# The Mechanism of Internationalization Process for Emerging Economy Firms Based on Organizational Identity

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**Abstract: This paper employs a case study approach to explore the process and mechanism by which emerging economies firms achieve internationalization strategies from a dynamic balance perspective among market opportunities, organizational identity and capability building. The study finds that: (1) Organizational identity serves as a leading factor for the internationalization of emerging economies firms, with changes in organizational identity prompting these firms to formulate internationalization strategies. Market opportunities, acting as a necessary prerequisite, effectively facilitate the internationalization of emerging economies firms, while capability building drives and ensures the smooth realization of their internationalization processes. Both market opportunities and capability building are crucial practical factors for the internationalization of firms in emerging economies. (2) The essence of internationalization for emerging economies firms lies in the movement and reconstruction of dynamic balance among market opportunities, organizational identity and capability building. As emerging economies firms undergo internationalization, their organizational identities expand, while they simultaneously explore new market opportunities and enhance or establish corresponding capabilities.**

**Keywords: Emerging Economy Firms; Internationalization; Organizational Identity; Market Opportunity; Capability Building**

## 1. Introduction

In today's world, where the wave of globalization is sweeping across the globe, enterprise internationalization has become a pivotal strategic pathway for driving economic growth and enhancing international competitiveness. Particularly for emerging economies, firm internationalization is not only an inherent need for their own development but also a crucial engine for national participation in the reconfiguration of global value chains and the realization of economic transformation and upgrading [1]. However, emerging economy firms face unique challenges in their internationalization process, as they must navigate complex international market environments while overcoming the "liability of foreignness" and "emerging market disadvantage" stemming from their home country's institutional environment [2,3]. In this context, understanding how firms identify, respond to, and capitalize on market opportunities, as well as build corresponding capabilities, through their internal cognitive and decision-making mechanisms-namely, organizational identity-to shape their internationalization paths and performance has become a core issue of concern for both theorists and practitioners.

Organizational identity represents a consensus among organizational members regarding what the organization does and its overall image, shaped by the organization's history and the external impressions projected onto it. It embodies both stability and dynamism [4]. On one hand, organizational identity symbolizes the organization's purpose and objectives, answering the fundamental question of "who we are," and constitutes the organization's basic logical assumption system, thereby influencing its ways of thinking and behavioral decision-making in interpreting problems [5]. In the highly complex and uncertain context of firm internationalization, the role of organizational identity becomes particularly prominent. It influences enterprises' judgments and choices in key aspects such as target market selection, entry mode decisions, resource integration approaches, and risk response strategies [6]. Therefore, delving into the process mechanism of firm internationalization based on organizational identity not only enriches internationalization theory, particularly micro-level research on the internationalization of emerging economy firms, but also provides more targeted strategic guidance for enterprises at different stages of development.

This study focuses on emerging economy firms and attempts to unveil the "black box" of these firms internationalization process mechanism by employing a dynamic balance relationship model of "market opportunities - organizational identity - capability building." A thorough analysis of this issue will offer a new cognitive perspective for research on enterprise internationalization and provide certain theoretical insights for emerging economy firms' globalization.

## 2. Literature Review

### 2.1 Organizational Identity

As a core concept in organizational behavior, organizational identity was first defined by Albert and Whetten in 1985 as "the collective, shared understanding by members of an organization of its central, distinctive, and enduring characteristics," answering the fundamental question of "who we are." Theoretically, organizational identity research exhibits interdisciplinary integration trends. On one hand, social identity theory provides the micro-foundation for identity formation, explaining how organizations establish boundaries and guide behavior through self-categorization. On the other hand, the introduction of institutional theory and the resource-based view promotes the construction of an "identity-institution-capability" integrated framework, revealing how identity affects organizational performance through legitimacy acquisition and resource allocation [7]. Notably, the rise of the digital era has spurred new explorations into identity fluidity and fragmentation. Productive service enterprises face an "identity inertia paradox" during digital transformation-the conflict between the traditional service provider identity and the new technology leader identity-requiring strategies like narrative reconstruction and symbol reshaping for identity upgrading. Empirical studies further expand the application scenarios of organizational identity. In internationalization, emerging economy firms need to manage the tension between "home country identity" and "host country identity," reducing institutional distance friction by constructing a glocal identity narrative. Crisis management research focuses on negative identity repair mechanisms, such as how firms rebuild stakeholder trust through identity reconstruction strategies like green transformation.

