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Document Version

Accepted author manuscript

Published in:

Journal of International Business Studies

DOI:

[10.1057/s41267-020-00391-1](https://doi.org/10.1057/s41267-020-00391-1)

Publication date:

2022

License

Unspecified

Citation for published version (APA):

Li, P. P., Prashantham, S., Zhou, A. J., & Zhou, S. S. (2022). Compositional Springboarding and EMNE Evolution. *Journal of International Business Studies*, 53(4), 754-766. <https://doi.org/10.1057/s41267-020-00391-1>

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Download date: 03. Jul. 2025



COMPOSITIONAL SPRINGBOARDING AND EMNE EVOLUTION

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28 October 2020

Accepted at *Journal of International Business Studies* as a Point article.

Acknowledgements:

We would like to thank two anonymous reviewers for their valuable input,
and also Alain Verbeke for his excellent editorial guidance.
We deeply appreciate the encouragement and feedback from Yadong Luo on a previous draft.
Peter Ping Li acknowledges financial support from NSFC Grant 71732007.
Rhea Li's research assistance is acknowledged with thanks.
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COMPOSITIONAL SPRINGBOARDING AND EMNE EVOLUTION

ABSTRACT

We provide an integrative account of how springboarding emerging market multinational enterprises (EMNEs) traverse the distinct contexts of their home *and* host markets by synthesizing the Composition-based View (CBV) with the Springboard Perspective to offer a novel, holistic and dynamic *Compositional Springboarding perspective* of EMNE evolution. We argue that EMNE internationalization entails a *meta-duality* between a compositional logic (home market) and springboarding logic (host market), and that the capabilities associated with springboarding – amalgamation, ambidexterity and adaptability – help balance these two logics' interplay and integration. We elaborate on the differential roles that these capabilities play across the upward spiral's five stages (the process of EMNE evolution), which have differing emphases in terms of these logics.

Keywords:

Ambidexterity; Composition-based View; Emerging Economies; Emerging Markets; Emerging Market Multi-Nationals; Internationalization; Organization Learning; Springboard Perspective; Unlearning.

COMPOSITIONAL SPRINGBOARDING AND EMNE EVOLUTION

INTRODUCTION

There is rising interest in understanding how emerging-market multinational enterprises (EMNEs) successfully navigate international markets (Buckley, Clegg, Cross, Liu, Voss, & Zheng, 2007; Buckley, Chen, Clegg, & Voss, 2018). The Springboard Perspective examines this phenomenon by highlighting EMNEs' evolutionary efforts across multiple stages, "to acquire strategic resources and reduce their institutional and market constraints at home... via a series of aggressive, risk taking measures by aggressively acquiring or buying critical assets from mature MNEs to compensate for their competitive weaknesses" (Luo & Tung, 2007: 481). Hence, EMNEs may manifest the opposite of the traditional trajectory posited in the literature concerning advanced market multinational enterprises (AMNEs): it is the absence of ownership advantages built upon valuable, rare, inimitable and non-substitutable (VRIN) resources that drives the cross-border springboarding of EMNEs into advanced markets via strategic asset-seeking foreign direct investment (FDI) (Hashai & Buckley, 2014; Peng, 2012).

However, there is room (and need) for a more nuanced understanding of how internationalizing EMNEs traverse the distinct contexts of their home *and* host markets because the springboarding literature has not deeply engaged with the home-market context of emerging markets even though it remains highly salient during international expansion. Redressing this is important for two reasons. First, although they may obtain VRIN resources, exclusively adopting and maintaining VRIN resources for long-term success will be expensive and time consuming for EMNEs, and may come at the cost of short-term survival. Second, although technology-driven innovation allows EMNEs to target high-end customers, much of their traditional market likely involves lower-end segments that still need to be served. Hence, without the home market perspective, our understanding of springboarding is incomplete.

The purpose of this paper is to provide a more integrative account of springboarding by explicitly incorporating ideas from Luo and Child's (2015) composition-based view (CBV). CBV highlights an emerging market firm's capacity to identify, obtain and combine ordinary (as opposed to superior or distinctive) resources available in the market in a timely and creative manner so as to effectively adapt to the shifting market demands in emerging economies. This raises a salient research question: *How is CBV related to the Springboard Perspective to more effectively explain the EMNE evolutionary process?* By integrating CBV with the Springboard perspective, we offer a novel *Compositional Springboarding perspective* of EMNE evolution that is more holistic and dynamic than either literature on its own.

Our central argument is that the process of EMNE internationalization via asset-seeking cross-border acquisitions entails a *meta-duality* between compositional and springboarding logics. Specifically, the three capabilities associated with springboarding, i.e., amalgamation, ambidexterity and adaptability, essentially help to balance these logics. Further, the various stages of the upward spiral of the springboarding process (Luo & Tung, 2018) have differing emphases on these logics resulting in different roles for these 3A capabilities at different stages. We thus add to our understanding of the *overall process of EMNE evolution* across the upward spiral's five stages by highlighting that it reflects these two logics' *interplay* and *integration*.

We make three contributions. First (and primarily), we add to the EMNE literature by framing the compositional and springboarding logics as a meta-duality, addressing which is the crux of the meta-capability of MNE orchestrating, thus deepening understanding of *EMNE evolution*. Second, we also add to the broader IB literature by reinforcing in a fresh way the interplay between firm-specific advantages (FSAs) and country-specific advantages (CSAs) (Rugman & Verbeke, 2001). Third, more broadly, we add further insight to the ambidexterity notion and suggest research directions that draw on emerging markets' unique contexts and concepts such as yin-yang balancing.

