

International Retail Divestment: Reviews, Case Studies and (E)merging Agenda

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Abstract

Organisational learning, knowledge transfer and knowledge sharing are core components of the retail internationalisation process. However, organisational learning is not solely derived from examples of success – we also learn from failure. Divestment is an intrinsic feature of retail internationalisation, and has recently become a focus for academic research. This paper considers the growing body of academic work on international retail divestment at both the country and firm level, and assesses how we have examined this activity through the construction of incident based datasets and in-depth case studies of individual company experiences. This review concludes that further research is needed to provide a deeper understanding of this element of the internationalisation process and suggests a potential agenda for future research.

Key words

Internationalisation, Divestment, Retailing, Research Agenda

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1 Introduction

The (often implied) assumption in much of the academic literature and market reports on retailing is that retail internationalisation is inevitable, irresistible and successful. However, whilst this ‘big picture’ has some validity, there is a growing body of evidence, particularly at the level of the retail firm or shop, that shows that retail internationalisation is fraught with risk and far from uncontested or invariably successful. Successful forays across national boundaries can be contrasted with other examples of retrenchment and retreat. High profile examples of the latter include the many trials and tribulations of Marks and Spencer and Boots in international markets, the total withdrawal of C&A from the UK, and recently the selective withdrawals and asset-swapping amongst Tesco, Carrefour, Wal-Mart and leading local retailers in various countries in Asia and Eastern Europe. Alongside these high profile cases are many smaller firms that reduce some or all of their foreign investments.

Despite the apparently coherent and logical strategic planning processes taught in business schools, serendipity and chance play an important role in the retail internationalisation process and in shaping spatial outcomes (Dawson 2001). Most of the studies recording the patterns and trends in retail internationalisation note particular upsurges in activity as conditions within the international environment change. In the 1980s, the strength of sterling against the dollar and the general buoyancy of the UK retail sector contributed to a growth in British investment in the United States. During the late 1990s the economic crisis in the ASEAN region stimulated a series of investments in food retailing by major European companies who bought stores and companies while entry prices were low. The dramatic political changes in Central and Eastern Europe similarly provided internationalisation opportunities which were previously unavailable. Internationalisation is not however a simple, uni-directional or uncontested activity. This realisation has focused recent attention on the difficulties with internationalisation and the processes and nature of international entry and subsequent development. In reality retail internationalisation is in a constant state of flux:

“(retail) internationalisation progresses through combinations of reconsideration, reappraisal and retrenchment, deriving from both corporate situations and the impacts of and reactions to entry and ongoing activity” (Jackson and Sparks, 2005).

Alongside this acceptance of the disjointed nature of retail internationalisation, there has been a growing recognition of and interest in how organisations learn from and adapt to their varying international experiences. The retail organisation is not simply a passive actor, reacting to its wider environmental setting (Dawson, 2003; Coe 2004; Coe and Hess, 2005). Organizational learning, knowledge transfer and knowledge sharing are core elements of the process of internationalisation. They are now present in the retail internationalisation research

agenda, as components of explaining how retail organisations evolve and manage dispersed retail operations. Organizational learning is however not just about success but also about failure. In his study of Tesco's divestment experiences, Palmer (2004) identifies five areas of "divestment learning", whereby a "mistake" - contributing to divestment in Ireland and France - triggered a strategic response based on organizational learning. In short, Tesco learnt from both positive and negative experiences in the international arena and adapted its approach to future markets accordingly. Similarly, Carrefour shows a clear pattern of organisational learning associated with both its review procedures for international investment after three years and its changes in retail formula as development takes place in the foreign market. Divestment, including international divestment is thus a 'natural' aspect of development and change in organisations (van den Ven and Poole 1995; Hoskisson, Johnson and Moesel 1994; Sheppard and Chowdhury 2005).

There is a growing recognition and acceptance of the significance of studying retail internationalisation "in the round" i.e. by considering not only "what works" but also "what hasn't worked". This in turn has produced a literature in recent years that has attempted to define and report on "failure", "divestment" or other retail internationalisation experiences and activities. This body of studies on international retail divestment is however somewhat disjointed in appearance. This paper tries to make some sense of this emerging literature. It does this in four ways:

- By considering the "frame" for understanding retail international divestment;
- Through a review of existing published research at both the country and the firm level;
- By utilising the "Stirling" dataset to consider further some issues raised by previous literature;
- Finally, through reconsidering a possible research agenda in this area and confronting how best to take forward this agenda.

2 Framing the Understanding of International Retail Divestment

Despite an overwhelming focus upon success and growth, failure or divestment is mentioned in many studies of retail internationalisation (eg Hollander 1970; Treadgold 1990; Burt 1991; Knee 1993; Evans 1996; Godley and Fletcher 2001) and in case studies of individual firms (eg Burt 1986; Parker 1986; Lord et al 1988; Whysall 1997). For example, Tordjman (1988) described the failure of the French hypermarket concept in the USA, as an outcome of:

- *a lack of innovation* - the basic trading proposition of the hypermarket (large food and non-food ranges under one roof) was not seen as innovative in the American market, as similar mixed merchandise formats already existed;
- *existing competition* - intra-type (concept) competition was strong. There were a range of store types in the American market providing similar options to consumers;

- *lack of power* – the method of entry via internal growth (i.e. opening own stores) did not provide the necessary scale or leverage with suppliers, which was crucial in the grocery market;
- *customer preferences* - the ‘one-stop-shop’ behaviour characteristic to Continental Europe in the 1980s, was less prevalent in the US. Perceptions of distances and other shopping criteria also varied;
- *management culture* - the traditional hypermarket as developed in France was heavily dependent on a decentralised management culture, however, this was generally an alien concept in the USA.

Divestment however should not always be seen as failure nor assumed to reflect an inherent weakness on the part of the retailer, as divestment may occur for other tactical or strategic reasons (Alexander and Quinn 2002). Divestment may in fact represent a proactive re-allocation of resources:

“Changing corporate strategies, alternative opportunities and changes to resource availability determine the shape and geographical location of activities and affect the nature of the international investment and divestment process” (Burt et al 2004)

Similarly, as retailing has moved from family to public, and in some cases private equity backed ownership the emphasis on maximising value from the business “assets” has increased. In such a context a more fluid pattern of investment and divestment might be expected, with not all divestment seen in a negative light.

Whilst divestment is a relatively new focus for international retail research, general management literature has addressed the issue from a number of different perspectives (Benito and Welch 1997): the economic perspective – which views divestment and exit as a response to changing economic circumstances and the rate of economic return; the strategic management perspective – which considers divestment in relation to business life cycles and corporate business portfolios; the internationalisation management perspective – which sees divestment or de-internationalisation as the mirror image of internationalisation processes; and the financial perspective – which considers how divestment may increase the value of the firm.

