New Challenges and Opportunities in the Global Marketplace: Learning from Developed-Country Multinationals' Failures

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Abstract: In this article, we integrate the attention-based view of the firm and the organizational ambidexterity literature to develop a perspective on the effects of unbalanced attention to both domestic and foreign expansion. We utilize the case of British supermarket Tesco's expansions in the UK and USA to demonstrate divestment as an unintended outcome of unbalanced attention to both domestic and foreign markets. We demonstrate how emerging-market multinationals could learn from historical international expansion strategic failures by developed-country multinationals.

Keywords: attention-based view; divestment; expansion; markets; Tesco

Over the past few decades, one of the recurring themes in management literature has been the need for organizational ambidexterity (OA), i.e. the concurrent pursuit of exploitation and exploration activities to achieve sustainable competitive advantage (Lavine 2014). Indeed, some scholars have asserted that such a strategy is essential for firms competing in multiple international markets (see Raisch and Birkinshaw 2008). At the same time, the attention-based view (ABV) of the firm has cautions potential effects of such activities and the unbalanced attention to markets (see Ocasio 1997). That is the scenario where paying too much attention to activities in a new market may take away some attention and resources from existing markets.

The ambidexterity and ABV concepts have largely been treated in isolation despite clear potential benefits of cross-fertilization. The existing literature has failed to adequately explore the possible linkages and potential integration of the two concepts. Although organizational expansion, exploitation and exploration activities entail the allocation of time and resources to more than one competitive arena, e.g. home and overseas markets (Jones and Coviello 2005), scholars have surprisingly devoted little attention to how unbalanced attention and resource allocation to both domestic and international expansion could potentially lead to competitive disadvantage or in the worst case scenario business failure.

Although attention allocation is not new to strategy and management scholars (Simon 1947), it remains unclear how unbalanced attention to two or multiple markets can play a role leading to divestment or business failure. Divestment may be prompted by poor performance of a subsidiary (Boddewyn 1979). This means that transnational corporations would consider divestment when a subsidiary continuously posts financial losses. It is not uncommon for huge financial investments in a new market to drain financial resources from existing markets. Declining financial capital for the subsidiary or the group gives firms the incentive to divest (Nyuur et al. 2017). These financial losses could be due to attention deficits or poor understanding of the markets concerned. It could also be as a result of poor strategic fit.

Indeed, firms are likely to divest foreign operations when they observe incongruent strategic directions leading to difficult coordination between headquarters and subsidiaries (Boddewyn 1979). These often cause misallocation and misapplication of corporate resources and create strategic overlaps (Capron, Mitchell, and Swaminathan 2001). When entry into a new international market continue to drain firm resources without the necessary short- to long-term returns divestment becomes a strategic option for firms.

The primary purpose of this article is to examine how unbalanced attention and resource allocation to both domestic and international expansion could lead to divestment or business exit. Specifically, we examine how environmental and management-related factors interact to create conditions for unbalanced attention and resource allocation leading to divestment. While early international business research concentrated on investments by developed-country MNEs into other countries (Aharoni, Tihanyi, and Connelly 2011), emerging market multinational enterprises (EMMNEs) are increasingly finding international opportunities in developed countries. Based on this, we demonstrate how EMMNEs could learn from developed country multinationals to improve their resilience and survivability. In developing the arguments, it is contended that expansion into multiple markets could lead to unbalanced attention and resource deployment leading to overall underperformance of both the focal and other market(s). Such a situation could, inadvertently, result in the neglect of existing markets (Amankwah-Amoah 2014; 2016).

To illustrate the theoretical analysis, we examine the expansion of British supermarket Tesco in both the UK and US markets. We selected this case partly because it provides unique insights into the processes and outcomes of the expansion of the operations of MNEs. We also examine how the firm-level and environmental factors eventually contributed to divestment from the US market. In attempting to resolve this theoretical deficit, we integrate insights from the dynamic capabilities perspectives (Teece, Pisano and Shuen 1997), the ABV of the firm (Barnett 2008) and OA (Tushman and O’Reilly 1996) to develop a perspective of how unbalanced attention and resource allocation to both domestic and international expansion could lead to underperformance.

We present our arguments in four sections. First, we provide a brief review of the literature on the ABV and OA. Second, we discuss the research methodology. Third, we utilize the cautionary tale of expansion by Tesco in the both the UK and US markets to illustrate the theoretical analysis. Finally, we set out the implications of the analysis for theory and practice.