BACKGROUND

Composition-based View

The composition-based view (CBV), which is particularly relevant to emerging economy firms, addresses the question of how firms that are equipped with ordinary resources, and lack strategies assets such as core technologies and strong brands, compete with more powerful and better resourced firms through superior price-value ratios (i.e. higher value per unit with lower cost or price) (Luo & Child, 2015; Sun, Maksimov, Wang & Luo, 2020). Ordinary resources refer to resources that are neither distinctive nor costly to obtain or imitate, and are easily tradable and obtainable in the market. The term “composition” in CBV can be interpreted as the identification, configuration, and integration of different resources (e.g. licensing applied technology and purchasing key components to integrate with in-house production) via different means of competition (e.g. price, value, design or service) to create extended offerings with competitive advantages (Luo & Child, 2015). In contrast to the resource-based view (RBV) that highlights the salience of VRIN resources as *superior* or distinctive resources (Barney, 1991, 2001), CBV explains how firms with *ordinary* or generic resources develop and grow by using a capability that enables them to compete with better-endowed rivals, especially in home markets (Luo & Child, 2015).

Compositional behaviors consistent with CBV usually happen before firms start their springboarding activities in the overseas markets at which time they possess few VRIN resources; instead, they are endowed with ordinary resources. Although such a firm could achieve a certain level of success in the domestic market by leveraging its compositional capability in the short term, serious challenges may arise in the long term. First, there is a lack of any distinctive or long-lasting advantage. Second, since the firm lacks the capability for exploratory learning, it has to rely mostly on exploitative learning, resulting in low margins and limited competitiveness in high-end market segments. Third, such a firm relies heavily on

market-driven innovation based on deep knowledge of customer needs in large emerging economies that are strongly embedded in local market conditions, which is a potential barrier to further market expansion beyond the home market (Zhou, Li, Zhou, & Prashantham, 2019). The narrow focus on the home market in an emerging economy limits a firm's market capacity, and also restricts its access to high-end markets overseas. Finally, fierce competition among local and global companies has been rising over time in emerging markets.

Springboard Perspective

The springboard perspective of EMNEs refers to efforts “to acquire strategic resources and reduce their institutional and market constraints at home...via a series of aggressive, risk taking measures by aggressively acquiring or buying critical assets from mature MNEs to compensate for their competitive weaknesses” (Luo & Tung, 2007: 481). EMNEs may use an international springboard strategy to aggressively seek and obtain strategic assets and opportunities to build up their global competitiveness in a relatively rapid way to compete with established rivals in international markets (Luo & Tung, 2007, 2018). The key premise of this theory is that EMNEs can use international expansion as a springboard to acquire strategic resources to compensate for shortages or weaknesses in their capabilities, overcome their disadvantages as latecomers, explore new markets and competitive advantages in other countries, alleviate their home countries' institutional and market constraints (including trade barriers), and improve their augmented capabilities to compete globally (Luo & Tung, 2007).

Following this line of reasoning, a springboard strategy can potentially help EMNEs achieve two critical objectives. First, these firms can acquire critical VRIN resources which may enable them to become more competitive vis-a-vis domestic and foreign rivals. Second, their vulnerability to institutional and market constraints at home can be reduced to further support their development and growth. Of course, different EMNEs may assign varying weights to these two goals, and different outward FDI (OFDI) projects may have differing

emphases in terms of these goals, unfolding at different speeds (Kumar, Singh, Purkayastha, Popli & Gaur, 2020; Williamson, Ramamurti, Fleury & Fleury, 2013).

Conceptually, the Springboard Perspective has two important elements. First, Luo and Tung (2018) identified three types of capabilities that are pertinent to springboarding: amalgamation, ambidexterity, and adaptability (hereafter 3A capabilities; see Luo and Tung's definitions in Table 1), which can differentiate EMNEs from AMNEs. Amalgamation denotes the ability to creatively improvise and combine both internal and external resources to develop and offer products with impressive price-value ratios to both mass global and domestic consumers. Ambidexterity enables firms to acquire global resources they need and augment their global competitiveness by fulfilling critical but conflicting goals simultaneously. Adaptability refers to firms' capacity to respond to a dynamic environment, catch opportunities and avoid or neutralize threats (Grewal & Tansuhaj, 2001).

Second, Luo and Tung (2018) introduced a five-stage upward spiral to explain the overall pattern of *EMNE evolution* through a deliberate and reinforcing multi-stage process that strengthens and enhances their critical capabilities for competing with global players. We briefly recap the five stages (see Table 2 for definitions). At Stage 1, EMNEs develop basic skills and capabilities via inward internationalization. At Stage 2, they undertake M&A activity to tap vital technologies, brands and talent. At Stage 3, EMNEs establish a foothold in select foreign markets and transfer acquired resources to their home operations to increase their domestic (and global) competitiveness. At Stage 4, they exploit their newly acquired global resources and capabilities via creative combination and innovation *at home*, and upgrade capabilities to become global players. At Stage 5, EMNEs are expected to bolster their global competitiveness via upgraded capabilities and reinvigorated home base to seek *global scale* economies. The upward spiral is a virtuous cycle and a continuous improvement process, so EMNEs could potentially continue upgrading their capability set even beyond Stage 5.

