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Globalizing retail: conceptualizing the distribution-based transnational corporation (TNC)

Neil Wrigley,[1] Neil M. Coe[2] and Andrew Currah[3]

[1]School of Geography, University of Southampton, Highfield, Southampton SO17 1BJ, UK
[2]Geography, School of Environment and Development, University of Manchester, Oxford Road, Manchester M13 9PL, UK
[3]Department of Geography, University of Cambridge, Downing Place, Cambridge CB2 3EN, UK

Abstract: In this article we argue that the retail transnational corporation (TNC) is an entity that merits urgent theoretical and empirical investigation from economic geographers. Using recent theoretical developments that conceptualize TNCs as the complex nexus of intrafirm, interfirm and extrafirm relational networks, we explore the special characteristics of retail TNCs that distinguish them from their manufacturing counterparts, still the predominant focus of interest in the literature on economic globalization. In particular, using Hess's (2004) notion of three different kinds of embeddedness (societal, network, territorial), we explain how it is the necessarily high *territorial* embeddedness in markets and cultures of consumption, planning and property systems, and logistical and supply chain operations that defines the distinctive theoretical and organization challenge of the retail TNC. In turn, we argue that this high level of embeddedness frequently implies a very different experience of host-market regulation than is found in other sectors. Additionally, we use Dicken's (2000) distinction between 'placing firms' and 'firming places' to explore how territorial embeddedness of the retail TNC is influenced by its societal embeddedness (home country institutional origins), and how network embeddedness is critical to an understanding of how places/host economies are inserted, reciprocally, into the organizational spaces of the retail TNCs. In particular, we argue that intrafirm management of innovation and knowledge dynamics across highly dispersed store and sourcing operations poses particular problems and possibilities for retail TNCs.

Key words: embeddedness, globalization, knowledge, networks, retailing, TNC.

1 Introduction

There is now a growing, but long overdue, recognition in economic geography that the rapid rise of retail transnational corporations (TNCs) since the mid-1990s is a phenomenon which merits urgent attention in both theoretical and empirical terms (Wrigley, 2000; Coe, 2004a). While the ever-expanding globalization literature has had remarkably little to say about retail TNCs (although see

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Dicken, 2003a), the extensive literature on retail internationalization emanating from a business/management studies tradition has remained rather insular and disconnected from broader debates about transnational production systems (Coe, 2004a). In this paper we engage conceptually with the retail TNC, arguing that both these positions are no longer sustainable, and that the disconnection between these literatures is hampering our ability to comprehend and explain a profoundly important dimension of the emerging global economic landscape. Our aim is to begin the process of moving retail TNCs towards the centre of contemporary debates within economic geography, and to suggest that not only is the deeply rooted productivist bias of existing debates on economic globalization increasingly inappropriate in a world in which distribution-based TNCs have become a reality, but also that the emergence of these firms poses some novel conceptual questions.

Our conceptualization in this paper draws on recent theoretical developments to position retail TNCs as complex configurations of intra-, inter- and extrafirm relational networks. These networks are highly embedded in, and therefore shaped by, the economic, political and institutional contexts of both home and host economies. While such a framework can be applied to any TNC, we argue that it is the necessarily high *territorial* embeddedness in markets and cultures of consumption, planning and property systems, and logistical and supply chain operations that defines the distinctive theoretical and organizational challenge of the retail TNC. It also frequently implies a different experience of regulation in the internationalization process than that typical of the production-based TNC. The organization of the retail TNC is qualitatively very different, therefore, from a functionally integrated manufacturing TNC (Dicken, 2003a), from a market-facing producer service TNC (Coe, 2003) or from a TNC involved in offshore routine service provision (e.g., software coding or call centres) (UNCTAD, 2004).

Before proceeding further, it is crucial to recognize the sheer scale and scope of contemporary retail TNCs (for further details, see Wrigley, 2000; Wrigley and Lowe, 2002; Coe, 2004a; 2004b). The last decade has witnessed the emergence of a select group of food and general merchandise retailers with considerable, and rapidly growing, international sales. As Dicken (2003a) describes, one clear indication of the rapid growth of these retail TNCs is that, while in 1993 there were no retailers in the top 100 TNCs, in 1999 there were four, namely Royal Ahold (The Netherlands), Metro (Germany), Carrefour (France) and Wal-Mart (USA). By 2003, there were no less than 14 retailers (all but two were food and general merchandise retailers) each deriving over US$10bn of annual sales from international markets. And as the annual IGD Global Retail Index (www.igd.com) demonstrates (a composite index which attempts to capture both 'hard' and 'soft' indicators, e.g., percentage of international sales, presence in key regions, number of countries of operation, clarity of global strategy, extent of within-organization knowledge sharing and learning, etc.), a core and relatively stable group of retail TNCs has separated out. That group includes Carrefour, Wal-Mart, Metro, Ahold, Tesco, Auchan, Casino, Ito-Yokado, Aldi, Delhaize, Costo and Tenglemann, and must be supplemented by a small number of firms (e.g., IKEA) from other sectors of retailing with comparable international sales. These firms typically have operations in 10–30 countries, a level of internationalization comparable with many manufacturing sectors, in addition to extensive international sourcing operations. A deluge of retail FDI by these firms has, in turn, significantly altered both the corporate and physical landscape of retailing in the emerging markets of Latin America, East Asia and central and eastern Europe. These dramatic expansion processes, we will argue, highlight issues of considerable conceptual importance to debates in economic geography.

Our argument proceeds in the following three stages. Section II briefly critiques existing approaches to the retail TNC before suggesting that Hess's (2004) notion of three different kinds of embeddedness provides a useful way of characterizing the distinctiveness of such firms. Sections III and IV then use Dicken's (2000) distinction between 'placing firms' and 'firming places' to frame the subsequent analysis. Under the former heading, Whitley's (2001) work is used to explore how differing intersections of home and host country conditions will influence the nature of the retail TNC and its internationalization processes. Under the latter, we develop our notion of the retail TNC as a nexus of relational networks, with particular focus on the organizational learning challenges posed by the necessarily dispersed and highly embedded configuration of retail TNCs.