An ABV and OA: A conceptual integration

Our arguments are grounded in the ABV, dynamic capabilities and OA literatures. Following Ocasio (1997, 189) we define organizational attention as “the noticing, encoding, interpreting, and focusing of time and effort by organizational decision-makers.” Attention is viewed as a scarce strategic resource that can be deployed to attend to events and develop solutions (Hilgartner and Bosk 1988). However, organizational attention is dispersed across decision-makers within the firm’s context and activities (Hoffman and Ocasio 2001). Anchored within the attention-based perspective (ABP) is the principle of selective attention which contends that firms and industries “will selectively attend to some external events while ignoring others” (Hoffman and Ocasio 2001, 415; Ocasio 2001). Existing theories of international business can be advanced by integrating choices made by decision makers with bounded rationality (Aharoni et al. 2011). It has been suggested that decision-makers’ ability to act is often constrained by limited information processing capacity and information overload, which leads to some changes in the external environment going unheeded (see Barnett 2008).

Prior research has demonstrated that divided attention is more likely to result in limited and inadequate attention to opportunities in two or more markets (see Hoffman and Ocasio 2001). Under conditions of expansion into multiple markets and arenas, some events may attract the full attention of top executives, whereas others may go unheeded (McMullen, Shepherd and Patzelt 2009; Hoffman and Ocasio 2001). Managers may also be blind-sighted to market(s) as a result of inadequate attention. Strategic decision-makers may consequently and inadvertently end up ignoring pertinent national or cultural differences that could eventually lead to business exit (McMullen et al. 2009). Inadequate attention to each market may stem from the firm overstretching its competences and capabilities into new geographical spheres where it had limited knowledge and expertise (see Ocasio 1997). National cultural differences influence the management process necessary for organizational success. Managers can use cultural profiles to understand the motivations of consumers in a given country. A supermarket, for example, needs to conduct adequate research about the culture and shopping habits in a country in order to be successful (Deresky 2014).

A stream of research has also indicated that cross-cultural misunderstanding is likely to stem from inadequate attention that could hamper resource allocation (Cavusgil, Knight and Riesenberger 2012). In essence, motivations and expectations may be misconstrued. This could lead incongruent marketing and merchandising efforts. Such misallocation of financial resources could lead to operations at home suffering from attention deficits because executives, inadvertently, focus on foreign growth and new market expansion. Therefore, the pursuits of both domestic and foreign expansion require a high level of expertise to achieve the right balance (see Amankwah-Amoah and Debrah 2017; Ocasio and Joseph 2005). This requires in-depth understanding of how cultural differences could influence consumer motivations and expectations.

One relevant theoretical lens is the dynamic capabilities perspective. By dynamic capabilities, we are referring to "the capacity of an organization to purposefully extend, create, or modify its resource base" (Helfat et al. 2007, 1). Dynamic capabilities also relates to the capacity to adapt through well-developed internal knowledge transmission, socialization and motivational mechanisms (Gooderham 2007). To an extent, dynamic capabilities can be viewed as a firm's ability to develop and manage a network of value chain activities in different markets and locations (Prange and Verdier 2011).

It has been suggested that a firm's ability to compete and succeed in a foreign market is predicated on its ability to acquire and utilize market knowledge (Osabutey, Williams and Debrah 2014; Sapienza et al. 2006). Thus, dynamic capabilities can equip firms with knowledge making the firms resilient. By resilient, we are referring to firms' ability to design robust systems to learn and withstand environmental upheavals, setback and failure in new markets (Lengnick-Hall, Beck and Lengnick-Hall 2011). Becoming a resilient organization requires strategic responses to changes in the business environment (Hamel and Valikangas 2003).

Following Gibson and Birkinshaw (2004, 375) we define OA as "an organization's ability to be aligned and efficient in its management of today's business demands while simultaneously being adaptive to changes in the environment." Partly rooted in the notion of ambidexterity is that internationalization entails the ability to concurrently explore and exploit markets to deliver sustainable competitiveness at home and abroad (He and Wong 2004). A central tenet of this theory is that an ambidextrous firm should be able to engage, competitively, in both exploitation and exploration activities in multiple markets (Amankwah-Amoah, Chen, Wang and Khan, 2019; Cao, Gedajlovic and Zhang 2009). Although there are competing demands for firms to spread risks, increase market share and tap into opportunities in foreign markets, there is also a need to ensure that such expansions do not divert attention from domestic operations. Poorly strategized and/or implemented international expansion is likely to weaken competitive position at home (see Duhaime and Grant 1984). It is worth noting that deployment of resources and capabilities to domestic and international operations are often inextricably linked to outcomes. Failure in one arena can have devastating effects on the other.

Insert Figure 1 about here

The crux of our arguments is that expansion entails resource deployment and attention allocation to both the home and host countries. Inability to strike the right balance is more likely to affect the business as a whole, ultimately, contributing to divestment or exit from the market. Figure

1 demonstrates the concurrent pursuit of domestic and foreign expansions and the possible effects for firms. We seek to fill this gap in the literature by using the contrasting cases of Tesco's expansion in the UK and the USA.

