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

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ABSTRACT

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

1. Introduction

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

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

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

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Table 1
Review on I/R-literature.

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

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

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

In summary, these research streams highlight the importance of I/R in retailing and indicate important strategy-implementation or – performance links and implementation-performance links. However, the findings are partly inconclusive, and quantitative evidence is scarce. There is a substantial gap, because the existence of the strategy-implementation link and an implementation-performance link logically imply that there are possible strategy-implementation-performance paths. Such possible paths have, to the best of the authors' knowledge, not been addressed yet. Still, these paths are highly important because retail firms are likely to pursue an overarching international strategy based in their FSAs, while their implementation in subsidiaries needs to be designed for local success.

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

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

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

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

benefit a firm "only in a particular location (or set of locations) and lead to benefits of national responsiveness" (Rugman & Verbeke, 1992, p. 763). A limited geographic reach of FSAs affect retailers' total performance (mostly in the regionality debate, see Mohr, Fastoso, Wang, & Shirodkar, 2014; Oh, Sohl, & Rugman, 2015), but its relevance for the more important parameter of host country performance remains vague. We therefore provide extended theoretical rationales and more in-depth empirical insights into variations of retailers' strategy-implementation-performance paths due to the limited geographic reach of retailers' FSAs in close and distant countries (going beyond studies on coordination mechanisms, see e.g., Martinez & Jarillo, 1989; Rabbiosi, 2011).

The remainder of our study proceeds as follows. Drawing on theory and empirical evidence, we derive hypotheses on I/R's paths to local performance in close and distant countries. We test these hypotheses based on data from 126 management interviews using partial least squares (PLS). After presenting the results, we discuss the implications of the study and avenues for further research.

2. Theory and hypotheses

2.1. Conceptual framework

To address our research aims, we build on the theoretical considerations of two research streams: studies on international strategy, particularly those that consider how retailers successfully transfer FSAs through I/R, and studies that analyze the geographic differences in successful subsidiary-specific strategy implementation (e.g., standardization/centralization for a subsidiary in China). In Fig. 1, retail firms' I/R are conceptualized as direct and indirect antecedences of subsidiary-specific performance. Different paths to success are expected for close and distant countries.

We understand retailers' internationalization as a transfer of FSAs, as rooted in internalization theory (for a review, see Buckley & Casson, 2009). FSAs are defined as capabilities that give firms competitive advantages, e.g., superior offerings, or decision processes. Internalization leads to benefits of integration when non-location-based FSAs can be transferred across borders. In addition, benefits of responsiveness can occur when a firm generates host-country-specific FSAs (Rugman & Verbeke, 1992). Thus, a possible link between retailers' choice of I/R and local performance arises from the transfer or local generation of FSAs as both can constitute competitive advantages (Grøgaard, 2012; Mohr et al., 2014). Furthermore, firms seek an internal alignment between international strategy and implementation (e.g., Grøgaard, 2012). Retailers pursuing integration will locally standardize retail offers and centralize decisions, for example. I/R may hence also affect local performance indirectly through such implementation decisions.

To assess the strength and direction of the possible strategy-implementation-performance paths, we consider two characteristics of the retail industry. First, because an entire format is transferred abroad, most retailers operate successfully mostly in certain regions (e.g., the largest retailers worldwide, Walmart in the Americas and the Schwarz Group in Europe), and their FSAs become less transferable outside these regions, i.e., are subject to geographic reach (Girod & Rugman, 2005; Rugman & Girod, 2003). With increasing distance between the host and home country, higher transaction costs and risks or lower access to complementary resources hamper the transfer of FSAs (i.e., make integration less successful) or inhibit the generation of host country-specific FSAs (i.e., make responsiveness less successful, Oh et al., 2015; Rugman & Verbeke, 2008). Thus, performance effects of I/R are likely to differ in close vs. distant countries. Second, retail formats include an offering part (elements visible to customers) and a know-how part (decision processes) (e.g., Goldman, 2001). Both parts may entail FSAs but are not equally transferable. FSAs in the know-how part have a higher geographic reach than FSAs in the offering part (Jonsson & Foss, 2011; for manufacturers, see Banalieva & Dhanaraj, 2013). Implementation decisions relate to these two parts of the format differently: centralization relates to the transfer of the know-how part, whereas standardization relates to the offering part. Consequently, the paths via these implementation decisions are likely to differ across countries. An alignment of strategy and implementation may even lead to degrees of centralization or standardization that are unfavorable in a specific country, thus creating negative strategy-implementation-performance paths.

Based on these theoretic rationales and additional empirical evidence, we next develop hypotheses regarding the direct effects of I/R on performance and, in particular, the indirect paths of I/R to performance through implementation decisions in close vs. distant countries.

2.2. Hypotheses on I/R's direct performance implications

According to the theoretic rationale, I/R may directly affect retailers' local performance. Any FSAs in a country – transferred or generated – can increase local competitive advantages and performance. However, retailers' FSAs are more likely to remain within their geographic reach in close (vs. distant) countries (Rugman & Verbeke, 2008). Accordingly, the transfer of FSAs (i.e., integration) is more likely to be successful in close countries. By contrast, in more distant countries, where transferring FSAs is more difficult, retailers are more likely to require additional host-country-specific FSAs. Although potentially difficult, generating FSAs remains an option when current FSAs exceed their geographic reach. Hence, responsiveness is likely to directly affect performance.

Few scholars regard direct effects of the degree of I/R on

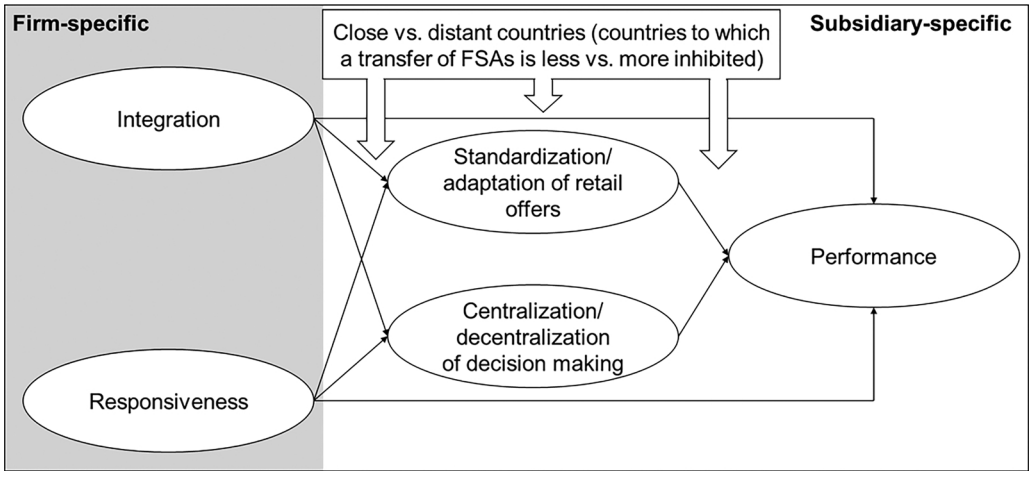

Fig. 1. Conceptual framework.