### 2.2 Firm Internationalization

Emerging economy firms' internationalization has become a core topic in international business. Compared to traditional internationalization theories, emerging economy firms internationalization exhibits certain particularities, likely because many traditional views are based on observations of developed economy firms [8]. For instance, a typical traditional view posits that firms must possess ownership advantages before gaining access to markets or resources through internationalization. In reality, many emerging economy firms do not follow this path; they tend to use high-risk, high-commitment entry modes like cross-border M&A to seek strategic assets in overseas markets, thereby overcoming late-mover disadvantages and achieving capability catch-up. Xu Hui and Shan Yu uncovered the "opportunity-resource" matching strategy of emerging market multinational enterprises when investing in emerging markets. They found these firms maintain high alertness to arbitrage and innovation opportunities in emerging markets. Facing resource constraints, their opportunity identification paths show significant differences. For identified opportunities, they establish rapid response, conflict suppression, and synergy amplification mechanisms to ensure the "smart matching" of their resource modules with corresponding opportunities [9].

### 2.3 The Dynamic Balance among Organizational Identity, Market Opportunity, and Capability Building

During a firm's development, organizational identity, market opportunity, and capability building influence and interact with each other, exhibiting a coupled dynamic balance as shown in Figure 1 [10]. Specifically, first, organizational identity acts as a crucial precursor, not only driving the firm to seize favorable market opportunities promptly after filtering out irrelevant disturbances but also focusing its energy and resources on specific activities to ensure dedicated capability building. Second, market opportunity provides potential for sustainable development, helps highlight the shortcomings of existing capabilities, intensifies the urgency for capability building, and thus improves its efficiency. Third, capability building is the foundation for firm growth and progress. Successful capability building brings satisfaction and strengthens confidence in original strategic decisions. Leveraging past experience ensures future choices are more resolute and accurate, leading to deeper and more comprehensive insights into capturing market opportunities. Finally, firms gaining competitive advantage, equipped with corresponding capabilities, deepen their belief in the rationality of their identity positioning and direction, but also continuously reflect upon and refine or expand their existing organizational identity to ensure sustained momentum during growth. Furthermore, this coupled dynamic balance exhibits discontinuous “break-shift-reconstruct” states intermittently with firm growth. Correspondingly, under the specific behavioral process of emerging economy firms internationalization, these three constructs undergo dynamic changes due to external environmental shifts and internal resource coordination. Any change in one construct disrupts the original equilibrium state, leading to a series of strategic behaviors until an updated equilibrium state is reached.

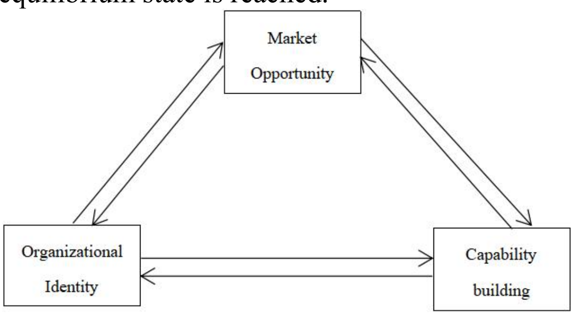


**Figure 1. The Dynamic Balance among Market Opportunity, Organizational Identity and Capability Building**

## 3. Research Method

### 3.1 Research Methodology

This paper focuses on exploring the specific process of enterprise internationalization, which aligns well with the suitability of case studies for elucidating "how" questions [11]. Moreover, given the complexity of the internationalization process, which involves the development and changes of multiple elements within an enterprise, there is currently no mature measurement indicator system. Conducting exploratory case studies facilitates an in-depth exploration of this process, enabling the refinement of theories and patterns. Finally, as the internationalization experiences of enterprises in emerging economies vary widely, selecting typical and representative cases for study can yield more universally applicable and explanatory conclusions [12].

### 3.2 Case Selection

This paper selects Guangzhou Jinghua Precision Optics Co., Ltd. (hereinafter referred to as Jinghua Optics) as the research subject. Based on the pattern-matching requirements of case studies, the selected case meets the following two criteria: Firstly, to fulfill the need for case study typicality, the case enterprise should possess a certain level of influence within its industry and exhibit unique manifestations in constructs such as organizational identity transformation, opportunity identification and utilization, and capability enhancement and construction in overseas markets. Secondly, to meet the needs of the research theme, the case enterprise should have a mature and stable internationalization experience, such as engaging in cross-border mergers and acquisitions in overseas markets.