In the context of international retailing, Alexander and Quinn (2002) refer to the divestment process framework devised by Godar (1977). This identifies three phases – the decision to divest (conditions, motives, precipitating circumstances); the process of divestment (steps taken, timeframe, nature of divestment) and effect (short term financial impact). Alexander and Quinn (2002) suggest the addition of a fourth phase – the retailer’s response (longer term lessons learnt).

Benito (1997, 2005) identifies four factors which underpin any divestment decision:

- management perceptions about the stability and predictability of the host environment,
- the economic and strategic performance of the operation over a pre-determined time frame;
- the strategic fit with the domestic operation;
- management capabilities and governance issues.

Burt, Dawson and Sparks (2003) link international divestment and failure, which is defined as an unplanned underperformance by a firm. Failure may arise from four sources:

- *market failure*, where the market does not ‘behave’ as expected and sales do not meet expectations;
- *competitive failure*, where operational performance does not ‘match’ that of competitors or regulation impacts upon competitive capabilities;
- *operational failure*, when a domestic retailer is simply not a good international retailer and domestic competencies do not transfer;
- *business failure*, when decisions impacting upon the international business are made because of changing domestic circumstances (performance, stakeholder expectations etc).

Such ‘failure’ generally stimulates a review of strategy which may lead to four broad investment options: inertia, where the organisation does nothing and accepts the underperformance; an increase in investment, where the company aims to build scale through more store openings or an acquisition; operational restructuring, which requires changes to operational process to improve efficiency and performance, or divestment. The divestment option takes three forms:

- *closure* – a reduction in the number of stores or channels generated in the market;
- *organisational restructuring* – a change in ownership levels and influence, for example, moving from ownership to franchise or a reduced stake in a joint venture;
- *exit* – total operational exit from the country concerned.

The inter-related nature of these options is mapped out in figure 1.

Palmer (2004) takes a slightly different approach, framing divestment within the broader context of organisational restructuring. From this perspective divestment may arise from:

- *financial restructuring*, relating to changes in governance structures and stakeholders expectations;

- *portfolio restructuring*, arising from merger and acquisition activity and alliances or joint ventures;
- *organisational restructuring*, reflecting changes in company structure, processes or management;
- *spatial restructuring*, requiring changes in the geographical scope and scale of activity.

The common feature in all these frameworks is the combination of external and internal factors which contribute to and shape the divestment processes. One might question however the explanatory power of some of these frameworks and their comparative lack of relationship to broader international business and other conceptualisations. This may be due to issues of timing in the emergence of this specific retail research area and also the distinctive nature of retail internationalisation. It is also possible to question how international divestment differs from domestic divestment and re-structuring (see the domestic retail failure example of Pal et al 2006). It can be argued that there are aspects of international divestment which make it different simply because it is taking place in a different market. It is this foreign market (local structure, competition, consumer response, and distance from managerial core of the firm) that defines the nature of the international divestment process. The case has to be made that international divestment is not the same as divestment in the home market.

3 Researching International Divestment: What Have we Done?

The nature of international retail divestment itself has played a part in guiding the initial research agenda and the methodological approaches selected. The most visible examples of divestment are often the most dramatic and involve the larger companies – this inevitably focuses studies on country exit. Other forms of divestment such as individual store closures, channel and organisational changes and financial restructuring are not as visible nor as well-reported and may thus be under-considered. The nature of divestment itself also creates barriers to a deep understanding of the processes and decisions involved. In all walks of life, success is celebrated and visible. In contrast, “failure” is forgotten and often erased. In business terms, “failure” may be erased from the company history and corporate memory. As more companies include histories on their websites, it is telling how many seem to forget to detail market withdrawals. The consequent rewriting of events raises issues about even becoming aware of failed activities and then of getting to the “truth” about them. The triangulation of contemporary accounts, public relations pronouncements and individual’s recollections and interpretations of events is necessary, but is itself often partial. International divestment episodes are often sensitive and highly political within organisations (even if carried out for ‘good’ business reasons) and those involved at the time often move on, or are “moved on”, thus making tracing them more difficult and their viewpoints often less

objective. Key documentation eg internal company notes, minutes and finance records are often not available to contemporary researchers. Researching (international) divestment is thus not easy.

In a retail context, international divestment, particularly in the form of exit, has often therefore been explored at the national level as part of the wider process of the restructuring of retail sectors (Clark and Wrigley, 1997; Wrigley, 1999; and Wood, 2001, 2002). With respect to international retailing, academic study of divestment to date has tended to follow a similar pattern to that of the internationalisation process itself, with studies of the broad patterns of divestment from specifically constructed datasets, accompanied by in-depth case studies of individual corporate experiences. These descriptions form the main thrusts of the research to date and are thus explored further here.

i. Dataset Analyses

Researchers at the Universities of Reading, Stirling and Ulster have separately constructed three substantial datasets from which descriptions and analyses of macro-level patterns have been published. Other work is undoubtedly underway on constructing other and broader datasets. In the Reading dataset, Godley and Fletcher (2001), provide 115 exit dates for foreign investors into the UK retail sector during the 1850-1979 period. Many of these are single store operations (which have also been considered as a separate sub-dataset). In the Stirling dataset, Burt, Dawson and Sparks (2004) record 270 divestment activities (of which 177 are country exit) by European grocery retailers between 1970 and 2003. In the Ulster dataset Alexander, Quinn and Cairns (2005) noted 167 divestment activities (99 exits) originating from a range of countries and covering several retail sectors over the 1987-2003 period. From these datasets divestment activities are typically reported as general trends through activity counts and ratios.

Some general observations can be made across these three datasets, although the nature of the individual base data means that the three datasets tend to record and report on slightly different activities thus restricting direct comparisons (eg there are differences in the type of divestment activities recorded; the presence of entry dates; indications of the scale of the operation etc). Despite these restrictions, and the number of activities falling into particular “cells” when specific characteristics are explored, five general trends may be observed:

a) Volume and form of divestment activity

Divestment activity is a frequent occurrence taking many forms. Most forms of divestment result in exit. The calculation of indicative exit rates suggests that market exit is a common feature of retail internationalisation. Some caution should be expressed however as this may

be a factor of data source limitations, as sources may be more likely to report exit than other forms of international divestment. The Reading and Stirling databases record both entry and divestment/exit activities. Godley and Fletcher (2001) record 154 foreign entrants into the UK, although this is based on a wide “inclusive” definition of retailing. If the dataset is restricted to “mainstream” store based retailing (eg through the removal of service retailing and non-store retailing) 117 entrants are recorded, of which 67 are more than single store operations. Matching exit dates to entry dates provides an indicative exit rate of 73-75% depending on the definition of retailing taken, which rises to 83% if non-dated exits are included. Burt et al (2004) record different forms of divestment, although the majority (65%) are exit actions, and when linked to entry activity an indicative exit rate for European grocery retailers of 44% can be derived. Alexander et al (2005) also distinguish between different forms of divestment, and again 64% are categorised as exit actions. However, divestment activities are not directly paired with entry data to provide an exit rate.

