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Crossing Threshold Periods in the Retail Life Cycle: Insights from Wal-Mart International

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This article takes a broader theoretical perspective of the retail life cycle by incorporating threshold periods at important inflection points in the international growth process. Specifically, it considers one threshold interval between an early phase of disjointed international expansion and a more focused, accelerated international growth programme. It concludes that executives need to consider a set of threshold periods during the development and growth of international store operations, understand why these events occur, and consider in what ways to respond to them to overcome and cross the threshold. Salient lessons are extracted from Wal-Mart's experiences during the threshold period for other international managers.

Keywords: Retailing, Internationalisation, Threshold periods, Life cycle, Wal-Mart

Introduction

One of the most significant trends in retailing today is the growth of international retail firms. This trend is particularly prevalent among a relatively small, but emerging, elite group of well-capitalised retail internationalists including Wal-Mart, Carrefour, Metro, Tesco and Ahold. On an unprecedented scale in the sector, for example, Tesco's international store-expansion programme from 1998s onwards has involved the development of 200 hypermarkets in eastern European and Asian markets, which together, account for fifty percent of the firm's retail operating space (i.e. almost 28 million sq. ft.) and generate GB£10 billion sales per annum. Furthermore, the *scope* of international store operations has increased significantly, with the leading retail internationalists having an operational retail presence in fifteen to thirty countries. As international retail growth on this scale and scope implies, immense pressures and demands are placed upon management, resulting in new tensions and conflicts within and between the firm and its stakeholders. Reflecting the importance of this internationalisation process by retail firms, there is now an ever-expanding number of research streams establishing:

- the geographical spread of expansion (Treadgold, 1988; Treadgold and Davies, 1988);
- the motivations of internationalisation (Williams, 1991; Alexander, 1995);
- international retail decision-making processes and performance (Clarke and Rimmer, 1997; Dawson, 2001; Evans and Mavondo, 2002).

Much of this research has concentrated on the progress of international development rather than any discussion of *how growth is sustained*. That is to say, international retail growth has become, implicitly, a taken-for-granted and unassailable issue. As a result, international retail growth has become deproblematised and accepted as deterministic rather than indeterministic, and more continuous than discontinuous. This is underlined by case studies of the retail internationalisation process. For example, almost all the studies on Wal-Mart have been written as though Wal-Mart's corporate development and growth has been immune from the internal pains of organisational growth (see Evans and Barbiero, 1999; Arnold and Fernie, 2000).

Various explanations have been put forward in the broader management literature on the corporate growth process. None more prominent than the concept of the life cycle which has been used to identify the number of stages of development, and the characteristics of organisations that exist at the different stages (Quinn and Cameron, 1983). Research or conceptual work on how firms actually proceed from one stage to another – what Greiner (1972) calls the 'revolution' and Miller and Friesen (1984) refer to as the 'highly multifaceted transition' process is much less understood, particularly in relation to the retail internationalisation process. Another more recent study re-emphasised the importance of understanding these 'turning points' in growth, not least of which are the (unintended) consequences associated with premature withdrawal or excessive investments during different stages (Golder and Tellis, 2004).

One approach towards an understanding of international retail growth is to integrate the theory of threshold periods into the theory of the retail life cycle.

Applying this synthesis, there seems to be an opportunity to cast more light on the *actual* path of expansion and ways in which retail growth unfolds and proceeds from one stage to another. More specifically, this paper concentrates on the inter-stage or transitional pressures before and after the inflection points in the retail firm's life cycle – an interval which is termed the threshold period. Drawing upon a database of sixty two ($n = 62$) in-depth interviews with financial analysts, advisors and executives at Wal-Mart, this study examines Wal-Mart's experiences during a threshold period from the early phase of the international expansion, towards a more focused, accelerated international growth phase. It closely interrogates the events at this threshold period, and how these shape, promote and govern the future trajectory of international growth.

The paper will firstly review the corporate life cycle literature, alongside the retail life cycle model. Following on, the paper grounds a discussion of the work of Clifford (1973) on threshold periods within the context of the retail life cycle. The study will then examine a threshold period in the internationalisation process of Wal-Mart. The paper concludes with a discussion and extracts lessons from the threshold period for other international managers. The next section of the paper situates the threshold period within the broader life cycle debate.

Theorising Corporate Growth

While the search for corporate growth generates an extraordinary amount of daily scrutiny in the popular and business press, the dilemma of managing corporate growth has been long discussed and debated by academics. Theories or explanations of corporate growth range from cyclical and non-cyclical models, hybrids of both, and more recently network forms of expansion. One extensive literature adopts a life cycle approach towards growth across a wide variety of theoretical bases including, the product life cycle (Vernon, 1966) organisational life cycle (Quinn and Cameron, 1983), technology life cycle (Kazanjian, 1988), financial life cycle (EVCA, 2005), and the industry life cycle (Klepper, 1997). Accelerating e-commerce activities during the mid-to-late 1990s, and the subsequent events following the dot.com crash, has encouraged a renewed interest in the life cycle debate.

Whatever the theoretical context, all cyclical models and descriptions share a similar logic and trajectory; that is, inexorable advancement through a sequence of stages. Variations exist, however, amongst the number and type of stages across theoretical contexts: four stages (product life cycle), four-to-nine (organisational life cycle), eight (financial life cycle), four-to-six (technology life cycle) and five-to-eight (industry life cycle). Because of these unique organisational characteristics in life cycle models, Brown (1991) suggests that it may be more appropriate to concentrate upon the evolution of *individual* firms.

Related to this work, a number of studies have considered the different precipitating factors that shift the firm towards the 'highly multifaceted transition' process and onwards to the next stage. For the purpose of this research, two studies should be pointed out. The first is the work of Greiner (1972) which presents the idea that stage change is a result of internal crisis related to leadership, autonomy, control and red tape. He maintains that each transition is both an effect of the previous phase and a cause for the next phase of growth. The second is the work of Kazanjian (1988) which maintains that firms are faced with a series of problems that are successive in nature at any stage of growth in the firm's history – what Kazanjian (1988) terms the 'dominant problem'. That is, solving one set of problems leads to the emergence of a new set of problems. Both studies present different explanations for the precipitating change issues: Kazanjian's (1988) 'dominant problems' are foreseen in advance by management, whereas Greiner's (1972) crises surprise or shock management.

Although most investigations have concentrated on the different stages, more recent contributions to the study of the life cycle concept have sought to combine the broader processes of growth and