II Towards a conceptualization of the distribution-based TNC

We begin by noting that, to the extent that there is treatment of retail corporations and of the missing 'role of commercial capital in the globalization process' (Gereffi, 2001b: 33), it is to characterize that role and those corporations as the lead firms in 'buyer-driven' global commodity chains (Gereffi, 1994) 'in which large retailers, marketers and branded manufacturers play the pivotal roles in setting up decentralized production networks in a variety of exporting countries, typically located in the Third World' (Gereffi, 2001a: 1620). Production is viewed as being carried out by tiered networks of developing world subcontractors to specifications supplied by the large developed-world retailers and 'marketers' (which Gereffi, 2001b, defines as firms with a brand but no factories or stores). Such companies are seen as exerting substantial control over how, when and where production takes place, and how much profit accrues at each stage of the chain (Gereffi, 2001a). That is to say, the main leverage in buyer-driven chains is seen as being exercised 'at the design and retail ends of the chain' (Gereffi, 2001a: 1620), not least because the increasing use of product differentiation strategies has meant 'that retailers derive competitive advantage from selling non-standardized products . . . competing not only on price, but also on factors such as reliability, product variety, product quality and speed of innovation' (Dolan and Humphrey, 2000: 150).

It is indisputable that this perspective has prompted extremely useful insights into the global sourcing operations of the major retailers and their close management of supply chains which have become increasingly 'demand pull' in character. The work of Hughes (2000; 2001; 2004), Leslie and Reimer (1999; 2003; Reimer and Leslie, 2004), Barrett *et al*. (2004) and Friedberg (2003; 2004) in geography, and related work in other disciplines (e.g., Kaplan and Kaplinski, 1998; Burch and Goss, 1999; Dolan and Humphrey, 2000; 2004; Schmitz and Knorringa, 2001) on sectors ranging from horticulture, processed fruit, wine and cut flowers to furniture and footwear is indicative, as is Gereffi's (1999) own work on the apparel commodity chain. However, to view the role of retailers in debates on economic globalization *solely* through the lens of firms which may be centrally involved in buyer-driven global commodity chains, but whose involvement in those chains may simply be to enhance/protect their competitive position in domestic markets in which their entire asset and sales bases are located, seems to us to be fraught with difficulties. Such an approach only captures one facet of the complexity of the retail TNC.

Researchers in business studies writing on retail internationalization have illustrated the many aspects of retail TNCs that are distinctive from manufacturing TNCs. For example, Dawson (1994), in a well-known early contribution to that literature, highlighted differences in organization and management of firms in the two sectors relating to:

> the balance between centralized and decentralized decision making, the relative

> importance of organizational and establishment scale economies, the degree of spatial dispersion in the multi-establishment enterprise, the relative size of the establishment to the size of the firm, the relative exit costs if decisions are reversed, the speed with which an income stream can be generated after an investment decision is made, different cash flow characteristics, the relative value of stock and hence importance of sourcing . . . [which] serve to differentiate the manufacturing firm and the retail firm . . . in the internationalization process. (Dawson, 1994: 270)

He also drew attention to the difficulty of *protecting knowledge* (for example through patents and copyright) in the retail internationalization process where 'there generally is little secrecy and no copyright' plus extensive copying of ideas (Dawson, 1994: 267), but where competitive advantage, as Doherty (1999) stresses, is largely built upon *intangible assets* such as retail formats and management systems, and know-how in the form of expertise on logistics, supplier negotiations, merchandising, financial management, advertising and so on.

Revisiting the issue more recently, Dawson and Mukoyama (2003) have identified eight key differences in the organization and management of firms in the two sectors which they believe impact on transnational operation. First, the multi-establishment nature of the retail TNC implies that retailing has the characteristics of being spatially disaggregated and more essentially networked than is the case in manufacturing where operational efficiencies are more in the control of management at the local unit level. Secondly, retailers have far larger numbers of suppliers, implying that relationships with suppliers may be a larger intangible asset and may attract a greater level of investment by retailers than manufacturers. Thirdly, retailing exhibits fundamentally different cost structures which result in differing sources of operating efficiencies compared to production activities and, in turn, have important implications for managing supplier relations and transnational operations. Fourthly, the essentially local nature of the market experienced by retailers implies that transnational retailers must remain sensitive to local cultures of consumption. Fifthly, the retail outlet represents a uniquely assembled/configured bundle of services consumed by the customer, unlike manufacturing where the factory is clearly not seen as the manufacturer's product. Sixthly, and associated with the previous two differences, retailers experience high levels of consumer contact compared to manufacturing firms, creating an important imperative to particularize/localize rather than standardize 'product' offerings. Seventhly, transnational retailers experience different forms of market imperfections, in particular through the high levels and multiple forms of regulatory intervention. Finally, the copying of knowledge or intellectual capital is much easier in retailing than in manufacturing.

Several of these issues are echoed in our conceptualization of the retail TNC. We choose to begin, however, by stating that, in our view, the key feature of the retail TNC is that it must simultaneously stretch both its *distribution* and *sourcing* activities – and the assets and employment linked to those activities – over multiple national boundaries. In turn, this implies the need for an unusually high level of *investment in embeddedness* in host markets, and it is this high degree of embeddedness which, in our view, is critical in distinguishing the retail TNC from its manufacturing counterparts. In particular, we identify three key areas in which retail TNCs are unusually 'close' to host economies and societies. First, as consumption is clearly a sociocultural process as much as it is an economic interaction, retailers need to be responsive to local variations (both national and intranational) in cultural tastes, norms and preferences. Secondly, retailers need to sink capital into physical assets in markets simply to access them, i.e., to 'ground' capital in a store base and distribution/logistics infrastructure, with all the associated vulnerabilities that brings (Wrigley, 1996). Retailers are thus are intricately connected to the

property markets and planning systems of host countries. Unlike manufacturers, there is also an intrinsic relation between the location of a retailer's sales and an important component of its variable costs (particularly its labour costs). Thirdly, even where an element of regional or global sourcing exists (as conceptualized in the global commodity chain approach described above), food retailers in particular still source the vast majority of their products from within the national territory that they are serving (see Coe, 2004b). The retailer is therefore intimately intertwined with the local supply base and the necessary logistics infrastructure (e.g., distribution centres) to access suppliers.

Taken together, these dimensions of embeddedness imply that a retail TNC is likely to have a rather different experience of host market regulation – affecting many aspects of its activities – from that of a typical manufacturing TNC. As a result, all transnational retailers localize their operations (albeit to differing degrees) in host economies. This is particularly the case where international expansion has taken place through merger and acquisition, or joint venture, activities, in which different organizational cultures are necessarily brought together. Bianchi and Arnold (2004), drawing on institutional theories, describe how extensive localization is critical to achieve 'organizational legitimacy' in host markets in both the sociocultural (consumption trends, family structures, understandings of corporate responsibility) and economic domains (relations with suppliers, competitors and consumers).