b) Trends in divestment activity

Despite the varying timescales covered, all three datasets show that the volume of divestment activities is increasing. In all three studies the point is made that international retail divestment has occurred throughout the time periods recorded and is not a new event. Perhaps not surprisingly the Reading dataset shows a peak of exit activity in the inter-war period (>1 store dataset), but also shows a greater volume of exit in the 1960s and 1980s, than in earlier periods. The Stirling dataset shows an increase in all forms of divestment, especially exit, over time, as does the Ulster dataset, with more divestment activities occurring in the second half of the decade under study. Some of these findings may be open to question, given the arguably more recent greater financial market, trade and academic coverage of retailing generally and thus the development of more thorough or complete data sources.

c) Impact of host or home country

When patterns are explored by host countries or region, both the Stirling and Ulster studies suggest that exit/divestment rates vary by region. Some markets appear “riskier” than others. In the case of country of origin, Alexander et al (2005) suggest that the timing of divestment by region reflects the broader overall picture, except where major regional crises have occurred (eg Asia). Although the Godley and Fletcher dataset records country of origin, as between 73 -83% of entrants end in exit, any discernable patterns in terms of success rates between country of origin are difficult to ascertain.

d) Time in market

All three datasets provide an indication of time in market before divestment occurs. There is some evidence that time before a divestment decision is made is falling, and that the time period varies with retail sector. The data provided by Godley and Fletcher (2001) allows calculation of the mean period in the market. For the >1 store (n=67) dataset the average length of time before exit is 24.2 years, and this time period has fallen from 60 years for those entering between 1850-1900, and 37 years between 1901-1914, to 9.2 years for entrants between 1960-1969 and 15.8 years for 1970-1979 entrants. The Stirling grocery dataset covering a 45 year period, provides an average time of 7.1 years before a divestment decision is made, with most exits occurring within 4-6 years of entry. Alexander et al (2005) confirm sectoral differences with 85% of food divestments occurring within 10 years, compared to 68% of clothing and 53% of variety/department store divestments.

e) Scale of divestment

The scale of investment is recorded (although differently) in the Reading and Ulster studies. In relation to the “mainstream” retailing dataset provided by Godley and Fletcher (2001) 50 of these entrants involved a single store and 67 more than one store at their peaks. Indicative exit rates of 78% for the former and 73% for the latter can be derived. Alexander et al (2005) record network scale within broader bands and at the time of divestment - 57% of their divestments occurred in chains of fewer than 20 stores and 72% with fewer than 40 stores – allowing them to conclude that larger chains appeared to be less susceptible to divestment activities. Although the Burt et al (2004) study does not provide any indication of operational scale, different grocery formats are considered – but with no notable differences found amongst formats.

Outside these three datasets, some studies provide listings/examples of divestment to illustrate a specific point. Typically these also provide a broad assessment of the reason for the divestment decision. For example, Palmer (2004) categorises his divestment examples as either strategic/proactive or forced/reactive, whilst Swoboda and Schwarz (2006) distinguish between the internal and external environment as reasons for divestment in their list. Many of these “reasons” are however externally generated by researchers as opposed to being based on internal views or internal source materials.

ii. Case Studies

A second strand of divestment research has been developed through specific retail internationalisation divestment case studies. It is argued that case studies “fill in” some of the detail lacking in the sector level studies and provide a firm-level focus to the divestment research. They also, due in part to methodological considerations, reinforce the notion of divestment as a complex and confusing activity. As noted earlier these cases typically focus

upon the experiences of larger operators or high profile divestment episodes. For example, Marks and Spencer (Burt, Mellahi, Jackson, and Sparks 2002; Jackson, Mellahi and Sparks, 2004; Jackson and Sparks 2005), Tesco (Palmer, 2004), Arcadia (Quinn and Alexander, 2002) and Boots (Burt, Davies, McAuley and Sparks, 2005) are recent UK based cases. Cases relating to specific companies and/or specific regions as for example Ahold (Wrigley and Currah, 2003), Home Depot (Bianchi and Arnold, 2004) and Chile (Bianchi and Ostale, 2006) in Southern America have also emerged.

Whilst these cases were no doubt not intended to be necessarily generalisable, and the companies themselves are at the large end of the retail company size spectrum, it is possible to suggest some broadly common themes that emerge. These themes could and should of course be added to by the development of further and more in-depth case studies from a different spectrum of retailers, formats, entry modes and countries. The need to adapt or conform to the host environment, and to possess the management capability to transfer the domestic source of competitive advantage into host markets, are two widely recognised themes. These considerations are also evident in the broader business failure and divestment literature (e.g. Mellahi and Wilkinson 2004), and broadly speaking equate to external behaviours, relationships and interactions (i.e. environmental issues); and internal management competences, incorporating systems and expertise, (i.e. organisational issues). The third common feature of these cases is the seemingly serendipitous nature of timing, emphasising the dynamic process nature of retail internationalisation and divestment and its complex and often disjointed nature over time.

a) The host environments (environmental issues)

The host environment is clearly important in the success or otherwise of the retail internationalisation activity. Divestment is often “explained” by reference to an inability of the retail firm to adapt operations and formats to the new country and its particular retail, consumer and other environments. Whilst there is a considerable debate about adaptation versus standardisation, the local nature of much retailing makes it important that sufficient attention is paid to the host environments. This attention has many dimensions, some of which have been framed via institutional theory as a way of understanding failure. It is notable however that the research is mainly about how firms respond to the international environment and tends to ignore how firms change the environment.

b) The role of management (organisational issues)

There seems to be an assumption on the part of retailers and perhaps academics that there is nothing particularly different about operating outside home country environments. It seems to be implied that management capability in this area is readily available or can be learned very

quickly. The case studies recorded to date would however imply the opposite. In many situations it would appear that management has been somewhat naïve about the requirements of operating across national boundaries. It is only through experience and the internalisation of this experience that this capability is achieved. Divestment may thus come about because the initial investment was not really thought through in management terms or because the management proved incapable of operating outside its home knowledge base.

c) Timing

The cases also show that divestment is not uncommon. This hints at the importance of timing in investment and divestment. In some cases divestment has occurred as the conditions for successful investment and development have not been fully available or may even have changed post entry (e.g. legislation affecting operating conditions). Divestment has thus occurred to allow the conditions (whether external or internal to the company) to change to a more favourable state. In some situations cumulative investment to a country from outside retailers may change the conditions or force reactions from competitors or authorities. Company perceptions of conditions and the likely return on investment change over time owing to a variety of internal pressures, not least changes in ownership and management. Whilst serendipity does play a part, it is possible that as knowledge increases so the nature of the timing of entries and possibly the appropriate pre-conditions for minimising risk are becoming better understood, thus affecting the consequent divestment patterns.