performance as conceptually possible (e.g., Haugland, 2010), while most see a need for interactions with further decisions (e.g., Lin & Hsieh, 2010b). However, empirically Swoboda et al. (2014) indicate links between strategy and retailer performance. In summary, we initially hypothesize the following:

H1. Retail firms' strategies regarding I/R directly affect performance in the host country, where (a) integration affects performance more strongly in close than in distant countries and (b) responsiveness affects performance more strongly in distant than in close countries.

2.3. Hypotheses on I/R's indirect performance implications

Firms strive for internal alignment between international strategy and local implementation (e.g., Grøgaard, 2012). Retailers pursuing integration will prefer standardized offers and centralized decisions for their subsidiaries, as both support a transfer of FSAs. Conversely, responsiveness relates to adaptation and decentralization, as both facilitate local generation of FSAs (e.g., Salmon & Tordjman, 1989). For example, successful retailers use their preferred retail format for internationalization to retain the entailed FSAs, while local adaptation of offers creates host-country-specific FSAs and ensures responsiveness (e.g., Bianchi & Ostale, 2006; Gielens & Dekimpe, 2001).

These relationships underlie the indirect paths of I/R to local performance. However, according to our theoretical reasoning, standardization (centralization) supports a transfer of less (more) transferable FSAs as it relates to the offering part (know-how part) of the format. Therefore, in a specific host country, either standardization or adaptation (centralization or decentralization, respectively) is superior. Aligned with the firms' I/R, a subsidiary realizes one specific degree of standardization and centralization in a country but the realized strategy-implementation-performance path can be positive or negative. We therefore subsequently address the paths of I/R to performance first through standardization/adaptation and then through centralization/decentralization.

2.3.1. I/R-standardization-performance paths

As indicated, standardization and adaptation in a host country align differently with I/R. Standardization facilitates a transfer of FSAs in the offering part of a retail format, whereas adaptation supports the generation of new FSAs. As both transfer and generation of such FSAs can increase local performance, an integration-standardization-performance path and a responsiveness-adaptation-performance path might occur. Still, the actual performance implications of I/R through standardization or adaptation in a country depend on which mechanism is locally superior.

The geographic reach of FSAs in the offering part of the retail format is relatively low. Because such FSAs become less transferable with increasing distance, we assume that standardization as a means to transfer FSAs (i.e., integration) positively affects local performance in close countries only. By contrast, the path from integration through standardization to performance will be negative in distant countries since the FSAs in the offering part exceed their geographic reach (Banalieva & Dhanaraj, 2013; Goldman, 2001). Rather, host-country-specific FSAs must be generated through adaptation. Thus, the path of responsiveness through adaptation to performance will be positive in distant and negative in close countries. Because retailers implement one specific degree of standardization in a host country, a positive path from either integration or responsiveness implies that the opposite path must be negative.

While an I/R-standardization link has been shown empirically (e.g., Harzing, 2000), studies on retailers address only standardization-performance effects. Most studies generally highlight the adaptation of retail offers as a success factor (e.g., Bianchi & Ostale, 2006), while few indicate that increasing distance affects successful standardization (Evans et al., 2008) or that the success of standardization/adaptation depends on the examined retail offers (Swoboda & Elsner, 2013). However, the theoretical rationale leads us to propose the following hypotheses:

H2. The path of integration through standardization to performance is (a) positive in close countries but (b) negative in distant countries.

H3. The path of responsiveness through adaptation to performance is (a) negative in close countries but (b) positive in distant countries.

2.3.2. I/R-centralization-performance paths

As indicated, centralization and decentralization in a host country align differently with I/R. Centralization (decentralization) facilitates the transfer (generation of) FSAs in the know-how part of a retail format. The transfer or generation of such FSAs can increase local performance, while the paths integration-centralization-performance and responsiveness-decentralization-performance are subject to analysis in close vs. distant countries.

The geographic reach of the know-how part of a retail format is considered relatively high, with headquarters as the locus of essential knowledge (e.g., Ambos & Mahnke, 2010). Because such FSAs are still transferable despite a higher distance, we assume that centralization as a means to transfer FSAs (i.e., integration) positively affects local performance in distant countries. Retail subsidiaries particularly depend on knowledge from their headquarters, especially in distant countries, where local managers have less experience with a foreign format (e.g., its complex planning processes, Jonsson & Foss, 2011) and where complementary resources are more difficult to acquire (e.g., Rugman & Verbeke, 2008). By contrast, decentralization as a means of generating local FSAs (i.e., responsiveness) is beneficial in close countries, where subsidiaries are more likely to be capable of making elaborate decisions or acquiring complementary resources (Young & Tavares, 2004). We therefore assume a responsiveness-decentralization-performance path in close countries.

In retailing, only case study-based evidence indicates local performance implications of centralization (e.g., Miozzo & Yamin, 2012). However, strategic non-compliance and headquarter-subsidiary conflicts are fateful for retailers, and thus centralization is superior for subsidiaries with diverging interests between headquarters and local decision makers (Moore et al., 2004; Rugman & Verbeke, 1992), as is often the case in distant countries (e.g., Gaur & Lu, 2007). These findings support our reasoning, and thus we hypothesize the following:

H4. The path of integration through centralization to performance is (a) negative in close countries but (b) positive in distant countries.

H5. The path of responsiveness through decentralization to performance is (a) positive in close countries but (b) negative in distant countries.

3. Empirical study

3.1. Sample

Our data derive from standardized survey questionnaires with fixed-choice closed-ended questions and was collected in face-to-face interviews with international retailers from Austria, Germany, and the German-speaking part of Switzerland. We used a culturally homogeneous sample to ensure the comparability of firms, to avoid variation due to home country differences in our sample, and to avoid possible biases arising from translations into further languages. This decision helped ensure that the observed differences in strategy-implementation-performance paths arise from the host rather than home country environment. The firms in the sample—used in one study—were drawn from the commercial Hoppenstedt database from the section 'Retail trade' (Swoboda & Elsner, 2013). We identified 758 retail chains, chose those operating in at least two foreign countries, compared this list with

Table 2
Sample distribution.