Notions of embeddedness, then, are clearly at the heart of an effective conceptualization of retail TNCs. But what exactly does this term mean? The work of Hess (2004) has brought much needed clarity to the debate, identifying three specific, yet interrelated, forms of embeddedness. *Societal* embeddedness connotes the importance for economic action of the cultural, institutional and historical origins of the economic actor in question. For example, when a company invests overseas it takes with it some of the social and cultural attributes that it has acquired in the process of its evolution within the context of its home base. These might include attitudes towards labour-management relations, working conditions and welfare benefits, and how supplier networks should be organized. *Network* embeddedness refers to the composition and structure of the network relations of a given economic actor. It encompasses aspects such as the degree of functional and social connectivity, the stability of relations, and the importance of the network for its participants. In addition to interfirm relations, network embeddedness also takes account of the broader institutional networks including nonbusiness agents (e.g., government and nongovernment organizations such as trade unions) that are often involved. *Territorial* embeddedness deals with how economic actors are 'anchored' in different places at spatial scales from the nation state to the local level. TNCs, for example, do not merely locate in particular places. They may become embedded there in the sense that they absorb, and in some cases become constrained by, the economic activities and social dynamics that already exist in those places. A key element of territorial embeddedness is the extent and nature of the relationships formed between transnational corporations and local firms, consumers and regulators.

Recast in this light, the argument we advance above essentially highlights the exceptionally high levels of *territorial* embeddedness – from the national scale down to the 'microscale' of the individual store – of retail TNCs in comparison to any other sector of the globalizing economy. Within this general thesis, individual retailers will vary in the *extent* to which they territorially embed their various activities. Some will endeavour to draw heavily on their network embeddedness in transnational intrafirm relations to offer a standardized operation across different markets. Others will adopt a more

decentralized approach that is more heavily territorially embedded.

In taking the discussion forward, we follow Dicken (2000: see also Dicken and Malmberg, 2001; Dicken, 2003b) in suggesting that two key questions provide a useful framework for discussion. The first is what Dicken (2000: 276–82) refers to as the 'placing firms' question. That is to say, in what way is the nature of retail TNCs related to specific places/markets within which they are embedded? In Hess's terms, the key here is to explore the *territorial* embeddedness of the retail TNC and the extent to which that is influenced by the *societal* embeddedness or home country origins of the firms in question. The second is what Dicken (2000: 282–87) terms the 'firming places' question, and relates directly to Hess's notion of *network* embeddedness. That is to say, how are places 'inserted' into the organizational spaces of the retail TNCs and used as part of their competitive strategies, and to what effect?

III 'Placing firms': intersecting the societal/territorial embeddedness of retail TNCs

A key issue in recent (and implicitly production-orientated) discussion of TNCs and their international investment has been how to capture in a sensitive way: 'the complexity of the embeddedness process in which both the place of origin and the other places in which TNCs operate influence the ways in which such firms behave and how they, in turn, impact upon such places' (Dicken, 2000: 282). As stressed above, this issue seems to be especially pertinent in the context of the retail TNC. How then can we best address it? One particularly useful way forward is to interrogate, from the perspective of retail TNCs, a framework proposed by Whitley (2001) as part of his sustained attempt to understand what makes TNCs different kinds of organization: more complex than domestically focused firms, and with the capacity to develop novel forms of organization and competitive capabilities (see also Whitley, 1999). That framework, shown in Table 1, essentially cross-relates three different types of enterprise with three distinctive kinds of business environment in which those firms are seen to develop. It also explores (via a series of questions relating to likely levels of FDI, characteristic risk-management strategies, extent and mode of control of subsidiaries, likely extent of integration of subsidiaries into the local economy and development of distinctive capabilities, and extent of organizational learning from subsidiaries) how firms from those contrasting business systems are likely to manage their international investment. Put another way, the table presents firm strategies that might be expected to result from the intersection of different kinds of societal embeddedness (for which 'firm type' is a proxy) and territorial embeddedness (for which 'type of foreign business environment' is a proxy).

The foreign business environments are viewed as being 'dominated by different institutional arrangements controlling access to capital and skills' which, in turn, encourage 'different ways of coordinating and controlling economic activities' allowing quite different sorts of firm to emerge and dominate (Whitley, 2001: 38). The three environments are termed: *particularistic* – 'combining a weak and/or predatory state . . . with weak collective intermediaries and norms governing economic transactions, and predominantly paternalistic authority relationships' (e.g., emerging economies of Latin America, central and eastern Europe, and some countries in East Asia); *collaborative* – in which the 'state plays an important coordinating and development role' or 'encourages private associations to coordinate a range of activities' and which have 'a number of important institutions that together lock key actors into each others' destinies' (e.g., continental western Europe, Japan and South Korea); and *arm's length* – in which 'the state acts more as a regulator than coordinator, finance flows through competitive capital markets rather than banks, and training is more a

Table 1 Whitley's firm type, foreign business environment and management of FDI framework (shading shows those combinations particularly relevant to retail TNCs)

	Types of foreign business environments		
Management of FDI by different firm types	Particularistic	Collaborative	Arm's length
Significance of FDI			
Opportunistic firms	Low	Low	Low
Cooperative hierarchies	Low	Limited	Some
Isolated hierarchies	Low	Variable	Considerable
Prevalent risk management strategies			
Opportunistic firms	Flexibility, personal networks	Personal networks	Personal networks
Cooperative hierarchies	Market power	Market power and incremental alliances	Transfer domestic alliances and market power
Isolated hierarchies	Market power	Market power and short-term alliances	Market power and firm-specific advantages
Extent and mode of parent control of major subsidiaries			
Opportunistic firms	High, direct, personal	High, personal	High, personal
Cooperative hierarchies	High, direct, resource access	Considerable, resource access	Considerable, resource access
Isolated hierarchies	High, resource control and targets	Limited, formal targets	Limited, formal targets
Extent of subsidiary integration into local economy			
Opportunistic firms	Limited, ad hoc and short term	Limited and ad hoc	Limited and ad hoc
Cooperative hierarchies	Limited and ad hoc	Limited and incremental	Limited
Isolated hierarchies	Some, but short term	Considerable	Considerable
Subsidiary development of distinctive capabilities			
Opportunistic firms	Low	Low	Low
Cooperative hierarchies	Low	Limited	Limited
Isolated hierarchies	Low	Considerable	Considerable if host economy differs significantly
Extent of organizational learning and change from FDI			
Opportunistic firms	Low	Limited	Limited
Cooperative hierarchies	Low	Limited, but more complex	Limited, but more complex
Isolated hierarchies	Low	Limited, but more complex	Some, increased complexity

Source: Whitley, 2001: Table 2.4.

matter for individual investment than for coordinated collaboration between state agencies, employers and unions' (e.g., the USA, Canada and the UK) (Whitley, 2001: 39). The latter two environments are often referred to elsewhere in the 'varieties of capitalism' literature (Hollingsworth and Boyer, 1997) as 'coordinated' and 'merchant' economies respectively (Christopherson, 2002).

