

A Constructivist Approach to the Trans-nationalization Process of the Retail Business Model:
The Case of a Japanese Global Retailer in China

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ABSTRACT

【The purpose of the paper】 : The purpose is to apply a constructivist approach to the trans-nationalization process of the retail business model and to explain how the business model of global retailers evolves through interaction with relevant actors in the host country.

【Research background】 : Retail internationalization studies have already pointed out that global retailers must pay attention to the existence of different kinds of embeddedness in unfamiliar foreign context. We applied extended ARA (activity links, resource ties, actor bonds and schemas) model to operationalize the embeddedness.

【Methods】 : We conduct a qualitative longitudinal case study on a Japanese global retailer and its relevant actors in Chinese local market. The empirical materials are gathered through semi-structured interviews and non-participant observations in fieldwork from 2014 to 2016, alongside secondary materials. Interviewees have been working at the Japanese global retailer since it was established, which enable us to access to information of its prior years.

【Main contribution of the paper】 : There are three contributions of this paper. First, we operationalized the embeddedness effects in terms of applying the extended ARA model in empirical setting. Second, we found a recursive pattern of trans-nationalization process including the discrepancies of generic-subjectivity of network community, intra-subjectivity of network picture, inter-subjectivity from network becoming. Third, we identified the transformation phenomena of community after the generic-subjectivity emerged.

KEYWORDS: Extended ARA model, Subjectivity, Network picture, Network becoming, Network community

Work in progress paper

INTRODUCTION

The purpose of this study is to apply a constructivist approach to the trans-nationalization process of the retail business model and to explain how the business model of a Japanese global retailer has evolved through interaction with relevant actors in the context of local market in China. We insist on the usefulness of a constructivist approach to elucidate the effects of embeddedness phenomena on trans-nationalization process of the retail business model.

The structure of the paper is as follows: in the first section, we will examine prior retail trans-nationalization studies based on embeddedness account and discuss its contributions to explicating the trans-nationalization process. In the second section, the discussion shifts to the application of IMP tradition to business model research. This section looks at the role of the extended ARA model applied as the constructivist view of retail business. The third section explains our research methods, cases sampling, and data collection. The fourth section describes the trans-nationalization process of a Japanese global retailer Y. Finally, we conclude a recursive pattern of trans-nationalization process including the discrepancies of generic-subjectivity of network community, intra-subjectivity of network picture, inter-subjectivity from network becoming. And a transformation phenomena of community after the generic-subjectivity is also found.

PRIOR RESEARCH REVIEW: RETAIL BUSINESS TRANS-NATIONALIZATION PHENOMENA BASED ON EMBEDDEDNESS ACCOUNT

Retail trans-nationalization studies have already suggested global retailers must pay attention to the existence of different kinds of embeddedness in an unfamiliar foreign context (Wrigley et al. 2005). Hess (2004) identifies three different kinds of embeddedness (societal, network, and territorial) that are useful for global retailer research. Societal embeddedness connotes the importance for economic activity of the cultural, institutional, and historical origins of the economic actor in question. It emphasizes the importance of an actor's origin, considering the societal (i.e., cultural, political origin) background in the home country. It emphasizes the history of social networks and the cultural imprint or heritage of actors that influence their economic behavior.

Next, network embeddedness refers to the composition and structure of the network relations of a given economic actor. It describes the network of actors a person or organization is involved in (i.e., the structure of relationships among a set of individuals and

organizations, regardless of their country of origin or local anchoring in particular places). Third, Territorial embeddedness occurs when foreign actors build considerable links to the actors present within their respective host localities. A key element of territorial embeddedness is the extent and nature of the relationships formed between global retailers on the one hand and local firms, consumers and regulators on the other (Hess 2004).

When a retailer trans-nationalizes its business, it tends to adhere to practices formed in the home country due to the societal embeddedness. However, since relationships constructed in the home country are difficult to transfer to the host country, those practices may not be carried out. Furthermore, a global retailer has to build new relationships with local relevant actors in order to embed itself in the local context. Therefore, it is critical to operationalize embeddedness or specify what to embed in order to clarify the trans-nationalization process of the retail business.

We think one useful way of operationalizing embeddedness phenomena in an empirical setting is to adopt "market-as-network" approach, in particular ARA (activity links, resource ties, actor bonds) model. We describe these basic concepts of ARA in more detail in the next section.