MV		STD	Close countries[1,2]		Distant countries[3]	
Number of total sales in m. €	5772	10,371	Western Europe	85.3%	Eastern Europe	46.1%
Sales abroad in%	41.6	25.9	Eastern Europe	11.8%	Asia	31.4%
Number of employees	25,508	56,268	Other	2.9%	Americas	17.6%
Employees abroad in%	40.4	25.9			Other	4.9%
Number of operating countries	19.1	23.5				
International experience in years	23.7	17.1				
Country experience in close countries in years	19.5	14.1				
Country experience in distant countries in years	10.9	5.2				
Retail sector	38.8% food 61.2% non-food					

N = 102.
We asked: Please choose two different countries for your evaluation in which you work at least for five years: a country where the transfer of FSA is less vs. more inhibited, i.e., a typical psychic close market (with similar legal, political, economic, cultural environment than your home market) and a typical distant one. Inter-group differences were controlled with the ten dimensions of psychic distance (Evans & Mavondo, 2002) [2], and additionally (objective) geographic, cultural, and economic distances.[3] All mean value differences were significant ($p < 0.01$; two sided *t*-test).
Western Europe: all countries apart from GRK, PRT, FIN; Eastern Europe: CZK, POL, SVN; others: CAN, USA (overlap chosen distant countries).
Eastern Europe: all countries (incl. ALB); Others: AUS, GRK, RDS, TUR.

further information from national retail associations, and identified a potential sample of 193 firms across all three home countries. We approached firms from all three countries by contacting the chief executive officers (CEOs) to request an interview at headquarters. The request was sent by postal mail, then by electronic mail, and followed up with telephone calls. A total of 65 managers declined to participate; others did not respond to the requests. In all, we conducted 126 interviews with managers (53% CEOs/heads of chains and 47% expansion managers) from 102 retailers, corresponding to a response rate of 53% (82 German, 12 Austrian and 8 Swiss retailers). The high response rate reflects the convenience of the process for the managers and their interest in the topic.

The firms in the sample largely match average values of international retailers from other countries: 5772 million Euro in total sales, 25,508 employees, a foreign sales share of 41.6%, and operations in 19.1 foreign countries for 23.7 years (see Table 2).

For each retailer, we require data regarding two host countries that differ in terms of how easy vs. inhibited transfer of FSAs is. Because no pair of host countries exists in which 102 international retailers operate and because the geographic reach of each retailers' FSAs is different (Girod & Rugman, 2005), we use psychic distance to separate both country groups. Psychic distance is known to affect retailers' foreign performance (Evans & Mavondo, 2002). We defined the distance to the managers and asked them to nominate one close and one distant country in which they have operated for at least five years to ensure a certain amount of experience (i.e, one country in which the cultural and business distance are perceived low and one in which both are high acc. to Evans & Mavondo, 2002; see Swoboda & Elsner, 2013). We successfully checked for significant differences between the country groups: first using ten psychic distance evaluations by the managers (Evans & Mavondo, 2002)[2] and second by objective geographic and cultural distance measures[3] (all of which may inhibit the transfer of FSAs, see Rugman & Verbeke, 2008).

Each respondent answered questions regarding two subsidiaries. This procedure yielded two datasets on two subsidiaries of each of the 102 retailers and build an appropriate solution to ensure distinct areas of analysis. The close country group mostly contained Western European countries, and the distant country group primarily included Eastern European and Asian countries. The hypotheses were tested separately in the country groups; in the close (distant) country group, the transfer of FSAs was expected to be easier (more limited). The data were not pooled because of the different firm/subsidiary-specific contexts and methodological reasons (i.e., the nested data structure would not be adequately testable; see Maas & Hox, 2005).

3.2. Measurements

Regarding the measures, we first considered the hierarchy of the effects and then relied on questions from previous studies; however, we also developed appropriate scales for our specific context in comprehensive pretests. Third, we tested the measurements (multi-item scales) for reliability and validity based on PLS-based CFA (in line with our method for hypothesis testing, see Table 3).

Because most retailers are not obligated to publish their performance data, especially not for specific countries, we relied on self-reports. We measured local performance using three financial performance indicators (sales development, return on investment and market share) and a strategic effectiveness indicator on five-point Likert-type scales (Cavusgil & Zou, 1994; Evans & Mavondo, 2002). However, as the effectiveness indicator did not fulfill the requirements for factor loadings (in the CFA; 0.536 in close and 0.621 in distant countries) and indicator reliability (.288 and 0.388), it was excluded from further analysis. Financial performance was thus our performance measure (similar to Swoboda & Elsner, 2013). This and the subsequent scales were pretested (in-depth interviews with three CEOs and two workshops with senior executives).[4]

[2] We separate country groups using psychic distance, i.e., a manager's perceptions of a host country's cultural and business distance compared to those of the home country (Evans & Mavondo, 2002), rather than selecting intra- vs. inter-regional countries as proposed in the rationality debate (within vs. outside a firm's home region in terms of continents [e.g., Asia], Oh et al., 2015; Rugman & Girod, 2003). This measure is useful because retailers are differentially endowed with transferable FSAs (Girod & Rugman, 2005) that exceed their geographic reach at different points (Mohr et al., 2014), and psychic distance is known to affect retailers' performance (Evans & Mavondo, 2002; Swoboda & Elsner, 2013). We tested mean value differences for all ten psychic distance measure of Evans & Mavondos' (2002) and found highly significant differences for all items ($p < 0.001$); the range of mean values was 1.6-2.2 in close countries and 2.8–3.6 in distant ones.

[3] We tested for inter-group differences using objective data regarding the following distances (Ghemawat, 2001; Rugman & Verbeke, 2008): geographic distances, i.e., great circle distance of home and host country (e.g., Kraus, Ambos, Eggers, & Cesinger, 2015); cultural distance, i.e., Kogut-Singh-index for the six cultural dimensions of Hofstede and Minkov (2010); and economic distances, i.e., GDP per capita. The resulting mean values were 842.7 km for close and 3,415.2 km for distant for geographic distance ($p < 0.001$); 1.3 and 1.7 for cultural distance ($p < 0.01$); 11,459.3 EUR and 26,838.1 EUR for economic distance ($p < 0.001$).

[4] In our pretest we asked three retail CEOs to evaluate I/R and performance measures (with semantic adjustments only) and to judge the strategic importance of marketing mix elements and business functions for international retailers, which we selected from the extant literature. Subsequently, we asked the participants in two international senior management seminars to list and to evaluate the importance of marketing mix elements

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Table 3
Measurements.