RESEARCH METHOD

We adopted a historical approach which has been found to be particularly effective when exploring such complex international business activities that have transcended past periods with antecedents that have effects on present and future activities (Kotabe and Kothari 2016). The study relies on archival records which refer to "documents made or received and accumulated by a person or organization in the course of the conduct of affairs and preserved because of their continuing value" (Ellis 1993, p. 2). Indeed, archival data often represents a "critical and under-utilized research resource" which can be utilized by researchers to develop and advance a perspective on past events (Forbes and Kirsch 2011, 589). The primary aim of this study was to develop a new perspective on the subject rather than test theory and, as such, a single case firm was considered suitable for producing a deep and rich understanding (Eisenhardt and Graebner 2007). The case of Tesco's expansion provides an opportunity to examine the firm's strategy, decisions and processes.

Following Augier, March and Marshall (2015), a range of sources were utilized to help establish the evolution of the firm's expansion, attention and resource deployments, motives and consequences. The present research draws mainly from detailed examination of Tesco's PLC's Annual Report from 2007–2013, websites and statements. In addition, we examined historical data, such as the press releases, investors' reports, online databases, newspaper reports and statements made by top executives including the CEO. To identify additional information, we employed the names "Tesco" and "Fresh and Easy" to search major databases including Informs, Business Source Complete, Sage, Wiley, Springer, Emerald, ScienceDirect and JSTOR. This search identified a number of relevant materials that were analyzed by the authors. These approaches helped to develop a chronology of the firm's investments, motives and outcomes. We glean evidence from the archival data by employing the content analyses processes of data reduction, data display, and drawing and verifying conclusions (Miles and Huberman 1994). We identify key historical themes and factors that contributed toward the divestment. Below, we present these findings.

A HISTORICAL OVERVIEW OF TESCO'S EXPANSIONS

Historically, Tesco had accumulated a substantial loyal customer base at home, in Britain. This served as a springboard to expand across the globe. One of the distinctive sources of its competitive advantage has been its adoption of a range of formats, including Superstores and Tesco Express. In recent decades, the retailer has been able to achieve UK dominance building its market share from around 20% in 1997 to 30% in 2011. Since the late 1990s, Tesco had also overtaken Sainsbury's as the UK's leading supermarket by jettisoning its traditional base and diversifying its portfolio of activities (*The Economist* 2005b). Buoyed by unparalleled success at home, from the mid-1990s, the firm stepped up its quest to become a dominant player in the global industry and expanded into countries such as Turkey and Poland. Although Tesco initially expanded into geographically close markets such as Ireland and France by acquiring stakes in firms, such as the Three Guys chain in 1979 and Catteau in 1992, it has since expanded its geographical scope to multiple countries in Europe and Asia (Palmer 2005). Since the 1990s, the supermarket has also diversified its offerings to include clothing, telecommunications and financial services. In addition, it began to utilize own-branded ranges such as "Tesco Finest" and "Tesco Value" to offer comparatively low-priced products to consumers (Nenycz-Thiel and Romaniuk 2012).

The dominance of the 'Big Four' UK supermarkets (Tesco, Sainsbury's, Asda and Morrison's), together representing roughly 75% market share, led to the Competition Commission's probe (Competition Commission 2008). However, the probe uncovered that there was intense competition and a wider range of products that had contributed to around a 7% decline in food prices in real terms from 2000 to 2007 (Competition Commission 2008). This depicts increasing hyper competition at home. At this point, Tesco had emerged as one of the largest retailers in the world with global operations spanning multiple countries. Consequently, Tesco was, appreciably, diversifying product range and competing on multiple fronts at home and, at the same time, expanding internationally. Such a strategic expansion requires attention to multiple issues and geographical locations. To succeed, Tesco needed to possess the dynamic capabilities to exploit and explore the opportunities whilst dealing concurrently with emerging challenges both at home and abroad.

The dominance of Tesco in the UK market encouraged the decision to expand into the US market. At the time of entering the US market with the Fresh & Easy stores in 2007, Tesco was Britain's biggest supermarket and the third largest in the world (Smith 2007). As *The Economist* (2005a, 54–55) puts it, “When retailers achieve a dominant position at home the appeal of growing overseas can seem strong”. Some observers also believed that Britain's largest supermarket chain would bring about a revolution in the way Americans shop and eat. As such, it was also projected by TNS Retail Forward, a Columbus, OH-based consulting firm that Tesco could become a $4 billion firm in the USA with an estimated 500 stores and projected sales of around $10 billion by 2015 (Food Logistics 2007). However, this failed to materialize. We explicate some of the underpinning factors below.