ARA MODEL EXTENDED BY FOURTH NETWORK DIMENSION SUBJECTIVITY

The embeddedness effects are instantiated through the network context. The network context is seen as structures and processes continuously emerging, evolving and dissolving over time. The IMP group views business networks as comprising three "layers" or "effect parameters" (Håkansson and Snehota 1995): activity links, resource ties and actor bonds. The three dimensions (Activities/Resources/Actors) frame a network context that is part of the network environment considered relevant and are influenced by it.

Activity links refer to the connections among operations that are carried out within and between firms in networks and how mutual adaptations in activities take place between relationship partners. Resource ties develop as companies exchange or access each other's resources (broadly defined) in carrying out their activities, in the process often transforming and adapting existing resources and creating new resources. Actor bonds refer to the ways individual and collective actors in a relationship perceive and respond to each other both professionally and socially. These bonds affect the way actors view and interpret situations, as well as their identities in relation to each other and to third parties.

Welch and Wilkinson (2002) propose a fourth dimension (adding to the ARA model) of relationships and networks, namely that of ideas or schemas. These schemas are described as

the way managers make sense of their world and the interactions taking place. Anderson et al. (1994, p. 4) argue that the network context comprises all firms and relationships that a focal firm considers relevant. By using the criterion of relevance, it is stressed that the network context is a matter of the firm's choice of perspective, which, in turn, related to the firm's (actor's) cognitive processes.

A network horizon comprises those other firms and relationships of which a focal firm is aware—whether or not it considers them relevant. The network horizon of a actor will always be relatively limited—it will be focused around a small number of important counterparts. Where the horizon ends, network environment starts, but total environmental sphere is always out of sight for focal actor. The residual environment beyond the horizon is an entity in which actors cannot or are not identified. Thereby, effects of the environment are mediated through the network horizon and context.

In a similar way to the notion of network horizon, Holmen and Pedersen (2003) put special emphasis on the role of network picture. Network pictures refer to the different understanding that actors have of the network. It is based on their subjective, idiosyncratic sense-making with regard to the main constituting characteristics of the network. Network pictures are manager's theories-in-use about what the relevant network context looks like, and how it works. The concept of network pictures may be explicitly based on the social practice view.

Managers' cognitive representations of the network and its characteristics can be seen as embracing an individual's 'frame of reference', including cognitive limitations. We call it intra-subjective situation. However, individual sense-making as an intra-subjective situation somehow must be shared among relevant actors. Network pictures, i.e. individual sense-makings about the network, are combined to produce a network closure. An 'objectification' (in the sense of an inter-subjective amalgamation) of network pictures can exist via the development of shared aspects of network pictures.

Network pictures constitute what actor-network-theory calls a "frame", i.e. the individual actor's definition of a situation (Mattsson, 2003). This frame, while a subjective representation, is "inter-subjectively" constructed. According to Gioia and Chittipeddi (1991), organizational life is full of attempts to affect how others perceive and understand the world. These authors regard 'sense-giving' as "the process of attempting to influence the sense-making and meaning construction of others toward a preferred redefinition of organizational reality" (1991, p. 442). Sense-giving thereby consists of attempts to alter and influence the way others think and act. The way of thinking (i.e. sense-making or subjective network pictures on intra-subjective level) about a business network will change and be

adapted due to the reactions of other actors in it.

A new business idea is gradually becoming more stable as a function of its inclusion-transformation (translation) of more entities into itself. We borrow from Tsoukas and Chia (2002) the term organizational becoming, which is the reweaving of actors' webs of beliefs and habits of action as a result of new experiences obtained through interactions. Organizing is an attempt to order the intrinsic flux of action, to channel it towards certain ends, to give it a particular shape, through generalizing and institutionalizing particular meanings and rules. Network horizon and/or network picture based on agenda construction through sense-making (giving meaning to experience) trigger the network becoming through sense-giving (attempts to influence the sense-making of others) and sense-taking among relevant actors. The shift from sense-making to sense-giving means shifting the analytical level from intra-subjectivity to inter-subjectivity.