	Close countries									Distant Countries								
	MV	EFA (> 0.50)	ItTC(> .50)	KMO (X^2) (> .50)	Factor-loading CFA	Indicator reliability (> .30)	AVE	Composite reliability (> .60)	Cronbach's alpha (> 0.60/ .70)	MV[5]	EFA (> 0.50)	ItTC (> .50)	KMO (X^2) (> .50)	Factor-loading CFA	Indicator reliability (> .30)	AVE	Composite reliability (> .60)	Cronbach's alpha (> 0.60/ .70)
Integration				0.595 (163.06)			0.818	0.899	0.775				0.595 (163.06)			0.816	0.898	0.775
Economies of scale	3.06	0.868	0.636		0.894	0.799				3.06	0.868	0.636		0.875	0.766			
Competition global	3.19	0.935	0.636		0.914	0.835				3.19	0.935	0.636		0.93	0.865			
Responsiveness							0.894	0.944	0.788							0.894	0.944	0.788
Achieving local advantages	2.96	0.956	0.788		0.945	0.893				2.96	0.956	0.788		0.944	0.891			
Responsive to local market	3.11	0.931	0.788		0.946	0.895				3.11	0.931	0.788		0.947	0.897			
Centralization of decision making[1]				.612 (144.92)			0.725	0.886	0.805							0.686	0.864	0.768
Investment decisions	3.87	0.698	0.465		0.71	0.504				3.60ns	0.689	0.443	0.619	0.603	0.363			
Planning	3.09	0.928	0.782		0.923	0.852				3.02ns	0.903	0.708	−102.69	0.925	0.855			
Controlling	3.2	0.91	0.736		0.905	0.819				3.18ns	0.888	0.675		0.916	0.839			
Standardization of retail offer[2]				.727 (66.28)			0.518	0.811	0.695				0.74 (68.4)			0.536	0.822	0.712
Store layout	3.81	0.67	0.42		0.716	0.513				3.59ns	0.678	0.443		0.728	0.53			
Prices	3.07	0.654	0.407		0.701	0.491				2.75†	0.706	0.465		0.692	0.479			
Services	3.45	0.779	0.543		0.731	0.534				3.05*	0.789	0.566		0.763	0.582			
Communication	3.01	0.784	0.55		0.731	0.534				2.71†	0.758	0.526		0.746	0.557			
Assortment[4]	3.49	0.466	0.282		–	–				3.16*	0.571	0.375		–	–			
Performance[3]				0.737 (151.41)			0.796	0.921	0.871				0.742 (170.62)			0.823	0.933	0.893
Sales development	2.66	0.906	0.777		0.891	0.793				2.87ns	0.895	0.766		0.878	0.771			
Return on investment	2.58	0.878	0.73		0.867	0.751				2.72ns	0.904	0.782		0.899	0.808			
Market share	2.38	0.895	0.758		0.917	0.841				2.69*	0.925	0.824		0.943	0.889			
Strategic effective-ness[4]	3.5	0.764	0.619		–	–				3.73ns	0.865	0.762		–	–			

Notes:How strongly does your company decentralize or centralize following [decisions] in country […]? (Please estimate as follows: 1 totally decentralize/done by subsidiary to 5 totally centralized/done by headquarter.).
How strongly does your company adapt or standardize the following [elements] in country […] in comparison to the home market? (Please estimate as follows: 1 totally adapted to 5 totally standardized.).
How successful was your company in country […] on average over the past three years? (Please estimate as follows: 1 Declining/constant, 2 Increase of up to 10%, 3 Increase of 11–20%, 4 Increase of 21–30%, 5 Increase of more than 30%). How satisfied are you with the overall development? (1 very unsatisfied to 5 very satisfied).
Excluded.
Mean value comparison (*p < 0.05; †p < 0.10; ns = not significant; two sided *t*-test).

Table 4
Discriminant validity.

			Squared latent correlation and AVE									
AVE (close)		AVE (dist.) –	1 **.818**	2 **.894**	3 **.725**	4 **.518**	5 **.796**	6 **1.000**	7 **1.000**	8 **1.000**	9 **1.000**	10 **1.000**
1	Integration	**.816**	–	0.126	0.314	0.116	0.008	0.023	0.002	0.001	0.068	0.037
2	Responsiveness	**.944**	0.123	–	0.267	0.390	0.002	0.037	0.040	0.120	0.009	0.000
3	Centralization	**.686**	0.162	0.126	–	0.260	0.004	0.042	0.002	0.032	0.066	0.008
4	Standardization	**.536**	0.210	0.241	0.089	–	0.023	0.061	0.000	0.080	0.051	0.024
5	Performance	**.823**	0.055	0.024	0.109	0.066	–	0.003	0.000	0.015	0.068	0.002
6	Retail Sector	**1.000**	0.022	0.037	0.025	0.001	0.002	–	0.007	0.118	0.085	0.021
7	Country experience (log)	**1.000**	0.002	0.009	0.000	0.024	0.001	0.006	–	0.029	0.035	0.006
8	Firm size (log)	**1.000**	0.001	0.119	0.000	0.029	0.016	0.117	0.004	–	0.027	0.044
9	Geographical scope (log)	**1.000**	0.073	0.009	0.016	0.014	0.000	0.085	0.004	0.027	–	0.001
10	Entry mode dummy	**1.000**	0.090	0.005	0.000	0.034	0.029	0.036	0.006	0.098	0.017	–

Notes: Close countries above (distant countries below) the diagonal; Discriminant validity: Squared correlation < AVE.
Bold values denote the AVE.

To measure integration and responsiveness, we used Harzing's (2000) five-point Likert-type scale, which has been used in previous retailing studies (e.g., Swoboda et al., 2014) and considers I/R as actively chosen strategies (for alternative measures see e.g., Venaik et al., 2004). Two questions measured how strongly firm strategies focus on economies of scale and worldwide positioning (integration), while two questions measured whether a firm's strategy aims at achieving local competitive advantages and responding to local markets (responsiveness). The items loaded on two factors and met all reliability and validity requirements.