Tesco in the USA: The evolution of Fresh & Easy

One of the motives for the expansion of Tesco into the USA was the firm’s desire to compete profitably alongside traditional hyper-marketers, such as Walmart and Costco, in their own territory (Lofstock 2013). After a period of deliberation, the firm decided to enter the market and proclaimed that it was ready to compete (Smith 2007). Arguably, Tesco assumed that its demonstrably OA and related dynamic capabilities that have resulted in success in Europe and Asia could be duplicated elsewhere. Perhaps, Tesco assumed too much similarity between the UK and US markets. Despite its relative success at home, there were doubts about its ability to break the stranglehold of global giants such as Walmart and Target in the market. *The Economist* (2007a, 77–79) described the attempt as an “audacious bid to change the way America shops and eats” and a “closely watched experiment in global retailing.” Prior to entry, Tesco’s CEO, Sir Terry Leahy was reportedly noted as saying:

> “Clearly it's high risk … But we've carefully balanced the risk. If it fails it's embarrassing. It might show up in my career [and] it'll cost an amount of money that's easily affordable by Tesco—call it £1 billion if you like” (Cited in *The Economist* 2007a, 77–79).

To address the local knowledge deficit and develop a robust entry strategy, the firm sent some executives to stay with American families, observing their shopping and eating habits. In an effort to learn from the failed venture of other British firms in this market, the firm also assembled managerial and technical expertise and even “built a clandestine store inside a California warehouse to test the reactions of selected people” (Smith 2007, nd). This was some kind of environmental scanning without alerting potential rivals to the details of its strategy. Prior to entering the US market, the firm spent a considerable amount of time and money on identifying locations for its stores, and acquiring information and knowledge on aspects of American life (Smith 2007). *The Economist* (2007a, 77–79) put it this way at the time:

> “Tesco is anxious not to tip its hand to competitors. When it tested the layout of a mock store in Santa Monica, it did so hidden from view in a warehouse. It stocked the shelves with food shipped in from America's East Coast and people were told it was just a film set. The secrecy and the speed with which Tesco is expected to open its new stores points to the risks.”

All these activities, in tandem with competitors’ analysis, were geared towards ensuring a successful launch and entry into the retail sector. The executives sought to capitalize on the opportunities inherent in one of the largest and fastest-growing retail markets at the time. This approach was not new: In 2003, the firm embedded research teams within Japanese families to observe their purchasing and consumption behavior prior to acquiring the Japanese C Two chain

(Palmer 2005). In spite of the fierce criticism by sceptics, that the strategy to enter the USA was not well grounded (*The Economist* 2007b), the firm had confidence in the “experiments” that started in Phoenix, Arizona and then expanded to other cities including Las Vegas, San Diego and Los Angeles. The first opening in Arizona was followed by new stores in other cities with 100 sites at an estimated cost of around £250m a year ($500m) campaign.

Arguably, the main challenge confronting the firm at the outset was how best to attract and retain customers given the intense competitive landscape. A unique feature of the business model was its focus on a convenience platform to reach a large segment of the population that had historically been overlooked by the big players. The network of neighborhood convenience stores format was seen as an attempt to present something distinctive to the US consumer and, thereby, enable the firm to gain a competitive edge (Lowe and Wrigley 2009). Here it was evident that executives had assumed too many similarities between buying habits of US and UK customers.

After a period of struggle to gain a foothold in the market, Tesco eventually reached a deal to sell Fresh & Easy to a US-based private investment firm, Yucaipa Cos. On 26 November 2013, the firm completed the sale of Fresh & Easy to Yucaipa Companies LLC at a cost to Tesco of £150 million (around $235 million) to allow the investor to take on the US liabilities of the firm, bringing to an end its venture into the US market (Gordon 2013, B3). In announcing the closure, Philip Clarke, the then CEO of Tesco, noted that the decision was the best outcome for the stakeholders of both Tesco and Fresh & Easy. He added: “It offers us an orderly and efficient exit from the US market, while protecting the jobs of more than 4,000 colleagues” (Tesco 2013b, nd).

The sale paved the way for Yucaipa to inherit Fresh & Easy’s 4,000 employees in 150 stores and its distribution and production network (Tesco 2013a). The abandonment occurred after the top executives concluded that the firm was no longer willing to deploy additional financial resources to the failed venture. In justifying the closure, Philip Clarke reportedly noted: “When you can’t see a return in a reasonable timeframe, you call an end to it and move your energy elsewhere (Cited in Werdigier 2013, B4).

The USA exit has happened against the backdrop of similar failures by British firms; Sainsbury's supermarket exited the same market in 2004, and Marks & Spencer acquired Brooks Brothers in 1988 and sold it in 2001 for less than a third of what it paid (Smith 2007; Osborne 2001). Table 1 summaries key features in the evolution of Fresh & Easy. In the light of these observations, we delineate the other environmental and organizational forces that contributed to the exit.