Insert Tables 1 and 2 about here

COMPOSITIONAL SPRINGBOARDING

In essence, CBV and Springboard Perspective highlight two sides of the same coin. There are two major logics at play: a compositional logic and a springboard logic. Both the CBV and Springboard literatures embrace the need for balancing different dualities, including usefulness and novelty, or imitation and innovation, but each *emphasizes* one element over the other. By synthesizing the two perspectives or logics, we get a more integrative or holistic understanding of the phenomenon of springboarding by EMNEs. Bringing together both literatures, explicitly, helps us to understand which side of the duality is emphasized more in which literature and, as we argue below, which perspective is emphasized at which stage of the upward spiral.

We present an account of *compositional springboarding* by synthesizing CBV with the Springboard Perspective. We discuss the five springboarding stages as integrated with the role of compositional capability in two steps. First, we argue that when we explicitly take CBV into account, each of the 3A capabilities can be considered to involve *a meta-duality involving the compositional and springboarding logics*. Second, we identify the dominant logic (compositional vs. springboard) and focus (capability assembly vs. capability leverage) of each stage, and we delineate the roles of the refined 3A capabilities in each stage.

Revisiting the 3A Springboarding Capabilities by Adding the Compositional View

What we get by explicitly bringing in CBV is a more nuanced understanding of what the 3A capabilities entail; the key insight this provides is that *each A can be construed of as involving elements pertaining to both compositional and springboard logics¹ in an imperative*

¹ Note that we are only saying that elements in each column reflect a *relative emphasis* vis-a-vis one logic, not that they are completely irrelevant to the other logic; e.g., novelty is also relevant in CBV but not dominantly so.

balance. We argue that each of the refined 3As involves combining, leveraging or responding to elements that have differing emphases in terms of logic, as depicted in Table 3.

Insert Table 3 about here

Amalgamation revisited. Luo and Tung (2018: 140) highlighted two core dimensions of amalgamation: (1) “to creatively improvise and combine both internal and external resources”, and (2) to provide products and/or services with “impressive price-value ratios suited to mass global and domestic consumers”. We note that this is not confined to technological resources, but might include other types of resources, such as marketing resources and business model innovation. Furthermore, amalgamation capability can apply to a wide spectrum of market segments, often with different price-value ratios to reflect variance in affordability.

Incorporating CBV leads to the recognition that amalgamation deals with combining two contrasting types of resources, each of which reflects a distinct logic: ordinary resources (compositional logic) and VRIN resources (springboard logic) – reflecting the imperative for balancing the two logics. That is, amalgamation involves the interplay between ordinary resources (primarily obtained at home and reflecting a compositional logic) and VRIN resources (primarily obtained abroad based on a springboard logic). In other words, the leverage of ordinary and VRIN resources for diverse value-chain activities across local and global levels can enable EMNEs to achieve more sustainable competitive advantages.

If firms only have ordinary resources for local value-chain activities, they might only achieve temporary competitiveness, while VRIN resources for global value-chain activities are expected to achieve much more sustainable competitiveness (Barney, 1991, 2001). This is consistent with the emerging consensus that EMNEs’ effort to expand abroad is largely entrepreneurial in nature as they seek to upgrade or transform their home-based capability base (e.g., Li, 2003, 2007; Luo & Tung, 2007, 2018; Mathews, 2006, 2017; Madhok &

Kayhani, 2012).

Ambidexterity revisited. Ambidexterity is a vital capability for EMNEs because it helps them to pursue multiple goals that tend to be conflicting in nature (Luo & Rui, 2009). Luo and Tung (2018) identified dualities that springboarding EMNEs must leverage through ambidexterity: (1) pursuing both low cost and high value; (2) blending imitation and innovation, and (3) adopting both institutional avoidance and institutional leverage.

The insight we get by explicitly linking CBV with Springboard Perspective is that these dualities reflect a compositional logic on the one hand (e.g. imitation) and a springboard logic (e.g. innovation) on the other. Several other such dualities, all reflecting the meta-duality of compositional and springboarding logics, can be identified in relation to the springboarding EMNE. For example, EMNEs could balance usefulness (compositional logic) with novelty (springboard logic) in the process of innovation, thus achieving an optimal balance between market-driven and technology-driven innovations. Also, EMNEs could balance inward internationalization (compositional logic) with outward internationalization (springboard logic). This duality also reflects the balance between institutional avoidance and institutional leverage noted by Luo and Tung (2018). In sum, ambidexterity leverages multiple dualities, such as usefulness (compositional logic) and novelty (springboard logic), reflecting the imperative for balancing the two logics.

Adaptability revisited. Luo and Tung (2018) identified three core issues concerning adaptability. First, adaptability is most relevant in the context of high uncertainty and fast-paced change. Second, the harsh context of emerging economies due to institutional and resource-related hardships relative to advanced economies (Madhok & Kayhani, 2012; Zahra, Abdelgawad, & Tsang, 2011), has inadvertently forced EMNEs to become more agile and entrepreneurial (Luo & Tung, 2018: 143). Third, EMNEs also face a “liability of emergingness”, i.e., the serious challenges of strong constraints in host countries, especially

in advanced economies, beyond the normal liability of foreignness, which can be transformed into an “asset of emergingness” via learning agility (Madhok & Kayhani, 2012).

Adding CBV highlights that adaptability enables EMNEs to respond to diverse environments via *unlearning* incrementally (compositional logic) and radically (springboard logic), reflecting the imperative for balancing the two logics. The notion of unlearning, i.e., the intentional discarding of practices, is highly relevant to EMNEs since they are willing to experiment more aggressively than AMNEs (Zahra et al., 2011). Unlearning can free EMNEs from being locked into their existing routines so as to learn radically new ones (Tsang & Zahra, 2008; Zahra et al., 2011).

