, Oczkowski, & Kharabsheh, 2011). These mechanisms rely on legally and economically binding systems to reduce opportunistic risks (Luo, 2007; Luo, Liu, Yang, Maksimov, & Hou, 2015). However, these aforementioned studies have assessed different perspectives and contexts. Therefore, this study would relate the assessment of formal mechanisms through these elements in the context of international joint ventures.

#### *Contract*

Contracts indicate the "rules and duties of each partner, specify courses of action throughout unexpected interferes, and put the key goals to be realized" (Poppo & Zenger, 2002). By making the relationship contractually explicit, clear and mutual expectations are stipulated before the exchange and precise behavioral boundaries are pre-specified (Parkhe, 1993a). It is clear that contracts propose specific behavior patterns (Rousseau, 1995) and specify duties of both parties, along with penalties for agreement violations (Liu, Luo, & Liu, 2009). The more complex the contract is, the greater specification of promises, obligations, and processes for dispute resolution are. For example, a complex contract usually details roles and responsibilities to be performed, specifies procedures for monitoring and penalties for noncompliance, and, most importantly, determines outcomes or outputs to be delivered (Poppo & Zenger, 2002).

Protected and enforced by legal system, formal contracts generally prohibit moral hazards, decrease managerial disputes, and in turn encourage cooperation in exchange activities, including knowledge transfer (Zhang & Zhou, 2013). Formal contracts also create formal operating procedures that may require information sharing and frequent communication (Liu et al., 2017). An elegantly composed contract guarantees knowledge stream between trade partners by specifying how knowledge is shared, gained, and used to fulfill aggregate objectives (Q. Zhang & Zhou, 2013). Besides, the economic and legal consequences of not achieving the expectations will prevent unwanted knowledge exploitation and enable partners' exchange of knowledge in a favored way and to a favored level (Li et al., 2010).Therefore, a contract is fundamental since it provides a formal ground for future interactions (Wacker et al., 2016).

In line with this vein, a study with a sample of 225 paired buyers and suppliers in China revealed that contracts effectively increase quantity and quality of transferred knowledge (Liu et al., 2017). The findings in a survey of 343 manufacturer–supplier relationships showed that

formal control fosters knowledge transfer (Zhang & Zhou, 2013). Another recent advances from a survey of 168 foreign subsidiaries in China showed that detailed contracts can foster the acquisition of explicit knowledge (Li et al., 2010). Liu, Luo, and Liu (2009) have recently find that “contracts are effective in restraining opportunism and improving relationship performance” in a sample of 225 manufacturer-distributor dyads in China. Therefore, we suggest the following proposition:

P3: Contract has a significant positive relationship with IJV's knowledge acquisition

### *Control*

Generally, control is defined as the observable pattern of decision-making power (Park & Choi, 2014). In IJVs context, "control alludes to the amount of decision-making control, one partner may use over an IJV's regular daily tasks" (Choi & Beamish, 2004). In terms of the relation of control with knowledge acquisition, researchers asserted that one of the most significant components which have an impact on the acquisition of knowledge in organizations is the issue of control. They suggested (1997: 508) that “appropriate control is essential for learning ” as control simplify knowledge sharing within associations, boost appropriate exploitation of primary organizational resources and redefine organizational direction in line with new information (Makhija & Ganesh, 1997). More so, authors alluded that in order to run a joint venture, control arrangement is imperative to the dividing of power among parent firms and their partners particularly relative to decision-making processes (Steensma & Lyles, 2000). Therefore, such kind of knowledge sharing happens naturally and spontaneously (Turner & Makhija, 2006).

Empirically, Zhang & Zhou, (2013) found that formal control fosters knowledge transfer. In their study in Korea, they found that control mechanisms (i.e. management control and operational control) have a positive association with organizational learning (Park & Choi, 2014). Furthermore, Luo (2007) observed that “managerial control deters partner opportunism in China”. While others found that process control is more effective in China than in the United States (Atuahene-Gima & Li, 2002). (Chalos & O'Connor, 2004) found that partner knowledge and specific asset investments can influence a broad set of controls. Further, US joint venture partners considered control to be particularly useful for selective transmission and protection of their knowledge, whereas the Chinese partners viewed the same control as a means to selectively share and protect their specific asset investments in the ventures. Steensma & Lyles, (2000) found that imbalanced management control structure between parent firms can lead to parental conflict and the likelihood of IJV failure. However, imbalanced ownership control structure, had no influence on conflict or survival. Therefore:

P4: Control has a significant positive relationship with IJV's knowledge acquisition