To measure the degree of standardization of retail offers, we chose five traditional retail marketing elements (assortment, price, communication, store layout, and service; e.g., Pan & Zinkhan, 2006). However, in the literature, there is no agreement on this measure (results may change with different measures, see Evans et al., 2008; Swoboda & Elsner, 2013). We chose three items to measure the degree of centralization of decision making for different business functions (e.g., Cray, 1984; Gates & Egelhoff, 1986): planning, investments, and controlling as crucial for strategic decisions in retailing (Miozzo & Yamin, 2012). We do not differentiate between business functions (e.g., Kim, Park, & Prescott, 2003), and our study is limited in this respect. For both constructs, a common five-point semantic differential was applied (1, fully adapted/decentralized, to 5, fully standardized/centralized). Because assortment does not fulfill the requirements for indicator reliability (.216 in close and 317 in distant countries), we excluded assortment from the analysis. Both constructs met the requirements for reliability and validity.

We also controlled for variables that may affect host-country performance: retail sector (as a dummy variable, 0 = non-food vs. 1 = food retailers), country experience (number of years in operation in the evaluated country), retail firm size (total number of employees), and the geographic scope of operations (number of countries of operation). Finally, we controlled for the entry mode (with a dummy variable, 1 = full- vs. 2 = shared-control modes, see Swoboda & Elsner, 2013).

With regard to validity, we assessed face validity in the pretests. Table 4 shows the results for construct and discriminant validity. Additionally, the variance inflation factors were lower than the recommended thresholds (O'Brien, 2007): integration 1.473 (1.415), responsiveness 1.801 (1.418), standardization 1.780 (1.506), and centralization 1.855 (1.275) in close (distant) countries. Therefore, we conclude that multicollinearity was not a problem in this study.

3.3. Method

Our methodological approach included tests for possible biases and the method of hypothesis testing.

We assumed a limited probability of non-response bias, which was addressed in two ways. By analyzing secondary data, we checked for any significant differences between respondents and non-respondents concerning the total sales and number of employees abroad (if available). We did not find significant differences for retailers in similar sectors. Furthermore, we compared the correlations and mean values for the performance of early and late respondents, and the two respondent groups (i.e., CEOs/heads of chains and expansion managers) and again did not find any significant deviation.

We also checked for the probability of single-respondent bias. For 24 of the firms in the sample, we were able to interview a secondary respondent (primarily expansion managers), and when we compared the responses of both groups, we found high correlations and non-significant mean value differences for all measures. Given that we personally interviewed each senior executive, we assume that single-response bias is likely to be reduced in our dataset.

To reduce the probability of common method bias, we assured the respondents of confidentiality a priori, and we used concisely formulated questions and an appropriate questionnaire design (e.g., a mixed order of questions), as well as different scales for measuring the independent and dependent variables (Podsakoff, MacKenzie, Jeong-Yeon, & Podsakoff, 2003). A posteriori, when we could not obtain objective performance data (not published by most retailers), we employed Harman's single-factor test (the factor explained 26.6% (25.4%) of the total variance in close (distant) countries). We further included a method factor to compare the amount of variance of each indicator explained by its substantial construct with the amount of variance explained by the method factor (Siponen & Vance, 2010). The average variances explained by the substantive constructs of the indicators were 0.704 and 0.727, whereas the average explained variances of the method factors were 0.012 and 0.008. Further, the ratio of substantive variance to method factor variance was 59:1 and 86:1, and only a few of the method factor loadings were significant. Accordingly, we conclude that common method bias was reduced in this study.[5]

(*footnote continued*)
and business functions for their own and other well-known international retailers and discussed the results. They evaluated I/R and performance measures as well. The latter were compared with secondary data, and all results were discussed afterwards, resulting again in few semantic adaptations. Regarding the offering and centralization elements, we chose five traditional marketing elements for this study (see Pan & Zinkhan, 2006; different from Swoboda & Elsner, 2013, who aimed for a hierarchy in measures) and the three most important centralization elements for strategic decision making (here, no clear guidelines in retailing research exist).

[5] These procedures were applied since others, such as the marker variable technique (Williams, Hartman, & Cavazotte, 2010), are not yet applicable in PLS due to the lack of consistent model fit criteria.

To test the hypotheses, a PLS-based structural equation modelling (SEM) approach was used (Ringle, Wende, & Becker, 2015). We require SEM because we analyze latent variables which are measured using multi-item scales. The PLS-based approach to SEM allows for such analysis despite relatively small sample sizes. Furthemore, the PLS estimator is bootstrapping-based and thus has relaxed assumptions regarding the distributions of standard errors. Therefore it is especially appropriate for mediation models, in which non-symmetric standard errors are likely to occur. However, we are aware of the method's shortcomings, e.g., a lack of appropriate fit measures.

3.4. Results

The descriptive results indicate that the mean values for centralization are similar in close and distant countries (mean value differences for the items range from 0.020 to 0.270, $p > 0.100$), whereas the standardization of retail offers often differs (differences range from 0.220 to 0.400, for significance see Table 3), indicating that retailers adapt more in distant countries. Performance does not significantly differ (differences from 0.210 to 0.310), apart from a significantly higher development of market share in distant countries ($p < 0.050$). To test the hypothesis, we applied a hierarchical procedure: first, the controls; second, the direct effects of I/R on performance; third, indirect-only mediation; and fourth, competitive mediation (see Table 5). To analyze the path of I/R to performance and thus justify mediations of standardization and centralization, we used bootstrapping tests (following the procedure by Preacher & Hayes, 2008) based on the latent variable scores from the PLS estimations in models 4a and 4b (Zhao, Lynch, & Chen, 2010).

The overall quality of the models was satisfactory. The blindfolding procedure was used to assess the Q^2 value, which evaluates the prediction relevance of the model, and the Q^2 values were positive for both country types (close: 0.135, distant: 0.148). The effect sizes and R^2 values (close: 17.6%, distant: 18.7%) were satisfactory. Additionally, the f^2 values, which show the effect sizes of the exogenous variables, were satisfactory (standardization: 0.059 and 0.027 and centralization: 0.047 and 0.070 in close and distant countries, respectively). The control variables were mostly nonsignificant.

We tested our model for possible biases from endogeneity, by checking whether the results change if the two exogenous variables are endogenized by including two antecedents. We used low-cost orientation as an established antecedent of integration (Fan, Zhu, & Nyland, 2012) and mass-market (vs. niche) orientation as an antecedent of responsiveness (following Girod and Rugman's (2005) reasoning of the lower vs. high transferability of general merchandize vs. niche retailers' FSAs). The former significantly determines integration (close: $\beta = 0.417$, $p < 0.001$; distant: $\beta = 0.307$, $p < 0.001$), whereas the latter significantly determines responsiveness (close: $\beta = 0.248$, $p < 0.001$; distant: $\beta = 0.199$, $p < 0.05$). However, none of the effects of I/R on the subsequent variables changed significantly (the highest z-value in specification tests is 0.931, nonsignificant, Hausman, 1978). We carefully conclude that endogeneity did not cause substantial bias in this study.