Interaction between the 3 As. Amalgamation (ordinary vs VRIN resources) tends to go hand in hand with adaptability (incremental vs radical unlearning, respectively). On the one hand, amalgamation forms the basis for the potential of adaptability; that is, only when adequate resources and capabilities are amalgamated can a firm adapt these to a changing environment. On the other hand, the need for adaptability steers the focus of amalgamation in the sense that the diverse demands of adaptation in different markets require further amalgamation to fulfill varying customer needs.

Moreover, ambidexterity plays a key role in directing managerial attention to amalgamation and adaptive behaviors across (1) different logics (compositional vs. springboarding logics), and (2) capability-related behaviors (assembly vs. leverage). The 3A capabilities of springboarding are thus highly interdependent. For example, to compete effectively in the global market, EMNEs must engage in both amalgamation and ambidexterity as the foundations for adaptability, and in turn, adaptability can enable EMNEs to upgrade and enhance both amalgamation and ambidexterity by integrating various compositional advantages with springboarding advantages, consistent with the salient balance between local responsiveness and global integration (Prahalad & Doz, 1987).

Below we highlight how the relative focus of attention paid to compositional and springboard logics will vary across the five stages of springboarding in the upward spiral process, and accordingly how the roles of the 3A capabilities differ from stage to stage.

Revisiting the 5 Springboarding Stages by Adding the Compositional View

We posit that the first four stages in Luo and Tung's (2018) upward spiral represent distinct sets of activities with differing relative emphases on two core dimensions upon the same capability base (we term this the *within-plateau upward spiral* of compositional springboarding): (1) compositional logic or springboard logic, and (2) capability assembly or capability leverage, as two different roles or functions of capability (see Table 4). In contrast, Stage 5 repeats the above process of upward spiral upon a higher or stronger capability base – in essence, a next form of upward spiral across different capability plateaus with a more balanced integration of the two logics, as well as that of the two roles, which we term the *cross-plateau upward spiral* of compositional springboarding (see Table 5 and Figure 1).

Insert Tables 4 & 5 and Figure 1 about here

Every transition from one stage to another is fraught with danger in the sense that the focal EMNE needs to approach each differently since success in one stage does not guarantee success in the next. A key point we are making is that making the transition from one stage to another, which differs in terms of the core logic or capability process or both, is not inevitable. Each stage places different burdens in terms of the role of the refined 3A capabilities. The capacity for an EMNE to make these shifts adeptly is crucial for them to evolve along the five stages of the upward spiral. Table 5 summarizes the role of the refined 3A capabilities in each stage, while Figure 1 graphically depicts the compositional springboarding upward spiral. We elaborate on these ideas in the paragraphs that follow.

Stage 1 of Compositional Springboarding. The focus at Stage 1 is on capability assembly, which is predicated on a compositional capability. The internationalization process begins in a rather passive way through inward internationalization, i.e., local firms competing with and learning from foreign MNEs at home (e.g. Prashantham & Dhanaraj, 2015), through which some basic capabilities are assembled. However, the focus is essentially on compositional activity as the precursor to the more radical OFDI that is seen at Stage 2.

Amalgamation at Stage 1 relates primarily to assembling ordinary resources. Even though some level of VRIN resources or capabilities can be tapped through inward importing equipment or working with local affiliates of foreign MNEs, in reality the acquired capabilities are likely to be only fairly basic since the knowhow to, say, use sophisticated equipment is still lacking in the focal firm at this early in the process. Correspondingly, in terms of adaptability, there is relatively little unlearning to be done to reflect the assembled basic capabilities.

Connecting these two As, ambidexterity's role is largely to direct (and retain) attention towards the compositional side of dualities. For instance, with respect to the novelty-usefulness duality, the emphasis is on ensuring usefulness such that “good enough” products can be sold in the home market (Luo & Child, 2015). This is not to say the focus on the compositional logic is exclusive, but rather that this is the relative priority at this stage.

For example, as noted by Luo and Child (2015), Mindray, a leading healthcare equipment manufacturer in China, took advantage of cheap labor, standard technologies, and key components purchased from the open market in its catch-up phase of development between 1991 and 2000. Although their products were not the best in their home market, they achieved a very good cost-value ratio as their prices were around 50% lower than those of Western brands.

Stage 2 of Compositional Springboarding. While the focus at Stage 2 remains on capability assembly, in terms of the compositional-springboarding meta-duality, the primary

logic switches from Compositional (at Stage 1) to Springboard (at Stage 2). In a sense, this stage of engaging in radical OFDI is the action that the “springboard” metaphor evokes the most.

The focus of amalgamation, in stark contrast to Stage 1, is now on assembling VRIN resources, such as brands and technology, via overseas merger and acquisitions. This necessitates adaptability in the form of *radical* unlearning, particularly because the focal firm now encounters unfamiliar “rules of the game” (Li, 2010). Notably in the case of Chinese companies, formal institutions in terms of active trade unions and a free press, typically represent a radically new environment. In fact, the situation is often so novel that part of the unlearning entails “letting go” and handling the acquired company with an “invisible-touch” approach (Li & Yang, 2017).

Ambidexterity connects amalgamation and adaptability at Stage 2 by turning managerial attention in various dualities from the compositional to the springboard side; to illustrate, the focus would now be much more on novelty rather than usefulness (similarly on innovation rather than imitation). This attentional shift is inherently spatial since the erstwhile focus on usefulness is associated with the home market whereas the new focus on novelty is centered on the distinctive capabilities embodied by the acquired firm in the host market.