Associated with these business environments are particular types of firm which range from *opportunistic* – products of adversarial, unpredictable environments in which the state is 'poorly integrated and controlled by private rent-seeking elites', where corporate decision-making usually involves 'gaining political or related forms of support . . . subject to radical change at short notice', and where control of firms is frequently direct and personal by owners whose dominant objective is often family wealth creation (Whitley, 2001: 39–41), through *cooperative hierarchies* – generated in environments where there is 'considerable interdependence between the providers and users of capital and labour power' and strong 'lock-in effects between banks, employers, employees and business partners' (Whitley, 2001: 41), to *isolated hierarchies* – produced within environments characterized by separation of major institutional arenas and regulatory conventions, and where 'owners tend to be remote from managers and capital is typically managed in investment portfolios with financial claims traded on highly liquid markets' (Whitley, 2001: 42).

As the highlighted areas of Table 1 show, the processes of retail globalization over the last decade have chiefly been characterized by investments in 'particularistic', and to a lesser extent 'collaborative', business environments by 'isolated hierarchy' firms in part driven by, but also intensely scrutinized by, home country capital markets (Wrigley, 2000; Wrigley and Currah, 2003). The framework outlined in Table 1 would suggest that in 'particularistic' environments the dominant mode of FDI management can be expected to be through highly controlled subsidiaries, weakly integrated into host economies, and with little potential for developing unique capabilities and organizational learning. To what extent, however, does this hypothesis derived from a largely manufacturing-TNC focused approach appropriately capture the characteristics of the emerging retail TNCs? In what ways have retail TNCs managed significant investment since the mid-1990s in unpredictable, weakly institutionalized, 'particularistic' business environments, and how have they managed investment in 'collaborative' business environments which are more predictable but in which gaining access to the established networks and alliances that dominate such economies, at least initially, may be difficult? To what extent has the need for the retail TNCs to be territorially embedded in these environments generated new competitive capabilities and organizational structures relative to their previously domestically focussed organizational forms?

In the case of uncertain 'particularistic' economies, we begin by drawing attention to some immediately apparent differences between Whitley's hypotheses and the case of the transnational retailers. In this case Table 1 suggests the likelihood of a low commitment of resources by firms, coupled with strong parental control of subsidiaries, limited development of distinct organizational competencies, limited integration into local economies, and the unlikely nature of TNCs changing their organizational routines as a result of investing in such economies. In contrast, we note that retail TNCs have committed considerable resources to access the growth potential and cost-of-operation advantages of 'particularistic' economies across Latin America, China and parts of eastern/southern Europe and East Asia, prompted by the success of early entrants into those markets and their achievement of extremely high returns on investment. As Whitley (2001: 51) himself notes, this reflects

the fact that the risks associated with investing in such economies may be overridden by 'the large potential market and/or major cost reductions' on offer.

The essential investment in embeddedness of the retail TNC frequently inhibits the speed of market exit from these types of economies relative to other kinds of TNC. While production-based TNCs can use modular factory design and imported machinery to manage entry and exit costs (both plant and equipment can be rapidly shipped in and out of a country) and can use knowledge of the exit-cost flexibility as a credible threat in negotiation with the state over various taxes and charges, retail TNCs, more constrained by the timelag experienced between set-up and generation of profit streams and by the 'exit sunk costs' (Clark and Wrigley, 1997) of withdrawing from their investments in embeddedness, are less able to respond flexibly and rapidly to changes in markets by adjusting the spatial configuration of their subsidiaries. As a result, retail TNCs, especially in their engagement with volatile 'particularistic' economies, are unusually exposed to changing market conditions.[1]

Relatedly, we note that retail TNCs have developed complex strategies to manage risk in uncertain environments – which may be characterized by endemic monetary crisis, hyperinflation and devaluation. Tokatli and Eldener (2002: 229–33), for example, describe how in Turkey leading retailers have developed a range of financial strategies (e.g., use of spot markets, currency exchange and short-term capital financing) to cope with a high inflation and interest rate environment. We can also observe significant impacts on the organizational and logistical structure of the wider distribution sector in such economies which results from the need of even the most strongly centrally controlled and technology-dependent retail subsidiaries to integrate themselves into local supply systems to ensure competitiveness (Davies, 2000; Da Rocha and Dib, 2002; Coe, 2004b). The transfer of what broadly might be termed 'lean retail' distribution skills by the retail TNCs to their subsidiaries has impacts, both directly and via emulation of those 'back region' practices of the TNCs by indigenous players (Goldman, 2000; Lo *et al.*, 2001). Finally, we note, in contrast to the suggestion of Table 1, that there is emerging evidence of the transfer from subsidiaries of distinctive organizational competencies – from styles of marketing attuned to local cultures of consumption through to novel store formats – into the domestic operations of the retail TNCs to provide new competitive capabilities (see Wrigley and Currah, 2004, for examples drawn from Tesco's international operations).

In less risky 'collaborative' business environments, Table 1 suggests that both 'isolated' and 'cooperative' hierarchy type firms are likely to proceed via the development of alliances and partnerships – with the former being more likely 'to rely on market power to short circuit the process of building alliances as well as on their firm-specific competitive advantages to attract local business partners' (Whitley, 2001: 54). Confident in their ability to manage via formal control systems, 'isolated hierarchy' type firms are seen as likely to grant considerable autonomy to subsidiaries in such environments to develop their own ways of dealing with local conventions, as long as they meet financial and other targets. However, if those subsidiaries do become distinctive kinds of organization, with routines that are different from those of the parent company, Whitley (2001: 56) believes that it may prove 'difficult to integrate these more collaborative ways of coordinating economic activities' into the wider enterprise.