### **IJV's Innovativeness**

Firm's innovativeness refers to a firm's capacity to introduce new processes, products, or ideas in the organization (Hult, Hurley, & Knight, 2004). Anything new may be perceived as innovation especially if its qualities or attributes distinguish it from its existing counterparts. An idea, approach, method, behavior, attitude, culture, technology, and capability may constitute an innovation (Damanpour, 1991). Innovation is considered as a critical factor of organizational strategy (Gunday, Ulusoy, Kilic, & Alpan, 2011), a guide of competitiveness over global marketplaces (Singh, 2009), and globalization sorts innovation as even more essential (Berry, 2014). However, it is imperative to understand how knowledge acquisition from foreign partners can help to achieve IJV's innovativeness, thus improve the outcome of

IJVs. Hence, more research is substantially needed specifically on IJVs' innovativeness following the poor result from the Global Innovation Index (2017) which ranked Algeria at 107th out of 127 countries in the presence of global innovativeness (refer to table 1.1). This indicator illustrates partial failure in the context of innovation at firms' level.

Knowledge-based View considers knowledge to be the most important strategic resource of competitiveness and superior performance (Grant, 1996; Kogut & Zander, 1992; Nonaka & Takeuchi, 1995). Therefore, companies should constantly increase their knowledge to generate new products and continuously distribute new knowledge to all employees (Hung, Lien, Yang, Wu, & Kuo, 2011). Based on organizational internal factors, the nature of innovation involves technical, product, and process innovation. Organizational internal factors include knowledge and skill resources, management systems, values and norms. While organizational external factors include customers, competitors, statutes, and technology (Hung et al., 2011).

Due to the lack of knowledge or means to generate knowledge locally, most firms in Algeria strive to access knowledge by entering into joint ventures with firms from more advanced countries. KBV explained the rationale behind the establishment of IJVs whereby local markets for knowledge are inefficient; therefore, in order to support market contracting, the need for collaborative arrangements (e.g. IJV) is critical (Grant & Baden-Fuller, 1995). Therefore, the formation of IJV would allow the access of foreign partner' knowledge on the basis of reciprocity (Grant & Baden-Fuller, 1995). Therefore, as stated by the authors, a company's innovative capacity is linked to the knowledge it possesses or acquires externally (Nowacki & Bachnik, 2016). The exchange of knowledge between performers (IJV-foreign partner) is viewed as alluring as it empowers the improvement of new capacities which may not be feasible for a sole partner working alone (H. Zhang, Shu, Jiang, & Malter, 2010). Transferred knowledge is the foundation of a company's competitive advantage and first-mover advantage can be achieved through the speed of knowledge transfer within its boundaries. The greater and faster knowledge is transferred, the more likely it is that the JV will achieve higher innovation performance (Sáenz, Aramburu, & Rivera, 2009)

Mansfield, (1983) clarified that innovation often stems from knowledge absorption in terms of research and design (R&D) and other corporate units (Mansfield, 1983). The learning ability of employees enhances the absorption and assimilation of internal information (Cohen & Levinthal, 1990). It also improves an organization's ability efficiency, efficacy, and capabilities to learn and promotes innovation activities (Dodgson, 1993). Empirical studies showed that organizational learning between inter-firm partners positively affects new product development and innovation (Hung et al., 2011; Hurley & Hult, 1998; Rothaermel & Deeds, 2004). Other research figured out that knowledge seeking through firms acquisition in China has positive impact on innovation performance (Wu, Lupton, & Du, 2015). Sáenz et al., (2009) revealed that knowledge sharing is a key to enhance innovation capability of firms. However, studies in the context of IJV are rare, except for a study conducted on Malaysian IJVs located abroad; the study found that knowledge transfer is very important to IJV's innovation performance (Idris & Seng Tey, 2011). The lack of empirical studies and the relatively new subject of interest are intricate. Therefore:

P5: Knowledge acquisition has a significant positive relationship with IJV's innovativeness

### **Proposed Conceptual Framework**

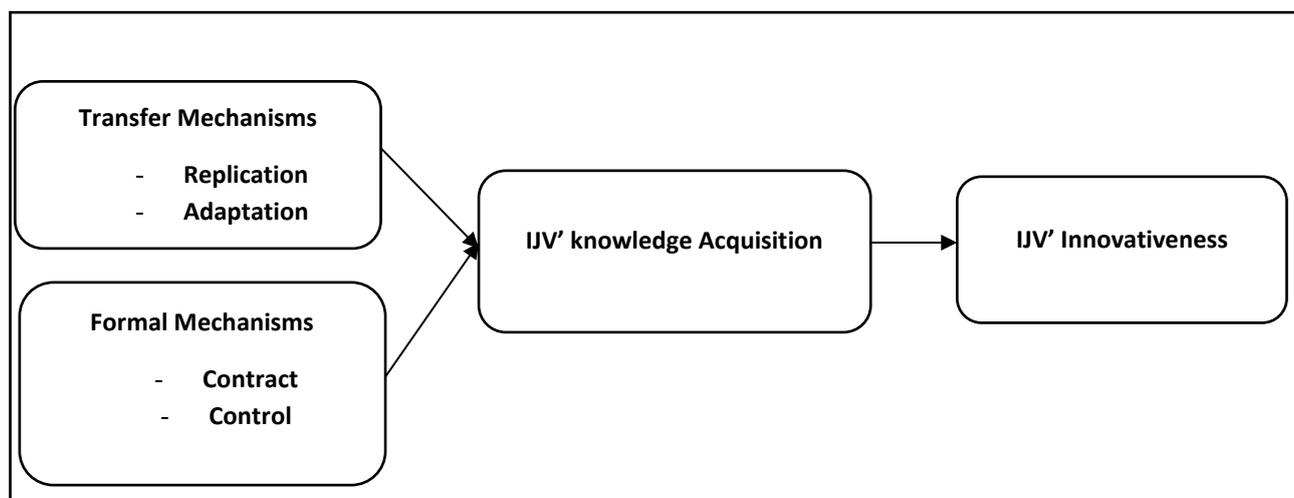
Initial research framework has been developed base on the extensive and comprehensive review of the literature and support of theories (Knowledge-based View KBV and Transaction

