

The Impact of Knowledge Management and Dynamic Capacity on the Ambidextrous Innovation of Korean MNCs in the Chinese Market

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Abstract

Purpose – With the increasing uncertainty of China's domestic political and economic environment in recent years, Korean MNC subsidiaries in the Chinese market face greater challenges and competition. Based on the insufficiency of existing research and the need for enterprise management practices, this paper uses the Chinese subsidiaries of Korean MNCs as an example to study and explore how knowledge management and dynamic capabilities affect ambidextrous innovation and the relationship between ambidextrous innovation and subsidiary performance.

Design/methodology – From January to March 2019, this study collected 341 valid questionnaires using a survey company specializing in China for the members of the Chinese subsidiaries of Korean MNCs to verify the hypotheses. Using the collected data, the study model was verified using the Smart PLS 3.0 statistical package.

Findings – Knowledge transfer and knowledge sharing have positive effects on dynamic capabilities and ambidextrous innovation, and dynamic capabilities have a positive impact on ambidextrous innovation. Ambidextrous innovation has been shown to have a significant effect on subsidiary performance. In addition, a partial mediating effect of dynamic capabilities on the relationship between knowledge management and ambidexterity innovation was found.

Originality/value – In the academic context, this paper contributes theoretically to the relationship between knowledge management and ambidextrous innovation, as well as the mechanism of dynamic capability, and to verify the relationship between ambidextrous innovation and corporate performance. Against the background of MNC management, the results of this study provide further enlightenment for managers of subsidiaries.

Keywords: Ambidextrous Innovation, Dynamic Capabilities, Knowledge Management, Subsidiaries Performance

JEL Classifications: L25, L26, M16

1. Introduction

As an advanced capitalist country, South Korea, in the context of globalization, is actively engaged in overseas direct investment to enhance its international competitiveness, promote its economic development, enter the international market, and broaden the scope of its international trade. FDI (Foreign Direct Investment) has played a very important role in South Korea's economic development. In the past five years, the proportion of foreign direct investment and newly established legal Korean enterprises in Asia is the largest, accounting

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for 31.6% and 67.7%, respectively (Export-Import Bank of Korea, 2017). Asia has become an ideal target for Korea's FDI because of its geographic proximity and low production costs. At the same time, due to the rising cost of labor in China, Korea's FDI has gradually shifted to Southeast Asia, especially to Vietnam, which accounts for a large proportion of its direct investment. The flow of Korea's FDI is gradually expanding to developing countries. At the same time, with the increasing uncertainty of China's domestic political and economic environment in recent years, Korean MNC (Multinational Corporation) subsidiaries in the Chinese market face greater challenges and competition. To survive, it is necessary to maintain the performance and sustainable development of enterprises, which is difficult for managers of Korean headquarters or Chinese subsidiaries.

Scholars and managers increasingly recognize that knowledge management and dynamic capabilities are the keys to maintaining the competitive advantage and performance of enterprises. From the perspective of the resource-based view, the importance of knowledge as a strategic resource for modern enterprises has also been widely recognized. In addition, the turbulent business and competitive environment has brought challenges to enterprises while also highlighting the importance of dynamic capabilities. The dynamic capability concept has attracted wide attention in the knowledge management and innovation management literature. Dynamic capabilities can be regarded as the ability to create new knowledge by integrating and reconfiguring the organization's existing resources (Teece, Pisano and Shuen, 1997). Knowledge management activities help to develop dynamic capabilities and improve enterprise performance. In addition, in facing the pressure of innovation and transformation under the new normal economy, more enterprises are focusing on "exploration" or "exploitation" and are gradually changing their original innovation strategy and beginning to establish a new way of thinking, "ambidextrous innovation". An ambidextrous innovation strategy includes an exploratory innovation strategy based on developing new knowledge and an exploitative innovation strategy based on improving existing knowledge. There are obvious differences between an exploratory innovation strategy and an exploitative innovation strategy. The former pays more attention to the acquisition and creation of new knowledge, while the latter emphasizes the utilization and improvement of existing knowledge. Previous literature shows that achieving ambidextrous innovation depends on key resources and capabilities such as dynamic capability (Popa et al., 2016; Soto-Acosta, Popa and Martinez-Conesa, 2018). Therefore, it is generally believed that an ambidextrous company can take advantage of its existing knowledge and explore new opportunities to achieve higher levels of performance and competitiveness.

