INTERNATIONALIZATION OF THE RETAILER ON EMERGING MARKETS: BETWEEN STRATEGIC CHOICES AND CULTURAL CHOICES, THE ROMANIAN EXAMPLE

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Abstract:
When a distributor chooses to become international, he has to face at once strategic, economic but also cultural problems. The cultural variable has become a parameter to be taken into account by the retailer from the very beginning of the strategic reflection if it wants to have the best chances of success. National culture and organizational culture are extremely close one of the other one. They interact and make the strategic vision difficult to manage. International distributors thus have to enter on the market by opting for a strategy with a dominant universalist approach or, on the contrary, a culturalist one. A qualitative study semi directive interviews was led among 33 actors of the French distribution Carrefour. An analysis of the discursive thanks to the software Tropes 7.0 allowed us to show the interweaving of a double filtration phenomenon (between national and organizational cultures) and to build a managerial model.

Keywords: internationalization of retailing, French retailers, culturalism, universalism, double cultural filtration, Romania, eastern countries, emerging markets.

Introduction

Today the competition in the modern retail industry becomes wilder and wilder. Distributors have widen their activity to other territories, either to take positions there and to benefit from the advantage of the first entrant, or to find drivers of growth and an increase of market shares in order to rebalance a failing situation on the domestic market. If the choice of the entry mode has been neglected for a long time, it is today crucial and the center of all attentions, because it contributes to determine the chances of success on this new territory. It is vital for the distributor to mobilize its best chances of success for a sustainable development on its new markets abroad. It has to develop, both its strategy and its capacity of capitalizing on its key factors of success. Mayrhofer (2009) explains the internationalization of the retail industry according to a four-time cycle: saturation of the national market, opening of markets, homogenization of...
markets and increase of competition. The speed of the change of economic structures and behavioral attitudes of the consumers, in particular in Eastern-European countries, make fragile the balance and the perpetuity of the distributor on these markets. Number of them knew difficulties. Thus, every distributor has left one day at least one of the countries in which it had settled. Some of them because of underestimated strategic variables, the others because of the insufficiency of financial or unsuitable products to the local final consumers need, the last ones because of a badly taken into account of the cultural variable.

We are going to analyze the phenomenon of the internationalization of the distributor (1) to discuss it in a cultural dimension within the internationalization process (2).

1. Internationalization of the distributor, possible strategies and the emergent context

The internationalization is a risky choice, because the company makes not only an approach of economic opening, it also ventures to meet organizational and managerial problems (1.1), what engenders questionings in emergent economic context (1.2).

1.1. The choices of internationalization

What can first appear to be only actor’s coalition or a kind of institutional arrangement (Powell and DiMaggio on 1991) is, in reality, more complex. For the distributor it is a question of finding the best managerial model to export. Ghemawat (2007) proposes three usable formulas (named the three A’s triangle): Adaptation (taken into account of local particularism, decentralization, flexibility, partnerships), Aggregation (realization of economies of scale by standardization and homogeneity of the strategy), and Arbitrage (save money by an international specialization).

They allow thinking about the configuration, the coordination, the control, the factors of blocking and the strategy of the company according to what is looked for by the leaders: financial control levers (Dawson 2001), a better profitability of assets (Doherty 2000) or value creation for shareholder (Filser 2004). So, the distributor has various motivations in his strategy of internationalization and it passes by not neutral organizational choices for the future managerial approach (Ghemawat 2007). However there is no perfect model of internationalization. The winning strategy is the one which allows capitalizing on the key factors of success of the company developed on its domestic market (Mayrhofer 2004).

Such distributor will thus choose to settle by exporting a strong concept, as a store format, multi-formats retail network (Salmon & Tordjman 1989, Dioux & Dupuis 2005) perfectly mastered on the domestic market, or the fame of a worldwide sign (IKEA, Carrefour, Wal-Mart, Metro) in a universalist approach. Others, on the other hand, will choose to adapt to local characteristics to develop formulas of retailing
closer to characteristics of the market (Prime 2001) in a culturalist approach. These forms of internationalization are not only conditioned by strategic choices, but also by the degree of control the distributor wants to have on his future structure (Macquin 1998). So the cultural, administrative, geographical and economic nearness take a not insignificant importance (Ghemawat 2001). This internationalization puts the relevance of the choice of a mode of growth in foreign countries (Lehmann-Ortega & Schoettl 2004).