Cost Economics TCE). Deliberating on the KBV, theorists advocate knowledge-based resources and capabilities as significant contributors to firms' long-term sustainable competitive advantage because they are inherently difficult to imitate and socially complex, thus the need to facilitate strategic differentiation and superior performance (e.g., Narteh, 2008; Nickerson & Zenger, 2004; Soto-Acosta, Popa, & Palacios-Marqués, 2016). By this means, organizational knowledge is a significant strategic asset which can be described as an innovative and competent tool in enhancing firm's capabilities (Michalisin, Smith, & Kline, 1997).

Transaction Cost Economics theory (TCE) is thought to be most useful for integrating the economic implication of organizational behavior into a strategic analysis of the firm (Kogut, 1988; Parkhe, 1993b). TCE emphasizes the use of formal mechanisms such as specific contracts and control to facilitate inter-actors exchanges (Eccles, 1981). Formal governance obviates private incentive-seeking (Lee & Cavusgil, 2006), reduces transaction ambiguity (Lui & Ngo, 2004) and facilitates the knowledge transfer across organizational boundaries (Zhang & Zhou, 2013). Therefore, by coupling both theories, we in turn build and propose the current study framework.

This research contributes to the body of knowledge via developing a conceptual framework (Figure 1) that hypothesized the direct effect of transfer mechanisms and formal mechanisms on IJV's knowledge acquisition which in turn affects IJV's innovativeness. This framework would bring more insights into the effects particularly in the context of developing countries.

Figure 1: Proposed conceptual framework



The assessment of the proposed study is made through heavy searching in e-library and review of past literature on the subject of knowledge acquisition in transitional economies. The library search includes online materials of article journals and chapters from books (online databases such as Scopus, Web of Science, Science Direct and Google Scholar).

This study focused on IJV's knowledge acquisition from foreign partners. Therefore, in order to find the gap in the research, we limited our researches on articles related to IJV's knowledge acquisition from foreign partners in transitional economies. We found that all articles are limited within the period of 1996-2017. The first research was pioneered by the study of (Lyles & Salk, 1996) and continuous research has been conducted ever since. Furthermore, we have also analyzed previous meta-analysis and critical literature reviews on knowledge transfer and acquisition (e.g. (Andersson, Dasí, Mudambi, & Pedersen, 2016;

Battistella, De Toni, & Pillon, 2016; Meier, 2011) in order to thoroughly understand all aspects that may affect knowledge acquisition.

Moreover, factors that influence knowledge acquisition (transfer mechanisms and formal mechanisms) are suggested based on the observations and assessments of previous studies related to knowledge transfer and acquisition of inter-actors, multinational firm, and alliances in different contexts (developing, emerging, and developed countries). Thus, limitations from this study could also be due to limited resources. The research excluded science. But the references are not only restricted to transitional economics but also the broad area of inter-actors knowledge transfer and acquisition in emerging and developing countries.

### **Conclusion**

The current paper is built based on the need of assessing critical issues faced by the country specifically in its performance in relation with the report by the Global Innovation Index (2017). We further assess our study from the existing theoretical gap in the literature on IJV's knowledge acquisition from foreign partners in transitional economies. Based on the view of both Knowledge-based and Transaction Cost Economic theories, we proposed a model to examine transfer mechanisms (replication and adaptation) and formal mechanisms (contract and control) as factors that influence on IJV's knowledge acquisition. Therefore, our research shows that these factors will not only inspire the management and stakeholders to implement strategies and programs designed to encourage organizational learning but also generally help decision makers of IJVs to translate the transferred knowledge to develop IJVs' innovativeness, particularly in Algeria.

The current research is limited only to the proposed framework and applied the context of knowledge acquisition in Algeria. Hence, future studies are invited to test the model or add other viable factors and further provide empirical evidences.

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