However, there are some divergent conclusions regarding the impact of ambidextrous innovation on performance. Some studies confirm that enterprises engaged in exploratory innovation or exploitative innovation can improve their performance by innovating or improving products, processes, marketing and services (Benner and Tushman, 2003, Ho, Fang and Lin, 2011). However, some empirical results show that exploratory innovation or exploitative innovation can lead to the large consumption of organizational resources and an increase in the probability of innovation failure, thereby impairing enterprise performance (Gupta, Smith and Shalley, 2006; Wang and Li, 2008). In achieving ambidextrous innovation, MNC subsidiaries are expected to face more problems because of their limited management expertise, unfamiliar with overseas market, less structured procedures, and fewer formal systems for coordinating opposing activities (Soto-Acosta, Popa and Martinez-Conesa, 2018). Therefore, based on the shortcomings of existing research and the needs of business management practices, this paper takes the Chinese subsidiaries of Korean MNCs as an example to study and explore how knowledge management and dynamic capabilities affect ambidextrous innovation and the relationship between ambidextrous innovation and

subsidiary performance mentioned above. Ambidextrous organization specialize in exploiting existing knowledge and experiences to enable incremental innovation and exploring new knowledge to promote radical innovation (Soto-Acosta, Popa and Palacios-Marque's, 2017). Although knowledge is a key resource with high strategic potential, enterprises must have the dynamic capabilities to assess and respond rapidly to the actions of competitors and to respond to changes in the environment (Cegarra-Navarro et al., 2016; Del Giudice and Maggioni, 2014). Thus, Different from the previous studies, which studied the relationship between knowledge management and ambidextrous innovation, or considered dynamic capability and knowledge management as the influence factors of ambidextrous innovation, in this paper, dynamic capability are expected to be a mediation variable between knowledge management and ambidextrous innovation.

This paper contributes theoretically to the relationship between knowledge management and ambidextrous innovation, as well as the mechanism of dynamic capability, and to verify the relationship between ambidextrous innovation and corporate performance. This paper takes the subsidiaries of Korea MNCs entering the Chinese market as the research object, which provides theoretical support for the subsidiaries to better adapt to the Chinese market and plays a reference role for other enterprises preparing to enter the Chinese market. Structurally, the following sections of this paper build a theoretical framework with ambidextrous innovation, dynamic capabilities and knowledge management and propose hypotheses. Subsequently, this paper uses the data collected by the Chinese subsidiaries of Korean MNCs as the subject of the survey and uses Smart PLS 3.0 to test the hypotheses and analyze the data. The last section introduces and discusses the research results, identifies their academic and managerial significance, and proposes future research approaches to the subject.

2. Empirical Framework

2.1. Ambidextrous Innovation

Ambidextrous innovation refers to a comprehensive innovation mode in which enterprises pursue both exploratory innovation and exploitative innovation. Ambidextrous innovation is becoming a new research trend in the fields of technology organization and knowledge management. O'Reilly and Tushman (2008) are often cited with regard to an organization's ability to simultaneously explore or exploit. Exploration is essentially described as an attempt to explore, discover and develop new knowledge (Leventhal and March, 1991). Exploitation, on the other hand, is described as improving and expanding capabilities and technologies that exist in nature. Thus, if an enterprise chooses exploitation, it can gradually pursue short-term performance and predict generally positive outcomes (Leventhal and March, 1991). Explorative innovation includes selection, improvement and efficiency activities, whereas exploratory innovation is based on search, discover and experiment. Hence, the exploration innovation involves the new alternative, the return is uncertain, and exploitation innovation is the expansion of existing capabilities, technologies and paradigms, the return is proximate and predictable (March, 1991; Soto-Acosta, Popa and Martinez-Conesa, 2018). From the market point of view, exploration is used to meet the needs of existing customers, potential customers and markets, while exploitation is used to meet the needs of existing customers and markets (Raisch and Birkinshaw, 2008). Exploratory innovation and exploitative innovation are regarded as different innovation strategies. Exploratory innovation breaks the existing logic of innovation, while enterprises pursuing exploitative innovation break through the internal constraints of the organization (Raisch and Birkinshaw, 2008). This view of the

balance between exploration and exploitation is the basis for defining the concept of ambidextrous innovation.