The effect stability was supported by rival models. In addition to our proposed model with partial mediation (4a and 4b, see Table 5), rival models with an indirect-only mediation (3a and 3b) were tested. Because no common agreement exists on how rival models should be compared in PLS, we considered the adjusted R^2 ($adjR^2$; as the adjustment penalizes the inclusion of unnecessary predictors) and three available fit values to compare the models. For close countries, all of these values supported a preference for the partially moderated model 4a (Model 4a: $adjR^2 = 0.095$, SRMR = 0.78, d-ULS = 1.154, d-G = 0.633; Model 3a: $adjR^2 = 0.082$, SRMR = 0.82, d-ULS = 1.201, d-G = 0.639). For distant countries, the tendency was less clear, but again a slight preference for model 4b emerged (Model 4b: $adjR^2 = 0.108$, SRMR = 0.76, d-ULS = 1.102, d-G = 0.690; Model 3b: $adjR^2 = 0.120$, SRMR = 0.77, d-ULS = 1.117, d-G = 0.690). A further alternative model in distant countries that included only the significant relations was not preferred by any of the values ($adjR^2 = 0.106$, SRMR = 0.80, d-ULS = 1.207, d-G = 0.692). To avoid possible overestimations of the indirect paths and for reasons of comparability, we refer to the proposed partially mediated models 4a and 4b for our hypothesis tests. Furthermore, alternative models were calculated to avoid possible biases from the unbalanced sample. For these models, the cases from Switzerland and Austria were excluded, and no significant differences in the coefficients compared to the full sample were observed (all differences: $p > 0.10$).

Concerning H1, the direct effects of I/R on performance were nonsignificant in all of the models. Integration does not affect performance (close countries: $\beta = 0.144$, $p > 0.10$; distant countries: $\beta = 0.046$, $p > 0.10$) or responsiveness (close countries: $\beta = 0.223$, $p > 0.10$; distant countries: $\beta = 0.109$, $p > 0.10$). The results do not support H1a, as integration does not affect performance more strongly in close vs. distant countries, or H1b, as responsiveness does not affect performance more strongly in distant vs. close countries (t-value = 0.528, $p > 0.10$ and t-value = 0.640, $p > 0.10$; based on a *t*-test for PLS-based coefficients, see Hair, Hult, Ringle, & Sarstedt, 2016, p. 293). Hence, irrespective of distance, firm-specific I/R strategies do not directly affect subsidiary performance.

H2 assumes that the path of integration through standardization to performance is (a) positive in close countries but (b) negative in distant ones. The results support H2a because the path of integration through standardization to performance is positive and marginally significant in close countries ($\beta = 0.043$; $p < 0.10$). H2b is not supported. In distant countries, the path of integration through standardization to performance is nonsignificant ($\beta = 0.074$, $p > 0.10$). Hence, in close countries, integration leads to better performance through the standardization of retail offers.

H3 assumes that the path of responsiveness through adaptation to performance is (a) negative in close countries but (b) positive in distant ones. The results support H3a because the responsiveness-adaptation-performance path is negative in close countries ($\beta = -0.180$; $p < 0.05$). H3b is not supported because the path is nonsignificant in distant countries ($\beta = -0.096$, $p > 0.10$). Hence, in close countries, responsiveness leads to worse performance outcomes through adaptation of retail offers.

The results support both H4a, as the path of integration through centralization to performance is negative and significant in close countries ($\beta = -0.113$; $p < 0.05$), and H4b, as the integration-centralization-performance path is positive and significant in distant countries ($\beta = 0.063$, $p < 0.05$). In summary, in close countries, integration leads to worse performance outcomes through the centralization of decision making, whereas this path leads to better performance outcomes in distant countries.

Finally, the results support H5a: in close countries, the responsiveness-decentralization-performance path is positive and significant ($\beta = 0.100$; $p < 0.05$). The results also support H5b, as the path is negative and significant in distant countries ($\beta = -0.083$, $p < 0.05$). Thus, responsiveness leads to better performance through the decentralization of decision making in close countries but worse performance in distant countries.

4. Discussion and implications

This study contributes to research on international retailing by providing novel insights into successful international strategy-implementation-performance paths and variations of these paths in host countries, which differ regarding the transferability of FSAs. We thus extend the initial findings in extant literature, which already indicate a link of firm-specific international strategy and subsidiary-specific implementation and performance in retailing. We have derived these paths by regarding I/R from the view of FSAs and considering I/R as

Table 5
Results.

Results of PLS models	Close countries								Distant countries							
	Model 1a		*Model 2a*		*Model 3a*		*Model 4a*		*Model 1b*		*Model 2b*		*Model 3b*		*Model 4b*	
	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value
Integration and implementation																
Integration → standardization					0.135	1.708†	0.136	1.694†					0.326	4.389***	0.326	4.381***
Integration → centralization					0.432	4.961***	0.432	4.931***					0.317	3.423***	0.317	3.315***
Responsiveness and implementation																
Responsiveness → standardization					−0.576	9.340***	−0.576	9.137***					−0.377	5.152***	−0.377	5.274***
Responsiveness → centralization					−0.363	4.290***	−0.363	4.294***					−0.245	2.466*	−0.244	2.430*
H1: International strategy and performance																
Integration → performance[1]			0.101	.758ns			0.144	1.191ns			0.182	1.405ns			0.046	.331ns
Responsiveness → performance[2]			0.166	1.238ns			0.223	1.618ns			−0.054	.471ns			0.109	.902ns
Implementation and performance																
Standardization → performance					0.233	1.777†	0.319	2.149*					0.168	1.527ns	0.192	1.428ns
Centralization → performance					−0.279	2.369*	−0.282	2.011*					0.260	2.586**	0.278	2.587**
Controls																
Retail sector	0.056	.568ns	0.053	.529ns	0.049	.492ns	0.064	.644ns	−0.024	.198ns	0.003	.023ns	0.030	.277ns	0.034	.317ns
Country experience (log)	−0.022	.202ns	−0.043	.404ns	−0.019	.173ns	−0.056	.485ns	−0.038	.381ns	−0.029	.286ns	−0.078	.847ns	−0.088	.949ns
Firm size (log)	−0.109	1.043ns	−0.169	1.658†	−0.101	.937ns	−0.165	1.612ns	−0.191	1.743†	−0.128	1.471ns	−0.175	1.512ns	−0.197	1.819†
Geographic scope (log)	0.274	2.639***	0.247	2.251*	0.286	2.786***	0.250	2.247*	0.019	.194ns	−0.037	.366ns	−0.028	.261ns	−0.042	.361ns
Entry mode dummy	0.082	.763ns	0.075	.709ns	0.135	1.303ns	0.130	1.196ns	0.248	2.55*	0.177	1.607ns	0.174	1.805†	0.156	1.349ns
R^2 Performance	8.9%		11.2%		14.6%		17.6%		7.2%		10.5%		18.1%		18.7%	
Standardization					40.6%		40.6						33.4%		33.5%	
Centralization					43.0%		43.0						21.4%		21.4%	