If we consider these issues from the macro-studies and the case studies together, then the nature of retail internationalisation (of which divestment is a component part) as a process becomes clearer. This is explored elsewhere by Dawson (2006) in greater detail. The process approach to retail internationalisation emphasises the wide and broad reaching nature of retail internationalisation and the need to consider this over a reasonable time period. A process approach suggests a focus on mechanisms and impacts, and this applies equally to divestment. In that event, assessing the nature of separate, sustained and cumulative impacts on both organisational and environmental factors over time is important. Dawson (2003) provides an approach for such an assessment (here adapted as Table 1). His model emphasises both the dynamism of internationalisation and the breadth of possible impacts that need assessing. Understanding at this level will assist in comprehending the mechanisms and processes of divestment. At this stage, we might argue that research to date has been either insufficiently broad by focusing on narrow case studies or insufficiently deep by focusing on retail internationalisation (and divestment) as a series of points, mostly store closings and openings

4 Placing International Retail Divestment into the “Big Picture”

At this stage in international retail divestment research we have an eclectic mix of dataset based research establishing broad parameters about the volume and patterns of divestment, and a collection of case studies exploring a series of selective divestment activities and the mixture of the motives and management processes behind these. Underlying both the current conceptual frameworks and empirical studies are two broad discourses - that of the management of firm and of the responses to the business environment. In our exploration of the spatial outcomes of divestment we need to understand how the observed patterns fit within the wider context of what is happening in these internal and external environments. The relationships between divestment activities and entry and other investment activities need to be appreciated to gain a “full picture” of what is happening. Appreciation of these events and linkages over a sustained time period is also advisable to provide a clear perspective of the extent and nature of divestment activities, which in turn should guide us on where to focus our research efforts.

The Stirling grocery dataset can be used to illustrate these “big picture” issues. This dataset provides a longitudinal database, covering investment and divestment activity over a forty year period, allowing activities to be observed over several planning cycles, through changes in senior management and in ownership, and witnessing macro (and micro) environmental changes in home and host environments. It provides the basis for establishing longitudinal patterns and trends within a single retail sector from which we can develop priorities for future research. Here we skim the potential for developing such case studies within the “big picture” context. We recognise that there is a need to develop the detail at all levels, but the approach at the intersection of firm-level and macro-level studies should be clear.

Owing to the form of data collection, data are often presented quantitatively, often supported by little more than descriptive statistical analysis, within researcher imposed boundaries. In the following figures, data are presented in a more visual way in the form of time-series charts. The entry and exit data for a number of large European grocery retailers are presented in figure 2, and entry and exit data for a selection of host markets in figure 3. Presenting data in this way allows a visual impression of the patterns of internationalisation activity. Although still essentially descriptive, this form of presentation of time, company and sectoral dimensions, provides an instant macro-view of the degree of turbulence within this particular retail sector. The immediate impression from these figures is one of disjuncture, with frequent “breaks” in activity as markets are exited. This analysis is preliminary and although visual at this stage will be analysed quantitatively as the next stage of project work.

From the firm-level charts the general investment pattern for these organisations appears to consist of a limited number of country focused activities in the 1970s and 1980s, with a significant spreading of activities in the 1990s. The opportunity to invest in a range of emerging markets – in central Europe and Asia – would appear to be behind this pattern, although within these markets, adjustment and retrenchment (exit) is a common feature.

The disjointed nature of internationalisation activity is perhaps more evident when one examines patterns from the host country perspective. In all the market types shown (developed, developing and emerging) consolidation in the market occurs at the level of the firm and is a common pattern across all markets as the grocery structure evolves. Reactive events at the firm and the sector levels are common reflecting the consequences of international entry, not only for the internationalising firm. Analysis of the data by grouping countries on different criteria, for example as used in Wrigley and Currah (2003) might also be revealing.

By only illustrating entry and exit at the corporate level the figures shown here simplify the complex nature of the spatial outcome of the internationalisation process. If the figures are refined to illustrate forms of market entry (control, JV or minority control, or franchise/licensing), and or other visible divestment activities (the sale of stores, formats or companies) the complexity of the process and the inter-relationships between activities is amplified (see figure 4 for the example of Carrefour). This in turn suggests that to fully understand the mechanisms involved, company case studies, based on combining detailed quantitative and qualitative data, need to be developed to fill in the macro-level “big picture” and to provide possible managerial learning points.

Although naive to draw detailed observations from this preliminary macro-level exercise, a number of apparent patterns can be observed.

- divestment (country exit in this case) is a common occurrence and has occurred throughout the time periods that these retailers have been involved in retail internationalisation, and over which the host country has seen foreign investment;
- exit and re-entry into geographical markets and by individual large firms is not uncommon (this perhaps has been under-recognised and under-explored in the literature);
- there is an inter-play amongst entry and divestment, retail formats and modes and degrees of entry and divestment;
- exit often occurs relatively soon after market entry, suggesting that market conditions and market responses are key factors in contesting entry.

5 (E)merging Agendas

This paper contains a review of some of the work that has been published recently in the newly developing field of retail international divestment. We have attempted to summarise the conceptual frames that have been used to date and to consider the common findings that can be seen in the different datasets and case studies that have been published. We have used the Stirling dataset to briefly illustrate the complexity of the patterns of divestment and to argue for a need to deepen analyses to uncover the issues behind the activities and processes identified. Here we conclude with four thoughts on the possible way forward. Our aim is here is not to set out a research agenda *per se* but to suggest the parameters from within which an agenda can emerge:

- i. The work to date is both important and useful. It has at various levels demonstrated that retail international divestment is complex, disjointed, common and probably different from divestment in a domestic market. We know that risk varies in various directions and that the timings of divestments are changing. Perhaps the processes themselves are undergoing change? Retail academics have succeeded in providing sets of information about the activities involved, but perhaps without developing the necessary frames and concepts to fully understand what we are recording. Divestment, including international divestment is a 'natural' aspect of development and change in organisations (van den Ven and Poole 1995; Hoskisson, Johnson and Moesel 1994; Sheppard and Chowdhury 2005). Because we do not yet have good models of the way retail enterprises operate we are not yet able to explore how the nature of development and change in international retailers relates to the generic models of firms. The body of studies of international retail divestment is therefore somewhat disjointed in appearance.
- ii. This activity needs to be brought together. There is a need to understand what we really know about retail international divestment and to draw more certain conclusions. We also need to be clear about what it is that we need to know. An agenda for research needs to be developed. It is argued here that this (e)merging agenda will need to be broader and deeper than perhaps some imagine, in order to address the issues that retail divestment (and investment) raise. Meyer (2004) makes a similar plea for the study of multinational businesses generally in emerging economies and implicitly argues for a move away from the American scholarly imperialism that tends to govern what and how research is undertaken in international business. There are big gaps in our knowledge of retail internationalisation. We have focused only on divestment where unanswered research issues include :