The varying experiences of the retail TNCs in collaborative economies such as South Korea and Japan certainly confirms the importance of well-chosen alliances and partnerships in this type of business environment.[2] However, partnerships and joint ventures have also been widely used by the retail TNCs during their entry into 'particularistic' economies – not least to attenuate

some of the risk of entering those markets.[3] As a result, the *distinctive* nature of the 'collaborative' economy partnerships of the retail TNCs relative to those in 'particularistic' economies awaits case-study evidence (although see Christopherson's, 2002, consideration of Wal-Mart's attempted transfer of its 'lean retailing' methods from their 'arm's length/merchant' economy origins to the 'coordinated' economy of Germany). Moreover, it is likely that distinctive organizational competencies which emerge within 'collaborative' business system subsidiaries of the retail TNCs may be transferred back/integrated into the wider enterprise in the same way as those which have emerged from subsidiaries in 'particularistic' economies.[4]

Useful as Whitley's framework is, therefore, in addressing the dialectical relationship at the heart of Dicken's 'placing firms' question, there are clearly subtle, and possibly more profound, differences in the manner in which retail TNCs become 'more complex and differentiated organizations as the result of investing considerable resources in different kinds of business system' (Whitley, 2001: 63). Three further points should be made in drawing this section to a close. First, the 'placing firms' question as Dicken (2000: 282) has stressed should not be confined solely to the national scale – the embeddedness process also operates at the subnational scales of region and local community. This is particularly the case for the retail TNCs who have, during the last five years, become increasingly multiformat international operators, with the consequence that in any single country they face very different embeddedness issues (plus a very different regulatory topology) in developing and operating small-format local-store chains compared to regional-market orientated large-format hypermarket chains (Aoyama, 2001). The 'placing firms' question for retail TNCs is clearly multiscale and multidimensional.[5]

Secondly, these discussions also need to be refracted through the lens of corporate culture (Schoenberger, 1997). As the globalization of retailing is currently being driven by a relatively small group of companies, this may well hamper attempts to theorize across the sector as a whole. In other words, firms emerging from similar contexts, and investing in similar types of foreign markets, may do things rather differently due to variations in firm-specific cultures. Shackleton (1996; 1998) is one of the few researchers thus far to have applied notions of corporate culture to retailer internationalization, through her work on Sainsbury's expansion into the US market in the late 1980s and 1990s. Her argument is that the entrenched nature of corporate culture – thought of in terms of the social dynamics through which internal power relations are resolved – will shape the strategic decisions made by executives. Corporate strategy should be seen as a socially and culturally determined process, with managerial identities playing a key role. Such an interpretation has many implications, but particularly for international expansion operationalized through mergers and acquisitions, and joint ventures. Shackleton demonstrates how such a notion is important for understanding what happens in the post-acquisition phase, and also as new retail practices diffuse through host markets.

Thirdly, it is critical that notions of societal and territorial embeddedness are not seen in static terms. Instead, we need to develop a spatially and temporally dynamic approach to the internationalization of retailing (Coe, 2004a). Temporally, we need to look at how the degree and nature of territorial embeddedness develops over time after the initial point of entry. Although in many cases it will increase, we also need to chart the circumstances on which it may decrease, and, in some circumstances, lead to divestment, i.e., a relative withdrawal of investment from overseas markets (see, for example, Alexander and Quinn, 2002; Burt *et al.*, 2002; Burt *et al.*, 2003; Wrigley and Currah 2003; Benito, 2005). Spatially, it is important to appreciate the organizational complexity

and variability of the operations of the retail TNC. On the one hand, individual retail TNCs will do things differently in different markets – for example, in terms of mode of entry, store expansion programmes or supply chain management – even if the markets fall into the same metacategory of 'particularistic' or 'collaborative'. On the other hand, it is vital to recognize that developments in different markets are interlinked, and that the internationalization process is characterized by what Burt *et al.* (2002: 214) term 'complicated activity switching'. In this perspective, investment – in terms of both stores and sourcing – is constantly redirected between national subsidiaries based on decisions about *relative* returns and profitability.

IV 'Firming places': relational networks and organizational learning in the retail TNC

The converse of our previous focus on the embeddedness of TNCs in particular places/markets is a focus on the 'insertion' of places and their local economies into the organizational spaces of the TNCs. By being connected into the global networks of the TNCs, with particular roles in those networks, places can in that sense be thought of as being 'firmed' (Dicken, 2000: 283). The consequence is that we can pose questions, first, about the nature of those network connections and their impacts and, secondly, about the way places might be used by TNCs as part of their competitive strategies.

TNCs have been described by Nohria and Ghoshal (1997) as 'differentiated networks' or, more recently, by economic geographers (Dicken *et al.*, 2001) as complex *relational networks* – that is to say networks of 'internalized, intra-firm relationships embedded within networks of externalised, extra-firm relationships . . . woven across geographical space' (Dicken, 2000: 282). From this perspective, the global economy in this perspective is viewed as being constituted by 'spaces of network relations' with the key task being to understand those networks as both '*social structures* and *ongoing processes* . . . constituted, transformed and reproduced through asymmetrical and evolving power relations' (Dicken *et al.*, 2001: 105; see also Henderson *et al.*, 2002; Yeung, 2005). The question here, however, is how, and to what extent, can these perspectives be applied to develop our conceptualization of the retail TNC?

The advantages of viewing retail TNCs through the lens of three sets of relational networks –intrafirm, interfirm and extrafirm (see Yeung, 1994) – connecting the component parts of firms, and firms and the places in which they operate, appear to us to be overwhelming. Studies of intrafirm relationships within the retail TNCs, for example – as parts of those firms strive to maintain or enhance their position *vis-à-vis* other parts of the organization (Dicken, 2000: 285) – are almost nonexistent, reflecting not only a lack of focus on the internal dynamics of the retail TNC but also the extreme difficulty researchers have encountered in gaining appropriate levels of access to these organizations. As yet, there are simply no equivalents in terms of the retail TNCs of Kristensen and Zeitlin's (2001: 192) long-term, detailed microprocess orientated study of the 'making' of a single TNC, in which that TNC 'rather than imposing an ethnocentric logic on subsidiaries' is shown to have become a battlefield with 'subsidiaries representing and mobilizing their own regional capabilities and national institutional means against the rest'.

Conceptualizing the differing impacts of the intra-, inter- and extrafirm linkages that retail TNCs establish in host economies is a crucial part of revealing how 'firming places' occurs. In terms of inter- and extrafirm networks, following Dawson (2003) and Coe (2004a) we can delimit several broad areas of impact.

- *Retail competitiveness (interfirm networks)*: transnational retailers entering emerging markets bring with them new formats and pricing structures, improved information management processes, new marketing

and merchandising methods, and high levels of investment capital, thereby dramatically altering the retailing landscape. The rapid acquisition of market share by foreign retailers in these markets has squeezed many local retailers out, and created a pressure towards consolidation for the large retailers that remain (Tokatli and Boyaci, 1998). More specifically, local independent stores, department stores and fresh markets have been adversely affected by loss of market share to foreign-owned or controlled supermarkets and hypermarkets.

