International strategy's effects on retailers' local implementation and performance

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ABSTRACT

Retailers dynamically expand abroad and strategically seek local performance because their business is local. However, knowledge of the contribution of retail firms' international strategies to subsidiaries' local performance is limited. Based on the prominent I/R strategy framework, the authors conceptualize integration/responsiveness as the transfer/local generation of firm-specific advantages and analyze (direct and indirect) paths of varying degrees of I/R via local implementation decisions to performance. Because retailers' firm-specific advantages have a limited geographic reach, different successful paths are expected in close and distant countries. Empirically, a survey based on face-to-face-interviews with 126 retail CEOs and expansion managers, partial least squares structural equation modelling and bootstrapping-based mediation analyses were conducted. The results reveal only indirect paths of international strategy to local performance through local standardization/centralization. Unique insights into the paths of firm's strategy to subsidiary performance emerge, such as important tradeoffs between superior paths in close countries.

1. Introduction

Balancing international strategy and local performance is important for retailers who have aggressively expanded abroad, first into close countries and then distant ones. However, retailers – in contrast to exporting manufactures, for example – do not easily internationalize as they transfer an entire format abroad (e.g., discount formats with characteristic offering parts like low prices and know-how parts like efficient concepts and practices, see Goldman, 2001). Therefore, successful transfer of the firm-specific advantages (FSAs) entailed in a retail format is challenging (Girod & Rugman, 2005). Strategically, firms' can pursue integration, defined as transferring FSAs across nations, and responsiveness, defined as generating FSAs locally (Rugman & Verbeke, 1992). Beyond strategy, local implementation in a subsidiary remains of paramount importance for local performance as local offers and decisions attract consumers to stores. Therefore, we analyze paths through which firms' choice of I/R affect local performance via local subsidiaries' implementation (retail-offer standardi-zation/similarity in host vs. home country and decision-making centrali-zation/head-quarters' vs. subsidiaries' authority in planning/investment; Moore, Birtwistle, & Burt, 2004; Swoboda & Elsner, 2013). The successful paths in close versus distant countries are likely different.

Scholars have intensively analyzed international strategies, mostly based on the I/R framework (often as responses to environmental pressures, see Bartlett & Ghoshal, 1989) and with a focus on strategy types such as multinational, global, and transnational (see Table 1). However, studies on typologies are criticized because they have conceptual disagreements and contradictory implications when analyzing performance within and between strategy types or because they take only a firm-specific or subsidiary-specific view (i.e., do not bridge both; Johnson, 1995; Lin & Hsieh, 2010b). I/R is seldom regarded as a predictor in causal models, although clearer performance implications could be drawn from overcoming typologies and understanding I/R as distinct continuous strategy dimensions. Scholars call for such studies and suggest separating international strategy and local implementation (e.g., Grøgaard, 2012; Venaik, Midgley, & Devinney, 2004) and analyzing strategy-implementation-performance paths (e.g., Grein, Craig, & Takada, 2001; Haugland, 2010). However, no study has elaborated such paths theoretically and empirically (see for a stepwise approch on marketing paths, Grein et al., 2001; and for a moderated approach, Qu & Zhang, 2015). This research gap is important because strategy-implementation-performance paths are likely to differ and may vary in different foreign host country environments.

Scholars have also analyzed international strategies in retailing research. Swoboda, Elsner, and Morschett (2014) indicate I/R strategy types' direct links to performance. Earlier studies link strategy types

Table 1
Review on I/R-literature.

	Without performance implications	With performance implications
I/R as criterion in causal model	Luo (2001, 2002) (e) Fan et al. (2012) (c) Breunig, Kvålshaugen, & Hydle (2013) (e)	Johnson, Arya, & Mirchandani (2013) (e)
I/R as underlying mechanism for taxonomies/typologies	Firm-typologies Salmon and Tordjman (1989) (c) Rugman and Verbeke (1992) (c) Leong and Tan (1993) (e) Sternquist (1997) (c) Helfferich et al. (1997)(c) Devinney et al., 2000 (c) Harzing (2000)(e) Pla-Barber (2002) (e) Mukherji, Kedia, Parente, & Knock (2004) (c) Leknes and Carr (2004) (e) Kasper, Lehrer, Mühlbacher, & Müller (2009) (e) Romelaer and Beddi (2015) (c) Verbeke and Asmussen (2016) (c)	Firm-typologies Performance within groups (fit) Roth and Morrison (1990) (e) Ghoshal and Nohria (1993) (e) Lin & Hsieh (2010b) (e) Meyer and Su (2015) (e) Performance between groups Treadgold (1990) *(c)* Johnson (1995) (e) Swoboda, Elsner, and Morschett (2014) (e) Tian and Slocum (2014) (e)
	Subsidiary-typologies Prahalad and Doz (1981) (e) Jarillo and Martinez (1990) (e) Taggart (1997a, 1997b, 1998) (e) Rugman, Verbeke, & Yuan (2011) (c) Meyer and Estrin (2014) (e)	Subsidiary-typologies Roth, Schweiger, & Morrison (1991) (e) Lin (2014) (e)
I/R as predictor in causal model	Venaik et al. (2004) (e) Kim et al. (2003) (c) Grøgaard (2012) (e)	Grein et al. (2001) (e) Haugland (2010) (c) Qu and Zhang (2015) (e) This study (e)