Haier’s cross-border acquisitions, noted by Luo and Tung (2007), illustrate Stage 2 of springboarding. The Chinese white-good manufacturer conducted a series of strategic asset-seeking acquisitions of companies such as Fisher & Paykel, SANYO Electrics, GE appliances, and Candy in New Zealand, Japan, the US, and Italy, respectively. These acquisitions enabled Haier to gain access to global brands, advanced technologies, and distribution networks in Oceania, Asia, North America, and Europe.

Stage 3 of Compositional Springboarding. At Stage 3, the primary logic in terms of the meta-duality remains the springboarding logic, but the focus on capability building shifts from capability assembly to capability leverage.

The role of amalgamation is to go beyond obtaining VRIN resources and capabilities (Stage 2) to understanding these better in order to be able to transfer these to the home market. Correspondingly, while adaptability continues to entail radical unlearning, this process now involves closer interactions with the acquired company. That is, selected managers from the focal EMNE will typically interact with people and processes in the acquired firm, a vastly new experience, in order to be able to transfer knowledge home. Of course, the acquired firm may continue to enjoy a substantial degree of autonomy, but a purely hands-off approach by the EMNE's managers, which could be the case at Stage 2, is untenable at Stage 3 since the goal here is transfer capability to the home market.

Ambidexterity connects amalgamation and adaptability at Stage 3 by sustaining a relative emphasis on the springboard side of dualities (e.g. novelty over usefulness or innovation over imitation) and by shifting the focus to capability leverage, as opposed to the focus on capability assembly at Stages 1 and 2. In a sense, Stage 3 is an even more critical stage – and much less glamorous – than Stage 2, where the focus is on completing the acquisition and ensuring its short term survival. Stage 3 is where the “rubber hits the road” and the EMNE must ensure that the assembled capabilities and resources at Stage 2 are leveraged so as to compensate for its own weaknesses and provide it with new and valuable capabilities.

To illustrate, in 2015 the Chinese scooter maker Ninebot bought an iconic US rival Segway that possessed over 400 patents. Although the two brands operated separately between 2015 and 2018, Ninebot obtained new technological knowledge from Segway so quickly that it started producing self-balancing scooters with the latest functionality in the Chinese market (Osland, 2019).

Stage 4 of Compositional Springboarding. At this stage, the focus remains on capability leverage but there is a shift in the logic emphasized (from springboard back to compositional). The salience of the home environment is key at this stage. Amalgamation's role is to blend the newly acquired VRIN resources with the existing ordinary ones. Clearly, then, the springboard logic is also relevant at this stage, but the emphasis will likely return to a compositional logic because the capability upgrading at this stage occurs in the context of the home market². A corollary to this is that, in terms of adaptability, much unlearning may in fact *not* be warranted at this stage. Rather, "coming back" to the EMNE's compositional roots is what may be most relevant to leverage the newly acquired capability in a manner that (a) upgrades the existing capability base, and (b) applies it extensively in the home market.

Ambidexterity's role in connecting amalgamation and adaptability lies in redirecting attention to fortifying the home market by upgrading capabilities and seizing opportunities based on the newly upgraded capabilities. In theory, there may also be opportunities overseas, but the relative emphasis is on the home market at this stage, as different from Stage 5 when global opportunities are more extensively pursued. As Luo and Tung (2018) have noted, EMNEs may follow different approaches to capability upgrading, such as home-centric, region-centric, and hub-centric approaches, so EMNEs need to find an appropriate balance between their home units and foreign units for the transfer and upgrading of capabilities.

For instance, the Chinese carmaker Geely, which springboarded via the acquisition of Volvo in 2010, transferred a series of advanced technologies such as the interior air quality system to China. In 2016, it launched a special four-seater Volvo S90 Excellence model for the high-end Chinese market, based on technologies and combined features learned from Volvo (e.g., a full panoramic roof, foldout worktables, adjustable footrest and a built-in entertainment

² It is possible that not every EMNE will go into Stage 4. Some may be content to continue to operate with the acquired firm mostly intact in other markets; thus, when Tata acquired JLR the latter continued to operate fairly independently and had more sales outside India, which is Tata's home market. But in other cases, the big market opportunity may well lie in the EMNE's home market, and this is an important locus of capability-upgrading.

system). It was designed to enhance the in-car experience of customers like senior Chinese businessmen, who preferred to be driven rather than drive themselves. It has been suggested that Geely has increasingly developed innovative products by combining Volvo's firm-specific capabilities with those of its own (Yakob, Nakamura, & Ström, 2018).

Stage 5 of Compositional Springboarding. At Stage 5 and beyond, EMNEs seek to further develop new capabilities via continuous argumentation in a virtuous cycle of upward spiral as the defining character of EMNE evolution (Luo & Tung, 2018). In other words, the most critical task for EMNEs at Stage 5 and beyond is to have sustainable progress via dynamic learning so as to flexibly respond to, or even proactively reshape, the external context. We have posited that the first four stages represent distinct sets of activities with differing relative emphases on two core dimensions – (1) compositional logic or springboard logic, and (2) capability assembly or capability leverage – upon the same capability base. Stage 5, we suggest, repeats the above process of “upward spiral” upon a stronger capability base across different capability plateaus with a more balanced integration of the two logics as well as that of the two roles. Intriguingly, we currently know of no EMNE that quite reached this stage yet.