Time-to-market plays an important role in the success of a process of setting-up abroad. The distributor thus has to find a mean to replicate as quickly as possible a performing economic model. Emergent economies leave not enough time to react and opportunities must be seized as fast as possible, otherwise the access to the market risks to be forbidden to the distributor. The choice of a fast development strategy means, either using contracts with partners, like franchising or joint-venture (Quinn & Alexander 2002; Picot-Coupey & Cliquet 2004; Meschi & Riccio 2008), or the perspective of opening a sufficient number of outlets to reach an efficient territory cover (Burt 1993; Picot-Coupey & Cliquet 2004) via a strategy of internal or external growth (Pederzoli 2004).

Some authors recommend to think about one’s internationalization by having a market-orientation approach to have better chances of success (Rochette 2010; Rochette & Cassière 2010), because if the leaders try to spread a strategic spirit among human resources abroad, expatriate managers have to face mostly only the operational aspects (Cassière 2010). It means that they are directly struggling against every day obstacles, and it seems to be bigger problems to solve, especially when you are far from your bases. Then the dilemma between globalization and regionalization takes all its sense (Ghemawat 2005).

1.2. Dilemmas and opportunities in an emergent context: the Romanian example

East-European emergent economies (especially Romania) are mainly industrial economies, in which survive ageing technologies, high labor costs (because of the lack of know-how) as well as weak productivity. During the opening of these former planned economies to a competing economy, a seizing contrast is noticeable between the private sector and the owned-state companies (Boruz 2009).

Considered as "shock therapy economies" (Belascu 2003), the first years of economic opening see coexisting a two-speed economic models with very different growths. Any emerging market is potentially attractive both for local and foreign firms but their different level of development allow only the strongest to succeed. Modern foreign distributors saw important fields of growth in these countries; it was evident that the opening in the capitalism was inevitably going to come along with accelerated economic growth (Cassière 2008). In the years 1985-1990, considered as a "state politics tool" based on scientific forecasts, marketing in Eastern countries was prior used by the government to develop direct selling from the producer to the final consumer (Naor & Cavusgil 1986). Bound to the socialist factors, the price is not a
commercial problem in this "socialist yoke ". The flow of goods can be qualified of chaotic and under state control. The opening of markets allows a modernization of the distribution channels because the priority in the 2000s' was the development of sales. The western store formats (superstores, supermarkets) matches very well these new environmental and economic requirements.

These constraints are to seize quickly opportunities because the speed of transformation of markets often makes retailers to act without having taken a detailed strategic reflection. Indeed, the main missions of the managers are to find the material and financial resources to survive in the short term, not enough time is dedicated on strategic reflection and in the assimilation of marketing and cultural variables. There is on these markets a strong corruption (Meschi 2008; Venard 2009) under diverse forms (presents, money).

For the ex-Eastern European countries their centralized and collectivist past make them develop an feel of inferiority as regards to the West, in particular in the felt of a lack of knowledge, experience and capacities towards West-European partners (Mole 2003). The temptation for the distributor is to adopt a reassuring approach by reproducing efficient managerial plans from the national market. The temptation of domination by the costs is strong (Porter 1985), but this strategy quickly shows its limits on emerging market (Ghemawat & Hout 2008), that forces the retailer to develop a more relational approach by integrating cultural values.

The most Latin of the Eastern European countries: Romania

Romania is a puzzle of various influences: European, Byzantine, Caucasian, Latin, catholic orthodox, Christian and Muslim. Sometimes considered as a true Eastern European country with a Balkan base (Mole 2003), sometimes considered as an incongruity in the ex-Eastern bloc due to its Latin constituents, it is in reality about a real cross-cultural melting-pot. It is one of Eastern European countries which knew one of the strongest growths during these last 10 years and which faces its first capitalist crisis today.