The paper has collected rich case data through multiple channels and conducted comparative analysis on interview materials, physical evidence, literature, and internal enterprise data to ensure cross-validation among various types of data as well as between primary and secondary sources, thereby effectively enhancing the reliability of the research [13]. Specifically, primary data was obtained through field research, primarily consisting of face-to-face interviews with relevant management personnel. The interview process was facilitated using a pre-designed outline, and interview recordings were promptly transcribed into textual materials for easy organization and analysis. Additional insights into the enterprise's development were gained through internal corporate brochures, document publications, and on-site observations of physical evidence. Secondary data was primarily obtained through the company's official website, news reports, annual reports, and literature to enhance the comprehensiveness of the data. To ensure validity, this paper clarifies research concepts and their connotations based on existing literature, while also further reinforcing the understanding of these concepts during the process of collecting case data. Additionally, the principle of pattern matching is followed to ensure the logical relationship between research concepts aligns with factual data.

## 4. Case Analysis

Jinghua Optics, established in February 1997, is an international group company specializing in precision optical instruments, precision optical components, and in-vehicle intelligent perception systems. It owns international proprietary brands such as Bresser, Explore Scientific, Alpen, and Maxvision, along with international cooperative brands including National Geographic and Discovery Kids. The company has subsidiaries in Europe and the United States, and has established production bases in Guangzhou, Kunming, and Qingyuan. Over the years, Jinghua Optics has focused on the manufacturing, research and development, and sales services of precision optical instruments such as astronomical telescopes and digital microscopes, as well as lens and optical glass products. It is recognized as a national high-tech enterprise, a national "specialized, refined, and novel little giant" enterprise, and a specialized, refined, and novel enterprise in Guangdong Province. The company boasts three major R&D platforms: the Guangdong Provincial Engineering Research Center, the Guangdong Provincial Enterprise Technology Center, and the Guangdong Provincial Industrial Design Center. The company has undergone a significant internationalization process in its development history, the details of which are briefly outlined below.

In 1997, He Jian and five others founded Guangzhou Optics & Electronics Co., Ltd. (the predecessor of Jinghua Optics), initially relying on optical factories in Kunming for production. In 1998, the company acquired Kunming Jinghua Optics Co., Ltd. and began shifting towards industrial operations, engaging in OEM business. The Guangzhou production base also became operational in 2001. In 2006, Jinghua Optics established a Modern Optoelectronics R&D Center to enhance its independent R&D capabilities and accelerate talent development. The early journey of Jinghua Optics was generally successful, and the company successfully positioned itself among high-end manufacturers of optical instruments and components.

In 2007, faced with external pressures such as rising production costs and the appreciation of the RMB, the leadership carefully considered the company's future development direction and contemplated a transformation into an international brand operator. In July 2008, with the establishment of Explore Scientific LLC in the United States and the creation of the Explore Scientific proprietary brand, Jinghua Optics took its first step towards transformation and upgrading. Shortly thereafter, it acquired Germany's Bresser GmbH and obtained the Bresser brand. Through these initiatives, Jinghua Optics acquired invaluable resources such as technology, brands, and distribution channels. Coupled with the solid technological foundation laid earlier, Jinghua Optics attempted to build a global value chain system. Its production and manufacturing capabilities, R&D capabilities, and international brand operation capabilities gradually rose to leading levels in the industry, successfully completing its first internationalization process. Below, we will analyze in detail representative internationalization events in the company's development history.

### 4.1 Organizational Identity in the Internationalization Process

From its founding until 2007, Jinghua Optics gradually established a clear and consistent organizational identity as a high-end manufacturer, cultivating R&D and manufacturing capabilities and achieving this goal. By 2007, the leadership reflected on the company’s identity positioning, causing the original organizational identity to waver. The company’s OEM business was concentrated with a few fixed clients, implicitly imposing certain limitations and risks. Considering the actual situation, Jinghua Optics began planning a transformation towards an international brand operator. This involved two key events: establishing a company and its own brand in the US in 2008, and subsequently acquiring German Bresser GmbH to obtain the Bresser brand. Through these two major moves, Jinghua Optics achieved a critical transition from an OEM firm to a brand operator. At this point, Jinghua Optics endowed itself with a new identity positioning: “striving to become a world-class brand and channel operator.”

Evidently, during its internationalization process, Jinghua Optics' organizational identity wavered and expanded. In a sense, this wavering and expansion of organizational identity initiated the internationalization process—changes in organizational identity were the original driving force for the firm's internationalization behavior.

### 4.2 Market Opportunity in the Internationalization Process

Prior to its first internationalization act, Jinghua Optics was developing well. However, the leadership captured changes in the external market environment, such as rising costs and RMB appreciation, and established the direction and goal of transforming into a brand operator. Market opportunity provided invaluable support for Jinghua Optics' internationalization actions. One typical piece of evidence is the establishment of Explore Scientific LLC and its own brand, Explore Scientific, in the US. "This mainly benefited from Jinghua Optics' accumulated network. Mr. Roberts, the Sales VP of Mide Instruments, was an old friend of Chairman He. Chairman He discussed the idea of building a brand with him and gained Mr. Roberts' support. They hit it off, and we smoothly registered Explore Scientific LLC in the US," stated General Manager Huang. Another typical evidence is Jinghua Optics' acquisition of German Bresser GmbH. Noticing the company was facing survival difficulties due to a broken funding chain during the economic crisis, Jinghua Optics promptly proposed its acquisition intent. Leveraging its good credit standing and with the direct help of Bresser's former president, Mr. Bresser, Jinghua Optics completed the acquisition.