At Stage 5, in terms of amalgamation, EMNEs will need to maintain a dynamic balance between assembling and leveraging both ordinary and VRIN resources both in their home and advanced markets. In terms of adaptability, both learning and unlearning will likely occur at this stage and their balancing is delineated by the changes in the external context. The compositional and springboard logics coexist and interact with each other while ambidexterity enables EMNEs to flexibly and resiliently shift their emphasis between the two logics in both holistic and dynamic patterns. It should be noted that EMNEs at Stage 5 or beyond do not need to follow the same process from Stage 1 to Stage 4 in the upward spiral since EMNEs at Stage 5 can become so advanced that they can flexibly choose various configurations among the four stages contingent upon the need to adapt to the changing external context.

The Meta-capability of Orchestration

Finally, we note that addressing the meta-duality of compositional and springboarding logics calls for a meta-capability of MNE orchestration. That is, springboarding EMNEs must have a meta-capability to orchestrate the refined 3A capabilities and reconfigure them across different stages over time, as the process of compositional springboarding unfolds in the evolutionary pattern of upward spiral. We propose the construct of orchestration as the meta-capability to both *synchronously* configure and *sequentially* reconfigure co-specialized resources and/or capabilities (cf. Helfat et al., 2007; Teece, 2007). Our notion of orchestration draws upon the perspective of resource orchestration (Sirmon, Hitt, Ireland, & Gilbert, 2011) which integrates the research streams on asset orchestration (e.g., Helfat et al., 2007; Teece, 2007) and resource management (e.g., Sirmon, Hitt, & Ireland, 2007).

Specifically, EMNEs can not only configure the 3A capabilities across “spatial” contexts which vary in terms of the dominant logic (compositional at home and springboard overseas), but also dynamically across temporal stages. Hence, consistent with Sirmon and colleagues (2011), we bring to the fore the neglected role of organizational processes for managing all related assets, resources or capabilities into holistic and dynamic portfolios or configurations. Further, our notion of orchestration is also consistent with the new perspectives of dynamic managerial capability (Adner & Helfat, 2003; Helfat & Martin, 2015), dynamic organization as a system (Levinthal & Marino, 2015), and dynamic capability as a meta-capability (Zeng, Simpson, & Dang, 2017), to the extent that dynamic capability should be framed not only as an independent single ability, but also as a holistic and dynamic configuration.

DISCUSSION

Contribution to the EMNE Literature

We contribute to a deeper understanding of the ENME springboarding process (Kumar et al., 2020; Luo & Tung, 2007, 2018) by highlighting that this form of EMNE

internationalization involves the interaction and integration between compositional and springboard logics. Specifically, we shed light on the different roles played by the refined 3As, and how they interact in an integrative process, in *each of the five stages*. Thus we provide a richer understanding of *the overall process of EMNE evolution* across the springboarding upward spiral's five stages that incorporates a richer understanding of the home institutional context, an important influence on EMNE behavior (Nayyar & Prashantham, 2020).

Our ideas point to the rather large (managerial) challenge in transitioning from one stage to another. The conceptualization adds a learning perspective which is important since Luo and Tung (2018) noted that “it is incorrect to assume that organizational learning and foreign experience are not important to them”. We speculate that the adeptness of EMNEs in switching between compositional and springboard logics will affect their sustainable success. A normative implication is that a failure to suitably shift between the two different logics as a meta-duality, can adversely affect the long-term success of EMNE springboarding. A major insight from our work is the salience of *returning* to the compositional logic at Stage 4, so EMNEs need to maintain, rather than abandon, their original compositional capabilities.

In a sense, we make a modest contribution towards answering the question posed by Ramamurti (2012): what is really different about emerging market multinationals? Our answer points to the interaction and integration between compositional and springboard logics as truly unique to EMNEs; in contrast, while AMNEs typically don't engage with the former, domestic firms in emerging markets don't deal with the latter. What is thus distinct about EMNEs is their unique opportunity for engaging with both logics as they evolve, which is something that other types of firms would not or cannot do (Cuervo-Cazurra, Newburry & Park, 2016).

Contribution to the Wider IB Studies

Our ideas highlight and reinforce Rugman and Verbeke's (2001) emphasis, in their new version of internalization theory, on the interplay between FSAs and CSAs. While noting

similarities between the springboard and new internalization perspectives, Luo and Tung (2018) noted that the former emphasized how MNEs expanded to compensate for their lack of capability, while new internalization theory focuses on leveraging existing capabilities. However, an overlooked overlap between these perspectives is that there can be some interesting implications from the notion of bounded reliability, which explains the nonfulfillment of commitments (Kano & Verbeke, 2015; Verbeke & Greidanus, 2009).

Bounded reliability is worth noting because springboarding is not an inevitably smooth or guaranteed process. An unstated assumption of the Springboard Perspective is that acquired firms from advanced markets have the ability to keep up their end of the bargain by providing the requisite VRIN resources and capabilities. However, if the acquired firm's resource and capability base was overestimated by the acquiring EMNE, which is not implausible (He et al., 2018), further capability upgrading may be required on the part of the acquired firm via the joint effort of both parties. This may be part of orchestration, but also a part of bounded reliability, thus relevant to springboarding. Moreover, part of the reason that an acquired firm may fail to deliver on its end of the bargain is its lack of understanding concerning EMNEs' meta-duality of compositional and springboarding logics, and may hence be caught unprepared for the integration of VRIN *and* ordinary resources.