Romania is the second biggest market of Central Europe after Poland. This country was classified at the 70th position worldwide in 2007-2008 according to the competitiveness index published by the French newspaper Les Echos on the 31/10/2007. Romania is in constant progress (+3 places in one year according to the same index). According to the European expectations, its G.N.P. doubled over the period 2004-2007. The development of the Romanian distribution really began in 2001 with the arrival of Carrefour in Bucharest. In almost ten years, the western, mainly French distributors (Carrefour, Auchan, Cora, Intermarché), Dutch (Spar), German (Metro, Rewe, Tengelmann), Austrian (Billa) and Belgian (Louis Delhaize-Mega Image) have developed with a more and more increasing rhythm. In July, 2009, the Romanian food retail sector was structured in the following way (Piața n°56):

- 134 networks of stores;
- 187 locations and places;
- 1170 outlets.

Table 1: number of stores by nationality on July 30th 2009

<table>
<thead>
<tr>
<th>Nationality</th>
<th>Type of stores</th>
<th>Number of stores</th>
<th>Total (stores)</th>
<th>Surface m²</th>
<th>Total surface (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Superstores</td>
<td>100</td>
<td>276</td>
<td>703 578</td>
<td>895 464</td>
</tr>
<tr>
<td></td>
<td>Supermarkets</td>
<td>40</td>
<td>276</td>
<td>66 900</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Discount</td>
<td>136</td>
<td></td>
<td>124 986</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>Superstores</td>
<td>30</td>
<td>68</td>
<td>243 734</td>
<td>299 806</td>
</tr>
<tr>
<td></td>
<td>Supermarkets</td>
<td>38</td>
<td></td>
<td>56 072</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>Superstores</td>
<td>3</td>
<td>91</td>
<td>39 000</td>
<td>103 735</td>
</tr>
<tr>
<td></td>
<td>Supermarkets</td>
<td>36</td>
<td></td>
<td>25 020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Discount</td>
<td>52</td>
<td></td>
<td>39 715</td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>Superstores</td>
<td>5</td>
<td>24</td>
<td>63 500</td>
<td>82 500</td>
</tr>
<tr>
<td></td>
<td>Discount</td>
<td>19</td>
<td></td>
<td>19 000</td>
<td></td>
</tr>
<tr>
<td>The Netherlands</td>
<td>Supermarkets</td>
<td>16</td>
<td>16</td>
<td>17 744</td>
<td>17 744</td>
</tr>
<tr>
<td>Turkey</td>
<td>Supermarkets</td>
<td>6</td>
<td>6</td>
<td>12 600</td>
<td>12 600</td>
</tr>
</tbody>
</table>

**TOTAL** | **481**          |                  | **1 411 849**   |

*Source: personal data base 2009 and distributors’ web sites*

This mosaic of nationalities forces the retailers to integrate the cultural variable as early as possible.

2. The importance of the cultural variable in the internationalization of the distributor

The cultural variable is more often a bone of contention than a total consensus. This is due to its protean aspect. First we are going to remind the main perceptions of culture existing (2.1.). In a second point, we will debate of the confrontation of cultural strategies available, then a double filtration model will be explained (2.3.)

2.1. From the anthropological approach to the managerial approach

It seems, indeed, that cultural obstacles are more difficult to manage than technical obstacles (Alexander 1990). Today, the different perceptions which exists around the term ”culture” does not, allow to gather scientific and manager communities around a unique approach. Indeed, a blur effect exists between the culture considered in the national sense and culture defined in organizational culture meaning. As an example, about 200 different definitions of culture were listed (Kroeber & Kluckhohn 1952; Barsoux & Schneider 2003).
Taken under an **anthropological angle**, culture is acquired, not innate. It is a system, and it is shared. Culture is acquired by inter and intra generational transmission on facts, customs, rites. It is thus a social construct for groups of individuals defined and inserted in a given context and environment. Hall (1969; 1990) sees it as an iceberg in which culture is at implicit or explicit levels, conscious or unconscious. So, for some, culture is constituted by a set of values allowing to survive in a hostile environment (Trompenaars & Woolliams 2003) or a social construct built under an environmental influence (Dupriez & Simon 2002).