Results of Mediation Analyses	Indirect effects		95% Conf. Interv. Limits[3]			Indirect effects		95% Conf. Interv. Limits[3]		
Path	effect	SE	lower	upper	sig. level	effect	SE	lower	upper	sig. level
H2: Integration-standardization-performance	0.043	0.037	−0.004	0.145	p < 0.10[4]	0.074	0.062	−0.024	0.192	ns
H3: Responsiveness-adaptation-performanmce[5]	−0.180	0.083	−0.366	−0.034	p < 0.05	−0.096	0.051	−0.186	0.019	ns
H4: Integration-centralization-performance	−0.113	0.057	−0.241	−0.015	p < 0.05	0.063	0.045	0.005	0.192	p < 0.05
H5: Responsiveness-decentralization-performance[5]	0.100	0.059	0.007	0.242	p < 0.05	−0.083	0.043	−0.191	−0.017	p < 0.05

Notes: [1]Effects not differently strong between countries: t-value = .528, p > .10 and. [2]t-value = .640, p > 0.10 (Hair et al., 2016, p.293). [3]Bootstrap samples = 5000; test based on 95%-confidence intervals does not yield more detailed *p*-values. [4]Lower limit of 90% confidence interval = .002. [5]Wording for the scales standardization (to adaptation) and centralization (to decentralization) changed for traceability reasons and due to negative effects of responsiveness on both scales.
ns = not significant; SE: Standard error according to bootstrapping procedure.
*** p < 0.001.
** p < 0.01.
* p < 0.05.
† p < 0.10.

predictors of implementation decisions and performance across countries. Our research shows that I/R are still important determinants (despite criticism, see e.g., Devinney et al., 2000) and that analyzing international strategies' paths to performance helps draw clearer performance implications of international strategy (compared to typology-based analyses of I/R or further frameworks). Because our study builds on extant research (Swoboda et al., 2014) and covers only 102 responses on activities in two country groups, we cautiously draw implications for research and conclusions for managers.

4.1. Research implications

A few scholars have elucidated I/R as predictors in causal models (e.g., Grøgaard, 2012; Grein et al., 2001; Qu & Zhang, 2015). The present study complies with those models and follows calls for analyses of the paths of I/R to performance (Haugland, 2010, who criticizes typologies regarding theory and implementation/performance implications). We propose a theoretical foundation for such models (which was missing to date, Lin & Hsieh, 2010a) by applying an internalization theory-based reasoning to address I/R as a strategy relating to the transfer of FSA rather than external pressures (Grøgaard, 2012; Rugman & Verbeke, 1992). Accordingly, we provide insights into retailers' international strategy, which are novel in two regards. First, they enhance extant research by highlighting paths of I/R through local implementation decisions to performance in close and distant countries. In doing so, they disclose that although I/R has no direct effect on performance, indirect performance implications occur via the implementations decisions. Second, our results support the idea that superior paths of I/R to performance vary in close and distant countries due to the limited geographic reach of retailer' FSAs. Subsequently,

major research implications regarding these two major findings are discussed.

To provide a richer discussion, we additionally highlight the notably stable relationships between integration and standardization/centralization (close: $\beta = 0.135$, $p < 0.10$, distant: $\beta = 0.326$, $p < 0.001$; close: $\beta = 0.432$, $p < 0.001$, distant: $\beta = 0.317$, $p < 0.001$) and between responsiveness and standardization/centralization (close: $\beta = -0.576$, $p < 0.001$, distant: $\beta = -0.377$, $p < 0.001$; close: $\beta = -0.363$, $p < 0.001$, distant: $\beta = -0.245$, $p < 0.05$). Retailers who transfer (generate) their FSAs tend to implement standardization/centralization (adaptation/decentralization) as expected.

4.1.1. I/Rs' implications for local performance

Our first major contribution addresses our understanding of the nature of I/Rs' implications for local performance, which remains vague. According to theory, I/R can be successful either through transferring FSAs or by generating host-country-specific FSAs. However, our results show no direct effects of I/R in the models with and without the implementation decisions (models 2 and 4). We discuss three implications in detail.

The results exceed and partly contradict I/R studies, which imply that certain international strategies might be more successful than others (e.g., Swoboda et al., 2014). However, scholars analyze international performance in general. Thus, not surprisingly, it is not the choice of I/R on its own but rather its implementation that drives subsidiaries' performance.

Our results indicate that more is needed than just an alignment between a firm's strategy and its implementation decisions to improve performance for the following reasons (e.g., Ghoshal & Nohria, 1993; Lin & Hsieh, 2010b). The strong links between I/R and standardization/centralization make obvious that retailers seek internal alignment. However, some of the paths of I/R via the apparently well-aligned implementations decisions on performance are negative because, although I/R are not mutually exclusive, the corresponding implementation decisions in a country are. In a subsidiary, only one specific degree of standardization/centralization is realized. Hence, retailers must decide whether to design local implementation in line with either integration or responsiveness. Our partly negative results for the strategy-implementation-performance paths highlight the challenging decisions regarding an appropriate local implementation. We hope that our paths approach can stimulate future research.

Our results have implications for the understanding of I/R as predictors in causal models (see Table 1). Scholars conceptualize I/R as external, host-country-specific pressures and implementation decisions as internal, subsidiary-specific decisions (Grein et al., 2001; Qu & Zhang, 2015). We conceptualize I/R as a firm-specific strategy (retailers realize one international strategy, see Sternquist, 1997; Swoboda et al., 2014) and implementation decisions as subsidiary-specific. Thus, we add to the subsidiary-specific literature and the literature on (mostly) firm-specific typologies by bridging the gap between both levels in analysis.