Finally, various perspectives on EMNEs, which essentially showcase a special form of international entrepreneurship (Madhok & Keyhani, 2012), can also provide some insights into entrepreneurial internationalization from emerging markets – in particular, concerning how new ventures from China and India internationalize on the basis of process innovation rather than product innovation by creatively utilizing ordinary resources in combination with the effective use of business networks to upgrade their capability set (e.g. Prashantham, 2011; Zhou, Barnes, & Lu, 2010). Prior work has stopped short of acknowledging the role of emerging economy firms' compositional capability, and ought to do so in the future.

Contribution to the Wider Strategy Literature

Our work highlights the salience of such concepts as *dynamic learning* and in particular the scope to draw upon an EMNE context to understand ambidexterity in a more holistic and dynamic manner. Our framework of Compositional Springboarding also bears some implications for applying the perspective of yin-yang balancing to the paradoxical issues in organizational management (Li, 1998, 2010, 2016; Luo & Rui, 2009; Luo & Tung, 2007, 2018; Prashantham & Eranova, 2018; Zhou et al., 2019). In addition to the paradoxical pairs identified earlier in this study, Compositional Springboarding View can also enrich the research on business models in terms of achieving a proper balance between value creation and value capture (Zott, Amit, & Massa, 2011), and the role of configurational or network approach in alleviating the tension between reusing existing resources and creating new ones (Carnabuci & Operti, 2013). Similarly, the inherent link between compositional and springboarding logics highlights the unique value of integrating RBV's focus on VRIN resources with the salience of ordinary resources in CBV. It can be argued that both RBV and CBV would benefit from incorporating and leveraging each other so as to uncover more holistic and dynamic links.

Limitations, Boundary Conditions and Future Research

Obviously, ours is a stylized representation of the springboard process and cannot be expected to be a perfect description of the experience of every EMNE, inasmuch as Luo and Tung's (2018) 5-stage upward spiral cannot explain the trajectory of every EMNE. Therefore, future research based in-depth case studies is called for to open the black box of the interplay between 3A capabilities within each stage, as well as transitions between five stages.

More broadly, in-depth case studies could help shed light on the special types of dynamic capability necessary for an effective interplay between compositional and springboarding logics. This is related to the critical issue of capability lifecycle (Helfat & Peteraf, 2003), and also the role of unlearning. In this sense, our Compositional Springboarding View has the

potential to integrate the traditional exploitation-oriented IB theories (more concerned with the compositional logic) with the emerging exploration-oriented IB theories (more concerned with the springboarding logic) in a more holistic and dynamic theorizing about cross-border learning (Li, 2010). Our insights can be applied more broadly beyond EMNEs to capability reconfiguration in the competing imperatives of both localization and internationalization since compositional springboarding is anchored in organizational learning, which is at the core of MNEs' dynamic capability (Li, 2010; Luo, 2000; Teece, 2014; Zeng et al., 2017).

A boundary condition of our model is that it is more likely to apply to private companies, especially less mature EMNEs, rather than state-owned enterprises from emerging markets, some of which are mature EMNEs. Springboarding may be pursued by both types of firms, but the CBV logic resonates much more with private companies and less mature EMNEs as per Luo and Child (2015). Future research could go further to compare state-owned enterprises' springboarding with that of private companies to obtain an even deeper understanding of the distinctive facets of compositional springboarding.

Conclusion

As research on EMNE springboarding advances, it is important to enrich our knowledge about EMNE evolution along the upward spiral. In this article, we have argued that valuable insights can be gleaned by synthesizing this perspective with CBV. In so doing, we offer an enhanced understanding of the evolutionary process of EMNE internationalization as an interplay between ordinary and VRIN resources as well as home and host contexts, which enhances EMNEs' unique challenges and opportunities. Luo and Tung (2018: 134) specifically pointed out that Springboard View "stops short of fully elucidating reinforcing and successive linkages, processes, and mechanisms between home base and global expansion". Our proposed framework concerning Compositional Springboarding is an important step in addressing this shortcoming. We hope more IB scholars will engage with and build upon our ideas.

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Table 1: 3A Capabilities (As Defined by Luo & Tung, 2018)

| | |
|---|---|
| Amalgamation (Luo & Tung, 2018: 140) | <i>Amalgamation</i> as an MNE's ability to creatively improvise and combine all available (internal and external) resources (including those purchased from global open markets), creating impressive price–value ratios suited to mass global and domestic consumers who are generally cost-sensitive. |
| Ambidexterity (Luo & Tung, 2018: 141) | <i>Ambidexterity</i> – acquiring global resources they need and augmenting global competitiveness at new heights...Ambidexterity is a firm's characteristic property to simultaneously fulfill two disparate or conflicting goals that are critical to the firm's long-range success. |
| Adaptation (Luo & Tung, 2018: 142) | <i>Adaptation</i> as a firm's ability to respond to a dynamic competitive environment in order to reap opportunities and neutralize threats...adaptability enables firms to manage and exploit uncertain and fast-occurring opportunities and threats while responding proactively to the national and international circumstances confronting them |

Table 2: The 5 Stages of the Upward Spiral (As Defined by Luo & Tung, 2018)

| | |
|--|---|
| Inward Internationalization (Stage 1) | First develop some basic skills and capabilities through inward internationalization |
| Radical OFDI (Stage 2) | Build a basic knowledge base or experience that enables them to move radically in OFDI (e.g., M&As) to tap the most critical technologies, brands, and talents |
| Capability Transfer from Host to Home (Stage 3) | Transfer acquired key resources and knowledge from abroad to domestic operations, or use these resources to compensate for what they are not good at in their quest to become more competitive at home and abroad |
| Home-centered Capability Upgrading (Stage 4) | Fortify their home base...by exploiting their newly acquired global capabilities and resources (incl. via experimentation) to improve and upgrade these capabilities |
| Global Catapulting with Stronger Capabilities (Stage 5) | Use their reinvigorated home base and bolstered capabilities to re-catapult globally with a new assortment of arrows in their quiver |

Table 3: Refined 3A Capabilities for Springboarding

| | Compositional Logic | Springboard Logic |
|---|------------------------------|--------------------------|
| <i>Amalgamation</i> [Combining resources] | Ordinary resources | VRIN resources |
| <i>Ambidexterity</i> [Leveraging dualities] | Usefulness* | Novelty* |
| <i>Adaptability</i> [Responding via (un)learning] | Minor/incremental unlearning | Radical unlearning |

*This is only one example of several dualities containing the core elements of each logic.