If we don’t consider culture as a social construct, but as a tool of management, Hofstede (1984, 1991) made a major contribution to the cross-cultural domain. Seen as successive coats of onion, Hofstede sais that culture results, from a mechanism recovering from the experience, a collective programming of the thought which distinguishes those who belong to a human group of those of another group. He enriches it thanks to 5 indexes to measure the cultural differences. In a more qualitative research, Cameron and Quinn (1999) distinguished four families showing diverse degrees of cultural formalization: **the clan** (undertaken as a nice place where people share between them, management with loyalty, with tradition), **the adhocratie** (dynamic place where to work with an enterprise spirit. People take risks, innovate), **the hierarchical culture** (formalism and procedures have a place of choice codifying the tasks. It needs formal and long-term rules, one put on the stability and the performance there), and **the culture "market"** (directed on the results. The main concern is that the work is made. People are directed on the objectives). In the heart of the organization culture thus becomes a mechanism privileging an attitude, an interpretation, and an imperative solution to manage situations (Prime 2001).

This allows believing that the culture can be, just like a routine, a set of learnt rules and which stand out at instigation of a stimulus, in a given context. This mechanistic aspect of culture opens a discussion about the opposition between innate and learnt capacities. It opens the door to organizational culture, which is also mechanistic, leading to a division of knowledge between individuals, and/or with their organization, in a subordination environment. The organizational culture is described as a “series of rules and methods that an organization set up to face the regular problems which it faces” (Trompenaars & Woolliams 2003). It constitutes the ground on which is registered the "genetic and managerial" heritage of the organization. However, even there, this notion of culture is debatable.

### 2.2. The confrontation of the cultural strategies

We can see the cultural prism as an integrator, a moderator or a catalyst of the performance in particular in its capacity to avoid conflicting relations between partners and to establish successful and sustainable relations (Dupriez & Simon 2002). If the company is an organization, it is also a complex system of diverse cultural prints, connected in a more or less formalized and complex way between national culture and organizational culture, which remains not enough clarified today. Internationalization of
the distributor raises the problem of the confrontation of the cultures between the country of origin and the target country. In such contexts, the dilemmas to be resolved for the organization are simple: do we have to import one’s own culture or to adapt to the culture of the target country?

To export its own culture means organizing the company on an identical managerial process than in the country of origin and to risk that no actors of the target country get involved in this way of functioning. Indeed, local mentalities are often strong and difficult to change despite the efforts made by going in companies. The strategic reflection concerns the articulation between a purely universalist approach and a determinedly culturalist approach. It has a strong importance in considering the human resources aspects and the diffusion of knowledge among the organization. It seems to be easier to manage a universalist logic instead of a culturalist one, in which you have to hire foreign people and to form them to your management process. It is also maybe easier to manage an external cross-cultural environment than an internal one because national culture is apparently more visible than the organizational culture. Perlmutter & Heenan (1979) suggested four manners approaching an overseas market: ethnocentrism (which aims at imposing the culture of origin, at unifying management systems), polycentrism (decisions are adapted for legitimacy in every country by management of local subsidiaries), regiocentrism (try to rock the viability and the legitimacy of multinationals at the regional level) and the geocentrism (integration of subsidiaries in a global system of decision-making). It shows that the dynamics of internationalization is two-tier and necessitate using one of the two generic strategies: universalism or culturalism.

Frame 1: Methodology and Tropes 7.0 software

A study following a qualitative protocol was led in 2009, thanks to a case study set with the distributor Carrefour both in Romania and in France, as well as with its partners (experts, consultants, logisticians, outlets and mall promoter, managers, buyers). A semi-directive interview guide was created. 33 individuals were interviewed (8 women and 25 men) among which 11 French and 22 Romanians. Interviews were led face-to-face and by telephone during the 2nd quarter 2009. 341 pages of speech were retranscribed and analyzed with the software Tropes 7.0, specially dedicated to a study of discursive contents. An aggregated analysis and a separate analysis were made.

2.3. The choice of the entry mode and the cultural filtration: main results

The cultural performance is connected to a common will on behalf of the protagonists to surpass the obstacles which are so many sources of conflicts and that are barriers in the genesis of positive relations. It passes by the revision of the cultural perceptions the actors have of the culture of the other one. This means sharing skills
and cultural knowledges, on the basis of which the partners are going to extract a common cultural substratum (a kind of third culture) appropriate) for their common history and which makes them more effective in the use of their respective cross-cultural skills.

This cultural variable seems to be issued from several domains. Introduced indirectly by the strategy of internationalization, it is based in reality on very fragile foundations because it is subject to a lot of instability due to the human variable. Expatriate staff plays a fundamental role in the success of the cross-cultural skills to be developed.