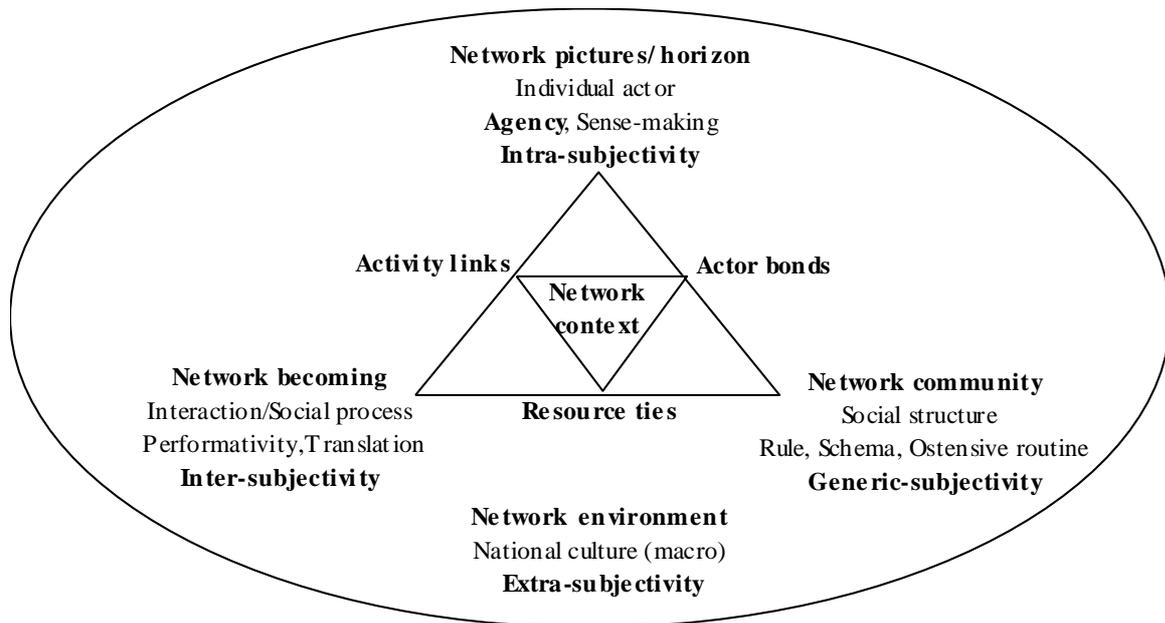
Objectification (inter-subjectivity about business models) for network becoming is the process whereby human intra-subjectivity embodies itself in business models as artifacts that are available to oneself and other actors as elements of a common world.

However, conscious human activity consists in work on given institutional regimes and cannot be conceived as occurring in their absence. According to Bhaskar(1979), "People do not create society. It always preexists them and is a necessary condition for their activity. If society pre-exists the individual, objectification takes on a very different significance (Bhaskar 1979)".

We must discern the recursive cycle between actors' situated praxis and social structures (institutional logics, ostensive routine, social practices, norms, social rule, etc.). It is important to note social structures, as a necessary condition for activity, always pre-exist relevant actor's agency. We adopt and understand the term network community by referring to brand community researches (Muniz & O'Guinn, 2001, Zaglia, 2013). Communities contain three common markers: consciousness of kind, shared rituals and tradition, and moral responsibility.

The first community marker is consciousness of kind, which describes the perceived membership of participants. Members feel connected with other members, and separate themselves from outsiders. Members therefore, often derive a feeling of belonging from their membership to the community. The second community marker is shared rituals and traditions. Through these social processes members create their own meaning of the community experience. Finally, moral responsibility completes the three community markers and makes members of a community feel morally committed to other community members and the community as a whole. Huemer (2012) proposes the notion of network identification that is

Figure 1: Extended ARA model as a Business Ecosystem



perceived as an organization's identification with actors in its surrounding network. According to him, network identification is a continuous process whereby actors simultaneously imagine, visualize, and experience identities depending on the boundaries that are drawn, the meanings that are understood.

Even though the network community among relevant actors tends to become stable and/or closure, it doesn't mean unchangeable. Since actors continually interact within the network context, there is a chance for actors to become reflexive. Some external shocks may trigger the discrepancies between actor's agency and social structure.

In addition, Wiley (1988) suggests the existence of extra-subjectivity on the national cultural level, where the generic self drops out. He defines culture as a completely de-, or rather un-centered, subject-less level of symbolic reality which causes unconsciously the ultimate embeddedness effects. In summary, our tentative research framework as follow (See figure 1).