However, it is not easy for enterprises to maintain an appropriate balance between exploration and exploitation. Focusing on exploration rather than exploitation increases the costs required to try new methods relative to profits (Levitt and March, 1988). This approach may lead to a failure trap. On the other hand, by focusing on exploitation rather than exploration, enterprises are likely to fall into a competency trap that reduces their ability to adapt to changes in the environment and new opportunities (Levitt and March, 1988). As March's (1991) study highlights, it is critical to ensure the proper balance between exploration and exploitation for the survival and performance of the enterprise. Many studies show that enterprises must develop ambidextrous innovation. Ambidextrous organizations have the ability to carry out exploratory innovation and exploitative innovation at the same time. The ambidexterity of enterprises can not only help organizations overcome the structural routine brought by focusing on exploratory innovation but also avoid over pursuing exploratory innovation and failing to achieve innovation benefits (Levitt and March, 1988).

2.2. Dynamic Capabilities and Knowledge Management

When enterprises explore and exploit their knowledge and capabilities at the same time, that is, engage in ambidextrous innovation, they show dynamic capabilities (Gibson and Birkinshaw, 2004). The concept of dynamic capabilities has attracted widespread attention in the areas of knowledge management and innovation management. Teece, Pisano and Shuenl (1997) was one of the first scholars to study dynamic capabilities and was the most influential, arguing that dynamic capabilities can be defined as "the ability of enterprise to integrate, build, and reorganize internal and external organizational skills, resources, and functional capabilities." There is an inextricable link between dynamic capabilities and knowledge management. The concept of dynamic capability has received extensive attention in the literature of knowledge management and innovation management. From a knowledge management perspective, an enterprise must develop dynamic capabilities, integrate and reconfigure internal and external knowledge, and respond to a rapidly changing external environment (Gibson and Birkinshaw, 2004). Therefore, dynamic capability is a powerful source of competitive advantage. Dynamic capabilities can be seen as the ability to create new knowledge by integrating and redeploying resources, and thus the enterprise builds new resources and knowledge (Santoro et al., 2019). Thus, dynamic capabilities represent a development of managing knowledge while adjusting strategy to changing circumstances. In essence, the dynamic capability of an enterprise affects its strategic performance by influencing the organization's resource allocation, operating procedures and activities, knowledge development and transfer, and decisions in a dynamic environment (Soto-Acosta, Popa and Martinez-Conesa, 2018). Knowledge management has greater meaning for MNCs seeking to achieve new competitiveness and sustainable performance in response to the rapidly changing business environment. Swan et al. (1999) pointed out that knowledge management aims to enhance knowledge exploitation and knowledge exploration, thereby pursuing and improving ambidextrous innovation. Knowledge transfer and knowledge sharing are important components of the knowledge management process of global companies. Knowledge transfer is the process of transferring knowledge that is held only by a headquarters to foreign subsidiaries (Noorderhaven and Harzing, 2009; Verkasalo and Lappalainen, 1998). Knowledge sharing is defined as sharing information, ideas and suggestions, etc. (Bartol and Srivastava, 2002; Ruggles, 1998).

For MNCs, knowledge transfer and knowledge sharing are important ways to provide basic

resources for subsidiaries. Dynamic capabilities are based on knowledge creation (Cepeda and Vera, 2007). From the perspective of knowledge management, enterprises integrate and reconfigure internal and external knowledge by developing dynamic capabilities and respond to rapidly changing external environments. Dynamic capabilities represent the means of adjusting strategies according to environmental changes while managing knowledge. Dynamic capabilities can be regarded as the ability to create new knowledge by integrating and reconstructing an organization's existing resources (Cepeda and Vera, 2007). Therefore, dynamic capabilities enable firms to restructure their resources and capabilities to develop knowledge, which is critical to the development of innovative products or services. In addition to the enterprise's dynamic capabilities, knowledge affects strategic performance by influencing the allocation of organizational resources, operating routines and activities, knowledge development and transfer (Gibson and Birkinshaw, 2004).