We can draw two cultural models according to the comments of the interviewed actors: the one showing a double cultural filtration in a universalist strategy (figure 1), the other one in culturalist logic (figure 2).

![Figure 1: Model of double cultural filtration in a universalist logic](source: Cassière (2010))
The values of each actor pass at first through a "technical filtration" (synonym of organizational culture). It means confronting each other values in reference to the base which constitute its own values. It is a form of awareness of its own culture by confrontation to the other one. During the arrival of the distributor, the relations between partners are firstly of technical nature. The weight of the organizational culture and the standards emanating from the distributor impose at first the respect of these values by partners because of management reasons. The distributor tries to introduce practices corresponding to its specifications and establishes a certain uniformity of the procedures, identical to what the employees knew in the retailer's country of origin or in the other already conquered countries, if these same procedures of management were already operated.

This technical filtration ensues from a phenomenon of "porosity" coming from individuals, their capacities to be accepted and to understand the others culture but also on their faculty to learn and to re-use the common cultural experiences. Following this first filtration, there is a substratum (bases on which agree the actors by a harmonization of a part of their national cultural variables, either by a phenomenon of adaptation or by a common creation of new references). The implementation of common methods or the existence of cross-cultural common “agreements” is mentioned. This substratum is thus comparable to foundations and it is going to carry the germs of the second level of filtration which concerns the national culture. This second filtration mobilizes the same requirements as the technical filtration. It leans on the control of methods of work on behalf of the partners and on their membership in an admitted organizational culture.

It passes at first by the cultural filter of the distributor which is imposed to the others, due to the links of "subordination". This culture is conveyed more easily because of the weight of the retailer, who makes its culture pass via standards to be respected. A second substratum is put in evidence, showing or the cultural dominion of one of the actors or the creation of a third culture when it arises. Following this double filtration, it is also possible to verify if the organizational culture (named “technical”) is stronger than the national culture (Liu & al. 2009). It is the result of a crossed cultural sedimentation.

This result is used in the daily management of relations between the distributor and its partners. It turns out to be a set of knowledges and/or of behaviors as organizational as cultural and contagious to the other members of the organization, to the current or future partners.
The basic premise is that the distributor decides to establish in countries where the cultural nearness is strong (Salmon & Tordjman 1989; Dupuis 1991; Ghemawat 2001). Two parallel cultural systems are then going to coexist and to meet to give birth to a cultural substratum in which the values of both cultures are present. At this stage, either the substratum consists mainly of one of both cultures, or it contains ferments to introduce the creation of a dedicated culture, in which protagonists draw what is necessary for the preservation of good and sustainable relations between them. The interchangeability of filters allows an adequacy to the characteristics of the target countries or to the partners who will be selected.

This allows a round trip between the actors’ cultures in search of a better homogeneity, to generate positive effects on the relation and perpetuate it. It is a marketing approach of type "market-based" adapted to cross-cultural factors. So, culturalist logic can be thus validated even if this one contains essentially a marketing content. It is used to develop nearness with the final customer and a consideration of the satisfaction of his specific wishes. This strategy has for objective to reassure the customers by proposing them products with which they are confident. It also gives the distributor more local image, which contributes to generate a positive feeling in direction to the final customer and with its partners.
However, this will imposes forces the distributor to develop narrow relationships with partners and local producers to secure its supply and guarantee a sufficient referencing in local products. In a B-to-B context this cultural adaptation risks to be different; the cultural filtration is imperative. It results from an interchangeability of filters, which can occur several times. Every new substratum becomes the base of the following filtration but it also means that each actor’s culture is at the same level before every pooling of new cultural dimensions.

Conclusion

International competition in the retail industry imposes the respect for some basic principles at the risk of seeing the internationalization becoming the Way of the Cross. Rarely integrated at the origin of the strategic reflection, the cross-cultural variable becomes today a key factor of success. A distributor must be effective at two levels: he has to satisfy the needs of the final consumers in a "classic" marketing approach while guaranteeing a managerial efficiency which has to assure the perpetuity of the structure on the target market. Indeed, far from its bases, any cross-cultural clash takes a vital importance, not only for the structure but also for the human resources management, often badly, even little, trained in the cross-cultural dynamics. The managerial efficiency of an internationalization in the retail industry lies maybe in an hybrid model to those proposed in this article, a model integrating the concept of a third culture.

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