Unpacking International Ambidexterity: An Integration of International Business and Organizational Ambidexterity Theory

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**Keywords:** International Ambidexterity, Organizational Ambidexterity, Explorative Internationalization, Exploitative Internationalization.

**Abstract.** Existing research has paid enough attention to international strategy, but still largely treated internationalization as a whole in empirical test. This paper systematically reviews the internationalization theory based on the explorative view, internationalization theory based on the exploitative view, and internationalization theory based on the organizational ambidexterity perspective. Based on the integration of international business and organizational ambidexterity theory, we put forward the definition and measurement of international ambidexterity, and finally come up with the research framework of international ambidexterity.

**Introduction**

Following the import strategy, the implementation of going out strategy has become an important strategic initiative for the enterprises to search international innovation source and achieve innovation catch-up. China’s foreign direct investment keeps growth for 14 years (2002-2015). A large number of domestic leading enterprises (Geely, Haier, Huawei, TCL, etc.) are actively implementing the international development strategy. Exisiting research largely treats internationalization as a whole development strategy, empirically tests the relationship between internationalization and performance, and obtains inconsistent results. This paper aims to systematically review the internationalization theory based on the explorative view, internationalization theory based on the exploitative view, and internationalization theory based on the organizational ambidexterity perspective, and integrates international business and organizational ambidexterity theory to put forward the definition and measurement of international ambidexterity, and finally come up with the research framework of international ambidexterity. Therefore, this paper will greatly enrich the understanding of international strategy.

**Internationalization Theory Based on the Exploitation Perspective**

The main research objects in the international business field originate from multinational enterprises in developed countries (such as North America, Europe and Japan). The classical theory at that time is monopoly dominance theory [1], the internalization theory [2], and international production eclectic theory [3]. Hymer [1] argued that multinational firms are still undergoing internationalization strategies in the face of increased costs and cultural barriers because they have monopolistic advantages in terms of factors of production, commodity markets, economies of scale, and so on. Buckley and Casson [2] put forward the internalization theory based on transaction cost theory and firm growth theory, and argue that in the face of market imperfections (such as information asymmetry, government intervention, etc.), firms will cross the national boundaries to internalize intermediate market (intangible assets market), at this time internal transactions will be more effective than the external market transactions. Dunning’s [3] international production eclectic theory based on a variety of FDI theories, argues that in addition to the advantages of internalization and intangible assets, location advantages are equally important for the internationalization of enterprises, and
specific location advantages can bring development opportunities and resources endowments to enterprises.

In short, the traditional international business theory assumes that international companies have a certain ownership advantage, and the fundamental starting point for enterprises to implement the internationalization strategy is to use these advantages in the global scope to enhance the competitiveness of enterprises. Therefore, according to the logic of the traditional international business theory, enterprises implementing international strategy will use the existing advantages of the enterprise. It is noteworthy that, despite companies can use its competitive advantage in the international market to enhance performance in the short term, but in the long run will trap enterprises into a core rigid or capacity trap and gradually lost the response ability to the external environment. In addition, traditional international business theory can not explain the international expansion of firms from developing countries that do not possess the advantages of ownership [4]. Therefore, there are limitations in the traditional theory of international business to explain the motive of internationalization of enterprises and guide enterprises to implement international development strategy.

Internationalization Theory Based on the Exploration Perspective

In recent years, with the rapid growth of EM MNEs in emerging economies, theorists have shown great interest in the uniqueness of EM MNEs. Unlike the basic assumptions of traditional international business theory, EM MNEs do not have the ownership advantage, but actively enter the overseas market. In view of this unique phenomenon, scholars have put forward a number of theoretical explanations from multiple perspectives. Mathews [5,6] introduced the LLL framework of linkage, leverage and learning to explain EM MNEs’ internationalization behavior. One of the core ideas is that EM MNEs acquire strategic resources by establishing overseas relations and learning opportunities, with the logic that overseas relationships can help companies avoid the risk of foreign markets and uncertainty. Luo and Tung [7] put forward the famous springboard theory, and argue that the EM MNEs treat the international market as a strategic springboard to make up for the competitive disadvantage of enterprises. The main motive for entering the international market is to acquire the complementary assets and learning opportunities for enterprise development, while avoiding the domestic system and market defects. In addition, Child and Rodriguez [8], Rui and Yip [9] put forward the theory of strategic motivation, arguing that EM MNEs’ internationalization has a unique strategic motive, and pointed out that the motives of international companies in China and other emerging economies are mainly searching for strategic assets, entrepreneurship, and overcoming home country system constraints and other factors.

In short, the internationalization theory proposed for EM MNEs emphasizes the motivation of the firm’s strategic assets. The underlying assumption is that the fundamental starting point for enterprises to implement the internationalization strategy is to enhance the competitiveness of enterprises by searching for resources on a global scale. Therefore, according to the logic of the theory of internationalization of enterprises in emerging economies, the main aim of enterprises in China and other emerging economies to implement international strategy will be exploring new opportunities and learning new knowledge in the global scope. It is noteworthy that, while companies are implementing the exploring internationalization strategy in the international market can help develop new products and new technology, but paying too much attention to exploration activities will lead enterprises fall into a failure trap of the vicious endless cycle of exploration, failure, and exploration, failure again, which will make the firm difficult to recover innovation investment. As a result, previous research has focused on explaining the unique international motivations of EM MNEs and lacking attention to how EM MNEs successfully implemented international strategies.
Internationalization Theory Based on the Organizational Ambidexterity Perspective

In order to cope with the diversification environment in the international market, and enhance the international competitiveness of enterprises, enterprises are facing a dilemma in the implementation of international development strategy. It is generally believed that exploratory internationalization strategy and exploitative internationalization strategy belong to exploratory and utilization activities, have different characteristics and influencing factors, and require different organizational cultures, structures and systems, human resources, operational processes and implementation plans. So it is difficult to take into account at the same time. Therefore, the trade-offs become the rational choice for a lot of enterprises limited by the resource constraints. However, some scholars believe that it is necessary and possible for enterprises to think paradoxically and actively promote the balanced development of exploratory and utilization-oriented international development strategies.

