INTER-ORGANIZATIONAL RELATIONSHIPS:
THE IMPACT OF COMPLEMENTARY KNOWLEDGE AND RELATIVE ABSORPTIVE CAPACITY ON FIRM PERFORMANCE

In this paper, we study the phenomenon of dyadic inter-organizational relationships and develop a conceptual model to explain the influence of complementary knowledge and relative absorptive capacity on firm performance. Using theoretical perspectives emanating from the knowledge-based view of the firm and organizational learning, we suggest that performance outcomes in inter-organizational relationships depend on both stock and flow of knowledge, related to complementary knowledge and relative absorptive capacity of the firm, respectively.

The paper applies the idea of complementary knowledge – a concept derived from the notion of complementary assets rooted in the resource-based/knowledge-based views of the firm – to the concept of relative absorptive capacity, which is an idea from organizational learning. By doing so, we attempt to integrate these two perspectives. This allows us to offer a possible explanation of why firms engage in inter-organizational relationships and for those firms that do, why is it that we notice differential impact of such strategic action on performance.

We suggest that in the context of inter-organizational relationships, it is not the absolute value of knowledge but rather its relative importance or complementarity associated with it that matters. Further, in considering the impact of absorptive capacity of the firm on knowledge flows in inter-organizational relationships, we suggest that we need to focus on a firm’s relative absorptive capacity in such knowledge transfer. This is because relative absorptive capacity endows a firm with a unique capability to assimilate learning from its external partner. By suggesting the use of the construct relative absorptive capacity in our conceptual model, we incorporate the organizational learning approach in our understanding of the phenomenon. Not only is the firm’s performance outcome in inter-organizational relationships affected by the complementary knowledge that it gets access to, but the overall ability to derive advantage out of such knowledge critically depends upon the learning ability of the firm.

The arguments laid out in this paper offer several practical insights for managers. While firms have to focus on complementary knowledge as the key parameter and spend efforts in identifying the critical complementary knowledge that each partner can provide to the other, this is not enough. Each partner would need to also expand its relative absorptive capacity, which would help it to assimilate and utilize the knowledge. This would call for efforts in creating unique strategic, structural and process prerogatives that must be incorporated within the firm, in order to derive maximum performance leverage from inter-organizational relationships.