In summary, as environmental uncertainty and complexity increase, scanning and rapid response to the external environment become crucial for OEM firms. In developing the US and European markets, Jinghua Optics proactively identified and seized corresponding market opportunities, effectively facilitating the realization of its internationalization strategy-market opportunity was a necessary condition for the firm's internationalization behavior.

### 4.3 Capability Building in the Internationalization Process

After 2008, to accelerate its transformation into an international brand operator, Jinghua Optics intensified its capability building process. One typical event was establishing a pricing system based on reverse calculation from terminal prices, enhancing product competitiveness and improving customer response speed. Another typical evidence lies in marketing capabilities. Jinghua Optics built significant brand and marketing advantages in the industry, establishing three marketing centers covering Asia, Europe, and the Americas, with customers in nearly 100 countries and regions. Products under the "Bresser" and "Explore Scientific" brands achieved notable sales results. In R&D capabilities, Jinghua Optics cultivated a high-quality talent pool, engaged in independent R&D and technological innovation, and achieved major breakthroughs in product structural design, electronic information technology, and more. A significant example is Jinghua Optics' outstanding achievements in R&D for digital optoelectronics and precision optical systems through continuous exploration, accumulating solid technological capabilities.

Thus, during the internationalization process of transforming into a brand operator, Jinghua Optics not only integrated resources to build brand/channel construction and operation capabilities but also further enhanced its original R&D and manufacturing capabilities. Capability building was the fundamental guarantee for the smooth implementation of Jinghua Optics' internationalization activities.

### 4.4 The Internationalization Process Mechanism under Dynamic Balance

Overall, Jinghua Optics successfully implemented its internationalization strategy. The wavering of its "high-end manufacturer of precision optical instruments and components" organizational identity marked the beginning of its internationalization behavior. It promptly identified and expanded suitable market opportunities while building international brand operator capabilities through resource integration. The enhancement of R&D/manufacturing capabilities and the new development of brand operation capabilities effectively ensured the smooth realization of Jinghua Optics' internationalization. During this process, the dynamic balance among market opportunity, organizational identity, and capability building shifted and was reconstructed, as depicted in Figure 2.

## 5. Conclusion and Discussion

This study elucidates the internationalization process mechanism of emerging economy firms through a case study, revealing that the essence of their internationalization process lies in the orderly movement and reconstruction of the dynamic balance among market opportunity, organizational identity and capability building. Simultaneously, this research clarifies the precursor role of organizational identity change in initiating the emerging economy firms internationalization process and analyzes the facilitating and promoting functions of market opportunity and capability building.

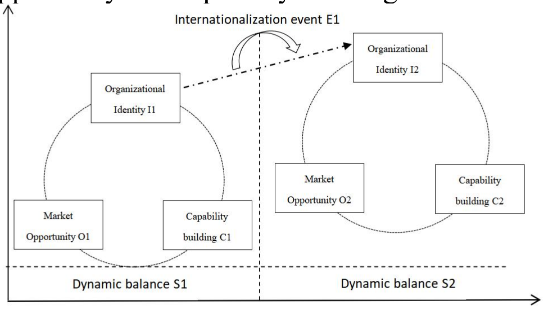


**Figure 2. The Mechanism of Firm Internationalization Based on Dynamic Balance**

This study holds theoretical significance, primarily expressed in enriching existing research on the internationalization process mechanism of emerging economy firms. It represents a further deepening of the study on the dynamic balance of market opportunity, organizational identity and capability building, using this perspective to analyze firm internationalization behavior and deeply elucidating the mechanism of this dynamic balance's movement and reconstruction during the internationalization process.

For Chinese firms aspiring to internationalize, the first step is to clarify their organizational identity and continuously reflect upon and adjust this identity positioning during development, ensuring the firm maintains a clear and unified identity perception. Second, firms should proactively seize favorable market opportunities and prioritize enhancing and building capabilities as a continuous focus. Furthermore, even after accumulating technological foundations, firms must relentlessly pursue independent R&D and technological innovation to sustain their vitality for development. Although this study strived to ensure the typicality and representativeness of the selected case, it remains insufficient to represent all emerging economy firms. Therefore, the conclusions and insights derived herein warrant further validation through more typical case studies.

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