Successful strategy-implementation-performance paths in close and distant countries Our second major contribution addresses the limited geographic reach of FSAs and how it relates to successful strategy-implementation-performance paths. Because "retail formats do not travel well", retailers' FSAs have a limited geographic reach (Rugman & Girod, 2003, p. 25). We show how the paths of I/R to local performance vary due to this limited geographic reach, and we provide insights into successful I/R paths in countries to which transferring FSAs is less vs. more inhibited. We complement the regionality debate, as we show that the variations in the transferability of FSAs not only occur within or between regions but also may be caused by inter-country distances (Rugman & Verbeke, 2008). Moreover, our results are in line with our reasoning that centralization (standardization) is mostly related to the transfer of FSAs in the know-how (offering) part and of retail format. Depending on whether the FSAs are transferable or need to be newly generated, these two implementation decisions are not equally successful in supporting I/R in different countries. We therefore discuss the paths for success in both types of countries. In advance, we highlight interesting links that were not hypothesized, namely the implementation-performance relationships. In close countries, standardization affects performance positively ($\beta = 0.319$, $p < 0.05$) and centralization negatively ($\beta = -0.282$, $p < 0.05$), whereas in distant countries, the effect of standardization is nonsignificant ($\beta = 0.192$, $p = 0.13$), and the effect of centralization is positive ($\beta = 0.278$, $p < 0.01$). These links are notable because scholars rarely address the important centralization decisions. Furthermore, the links underlie the paths, which are discussed below.

In close countries, two paths are advantageous: integration-standardization-performance and responsiveness-decentralization-performance. The opposite paths are negative: responsiveness-adaptation-performance and integration-centralization-performance. Thus, there are tradeoffs when transferring or generating FSAs abroad. Retailers that focus exclusively on integration (responsiveness) and align their implementation decisions strictly with this strategy—standardization/centralization (adaptation/decentralization)—cannot exhaust their full potential regarding local performance. Instead, integration can positively affect performance only when it is implemented by standardizing retail offers while avoiding too much centralization. By contrast, responsiveness is advantageous only when a retailer decentralizes while avoiding too much adaptation. Both transferring FSAs (integration) and generating FSAs locally (responsiveness) lead to local success only when the strategy is appropriately implemented. Theoretically, this means that transferring FSAs based on the retail offer through standardization appears to be successful, but FSAs in the know-how part of a format should be generated in the subsidiary through decentralization. While the former result is comprehensible, the implication that FSAs in the know-how part do not seem to be transferable into close countries requires discussion. One reason could be that FSAs in the know-how part can be successfully transferred even without high centralization, and thus higher levels of centralization restrict the subsidiary's autonomy more than necessary. Alternatively, although know-how-based FSAs are transferable through centralization, they might not be sufficiently distinctive from those of local competitors.

In distant countries, our results show a superior integration-centralization-performance path and a negative responsiveness-decentralization-performance path. The further paths are nonsignificant. Consequently, in distant countries, a mechanism that fosters the transfer of FSAs through high integration, low responsiveness and central decision making is superior. Focusing on integration rather than responsiveness also leads to positive (albeit nonsignificant) trends in the paths through standardization. Again relating the implementation decisions to different parts of the retail format, our results support the extant literature. They indicate that the know-how part of a retail format remains transferable into more distant countries (Goldman, 2001). Retailers that are endowed with transferable FSAs in the know-how part of their format (and hence pursue integration and centralization) are more successful in distant countries (indicated by Girod & Rugman, 2005). However, since we have not explicitly measured the endowment with FSAs, we call for further research on the geographic reach of FSAs in relation to strategy and implementation.

4.2. Managerial implications

Executives in headquarters know their international strategy and FSAs but may be surprised to realize there is no direct effect of I/R on local performance. Conversely, executives in subsidiaries know local implementation drives performance, particularly in retailing, but may be surprised to realize the firm's strategy affects local implementation and performance. Thus, executives may learn from this study that it is not solely the strategy of transferring/generating FSA but rather the

implementation of I/R that determines success in a country.

Executives may question whether it is superior for local performance to align implementation decisions with the firms' specific international strategy or in light of the local environment. Our results strongly indicate that transferring or generating FSAs through I/R leads to success in a country only when locally appropriate degrees of centralization and adaptation are chosen. For example, despite pursuing responsiveness, adapting retail offers and decentralizing decision making are not always the best options. Instead, tradeoffs between the varying and potentially negative relationships among strategy, implementation, and performance must be recognized.

Of course, we provide results only for groups of close and distant countries representing the dispersion of retail activities abroad, but executives need country-specific information. Therefore, we propose that they first cautiously identify which of their FSAs are transferable and for which of their FSAs transfer is challenging and then determine what degrees of standardization and centralization are most suitable to support the locally successful transfer or generation of FSAs, respectively.

5. Limitations and further research

As previously noted, further research is required to better understand the path of international strategy to performance, as our study is not without limitations. We highlight three issues of this nature.

First, although we devoted special attention to data collection, broadening the database would allow further conclusions. For example, additional countries, subsidiaries, or a broader set of retailers (e.g., differentiating food and non-food retailers, Swoboda et al., 2014) with further origins could be studied in different contexts. The choice of close vs. distant countries facilitates our comparison, but future research may use objective inter-country difference measures. Alternatively, analyzing particular countries is advantageous but challenging, as it is difficult to obtain larger samples of international retailers (the largest survey contains 102 firms, see Evans & Mavondo, 2002). Conducting interviews in foreign entities as well would provide an alternative.

Second, strategy and implementation are complex, and our attempts to adapt the scales to the retail context were intensive but to some extent remained exploratory (e.g., the I/R scales, although alternatives were mentioned). Alternative measures may be applied for the standardization decisions (as no agreement on traditional marketing mix elements exists) and for the measure of centralization. Additionally, more fine-grained measures of different process or business functions might yield more detailed results.

Third, our study is static in nature, whereas international strategy and local implementation change over time (e.g., Jonsson & Foss, 2011), offering room for reciprocal studies. We view I/R as firm specific; however, other scholars may consider varying I/R between subsidiaries (e.g., Meyer & Estrin, 2014). Furthermore, we focused on I/R as the most prominent international strategy framework and two important implementation decisions representing offering and know-how parts of retail formats. Scholars may refer to alternative or extended international strategy frameworks (e.g., the I/R-transactional completeness or the I/R-regionality model, Devinney et al., 2000; Verbeke & Asmussen, 2016) and additional endowments with FSAs (e.g., resources/capabilities, which are not commonly agreed upon in retailing, e.g., Girod & Rugman, 2005). An analysis of further implementation decisions would enhance the scope of possible implications, e.g., mechanisms to support knowledge flows (Jonsson & Foss, 2011), common goals/values (Grøgaard, 2012), or supply-chain processes (Swoboda & Elsner, 2013).

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