Luo [10] argued that a firm should keep a balance between exploration and utilization strategies in international markets, which can help firms to effectively combat risks in international markets and thereby enhance corporate performance. Luo and Rui [11] argued that a successful implementation of an international strategy requires the introduction of a binary strategic thinking in the following four areas: binary orientation (short-term survival versus long-term development), duality competency (trading ability versus relationship ability), binary competition (competition versus cooperation), and dual evolution (response versus affect the external environment). Prange and Verdier [12] on this basis clearly put forward the idea of international dual strategy, and argued that the implementation of international exploration strategy is to promote the long-term development of enterprises, and the implementation of international use strategy is conducive to short-term survival of enterprises. Therefore, it is necessary for firms to maintain balance and coordination in the implement of internationalization strategy in order to promote the sustained and stable development of enterprises. Taking Taiwan enterprises as samples, Hsu et al. [13] empirically test the impact of international ambidexterity on enterprise’s financial performance. The number of overseas R&D and marketing branches was used to characterize the internationalization exploration ability of enterprises. The number of overseas manufacturing branches of enterprises was used to characterize the international utilization ability of enterprises.

In general, the current study of the international ambidexterity strategy is still inadequate. First, although some studies have differentiated theoretically the two strategies of exploratory internationalization and exploitative internationalization, they do not analyze the impact of the two strategies on the innovation of enterprises. Secondly, there is a lack of systematical thinking on the construction definition and measurement of international ambidexterity strategy. Thirdly, there is a lack of systematical thinking on the conditions and intermediary influence mechanism of international ambidexterity on strategy innovation performance, and how to implement international ambidexterity strategy. This study is based on this attempt to fill gaps based on these theories.

The Definition and Measurement of International Ambidexterity

International ambidexterity refers to the ability of enterprises to realize balanced development of two kinds of strategies through coordinating and weighing exploratory internationalization and utilizing internationalization. In this paper, we decompose international ambidexterity further into two dimensions: balance dimension and integration dimension, according to the research of Cao et al. [14]. The balanced dimension of international ambidexterity refers to the enterprises to make full use of the coordination mechanism to maintain a relatively consistent balance between the exploration and utilization in the international market. International ambidexterity combination refers to the combined magnitude of explorative internationalization and exploitative internationalization, emphasizing the integration of the two international strategies.

According to Makino et al. [4] and Hsu et al. [13], this study uses five items to measure exploratory internationalization and utilization internationalization, respectively. Explorative internationalization reflects to the intent of firms to get innovative and complementary resources in the international
markets. We use five measurement scales to reflect the extent of firms to get high level R&D and management talents from other countries, get technological and marketing resources for innovation, merge into foreign innovative atmosphere and get spillover effects, use good foreign R&D hardware infrastructure, and establish strategic cooperative relationship with local industry leading enterprises. The internationalization of development reflects the intention of enterprises to make use of technological resources and marketing resources in the international market. We use five measurement scales to reflect the extent of firms to use its technological advantage in foreign markets, enter into foreign markets and expand development space, produce products meeting the needs of foreign customers, establish manufacturing base to reduce transportation cost, and use cheap labor and material resources in foreign markets. The balance of international ambidexterity represents the relative balance between explorative internationalization and exploitative internationalization, and the combination of international internationalization expresses the integration of explorative internationalization and exploitative internationalization. We follow the treatment of Cao et al. [14] and use the absolute difference between explorative internationalization and exploitative internationalization. To facilitate interpretation, we reverse this measure by subtracting the difference score from 5 so that a higher value indicates greater balance dimension of international ambidexterity. The combined dimension of international ambidexterity concerns a firm’s combined magnitude of explorative internationalization and exploitative internationalization. Reflecting our theoretical treatment of the combined dimension of international ambidexterity, in which we propose that high levels of explorative internationalization and exploitative internationalization can complement and augment the innovation enhancing effect of the other, we multiply explorative internationalization and exploitative internationalization to operationalize combined dimension of international ambidexterity.

Research Framework of International Ambidexterity

Future research can explore the influencing factors and innovation effect of international ambidexterity. The influencing factor can be analyzed from three aspects: organizational structure, TMT and organizational context. We can analyze the direct innovation performance of international ambidexterity and the mediating effect of international ambidexterity and innovation performance. The mediating effect can be studied from the knowledge integration view.

![Figure 1. Research framework of international ambidexterity.](image)

Conclusion

Existing research has paid enough attention to international strategy, but still largely treated internationalization as a whole in empirical test. This paper systematically reviews the internationalization theory based on the explorative view, internationalization theory based on the
exploitative view, and internationalization theory based on the organizational ambidexterity perspective. Based on the integration of international business and organizational ambidexterity theory, we put forward the definition and measurement of international ambidexterity, and finally come up with the research framework of international ambidexterity.

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