Note: Italics indicate studies focusing retailing, (e) empirical studies, (c) conceptual studies.

and selected implementation decisions (conceptually or case study based, Helfferich, Hinfelaar, & Kasper, 1997; Leknes & Carr, 2004; Salmon & Tordjman, 1989; Sternquist, 1997). Other studies address further strategy conceptualizations (e.g., linking various internationalization decisions, Alexander & Myers, 2000; Burt et al., 2008; Pederzoli, 2006) or format replication (i.e., transferability of format elements, Goldman, 2001; Jonsson & Foss, 2011). Beyond that, only twelve quantitative studies address international retailers' performance but mostly focus on other antecedents (degree/scope of internationalization, entry modes, or standardization).[1] In summary, this literature provides initial insights into the strategy-implementation and strategy-performance link. Insights on the implementation-performance link can be drawn from qualitative or case study-based work on standardization and further implementation decisions in subsidiaries. For example, Coe and Lee (2006, 2013) or Tacconelli and Wrigley (2009) stress retailers' need to interact with the local environment; Bianchi and Ostale (2006) or Wigley and Chiang (2009) see adaptation as crucial for success. Quantitative studies also find effects of adaptation on performance but are partly contradictory. Swoboda and Elsner (2013) show positive links of standardization with performance, and Evans, Mavondo, and Bridson (2008) link successful adaptation to psychic distance. Finally, few scholars stress the role of further implementation decisions, e.g., centralization or the management of knowledge and learning (Currah & Wrigley, 2004; Moore et al., 2004).

In summary, these research streams highlight the importance of I/R in retailing and indicate important strategy-implementation or – performance links and implementation-performance links. However, the findings are partly inconclusive, and quantitative evidence is scarce.

There is a substantial gap, because the existence of the strategy-implementation link and an implementation-performance link logically imply that there are possible strategy-implementation-performance paths. Such possible paths have, to the best of the authors' knowledge, not been addressed yet. Still, these paths are highly important because retail firms are likely to pursue an overarching international strategy based in their FSAs, while their implementation in subsidiaries needs to be designed for local success.

Therefore, we aim to analyze whether and how retail firms' I/R strategies affect local performance in a foreign host country directly and via indirect paths through local implementation decisions. By regarding I/R as retail firms' international strategy dimensions and as predictors in causal models, we shift from strategy typologies. Specifically, we aim to analyze how such paths vary in close and distant countries in which the transfer of formats is less or more impeded by the limited geographic reach of retailers' FSAs (Girod & Rugman, 2005). Answering these research questions adds the following novel and important insights to extant knowledge.

First, we contribute to the literature on international strategies, i.e. the most prominent I/R-framework (e.g., Verbeke & Asmussen, 2016, for criticism see Devinney, Midgley, & Venaik, 2000). We argue that analyzing I/R's direct and indirect paths to performance reveals more nuanced implications than typology-based analyses. However, we do not conceptualize I/R as external pressures (e.g., Swoboda et al., 2014) but as firms' strategy chosen in accordance with the transferability of FSAs (Rugman & Verbeke, 1992). We thus provide an internalization theory-based reasoning and empirical insights into the implications of I/R for local implementation and performance. In doing so, we respond to calls to analyze strategy-implementation-performance paths (e.g., Haugland, 2010).

Second, we contribute to the understanding of the importance of the limited geographic reach of internationalizing retailers' FSAs. Girod and Rugman (2005) indicate that retailers' FSAs have specific transferability: some FSAs "can be exploited globally and lead to benefits of scale, scope or exploitation of national differences," while others

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[1] Only twelve quantitative studies address antecedents of the performance of international retailers: degree/scope of internationalization (Assaf, Josiassen, Ratchford, & Barros, 2012; Dimitrova, Rosenbloom, & Andras, 2014; Etgar & Rachman-Moore, 2008; Oh et al., 2015) timing/mode of entry (Gielens & Dekimpe, 2001, 2007; Mohr et al., 2014), standardization of offers (Evans et al., 2008; Swoboda & Elsner, 2013), strategy types (Swoboda et al., 2014), psychic distance (Evans & Mavondo, 2002), and allocation of promotion (Fam & Yang, 2006).