RESEARCH METHOD

Cases sampling and systematic combining

We think the research method adequate for dynamic process-based approaches might be longitudinal case analysis. When the objective is to achieve the greatest possible amount of information on a given problem or phenomenon, a representative case or a random sample

may not be the most appropriate strategy. As a result, we relied on the notion of “purposeful sampling,” and adopted single case studies method.

We selected as the research setting a Japanese retailer (Y Co., Ltd.) embedded in foreign context in China that has achieved remarkable success while explicitly facing several breakdowns. The Y is a kind of extreme case and paradigmatic case (Flyvbjerg 2006). The extreme cases sampling provides information on unusual cases, which can be especially good in a more closely defined sense. The extreme cases often reveal more information because they activate more basic mechanisms in the situation studied. In addition, the paradigmatic case is useful when we try to demonstrate the value of new theory by using concrete examples. Paradigmatic cases sampling aims to establish a school for the research domain, which the case concerns.

We also adopted a particular case study approach (called systematic combining) proposed by Dubois and Gadde (2002). Systematic combining is a process where the theoretical framework, empirical fieldwork, and case analysis evolve simultaneously, and it is particularly useful for the development of new theories. They emphasize the main feature of the systematic combining case study approach is emphasis on the abduction inference.

Data collection

Empirical materials are gathered through semi-structured interviews, along with secondary materials. All interviews began with open questions about Y’s transnational expansion, and the management and control of that process. As the interviews progressed, the questions gradually became more structured, delving into social construction mechanisms by focusing on the transformation of network context around Y.

Interviews with Y’s floor managers focused more on the organizational routines for how knowledge was shared and enacted in the day to day practice. An important aim of these interviews is to understand fully when enacted practices were established, as well as how these practices are shared.

Our interviews are carried out during 2014 to 2016. Interviewees from Y have been working at Y since it was established, which enable us to access to information about Y’s prior years. In addition, in order to develop our understanding of daily performative routines, non-participant observations in fieldwork were made in Y’s stores during 2014 to 2016.

CASE ANALYSIS

The trans-nationalization process of Y’s retail business model

Y was established as a joint venture in December 1996 after an invitation from the local government to its headquarter in Japan. Today, it has six stores in R, a large metropolitan city in southwest China, and employs nearly 4000 employees. Including the employees of tenants, there are nearly 20,000 employees working at its six stores. In 2016, it will open a new store. Although the number of its stores is not large, it has achieved the highest store loyalty among residents of R when compare to other retailers.

Sales of Y increase steadily every year. In 2014, the sales per store were about 8 billion yuan, which is the highest among the main large-scale retailers in China. Owing to its performance, Y is regarded as the most successful foreign company in China.

Anyone who is familiar with general merchandise store (GMS) in Japan will be surprised when visiting Y, because the store looks like a department store, but simultaneously has the characteristics of a GMS. Department stores in Japan usually target the high-income class and merchandise assortments are provided through tenants, most of which are well-known luxury brands. Salespeople are permanently stationed and give face-to-face advice to customers.

In contrast, GMS in Japan targets all households within the sphere of the market area. A GMS directly manages most of its merchandise and sales in a self-service manner. However, Y has the characteristics of both. It targets the upper middle class, forms its assortments through tenants as well as directly managed merchandise, and provides both self-service and face-to-face selling.

Y was not initiatively planned as this kind of hybrid format. It is a result of interactions with relevant actors, such as local customers and suppliers. Retailers have to depend on suppliers to form the merchandise assortments, which are the source of its profits. Therefore, we posit suppliers as Y's critical relevant actors and focus our study on the relationship between Y and its suppliers. The rest of this section describes how Y modifies activity links, builds resources ties, and develops actor bonds with suppliers, through which Y enable itself to satisfy the local customer needs. We also explain why these changes and development occur.

Market entrant era (1996-1997): Extant network picture based on home country's embeddedness

Y was presented with two requirements by the local government upon its entry into a local market: First, it was required to introduce its advanced retailing management know-how, especially its well-known item-by-item management based on the point of sale (POS) system into the local market. Second, it was required to build up lively stores and provide a variety of merchandise to meet the needs of the general population rather than the high-income class.

