Chapter 9
Measuring Inter-Organizational Knowledge Flows: The Case of a Joint Venture

Marco Giuliani
Università Politecnica delle Marche, Italy

ABSTRACT
This chapter develops the discussions about knowledge measurements in an inter-organizational context. More in depths, the role of knowledge measurements is investigated not regarding a single organization but within a Joint Venture (JV) development process. The main findings of this study are the following. First, it emerges that a JV can be a value-conversion device, i.e. a way of transforming knowledge into financial capital in a visible way. Second, within a JV development process, knowledge measurements assume different purposes and arise different accounting challenges in dependence of the phase in which the JV is (find, design or manage). Moreover, it emerges that the implementation of specific indicators allows better controlling of the knowledge inflows and outflows.

INTRODUCTION
In recent years, there is a growing attention on the role of knowledge within the value creation process as it is considered one of the most important factors of production for enterprises. If knowledge of an enterprise encompasses characteristics such as heterogeneity, imperfect imitation, imperfect substitutability or imperfect mobility, it creates a more lasting competitive advantage for the enterprise (Barney, 1991; Wernerfelt, 1984). The capabilities-based view also argues that the root of lasting competitive advantage is an organisation’s capacity to create new knowledge (Edvinsson & Malone, 1997; Stewart, 1997). Thus, how an enterprise updates its knowledge base to bring innovation to its products, services, operation processes, management methods and strategies is a subject of urgent interest to researchers.

In accounting the adage “you can manage what you can measure” has boost the studies about how to measure knowledge (Andriessen, 2004; Guthrie, Ricceri, & Dumay, 2012; Sveiby, 2004). These methods and tools underlie the idea

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that through measurement it becomes possible to mobilise knowledge in order to create value (Catasús, Errson, Gröjer, & Wallentin, 2007). More in depth, it is possible to find two main research perspectives: the static and the dynamic one. While the first perspective focuses on the stock of knowledge (static approach) in order to understand the difference between market value and book value, the dynamic perspective is centred on flows. Several scholars have highlighted that investigating knowledge dynamics allows understanding how knowledge creates value, how it works and what it does within the organisations (Kianto, 2007; Marr, Schiuma, & Neely, 2004; Mouritsen, 2006).

Studies about accounting for knowledge tend to be focused on intra-organizational knowledge (i.e., the stock and flows of knowledge created and developed within a specific organization [Chaminade & Roberts, 2003; Hensler & Huq, 2005; Mouritsen & Flagstad, 2004; Mouritsen, Larsen, & Bukh, 2001]), and therefore there is little research about inter-organizational knowledge, i.e. knowledge created and developed through cooperation or alliances. Due to the increasing level of competition that is characterizing the market and to the fact that knowledge requires time to be created, more and more companies tend to prefer acquiring new knowledge rather than developing it internally. Consequently, alliances become a strategic device useful to effectively apply and integrate the firm’s knowledge resources portfolio very quickly, to build and enforce a sustainable competitive advantage (Baden-Fuller & Grant, 2004; Das & Teng, 2000; Parise & Sasson, 2002; Schildt, Maula, & Keil, 2005).

Enterprises can acquire new knowledge or techniques through various modes of inter-organizational cooperation or alliance; these include: research contracts, licensing agreements, minority investments, equity acquisitions and joint ventures (JV). Among these cooperation or alliance modes, the deepest level of commitment and resource investment that can occur between cooperative partners is that of JV (Hyder & Eriksson, 2005; Spekman, Isabella, MacAvoy, & Forbes, 1996). A JV can be described as an independent business entity that is co-created and co-owned by two or more legally distinct organizations (the parent organizations) that combines resources provided by partner enterprises.

The importance of knowledge flows in JVs has been attracting an increasing amount of attention from the research community. The focal point of these analyses are the relevance of the selection of the right partner, or the mechanisms, tightness and focus of JV control (Bleeke & Ernst, 1991; Gulati, 1999; Kogut, 1988; Kumar & Seth, 1998; Parkhe, 1993). Despite the importance of knowledge in JV, there are few studies concerning the role that knowledge measurements can play in JVs’ context (Ordonez de Pablos, 2004; Zhao & Richards, 2012).

Considering the call for investigations on inter-organizational knowledge flows, the aim of this study is to analyse the role of knowledge measurement systems in order to support the management and control of the knowledge inflows and outflows within a JV project. In order to achieve this aim, the implementation process of an accounting system useful to control the inter-organizational knowledge flows of a parent company will be analysed adopting an interventionist research approach (Dumay, 2010; Jönsson & Lukka, 2005).

In comparison with previous studies, this one does not focus on accounting for knowledge flows within the firm but on inter-organizational knowledge flows. Moreover, due to the analysis of a case study adopting an interventionist approach, this study tries to bridge the gap between theory and practice.

The structure of the study is outlined as follows. The next section proposes a brief review of the prior knowledge of the basic elements of the study, followed by a description and in-depth analysis of the case study carried out. In the central