- *Supply network dynamics (interfirm networks)*: there have been significant impacts on local supply networks from the purchasing activities of transnational retailers. While there is a tradition of retailer-supplier relation investigations in both the marketing and economic geography literatures (e.g., Dawson and Shaw, 1990; Fernie, 1995; Hughes, 1996; 1999; Doel, 1996; 1999), there has been limited focus on examining *contrasts* which might exist in these relations across the international markets in which retail TNCs operate. Furthermore, very little research has been undertaken on processes of supply chain restructuring in the emerging market host economies. It is known, however, that the purchasing decisions and supply network requirements of foreign retailers are leading to rapid and dramatic consolidation in the distribution, wholesale and manufacturing/agricultural production sectors of host economies. Preliminary studies have charted the ways in which retailers are imposing centralized procurement systems, logistical system upgrading, shorter supply networks, new forms of intermediaries, quasi-formal contractual systems and private/international quality and safety standards on supply chains (Reardon *et al*., 2003; Coe, 2004b; Wrigley and Currah, 2004). While well-capitalized firms are profiting, many smaller firms are being displaced by these new competitive pressures (Reardon and Berdegué, 2002).
- *Consumption practices (extrafirm networks)*: transnational retailers have become a constituent part of processes of sociocultural change in host markets with respect to shopping and consumption patterns. These have been altered dramatically by the arrival of new retail formats. Initially, new formats such as hypermarkets and convenience stores occupied small niches in major cities, serving primarily the rich and middle class, but they have now spread rapidly both socially and spatially – albeit highly unevenly (Reardon *et al*., 2003).[6]
- *Regulatory frameworks (extrafirm networks)*: the competitive success of foreign retailers has impacted on the regulatory frameworks in host countries, which have frequently become tighter as a result. Areas of particular significance for retailers are restrictions on the amount and type of inward investment, format controls, land-use planning/zoning legislation, competition policy and import restrictions. Retail TNCs, as huge employers, are also intimately tied into local labour markets in a variety of ways (see Christopherson, 2005, on the labour practices of Wal-Mart and IKEA in an era of global labour standards). Once again, the overwhelming impression is of the relatively underdeveloped nature of studies of the regulatory impacts of retail TNCs – although tightening regulation across East Asia is beginning to prompt an increased level of interest in these issues (Mutebi, 2003), and attempts have also been made, in the context of mature market entry by retail TNCs, to interrogate the regulatory impacts of Wal-Mart's entry into Europe (see Burt and Sparks, 2001; Christopherson, 2002; Hallsworth and Evers, 2002).

In addition, both Coe (2004a) and Dawson (2003) identify another set of impacts of retail globalization, namely those on the retail TNC's own *intrafirm networks*. The transferring of investment, people and knowledge

between different sites represents another way in which the firm shapes the various places in which it has invested. Given the degree and extent of territorial embeddedness described in the previous section, it is clear that intrafirm innovation management poses particular problems and possibilities in retail TNCs. For that reason, we choose to focus on that topic in the remainder of this section.

We begin by noting that, while the production-based TNC is argued to have entered a 'new paradigm of transnational innovation' (Gerybadze and Reger, 1999) over the past decade, characterized by a progressive shift towards a more polycentric architecture of learning (Cantwell and Janne, 1999; Zanfei, 2000), the notion of 'dispersed learning' that this implies seems to fit particularly closely with the experiences of the retail TNC, which routinely operates a differentiated network of 'interactive learning centres' (Nohria and Ghoshal, 1997; Amin and Cohendet, 1999). That is to say, each retail store is potentially an autonomous centre of innovation, embedded in (and shaped by) a unique local context, with the capacity to learn how to adapt its format in a variety of ways (and within constraints, less or more rigidly applied) to attain market leadership within its own catchment area. Indeed, a key challenge for the retail TNC is how best to capture and protect this potential source of innovation, and to transfer it through its intrafirm network – thereby fostering a process of what might be termed 'reflexive' or 'hybridized' retail globalization – while at the same time concealing 'back-region' or 'process-based' knowledge (Teece, 1998) from the gaze of their rivals. Any effective conceptualization of the retail TNC must incorporate, therefore, an understanding of the creation and/or identification, appropriation, absorption and transfer of intangible assets embedded in its intrafirm processes.

While the question of how, or whether, firms learn to adapt their operations to foreign markets has fuelled a long-running debate in organizational theory (e.g., Doz and Prahalad, 1993), recent theoretical developments have aided our ability to conceptualize these complex interactions. The fundamental dilemma facing any TNC is how to balance the unique needs of global operations to reap improved efficiencies arising from economies of scale and scope, and how to transfer knowledge *within the firm* to develop distinctive, placed-based organizational competencies. Amin and Cohendet's (2004) approach to the latter aspect is to develop a theory of knowledge that challenges strategic-management and evolutionary economics approaches that see knowledge as 'possessed'. Instead, they advocate a 'social anthropology of learning' approach that focuses on 'practices of knowing'. From this perspective, knowledge is seen as practised rather than possessed, as innately embodied, distributed and transhuman, and as primarily being formed through communities. They argue that this stance overcomes several trenchant obstacles to understanding knowledge in organizations. It challenges the view that knowledge is a simple stock divorced from individuals that can be accumulated in linear fashion. Rather than emphasizing codification, it reveals that much knowledge is unarticulated and context-dependent (see also Beccera-Fernandez and Sabherwal, 2001). This is significant for, whereas codified/explicit knowledge can be objectified and recorded, tacit/implicit knowledge is less amenable to any such textualization, given that it is accumulated through everyday work practices (Nonaka and Takeuchi, 1995). It brings into view the collective aspects of knowledge formation, and the importance of organizational routines of different kinds. Finally, it emphasizes the need for management devices that recognize the notion of knowledge communities, or what they term 'management by community' rather than 'management by design'.