3. Hypotheses and Methodology

3.1. Hypotheses

Teece (2012) believes that the process of the reallocation of enterprise assets is also the process of breaking away from path dependence. To match their own resources and capabilities with the changing market, enterprises need to integrate and allocate resources in time to reconstruct their core competitive advantage and then promote the improvement of enterprise performance. Knowledge management accelerates the flow of information, improves the efficiency of knowledge transformation, and provides matching knowledge for innovation (Santoro et al., 2019). For multinational enterprises in particular, headquarters and overseas subsidiaries have various problems, such as regional and cultural differences and uncertainties, because they are located in different countries. Therefore, transferring knowledge and sharing management capabilities are particularly important. Knowledge transfer can help overseas subsidiaries quickly acquire new knowledge (Noorderhaven and Harzing, 2009), and knowledge sharing can help the diffusion and use of knowledge within the organization (Huang, Stewart and Chen, 2010). In addition, knowledge management can help enterprises acquire new knowledge in time, encourage enterprises to upgrade or transform technology and management, make enterprises take the lead in expanding existing or opening up new competitive markets, and thus improve their dynamic capabilities (Santoro et al., 2019).

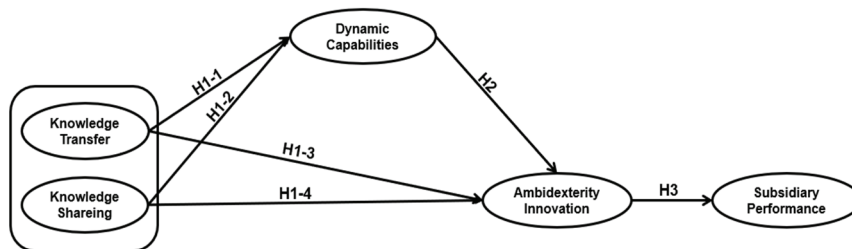
According to the resource-based view, knowledge is the most important resource for enterprise innovation and competition (Grant, 1996). Generally, it is believed that knowledge management practice is the main source of organizational learning and enterprise competitive advantage (Nonaka, 1994). MNCs pursue the efficient exploitation and exploration of knowledge resources through knowledge management processes between their headquarters and overseas subsidiaries (March, 1991). Lee and Choi (2003) emphasized that knowledge held by an enterprise is a major resource for creating a competitive advantage, and knowledge management helps companies to promote competition by identifying, utilizing and creating relevant knowledge. Through knowledge transfer and sharing, the continuous acquisition and utilization of external knowledge can expand the existing knowledge base of organizations and individuals. After knowledge reorganization, new knowledge can be continuously explored and exploited, which is the ambidextrous innovation of enterprises (Santoro et al., 2019). Therefore, the following hypotheses are established.

- H1-1: There is a positive relationship between knowledge transfer and dynamic capabilities.*
H1-2: There is a positive relationship between knowledge sharing and dynamic capabilities.
H1-3: There is a positive relationship between knowledge transfer and ambidexterity innovation.
H1-4: There is a positive relationship between knowledge sharing and ambidexterity innovation.

The exploitation and exploration activities of enterprises to obtain knowledge resources give firms dynamic capabilities to avoid the uncertainties that the dynamic nature of the management environment brings (Teece, 2007). Such a dynamic capability identifies and conceptually extends and develops resources that can be used to respond to environmental changes (Teece, Pisano and Shuen, 1997). In the research of Teece, Pisano and Shuen (1997), dynamic capability has the ability to build internal and external resources, to reconfigure resources and to develop resources through innovative activities. Crossan et al. (1999) consider dynamic capabilities involving the creation of new knowledge (exploration) and the utilization of existing knowledge (exploitation). This property is closely related to the concept of exploitation and exploration, which are two subattributes of ambidextrous innovation (O'Reilly and Tushman, 2008). Therefore, the following hypothesis are established.

- H2: There is a positive relationship between dynamic capabilities and ambidexterity innovation.*

Fig. 1. Research Model



There are many different conclusions regarding whether ambidextrous innovation can improve the performance of enterprises. Many empirical studies (Birkinshaw and Gibson, 2004; He and Wong, 2004; Lubatkin et al., 2006) suggest that ambidextrous innovation has a positive effect on enterprise performance. Lubatkin et al. (2006) believe that the balance between exploratory innovation and exploitative innovation can improve enterprise performance. Venkatramanetal (2006) believes that enterprises that achieve exploratory innovation and exploitative innovation realize higher profits. Some other scholars emphasize that there are contradictions and conflicts between “exploitation-exploration” ambidextrous innovation due to the resource base and thinking mode; at the same time, two kinds of innovation behavior lead to internal inconsistency, so ambidextrous innovation is not conducive to enterprise performance (Menguc and Auh, 2008; Laursen and Salter, 2006; Andriopoulos and Lewis, 2009). However, enterprises are trying to find a two-way balance between exploitation and exploration, which will enable them to manage risks and uncertainties based on their partners’ diverse knowledge and experience (Hoffmann, 2007). In particular, from a knowledge-based view (KBV), enterprises can acquire new technical and market knowledge through am-

bidextrous innovation, which is critical to improving enterprise performance. Therefore, the following hypothesis are established.