- the completeness or otherwise of the coverage of data sets;
- an possible over-similarity of extent case study firms;
- an uneven or incomplete analysis of environmental factors;
- the insufficient understanding of internal and external organisational dynamics;
- the role of the shop and the brand in affecting environments including through consumer reactions;
- how retailers (re)construct the environments to better suit their needs, pre, during and post entry and exit;
- what benefits to the firm result from the divestment;
- what happens in the host retail system after divestment;
- the impact of time on all of the above.

iii. We need some clearer ideas about the nature of the proposed agenda for future research. We would argue that whilst there is no monopoly on the possible ways forward, as a starting point discussion could usefully centre around the propositions that we have already put forward in Burt et al (2003). Whilst these propositions (table 2) were constructed around the idea of failure, they could be reconfigured to assess a broader concept of divestment:

iv. Finally, we would make a plea for clarity over what is different in international retail divestment when compared with both divestment in the home market and international divestment by production firms. Dawson (2006) argues that retail internationalisation is different to such activities in production. The existing work on international retail divestment implies this as well. We should therefore perhaps be more confident about exploring these differences and conceptualising retail divestment and investment internationally, within the retail specific context. Relying on non-retail conceptualisations given the nature of the processes outlined in the work reported in this paper would seem to be an outdated notion and may constrain our conceptualisations.

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Table 1: An Approach to Analysing Impacts of Retail Internationalisation including Divestment

	Types of Impacts	Processes of Impacts	Intensity of Impacts
Changes in Sectoral Competitiveness			
Public Policy Reaction			
Increased Consumer Literacy			
Performance of the Firm			
Changes in Socio-Cultural Values			
Changes in the Effectiveness of Demand Chains			

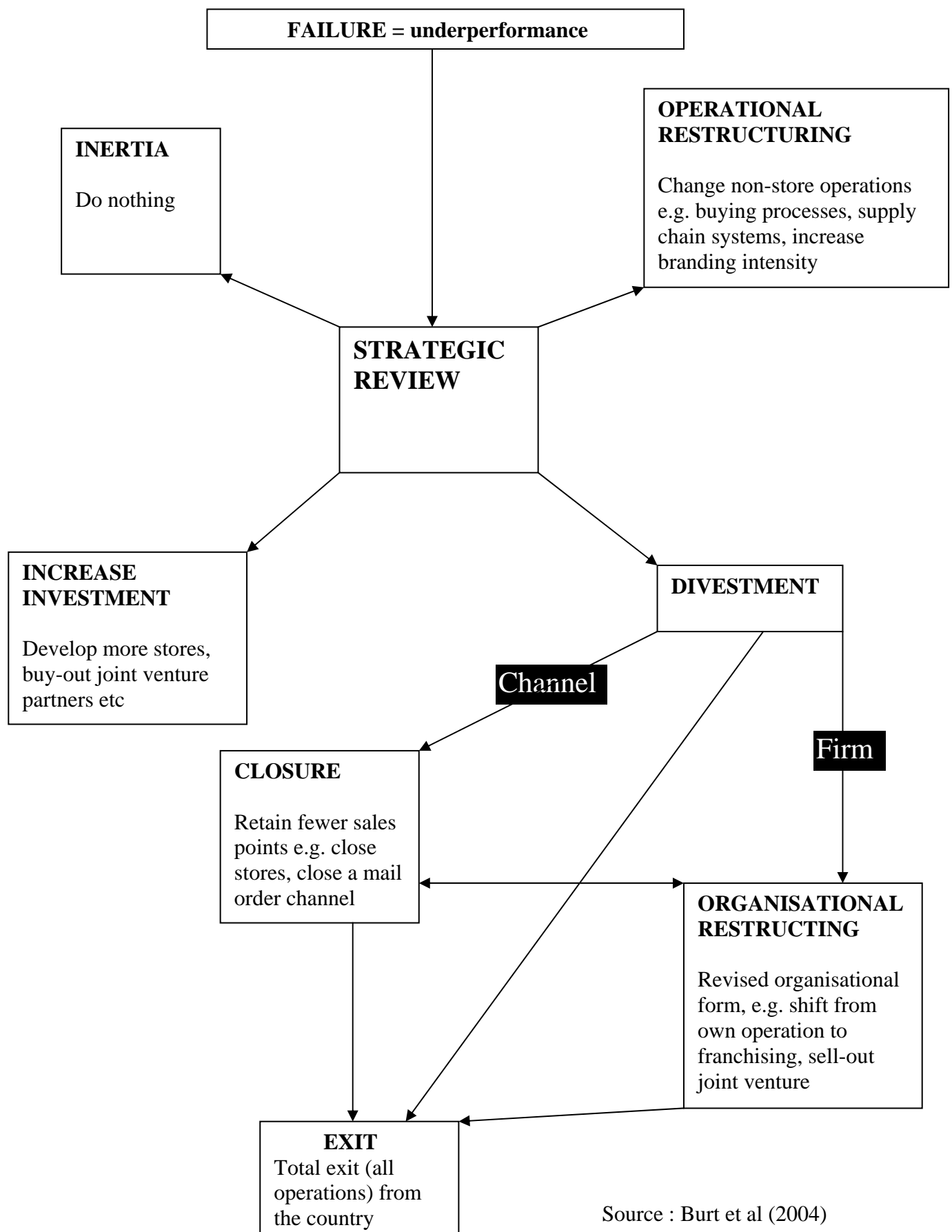
Source: Adapted from Dawson (2003)

Table 2 : International Retail Failure : Research Propositions

- **Divestment due to Market Failure**
 - i. Failure is related to the degree of managerial perceived risk in any particular country.
 - ii. Failure is related to the extent and perceptions of cultural and psychic distance and competitive difference between host and target countries.
- **Divestment due to Competitive Failure**
 - i. Failure is related to the retail sector, format and organisational type involved.
 - ii. Failure is related to the entry mode.
 - iii. Failure is related to the stage of organisational development, normally viewed as the age and size of firm.
- **Divestment due to Organisational Failure**
 - i. Failure is related to length of time in the country.
 - ii. Failure is related to the extent of experience of international operation as indicated by number of countries entered and number of formats operated.
 - iii. Failure is related to the degree of adaptation made to the customer interaction aspects of the format in the target market.
- **Divestment due to Business Failure**
 - i. Failure is related to the managerial competency of the firm in the home market and the management quality and competency adopted in the target market.
 - ii. Failure is related to the degree to which the corporate culture is international.