Central to this theorization are knowledge communities, which are seen to provide a critical intermediate level of social connectivity

and interaction through which new knowledge is forged by drawing on the collective 'cognitive unconscious'. The account draws heavily on the 'communities of practice' approach (Wenger, 1998) that sees learning as a (sometimes unintentional) byproduct of working together, drawing upon *combinations* of tacit and codified forms of knowledge. The notion captures the way in which organizational innovation is arguably driven through the 'ongoing interactions and improvizations that . . . employees undertake in order to perform their jobs' (Nidumolu *et al.*, 2001: 119). In communities of practice, employees are informally bound together by a shared area of expertise and/or an operational problem related to that area, which they seek to resolve by exchanging knowledge during personal, subtle and relatively unstructured social interactions (Leonard and Sensiper, 1998). However, communities of practice need not be geographically proximate to foster bottom-up creativity (Bunnell and Coe, 2001; Coe and Bunnell, 2003), as the organizational or relational proximity afforded by intrafirm networks (through varying combinations of physical, virtual and mental spaces) may be far more important in constituting the 'soft architecture' of learning in the globalizing firm than spatial propinquity (Amin, 2002). In particular, recent research has revealed how the transfer of tacit expertise through face-to-face interactions can now be achieved at a distance in the TNC due to the capabilities of telecommunications technologies such as Groupware and web-cameras (Leamer and Storper, 2001). As such, *virtual* communities of practice are now emerging from a dense web of 'peer-to-peer' (P2P) computer connections which enhance the permeability of knowledge across intrafirm networks (Lurey and Raisinghani, 2001). That being said, it is important to note that the transfer of best practices through spatially dislocated communities of practice is constrained (albeit unevenly) by nationally divergent institutional and regulatory structures, reinforcing the path-dependent nature of geocorporate change (Gertler, 2004).

The task for the TNC, then, is to generate and/or discover best practices rooted in particular places/communities and, secondly, to circulate this tacit knowledge throughout its organizational space. Due to this cross-scalar imperative, knowledge management in the TNC cannot simply be about enabling communities of practice, but is essentially a 'balancing act' between *bottom-up creativity* and *top-down coordination* (Brown and Duguid, 2000). Put another way, the elite actors within TNCs must still coordinate 'know-how' within the firm to foster a 'shared passion for a joint enterprise' (Wenger and Snyder, 2000). Bottom-up creativity must be complemented by adequate top-down investment in 'infrastructural capabilities', which formalize and sustain the cross-border transfer of best practices: first, a technological architecture for capturing, storing and communicating knowledge throughout the firm; secondly, a corporate culture which promotes cooperation, participation and knowledge sharing (Gold *et al.*, 2001).

These conceptual tools are extremely useful for exploring the nature of knowledge generation and transfer within retail TNCs. A key observation to be made here, however, is that it is certain kinds of retail knowledge that are of particular strategic importance, as Goldman (2001) alludes to when distinguishing between:

> the *offering* and the *know-how* parts of the [retail] format. The first includes the *external* elements (*e.g.* assortment, shopping-environment, service, location and price) delivering the functional, social, psychological, aesthetic and entertainment benefits attracting customers to stores. The second, the *internal* part, determines a retailer's operational strength and strategic direction. It consists of the *retail technology* dimension containing the systems, methods, procedures and techniques the retail company uses and of the *retail culture*, that includes the repertoire of concepts, norms, rules, practices and experiences. (Goldman, 2001: 223)

Due to the inherently 'open' nature of the store and the retail offering, the former elements are constantly at risk of imitation and appropriation by competitors. Consequently, as the embryonic retail TNCs have penetrated new markets since the late 1990s, often adapting their formats to complex and differential economic and regulatory landscapes, they have primarily sought to exploit and derive competitive advantage from management of 'know-how' in their back regions.

The work of den Hertog (2002) allows us to be more specific about the kinds of knowledge involved. His four-dimensional model of service innovation can be applied to the retail sector to distinguish between new service concepts (e.g., new store formats, diversification into financial services), new client interfaces (e.g., e-commerce, self-scanning checkouts, client specific product offerings), new service delivery systems (e.g., logistical chain innovations, home delivery, employee competencies and skills) and technological options (e.g., inventory control systems, electronic tagging, client profiling and data mining). He also considers the ways in which such knowledges are transferred in tacit and codified forms, in embodied and nonhuman states, and through contractual and noncontractual relationships. To give one example, when a retailer hires a management consultancy to train its supply chain managers face-to-face, we can think about how certain forms of embodied knowledges associated with the service delivery system are being transferred through a contractual relationship. Another strength of den Hertog's approach is that it reveals the range of external firms – or knowledge-intensive business services – that may be involved in helping to facilitate knowledge dynamics within a retail TNC (e.g., management consultants, software firms, market researchers). In this way, another range of important interfirm network relations are brought into view. Approaches such as this are necessary to help explore which kinds of knowledges are transferred between different sites within the retail TNC, and through which mechanisms.

Building on the analysis in the 'placing firms' section, what characterizes the knowledge management dynamic in the retail TNC is the sheer range of potential sites of innovation. Communities of practice within the store environment and distribution/logistics network are the principal mechanism through which tacit knowledge of more efficient operating procedures and improved merchandising techniques is initially discovered and nurtured. To give some idea of the potential complexity this generates, in 2003 Tesco had over 2300 stores worldwide, Wal-Mart over 4600 and Carrefour over 6000. Given that the geography of learning in the retail TNC is inherently store- and distribution-centre based, it is clear that a major constraint on knowledge management in this type of firm is the coordination of intangible assets spread out across *hybrid* communities, each of which is situated in a different culture and geography of consumption. This is likely to limit the capacity for retail TNCs to transfer best practices across different business environments in a number of ways (Currah and Wrigley, 2004). The capacity and motivational disposition of corporate units to 'absorb' best practices from other locations may vary greatly across different contexts. There is also the potential for conflict between divergent corporate cultures 'on the ground' in different subsidiaries after merger/acquisition (Schoenberger, 1997; Shackleton, 1998; Burt and Sparks, 2001). Relatedly, intrafirm bargaining processes may have a mediating effect upon the transfer of knowledge between those units. The latter point is significant because valuable know-how may be used (or, in fact, hoarded) by subsidiaries as 'currency' to serve their own place-based interests and acquire power *vis-à-vis* other units, either by winning investment or autonomy from the centre (Gupta and Govindarajan, 2000; Phelps and Fuller, 2000). These parent-subsidiary and subsidiary-subsidiary relations may be

complicated by the social and discursive constructions created by elite actors in different parts of the retail TNC as they seek to impose their own visions and personal ambitions upon processes of organizational learning at various sites and scales (Yeung, 2000).