H3: There is a positive relationship between ambidexterity innovation and subsidiary performance.

3.2. Methodology

From January to March 2019, this study collected 341 valid questionnaires using a survey-company specializing in China for the members of the Chinese subsidiaries of Korean MNCs to verify the hypotheses. Using the collected data, the study model was verified using the Smart PLS 3.0 statistical package. The variable measurement and operational definitions are as follows.

In this study, we adopted the measurement method of Reche, Harzing and Pudelko (2015), who studied knowledge transfer between headquarters and subsidiaries. We would like to consider the extent to which knowledge is transferred from headquarters to subsidiaries in each department, including research and development, manufacturing, distribution/logistics, sales/marketing, human resources, and service.

We adopted Lee's (2001) measurement method from his research on knowledge sharing within the organization. Knowledge sharing was measured by measuring the extent to which explicit knowledge, such as business information, reports or official documents, and tacit knowledge, such as work experience, know-how, know-why, and other types of knowledge that cannot easily be expressed in language, were shared.

We measured subsidiaries' performance by measuring new performance (product quality management, R&D, new product development, patents, etc.), financial performance (improved sales, operating profit, etc.) and market performance (improved market share, increased brand awareness) (Simonin, 1999).

Wu's (2010) measurement method was adopted to measure dynamic capabilities. We would like to consider dynamic capabilities in combination with the ability to coordinate and integrate the organization's internal resources and capabilities, develop new resources and capabilities, and relocate internal resources and capabilities.

Regarding ambidextrous innovation, Jansen et al.'s (2009) measurement method was adopted in this study. We want to measure ambidextrous innovation in combination with exploitative innovation, such as making small adjustments to existing products and services, improving the provision efficiency of products and services, increasing economies of scales in existing markets and expanding services for existing clients and exploratory innovation, such as responding to demands that go beyond existing products and services, commercializing products and services that are completely new to the organization, seeking new opportunities in new markets and using new distribution channels.

4. Analysis and Results

4.1. Measurement Model Evaluation

4.1.1. Reliability and Convergent Validity

As shown in Table 1, the items with out loadings lower than 0.7 were deleted, and the out loadings of the remaining items met the 0.7 threshold. In addition, the evaluation of the measurement model was carried out using two indicators: Cronbach's alpha, which evaluates internal consistency, and composite reliability, which is another appropriate method of

evaluation. As shown in Table 1, the Cronbach's alpha and composite reliability of each component were found to be within the acceptable range of 0.70 to 0.95. In addition, the average variance extraction (AVE), which determines the convergent validity, was also higher than the standard value of 0.5 (Chin, 1998; Fornell and Larcker, 1981). Therefore, it can be concluded that the reliability and convergent validity of this research model are high.

Table 1. Out Loading, Construct Reliability and Validity

Construct	Loading	Cronbach's alpha	Composite Reliability	AVE
AI1	0.814	0.798	0.867	0.620
AI4	0.784			
AI6	0.746			
AI8	0.803			
DC1	0.862	0.798	0.890	0.729
DC2	0.844			
DC3	0.856			
KS1	0.890	0.771	0.914	0.779
KS5	0.884			
KS6	0.874			
KT2	0.737	0.726	0.827	0.544
KT3	0.761			
KT4	0.741			
KT6	0.711			
SP1	0.798	0.799	0.885	0.607
SP2	0.798			
SP3	0.771			
SP4	0.726			
SP6	0.799			

Note: AI: Ambidexterity Innovation, DC: Dynamic Capabilities, KS: Knowledge Sharing, KT: Knowledge Transfer, SP: Subsidiary Performance.

4.1.2. Discriminant Validity

Discriminant validity is used to judge whether one construct is truly distinguished from other constructs. The Fornell-Larcker criterion is used to judge discriminant validity. Specifically, this approach indicates that the highest correlation between each construct should be lower than the square root of the AVE of each construct (Fornell and Larcker, 1981). As shown in Table 2, the correlation coefficient between all the variables is lower than the square root of the AVE value of each construct. Therefore, this model confirmed that there is no discriminant validity problem.