Insert Table 1 about here

Overview of the surface and deep cultures

Studies by Gupta et al. (2002) suggested investing in countries within a cultural cluster was likely to be more successful given the cultural similarities between countries such as the UK and the USA. However, there remain subtle differences often not captured by the study of cultural dimension. The differences between the two national cultures played a pivotal role in deciding the fate of Fresh & Easy. The overwhelming emphasis on "surface culture" rather than "deep culture" as a basis for strategy formulation and decision contributed to the exit. A number of factors help illustrate this line of thinking. At the time of entry, it was well established that whilst the own-labels concept was relatively successful in the UK market, US consumers tended to be brand oriented and regarded "own labels as inferior products" (MacLaurin 1999, 107). Nevertheless, Tesco adopted an own-labels approach in seeking to attract some customers. This oversight appeared to have allowed complacency to infuse into the strategic formulation phase. The firm's low-cost approach and own-brand labels proved difficult to sell to consumers' partly due to consumers' association of own-brand labels with poor-quality products. Another unusual model to the American consumers was the use of "only self-checkouts" in the stores (Morris 2013). The Fresh & Easy model of convenience stores was “based on the company’s Tesco Express or Metro stores in Britain, though with a local twist that Tesco prides itself on using in international markets” (Smith 2007, nd). The building of convenience stores followed the successful model in the UK that offers products such as fresh produce, grab-and-go drinks and prepared meals, bringing small convenience stores to neighborhoods in the USA (Martin 2008). This was a shift from the traditional model which emphasized building superstores. It also enabled the firm to distinguish its offering from the established rival firms in the market.

At the outset, the company sought to fill a gap in the US market by seeking to provide affordable food services to consumers. The company was seeking to offer “smaller-scale but still offer full-service alternatives to full-size supermarkets” (NFNM 2011, 6). However, the Fresh & Easy stores’ adoption of a convenience-focused format was seen as “representing a significant threat to the U.S. food retailing industry as the concept offers smaller stores, easy access, more ready meals and ‘grab-and-go’ items” (*Food Logistics* 2007, 100). This was surprising given that American consumers have traditionally been helped by store assistants with bagging (Morris 2013). Consequently, the concept of convenience and fresh produce failed to appeal to the US consumer (Gordon 2013). Tesco’s deviation also required a fundamental shift in consumers’ attitude and willingness to accept the new model. The dominance and success at home appeared to have blind-sighted decision-makers to these differences. The quote below summarizes the key issue:

> “Unlike the world of clothing, where a global consumer culture has created global brands such as Zara, Gap and H&M each with thousands of stores across the world, the internationalization of grocery retailing is constrained by the way that food tastes and shopping habits differ vastly from country to country” (The Economist 2007a, 77–79).

Adaptation to environmental conditions and events

One of the problems of Tesco entry into the USA can be traced to the sudden change in the economic conditions surrounding the firm's decision in 2006 to establish the store in 2007. The global recession that followed altered the economic landscape and costumer purchasing power. The venture was viewed as a "step-change in both scale and risk profile of its international expansion" (Lowe and Wrigley 2009, 332). The sub-prime crisis deeply affected the business, leading to falling demand and declining living standards (Lowe 2013). This unforeseen external factor altered the competitive landscape and created conditions which made it extremely difficult for the firm to succeed. This exogenous force ushered in a new economic environment that altered the dominant logic at the time of entry that the economic growth in the USA and beyond was likely to bring success to the firm. Although it is routinely claimed that market research is more likely to improve a firm's chances of success, such sudden changes within an operating business environment are difficult to predict and made failure more likely. In 2009, Sir Terry Leahy, the then Tesco CEO, recognized the effects of the recession in the USA on the firm's operations and poor timing of its entry strategy. In the annual report, the firm noted that: "The economic environment into which we originally launched the business has markedly changed" (Tesco 2009, 11).

The firm at this stage appeared to have identified the recession as a major external variable that contributed to the sub-performance and its inability to gain a foothold in the US market. Indeed, they previously endorsed the current course of action and may have become increasingly reluctant to acknowledge to shareholders that the strategy had failed. The firm made various attempts to deploy additional financial resources to strengthen its market position. By late 2010, there was urgent need to integrate and improve operational efficiency of the subsidiary. In 2011, Tesco's annual report attributed part of the loss-making operations to:

> "…the initial costs of integrating our two dedicated fresh food suppliers, 2 Sisters and Wild Rocket Foods, and exchange rate movements. These businesses have now been fully

> integrated with our existing kitchen operations, with substantially improved financial performance, product quality and service levels" (Tesco 2011, 25).

By 2012, it became increasingly clear that amidst calls within and outside the organization to de-escalate its commitment to this failing course of action, Tesco announced a decision to undertake a strategic review. In announcing the strategic review of Fresh & Easy in December 2012, the CEO, Philip Clarke, noted:

> "We're considering all options for the business, but it's likely that the review will lead to Tesco exiting the US market … when Tesco announced plans to open a business on the west coast of the US in 2006, the global economy was flying; not even the brightest economists in the world could foresee the unprecedented crisis in the markets about to engulf the world" (Clarke 2012, nd).