Thus the nature of the retail TNC creates distinct opportunities and constraints for processes of organizational learning. While work in this area is in its infancy, Currah and Wrigley's (2004) research has started to reveal the 'top-down' mechanisms being implemented by retail TNCs to try to capture the potential benefits of dispersed innovation processes. One mechanism is the 'international support office', a common element in many of the retail TNCs, and which in the case of Tesco supports the diffusion and capture of knowledge in the key areas of 'retail skills' (e.g., store-based practices and productivity issues), 'commercial and sourcing capabilities' (e.g., regional and global sourcing, own-label development), 'marketing and consumer focus' (e.g., customer-insight-driven marketing and loyalty initiatives) and 'human resources' (e.g., firm-wide policy transfer and managerial succession planning). Another is the development of 'technological architectures' for knowledge management, such as a corporate intranet which might use a standard vocabulary of intrafirm processes to generate target benchmarks and performance ratings for various activities on a regular basis. Such systems are designed to improve access to tacit knowledge within the firm, and to facilitate networking groups as a means of knowledge exchange. Such systems interact, however, with face-to-face mechanisms of knowledge transfer such as *storytelling* – as evidenced in the variety of mechanisms through which employees are encouraged to adhere to the 'Wal-Mart way' (Schneider, 1998) – and *mentoring* – as seen in, for example, in transnational mentoring systems which pair up management in newly acquired businesses with management from existing subsidiaries (van der Hoeven, 1999). *Best practice teams* provide another tool, visiting corporate sites to identify and transfer best practices to other parts of the organizational structure. These teams are constituted by small groups of highly mobile specialists ('knowledge activists') whose job it is to diffuse tacit forms of knowledge across boundaries within the TNC, a process which quite often requires at least partial codification (Gertler, 2003).[7] Each of these forms of face-to-face interaction offer important 'corporate socialization mechanisms' (Gupta and Govindarajan, 2000) for transferring rich amounts of tacit information throughout a company (Swap *et al.*, 2001).

In summary, it appears that the retail TNCs have been developing, albeit at varying speeds and from multiple directions, an adaptive style of globalized operation with respect to knowledge dynamics. This attempts to extract and blend innovative capabilities from the 'back region' of their operations – in 'particularistic', 'collaborative' and 'arm's length/merchant' environments – to tailor the front region of their retail format to differential consumer preferences. Clearly more research is needed into the mechanisms through which knowledge transfer is enacted. Moreover, we also note that there are no studies of what happened to the networks, mentoring and best-practice systems of the retail TNCs as some of the emerging market investments by these firms came under intense pressure during a phase of global economic slowdown and equity market weakness in the early 2000s. The robustness of intrafirm networks of organizational learning in these firms during periods of retrenchment, strategic reappraisal of the internationalization process and selective divestment and market exit is an issue which also demands both conceptualization and empirical evaluation.

V Conclusion

Our purpose in this paper has been to begin the task of scoping the conceptual challenge posed to economic geography by the rise of

the distribution-based TNC. We see it as essential to position a conceptualization of the emerging retail TNC within a framework which is sensitive to the institutional and regulatory conditions of the markets in which the retail TNCs are attempting to embed themselves, and also to the way those places/markets are, reciprocally, being 'inserted' into the organizational spaces of the retail TNCs. That draws us, following Nohria and Ghoshal (1997), Dicken *et al.* (2001), Morgan (2001) and Henderson *et al.* (2002), to view these firms as complex relational networks, and to ask in what ways the emergence of new transnational spaces within the emerging retail TNCs is leading to them becoming different kinds of organizations – more complex than their previously domestically focused forms, and with the capacity to develop novel forms of organization and competitive capability (Whitley, 2001).

Unlike many treatments of the process in the retail marketing literature, we take a far less negative position on the value of linking studies of retail internationalization to these broader conceptualizations of the distinctive nature and management of the multinational firm, despite those conceptualizations being productivist in orientation and application to this point. However, like those treatments, we recognize that the distribution-based TNC *is* both subtly and, in many respects, profoundly different from the production-based TNC. Indeed, its necessarily dispersed multi-establishment form, the peculiar extent to which it must invest in territorial embeddedness (with the vulnerabilities 'grounding' capital into store networks and logistics infrastructures brings), the intrinsic relationship between the location of a retailer's sales and an important component of its variable costs, the openness of retail formats to scrutiny and risk of imitation and appropriation, and the lack of patents and copyright to protect competitive advantage all pose important questions about how, most appropriately, the characteristics and operations of the emerging retail TNC can be captured.

However, it is a task which we believe is now essential for economic geography. An economic globalization literature which remains rooted in a productivist position and largely ignores a group of the world's largest industrial corporations, or restricts their treatment simply to a buyer-driven commodity chain perspective, risks missing something profound in the evolution of the global economy. Conversely, a retail internationalization literature, which in its frustration with productivist treatments of globalization turns its back on the insights now flowing from relational network approaches, debates on knowledge and learning in the social regulation of firms, and from regarding firms as transnational communities, guarantees intellectual isolation – not least for the vitally important questions which it might otherwise contribute to debates on how retail TNCs organize themselves across different national and institutional contexts.

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Notes

1. Wal-Mart, for example, despite incurring considerable start-up losses and/or having to wait a considerable period to generate a profit flow from some of its international operations, has only actually exited one international market: Indonesia. The Indonesian exit was due essentially to political circumstances, but, because a 'licensing' arrangement rather than

acquisition/organic growth had been necessary to enter the market, embeddedness was also critically less pronounced.

2. Tesco's partnership with Samsung to develop its South Korean operation is regarded as having been critically important in establishing competitive advantage vis-à-vis Carrefour, an earlier entrant to that market, and Wal-Mart has specifically chosen to enter the Japanese market via this route.
3. In Latin America, for example, Promodès (prior to its merger with Carrefour in 1999), Ahold and Casino all followed this route, while the difficulty of finding an appropriate partner was frequently cited by Tesco as a significant obstacle to its entry into China prior to its entry into that market in July 2004.
4. Tesco developed and evolved its organizational competency in large-format hypermarket retailing almost entirely (and by default) within its central European operations, and subsequently integrated that competency into the wider enterprise (including its domestic UK operations) to provide new competitive capabilities.
5. As an illustration, Carrefour's development and expansion (into Greece, Turkey, Argentina and China) of its Dia chain of small-format hard-discount stores has been added to its existing large-format hypermarket and medium-format supermarket operations. Carrefour increasingly views its growth opportunities across its 30-country network as a matrix of 90 (30 x 3) possibilities, each posing its own embeddedness/regulatory challenge.
6. In Thailand, for example, from an initial base of 13 hypermarkets acquired in 1998, Tesco has now developed a national network of 50 hypermarkets, infilled in the metro area of Bangkok with 47 'Express' convenience stores and in smaller, low-income 'up country' towns with a rapidly expanding chain (currently 11 stores) of low-build-cost, stripped-down-hypermarket format 'Value' stores.
7. This can be seen in the way in which Tesco's hypermarket team – composed of management involved in the company's entry into the particularistic economies of central Europe – was responsible for the circulation of best practices related to that format across the company as a whole.

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