Source : Burt et al (2003)

Figure 1: Failure Concepts in International Retailing



Carrefour

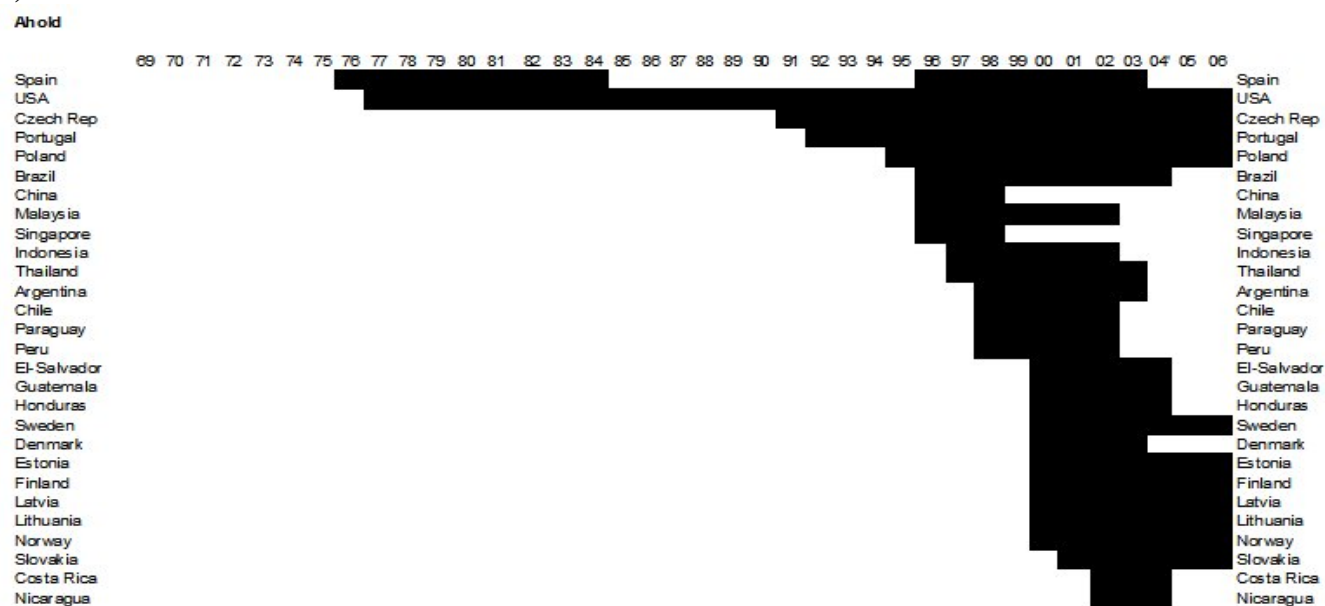
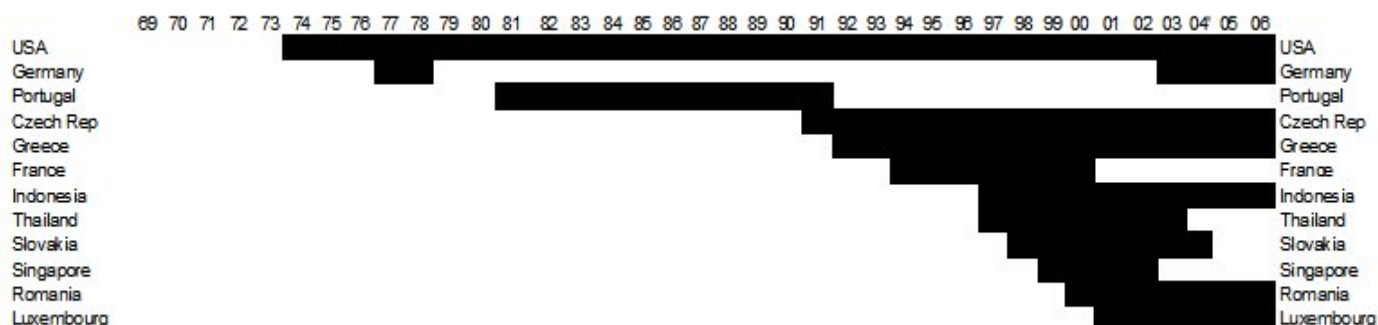


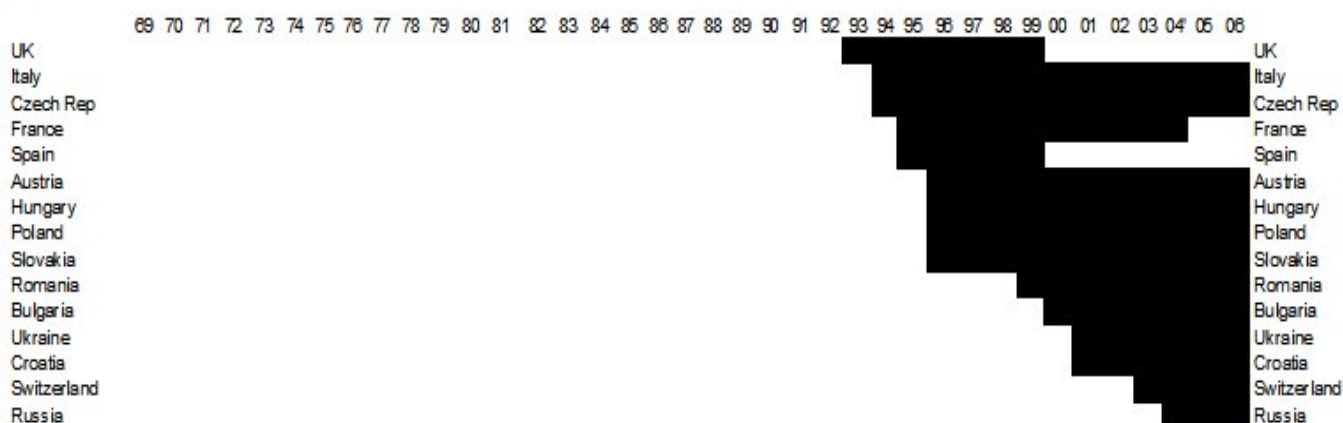
Figure 2 : Time Series Charts – selected European Grocery Retail Groups, 1969-2006 (Cont.)