The European retail model

Tesco adopted the European retail model where consumers tend to make more frequent trips to food stores. This was in contrast to the situation in the USA where consumers tend to visit less frequently but rather prefer bigger trips (Lowe 2013). In 2011, some of the problems uncovered with the business model in the USA included "confusion among consumers about the points of competition, the stocking of Tesco store brands in place of U.S. national brands, and the use of refrigerated ready-to-eat meals instead of the frozen ones Americans are more used to" (NFNM 2011, 6). These, in tandem with competitive pressures from "everyday low prices" from Walmart and other grocery retailers, made it difficult for the firm to succeed. The adoption of the innovative approach by Tesco triggered a range of strategic responses from the existing firms. Indeed, as a pre-emptive response to Tesco's entry, Ralphs, a chain owned by Kroger, opened a new store in Irvine, California to try to tap opportunities inherent in the "convenient format" (*The Economist* 2007b). Indeed:

> "Competition in the region stepped up in reaction to Tesco's arrival. Walmart hired David Wild, a former Tesco executive, to help it counter the British invasion. Aldi, the German discounter, announced plans to open stores in California, Fresh & Easy's heartland" (Butler 2012, nd).

In the succeeding years after the entry, the firm began to experience a sharp decline and entrenched high cost base affecting its ability to achieve profit. Although the firm shrunk the trading losses by 18% in the financial year 2011/2012 (Tesco 2012), this was not adequately significant to change its fortunes. By the time of exit from the US, the firm's market share at home had shrunk and sales growth was comparably much lower than what it was before entry into the USA and relative to rival firms at home. The announcement reflected the declining market conditions and the firm's inability to generate a quick turnaround.

Insert Figure 2 about here

Although "Tesco cannot be accused of poor preparation" (Butler 2012, nd), the company "grossly" misjudged US consumer habits, contributing to the eventual exit from the market (Werdigier 2013). Notwithstanding these, the firm's ability to achieve success was constrained by other external factors. One of the most prominent and unintended outcomes of the expansion was the limited attention to the domestic market. As the firm expanded and devoted attention to the US and other domains, rival firms such as Sainsbury plc and Morrison's Supermarkets adopted extensive growth strategies in the UK resulting in gaining market share from Tesco. Sainsbury's, in particular, was relatively successful in winning customers from the firm. At the time of exit in 2013, the firm had seen its market share decline to 30.2% from 30.9% in the previous year. This was partly attributed to increasing competition from rivals at home and limited attention to domestic operations over a number of years (*The Week* 2013). In announcing the exit from the USA, the firm committed itself to expand and develop its operations in the UK. Based on the above analysis, Figure 2 depicts the process and stages in striking the right balance to deliver international success.

DISCUSSION AND CONCLUSION

The article sought to examine how unbalanced attention and resource allocations to both domestic and international expansion could lead to divestment or business exit. We developed an ABP of expansion to shed light on how a firm's inability to devote a balanced attention to both foreign and domestic expansion can lead to divestment and overall negative effects on its operations. We then employed the illustrative case of Tesco's expansion in the US and the UK to illustrate the theoretical analysis. The case demonstrates the supermarket's quest to simultaneously introduce innovative approaches to shopping to American consumers, whilst at the same time reducing attention to maintain strength at home.

There are two dimensions to our findings. The first set of findings relates to the approaches taken and the decisions taken within the firm. These include the store format, locations of the stores and high upfront cost, which made it difficult to sustain long-term losses. These decisions were influenced by a misunderstanding of cultural differences by misconstruing 'surface culture' and 'deep culture' in countries that are culturally similar. The second set of the findings suggested that a host of environmental factors, such as the recession, sudden changes in the economic climate and competitive responses by rival firms, made it difficult for the firm to succeed in the US market.

Our analyses indicate that Fresh & Easy accumulated losses to the point that Tesco was no longer able to sustain the resource requirements to give it the chance of success in the US market. The venture in the USA drained the resources of the firms and deflected attention from the urgent need for reform and further expansions on the domestic front. Tesco's exit from the USA is not uncommon as many global companies are increasingly exploring divestment as a means of ensuring efficient utilization and deployment of their limited resources (Mankins, Harding and Weddigen 2008).

Our study makes at least two contributions to the literature. First, we integrate insights from the ABV of the firm (Barnett 2008; Ocasio 1997) and OA (Tushman and O'Reilly 1996) to develop the concept of an ABV of expansion. Second, our conceptualization of the literature and findings lend support to the contention that an expansion into foreign markets has the potential to impact negatively on domestic operations, if managers deploy more resources and attention towards a venture which does not succeed. These findings broadly lend support to the general assertion that unbalanced attention to two key markets may lead to suboptimal performance (see Hoffman and Ocasio 2001). Our study echoes the well-developed notion in strategy that unique resources and attention are essential in achieving sustainable competitive advantage (Barney 1991). We also use Tesco as a case to illustrate the notion that the theoretical tripod comprised of OA, dynamic capabilities and ABV must coexist to produce successful concurrent domestic and international expansion.