4.1.3. Multicollinearity

Multicollinearity is required to independently identify the predictors in each part of the structural model. VIF can be used as an indicator of collinearity, which should be greater than or equal to 5.00 based on the VIF value (Hair, Ringle and Sarstedt, 2011). In addition, it is argued that the mean VIF value of each dependent variable should be lower than 3.30 for more conservative determinations (Petter, Straub and Rai, 2007). As shown in Table 2, all the values met the baseline for each indicator. Therefore, it is confirmed that there is no problem with multicollinearity.

Table 2. Discriminant Validity

	AI	DC	KS	KT	SP
AI	0.787				
DC	0.774	0.854			
KS	0.616	0.673	0.883		
KT	0.470	0.451	0.444	0.738	
SP	0.637	0.591	0.477	0.496	0.779
DV	Mean VIF	Tolerance=1-R²		VIF=1/Tolerance	
AI	1.719	1.930	1.913	1.315	
DC	1.245		1.245	1.245	
SP	1.000	1.000			

Note: AI: Ambidexterity Innovation, DC:Dynamic Capabilities, KS: Knowledge Sharing, KT: Knowledge Transfer, SP: Subsidiary Performance.

4.2. Path Analysis

4.2.1. Evaluation of Structural Model

To evaluate the structural model, we check the values of R square, R square adjusted, and Q square. The R square value is a simple criterion for evaluating 0.75-1 as high, 0.50-0.75 as medium, and 0.25-0.50 as low. The larger the R square adjusted, the lower the chance of having an error. As a relative criteria for Q square values, 0.02, 0.15, and 0.35 indicate that exogenous variables have small, medium, and large predictive suitability, respectively, for specific endogenous variables. As is shown in Table3, the R square value and the R square adjusted value are at the intermediate level. The Q square value of the exogenous variables has medium and high predictive suitability.

Table 3. R square, R square Adjusted, Q square

	R Square	R Square Adjusted	Q square
AI	0.628	0.624	0.360
DC	0.582	0.579	0.327
SP	0.506	0.504	0.228

Note: AI:Ambidexterity Innovation, DC:Dynamic Capabilities, SP:Subsidiary Performance.

4.2.2. Path Analysis Result

This section presents the direct and indirect effects among the variables, using a bootstrapping test to determine the significance of the indirect effects and total effects. The analysis results showed that knowledge transfer and knowledge sharing have positive effects on dynamic capabilities and ambidextrous innovation and that dynamic capabilities have a positive impact on ambidextrous innovation. Ambidextrous innovation has been shown to have a significant effect on subsidiary performance. Therefore, hypotheses 1, 2 and 3 were adopted. In addition, the mediating effects of dynamic capabilities on the relationship between knowledge management and ambidexterity innovation are significant. Bootstrapping tests were performed to test the significance of each indirect path. The results in Table 4 show that the 95% confidence interval for all the paths does not include zero (Preacher and Hayes, 2008). Therefore, the significance of each indirect effect path was confirmed.

Finally, we calculated the VAF (variance account for) (Hair et al., 2014), which measures the strength of the mediating effects of dynamic capabilities. The calculation shows that the

median strength of the dynamic capabilities for the relationship between knowledge sharing and ambidexterity innovation is 71.7%, and the median strength of the dynamic capabilities for the relationship between knowledge transfer and ambidexterity innovation is 47.9%. If the VAF value is greater than 20% and less than 80%, it is considered partial mediation.

Table 4. Final Results

Total Effects	Path Coefficients			Specific Indirect Effects		
	DC	AI	SP	Sample Mean (M)	Confidence Intervals	
					2.5%	97.5%
KS→DC→AI	0.510† (8.890,0.057)					
KT→DC→A	0.244† (4.405, 0.055)					
I						
KT	0.190 (4.072,0.047)	0.126** (2.781,0.045)				
KS	0.590† (11.787,0.050)	0.144** (2.783,0.051)				
DC		0.620† (12.231,0.051)				
AI			0.643† (14.560,0.044)			
KS→DC→AI				0.366† (8.336,0.044)	0.278	0.451
VAF=71.7% (partial mediation)						
KT→DC→A						
I						
VAF=47.9% (partial mediation)				0.117† (4.057,0.029)	0.061	0.171

Notes: 1. The value in parentheses is T Statistics and Standard Deviation.