Table 4: The Within-Plateau Upward Spiral of Compositional Springboarding

| | Capability Assembly | Capability Application |
|---------------------------------------|----------------------------|-------------------------------|
| Springboard Logic Emphasized | <i>Stage 2</i> | <i>Stage 3</i> |
| Compositional Logic Emphasized | <i>Stage 1</i> | <i>Stage 4</i> |

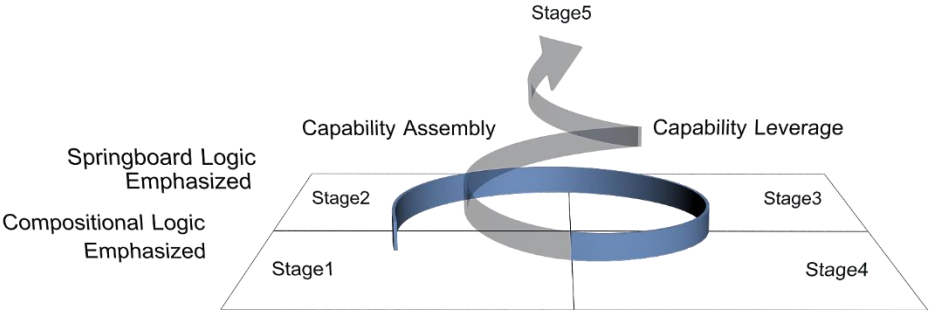
Table 5: The Synthesis of Refined 3As and 5 Stages

| | Amalgamation [combining] | Ambidexterity* [leveraging] | Adaptability [responding] |
|--|--|---|--|
| Stage 1: Inward Internationalization Primary logic: Compositional | <p>Capability assembly - ordinary resources</p> <p>Ordinary resources in the home market amalgamated with other basic capabilities through imports</p> | <p>Capability assembly - usefulness emphasis</p> <p>Attention directed at home market; emphasis in dualities on the compositional logic (e.g., on usefulness > novelty)</p> | <p>Capability assembly - minor unlearning</p> <p>Adaptation focused on incrementally responding to the needs of the home market using</p> |
| Stage 2: Radical OFDI Primary logic: Springboard | <p>Capability assembly - VRIN resources</p> <p>VRIN resources – brands and technologies – obtained in advanced markets through OFDI (e.g. M&As)</p> | <p>Capability assembly - novelty emphasis</p> <p>Redirecting attention from home to foreign markets; emphasis in dualities on the springboard logic (e.g., on novelty > usefulness)</p> | <p>Capability assembly - radical unlearning</p> <p>Have to adapt to different “rules of the game” e.g. free press; trade unions; initial response may be non-interference</p> |
| Stage 3: Capability Transfer from Host to Home Primary logic: Springboard | <p>Capability application - VRIN resources</p> <p>Relative emphasis in amalgamation is on understanding the VRIN resources and capabilities</p> | <p>Capability application - novelty emphasis</p> <p>Emphasis in dualities is on the springboard logic (e.g., on novelty > usefulness) but attention shifts from capability assembly to leverage</p> | <p>Capability application – radical unlearning</p> <p>Adapting to different organizational processes/routines to transfer knowledge; involves interacting with new people, in new ways</p> |
| Stage 4: Home-centered Capability Upgrading Primary logic: Compositional | <p>Capability application - ordinary resources</p> <p>Compositional capability used to “blend” of ordinary and VRIN resources to produce distinctive offerings for the first market</p> | <p>Capability application - usefulness emphasis</p> <p>Redirecting attention back home from foreign markets; emphasis in dualities on the compositional logic (e.g., on usefulness > novelty) **</p> | <p>Capability application – minor unlearning</p> <p>Adaptation focused on adjusting for the “first home” taking on board what has been learned from the “second home”</p> |
| Stage 5: Global Catapulting with Stronger Capabilities Dynamic balancing between the compositional and springboard logics | <p>Dynamic balancing between capability assembly and capability leverage – ordinary and VRIN resources</p> <p>Shifts and balancing between the emphasis on ordinary and VRIN resources in both home and advanced markets</p> | <p>Dynamic balancing between capability assembly and capability leverage – usefulness and novelty emphases</p> <p>Attention directed at the integrated global market (including both home and foreign markets); shifts and balancing between the emphasis on the compositional and springboard logics (e.g. usefulness and novelty)</p> | <p>Dynamic balancing between capability assembly and capability leverage – minor and radical unlearning</p> <p>Adapt to the external context in both home and foreign markets</p> |

* Novelty vs usefulness is just one example of a duality involving both compositional and springboard logics

** Usefulness can be addressed differently with novel resources

Figure 1: The Cross-Plateau Upward Spiral of Compositional Springboarding



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