Our study offers some useful practical implications. First, our findings stress the importance of understanding ‘deep culture’ rather than ‘surface culture’ as the basis for strategy formulation. The perceived similarities of the two national cultures may have resulted in misjudging consumer preferences and made managers complacent with respect to their understanding of ‘surface culture.’ Consequently, the unique aspects of the ‘deep culture’ were overlooked. In addition, our findings provide evidence of the need for EMNEs to view divestments not as failures but rather an orchestrated attempt to review a firm’s operations and to ensure efficient utilization and deployment of existing resources. In a sense, it is a strategic realignment of organizational resources. Such steps often become necessary when a unit continually drains resources from other units to the extent that it affects resource allocation to the business group as a whole. In addition, EMNEs could appreciate the challenges involved in international expansion and the need to develop the required dynamic capabilities that would be able to appreciate how cultural differences and other external environmental changes can influence international business success. EMNEs can also learn that the pursuit of international expansion must be supported by stronger market position at home and that internationalization must seek to balance the attention to domestic growth at the same time.

Despite our contribution to the ABV and ambidexterity literature, the findings could be made more robust if some of the limitations of the study are considered. First, our study is based on a single case of a large MNE based in UK. Accordingly, we could not explore whether such experiences differ across markets. We also offer little insight on how country-of-origin could have implications for the decision-making processes. Future research should involve multi-country cases to elicit new perspectives. A multi-sector studies could also reveal newer insights. In particular, studies that shed light on how this phenomenon is at play with respect to EMNEs could shed light on if emerging firms are developing the dynamic capabilities required for such international expansions. Additionally, there is a need to broaden the scope of the conceptual model to incorporate more possible factors than have been included here.

The findings suggest a number of other promising avenues for future research. One might examine, for instance, whether divestments are more or less likely to occur in countries that are culturally and socially similar. Our analysis relied solely on secondary data; it might be very useful for future studies to use in-depth qualitative or quantitative firm-level data to help enrich our understanding of the subject. Last, future research could examine whether firms that persist in such markets in the face of poor performance are eventually able to generate a turnaround.

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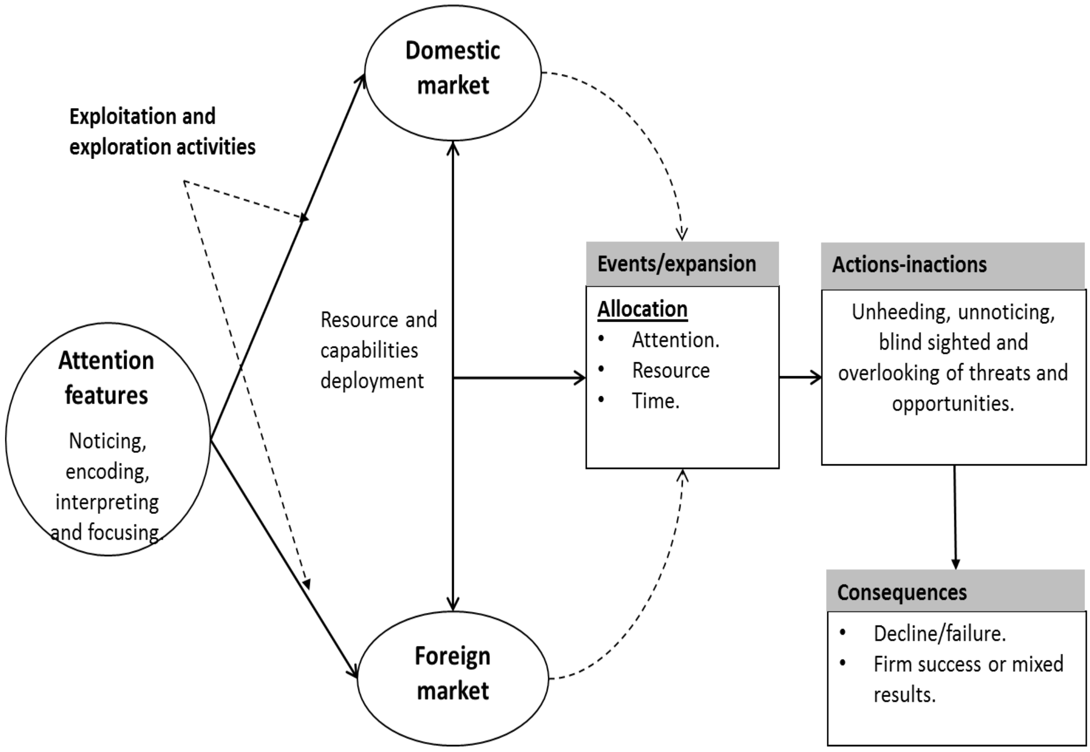