2. AI: Ambidexterity Innovation, DC:Dynamic Capabilities, KS:Knowledge Sharing, KT: Knowledge Transfer, SP:Subsidiary Performance.

3. * $P < 0.05$, ** $P < 0.01$, *** $P < 0.001$, † $P < 0.000$.

5. Discussion and Conclusion

Thus far, we have examined the influence of knowledge management activities on the dynamic capabilities and ambidextrous innovation of Chinese subsidiaries of Korean MNCs considering the mediating role of dynamic capability. In addition, ambiguity about the effect on ambidextrous innovation and subsidiary performance was identified. The results showed that knowledge transfer and knowledge sharing have positive effects on dynamic capabilities and ambidextrous innovation and that dynamic capabilities have a positive impact on ambidextrous innovation, as well as ambidextrous innovation has been shown to have a significant effect on subsidiary performance. In addition, the mediating effects of dynamic capabilities on the relationship between knowledge management and ambidexterity innovation are significant. As a result, we derived the following theoretical and managerial implications.

In the academic context, through the results of this study, we put forward some theoretical

inferences. First, the results of this study show that knowledge transfer and knowledge sharing have a positive and significant impact on ambidextrous innovation and dynamic capabilities and on subsidiary performance. In this respect, the knowledge management activities of MNCs are critical in the exploratory and exploitative process that is essential to new product development and innovation. Second, we harmonize existing debates about the impact of ambidextrous innovation on subsidiary performance. Although some studies have shown that exploratory innovation and exploitative innovation can lead to the large consumption of organizational resources and an increase in the probability of innovation failure, which will damage the performance of enterprises, the results of this study show that ambidextrous innovation has a significant positive impact on the performance of the overseas subsidiaries of MNCs. In addition, this study included the dynamic capabilities of the organization in the research framework of knowledge management and ambidextrous innovation relations. Dynamic capabilities partially mediate the relation between knowledge management activities, such as knowledge transfer and knowledge sharing, and ambidextrous innovation. Enterprises pursuing exploitation and exploration must also pay attention to the development of dynamic capabilities while developing knowledge management activities. Enterprises should incorporate the improvement of organizational dynamic capabilities into their core construction system and improve the impact of knowledge management on ambidextrous innovation by developing their dynamic capabilities.

Against the background of MNC management, the results of this study provide further enlightenment for managers of subsidiaries. First, to achieve ambidextrous innovation in overseas subsidiaries, managers must promote knowledge transfer between the headquarters and subsidiaries and knowledge sharing within subsidiaries by configuring internal resources, structures, and processes. For example, for subsidiaries, managers should strengthen their ties with the headquarters. Particularly for the newly established subsidiaries, the knowledge transferred from the headquarters helps the rapid growth of subsidiaries. Managers should also achieve efficient knowledge sharing within the company by eliminating opportunistic behavior among members and strengthening trust among members. Second, we demonstrated the importance of dynamic capacity in realizing ambidextrous innovation. Indeed, in today's fast-changing political and economic environment, enterprises face opportunities and risks that make existing knowledge obsolete (Santoro et al., 2019). Thus, through knowledge management and dynamic capabilities, enterprises can quickly acquire and spread new knowledge and realize knowledge renewal. For managers, enterprises should encourage the introduction of talent and follow market trends. Encouraging employees to communicate with customers is important to providing better customer service and to better understanding the basic needs of customers and market changes. At the same time, it is necessary to strengthen the mutual support and cooperation of all departments and links within the enterprise and achieve the optimal division of labor and cooperation to respond to various dynamics and changes.

Nevertheless, the limitations of this paper remain as follows. This study mainly verifies the impact of knowledge management and dynamic capability on ambidextrous innovation strategy and the impact of ambidextrous innovation on enterprise performance under static conditions. However, the relationship among them in real situations is likely to be dynamic, and the dynamic evolutionary path between strategy and performance can be explored in future studies. Second, we acknowledge that these findings cannot be generalized because this article uses the Chinese subsidiaries of Korean MNCs as an example. China is an emerging market, and there has been great political and economic uncertainty there in recent years. In future research, we can generalize the research model of this paper and explore the relationship between each variable.

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