iii) Delhaize Group

Delhaize

**iv) Rewe**

Rewe

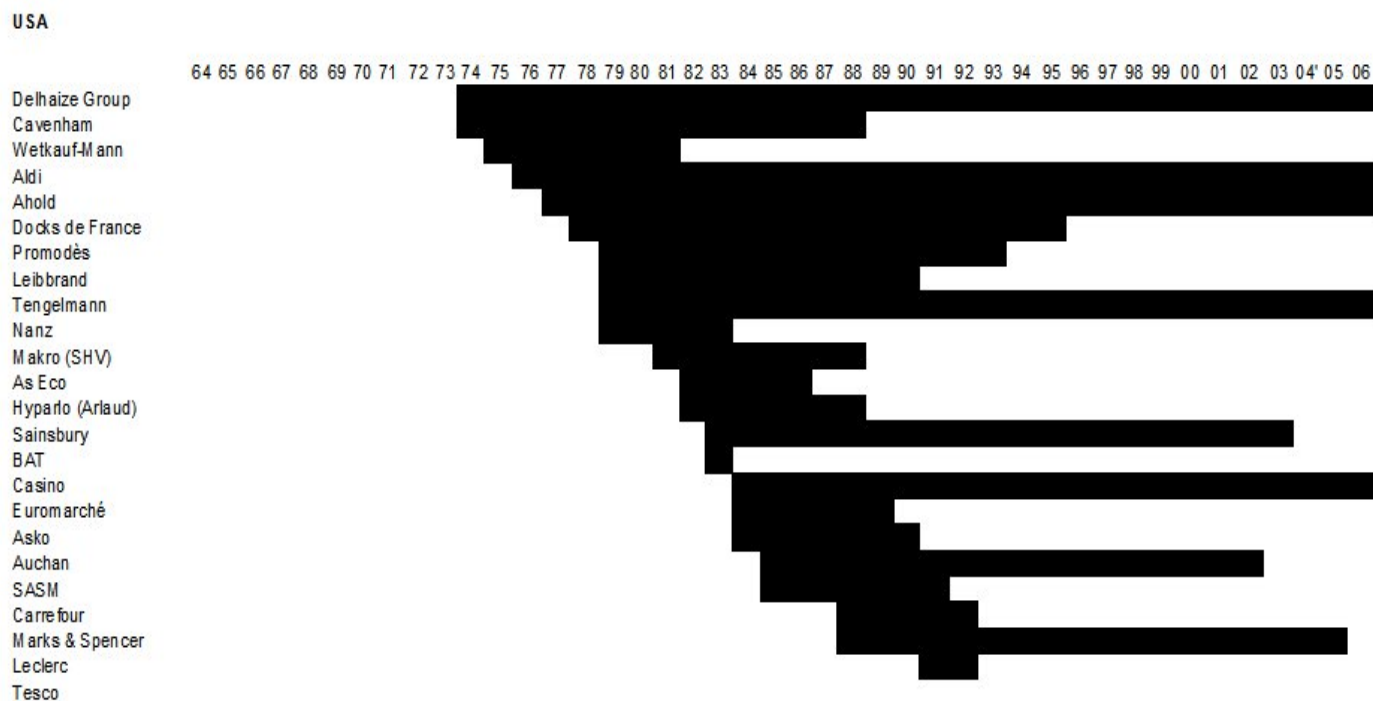
**v) Tesco**

Tesco



Figure 3 : Time Series Charts – selected host markets for European Grocery Retail Groups, 1964-2006

i) USA

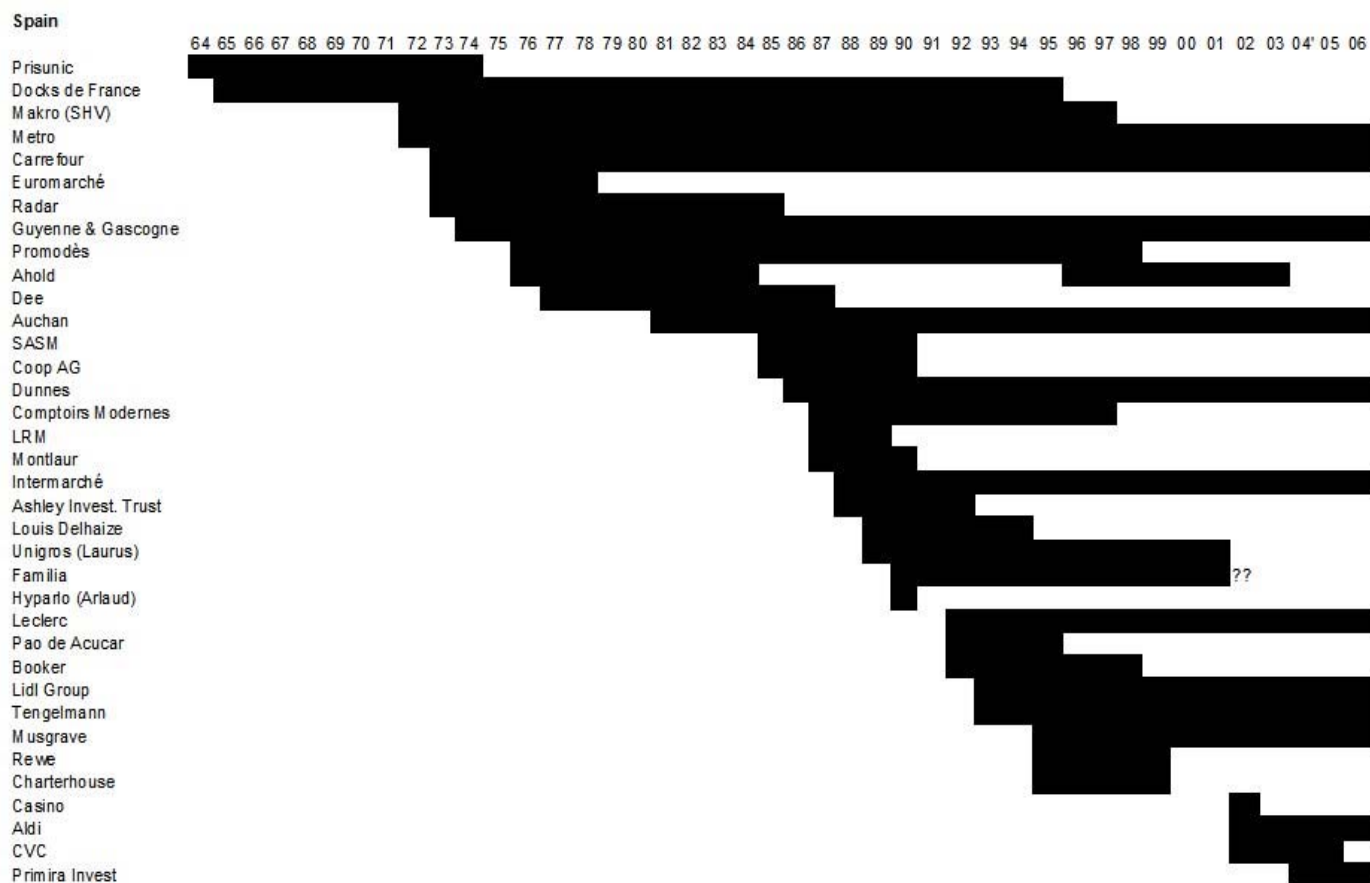


ii) UK (exc NI)