FIGURE 1. A process model of ambidexterity in expansion

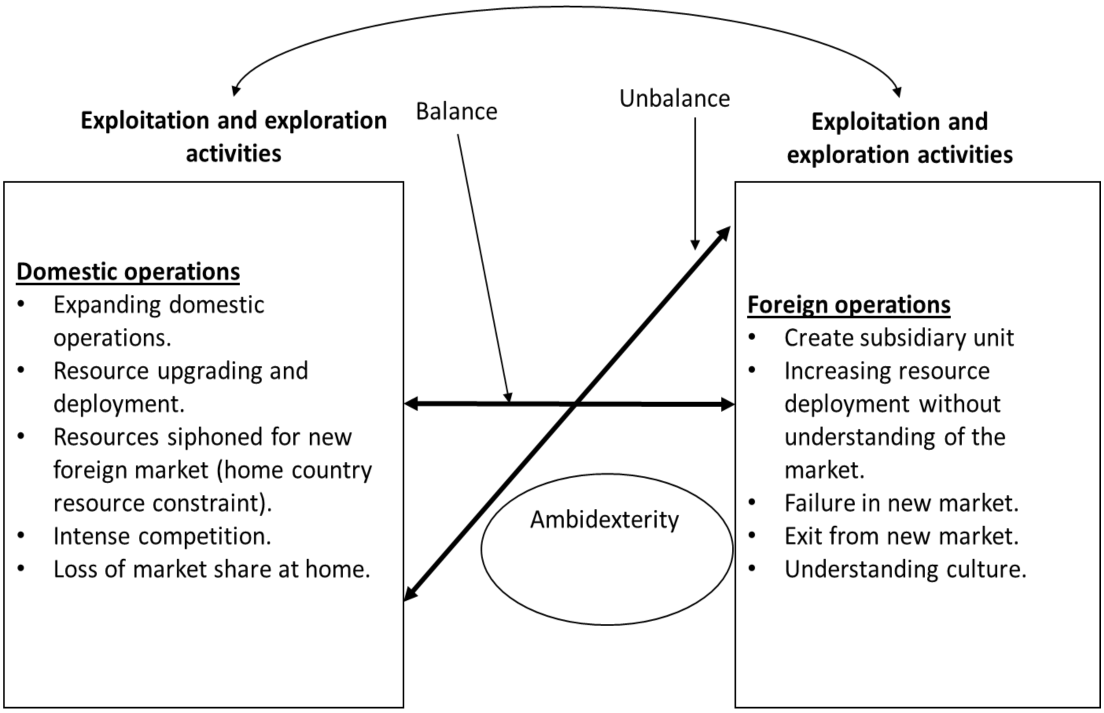

FIGURE 2. The effects of inability to achieve ambidexterity in expansion

TABLE 1

Key events in Tesco's expansion and exit from the US Market

Year	Key events
2006	• February - Tesco announce strategic move to enter the US retail market. • Top management confident of success and overcoming initial constraints.
2007	• November 2007 - Tesco opens first Fresh & Easy stores. • Tesco opens 60 stores in first five months and 150 by the end of 2007. • Intense competition and strategic response by rival firms.
2008	• Global economic recession and its effects on the firm's operations. • March 2008 – Board holds meeting in the USA to evaluate operating business environment.
2009	• The firm made a loss of £142m. • June 2009 – Tesco heavily criticized over policy of employing only part-time workers and resistance to unions. • CEO, Sir Terry Leahy, recognize effects of recession on operations and poor timing of entry. • Tesco report opening 115 stores.
2010	• Tesco establish 145 Fresh & Easy stores by end of financial year 2009/10. • CEO, Terry Leahy, announced intention to leave company in 2011.
2011	• Losses of company rose to £186m. • Firm had 175 outlets and suffered loss of around $900 million to date. • Firm expanded store offerings from 3,500 to 5,000 products. • New CEO, Philip Clarke, project profitability in 2013. • Firm intensify advertising campaigns and in-store bakeries in some locations. • March 2011 - new stores opened in Northern California. • Firm report deal to allow employees to work at least 20 hours per week and also support healthcare coverage.

2012	• Firm admit failure in the US market and began taking steps to divest. • January 2012 - weak local economy and shrinking demand prompted temporary closure of 12 stores in Arizona, California and Nevada. • April 2012 - closures and efficiencies help to reduce operating losses to £153m. • December 2012 - new CEO, Philip Clarke, announce review of US chain stating that ‘all options were under consideration’. • The Loyalty scheme – Friends of Fresh & Easy – launched and accumulate two-thirds of a million active members. • Firm reduce trading losses by 18% for the first time and declare intentions to make changes to make Fresh & Easy profitable. • Total sales grew by 27%.
2013	• Tesco invested around $2 billion into venture. • Cost of venture was £1.2bn. • Tesco reach agreement with Yucaipa Cos. private investment firm; to sell Fresh & Easy.

Data sources: synthesized by the authors from: Tesco 2008- 2012; 2013; NFNM 2011; MMR 2013; Lofstock 2013; Gordon 2013; Lowe 2013; Morris 2013.