Figure 3 : Time Series Charts – selected host markets for European Grocery Retail Groups, 1964-2006 (Cont)

iii) Spain



iv) Italy

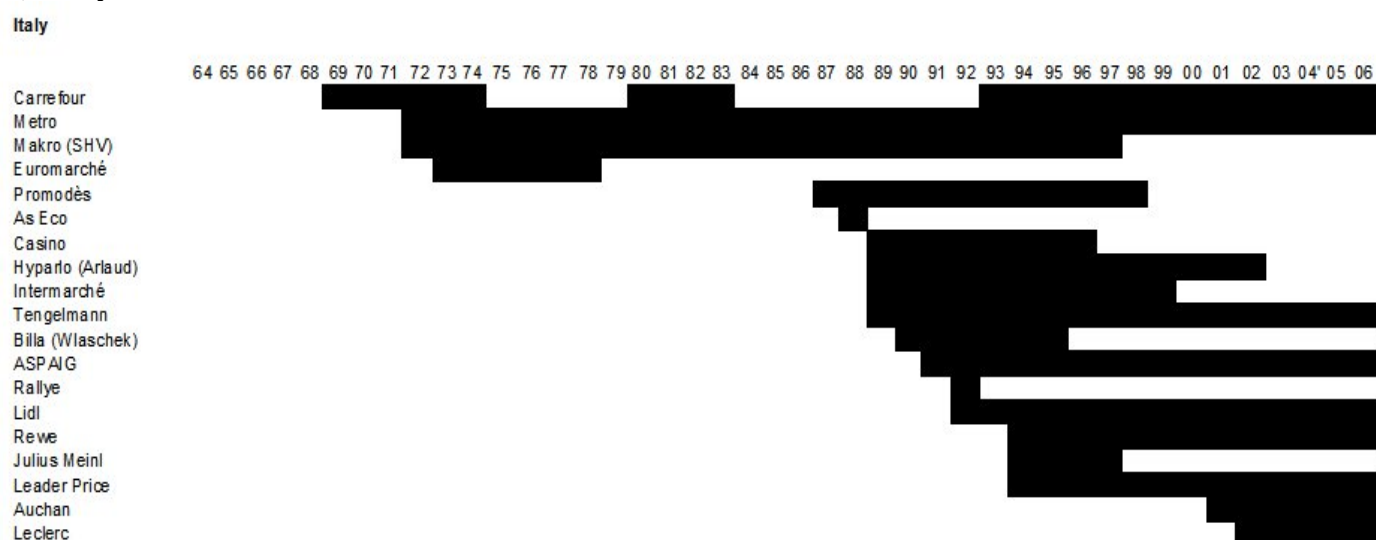
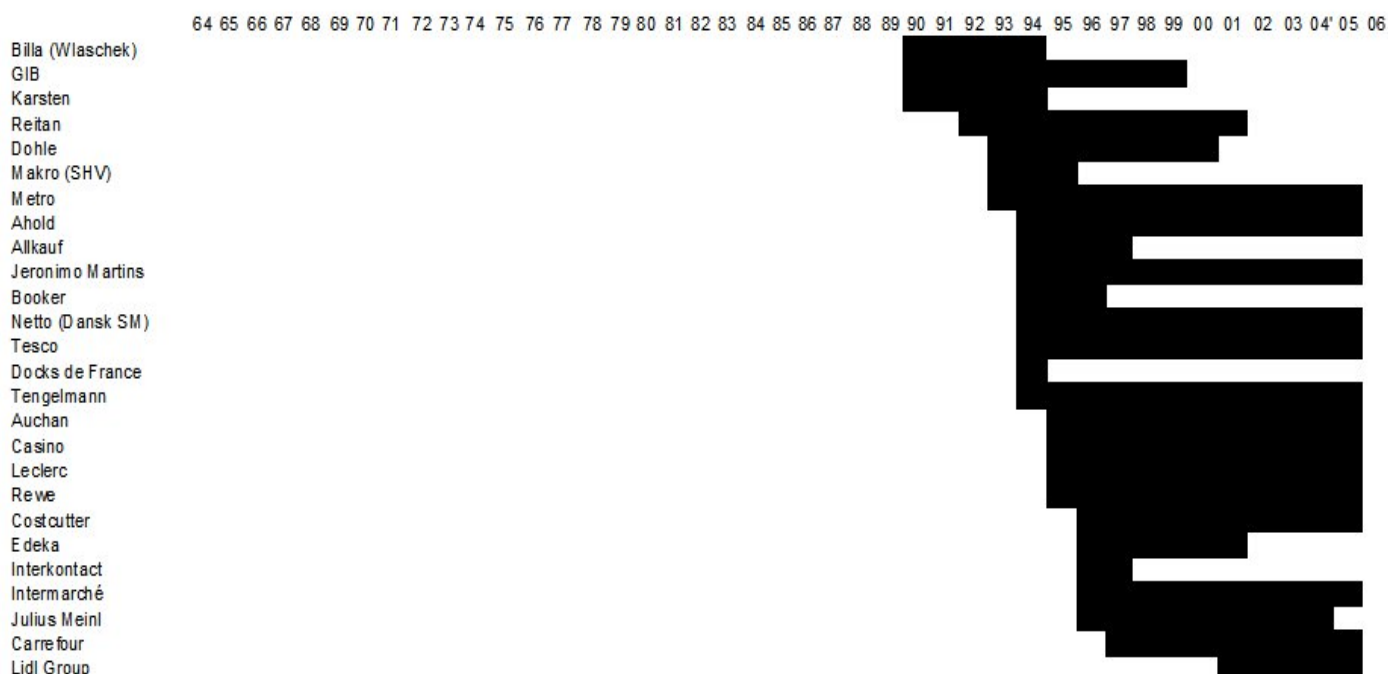


Figure 3 : Time Series Charts – selected host markets for European Grocery Retail Groups, 1964-2006 (Cont)

v) Poland

Poland



vi) Czech Republic

Czech Republic



Figure 4 : Time Series Charts - ownership and divestment in Carrefour, 1969-2006