Because GMS business conforms to these requirements, and because the Japanese staff in charge of China's business thought that the successful business model from a developed country could also succeed in a developing country, Y was initially planned as a Japanese style GMS.

In this phase, Y had a network picture through individual sense-making, which is based on its past successful experience in home country. That is, Y believed that providing a wide range of reasonable merchandise in a self-service manner, buying most of its merchandise from suppliers and directly managing them through an item-by-item system could create and capture value in the local market.

First discrepancy encounter (1998-2000): facing the liability of foreignness and forming inter-subjectivity with suppliers

Y was confronted with problems in both selling and sourcing after the opening of its first store in November 1997. First, local customers perceived that the price of merchandise was too expensive. In 1997, per capita disposable income of an urban household in the local market was 6019 yuan, and the per capita net income of rural households was less than 2500 yuan. Imported merchandise, such as apparel, which cost nearly 1000 yuan, was too expensive. In addition to price, local customers did not appreciate the merchandise itself. For instance, seafood, which is popular in Japan and specially transported from coastal cities, was not even eaten in the local area.

Secondly, Local suppliers were unable to understand the ostensive practices for buying of Y. In China, the store-within-a-store is a widespread business practice among large stores. Retailers allocate part of their floor space to independent suppliers, and these suppliers assign their own sales representatives to work in the stores. Though buying and directly managing merchandise is a normal practice of GMS in Japan, it is unacceptable to suppliers in China. As a result, many suppliers refused to provide Y products, let alone popular products.

“During that time, there was no retailers bought merchandise from suppliers. All the retailers based their business on tenants...I had been working at merchandise department in Japan's headquarter and was quite confident about buying merchandise, but those experience didn't function at all in China.”(Chairman (A))

In addition, Y failed to achieve trust and to source merchandise from local suppliers due to its low corporate brand recognition. The headquarter of Y was the second largest retailer in Japan upon entering into the local market, which made the Japanese staff confident in

developing supplier networks. However, its corporate name was unknown in China. Suppliers did not have confidence that they could have good sales in Y. When Y sent out more than four hundreds invitations to invite suppliers to participate in a supplier orientation meeting, only 120 companies, most of which were Japanese companies participated.

“In Japan, we are a large retailing group. Manufacturers and wholesales will soon provide us merchandise if we made a phone call. Here (in China), nobody knew us... To suppliers, whether this Japanese company is trustworthy or not was an important issue. There were many foreign companies retreated from China within a year. Suppliers worried about whether they could established a stable business relationship with us.”(Chairman (A))

“At the beginning, we had a very difficult time. Suppliers were unwilling to provide us merchandises. We had no choice but to directly buy merchandises from wholesalers and retailers in coastal cities. And everything was paid by cash.”(Vice Manager of Sales Division (J))

Item-by-item management, which was an advanced retailing technology required by local government and regarded as the best practice of Y’s headquarter, was also unable to be introduced. There were three reasons for this. First, the POS systems of Japan, which was the core technology to support this item-by-item management, could not be used without alteration. Second, local employees did not understand the importance of item-by-item management and they lacked the knowledge and motivation to practice it. Third, item-by-item management requires on-time delivery, which was unfeasible under the relationship characterized with high level of distrust.

Though Y sensed itself as a GMS, its relevant actors, such as customers, suppliers didn’t understand the meaning of GMS. Suppliers were unwilling to build business relationship with Y and customers didn’t appreciate the value Y proposed. As a result, its first store could only continuously achieve 10% to 20% of its selling budget, and it suffered substantial deficits in its first fiscal year.

The selling and sourcing problems faced by Y demonstrates that when a retailer trans-nationalizes its business, its network community breaks and institutional logic decrease its effectiveness, namely, the activity links, resource ties and actor bonds built in home country could become useless in host country. Table 1 lists up the discrepancies faced by Y during its trans-nationalization process.

Table1 Discrepancies in network contexts between home country and host country

		Japan	China
Activity links	Selling	Self-service and item-by-item management	Item-by-item management was impossible due to technology, human and supplier relationship factors.
	Sourcing	Buying merchandise from suppliers and directly manage merchandise	Being unable to buy merchandise from suppliers due to store-within-a-store practice in China and its low name recognition
Resource ties		Strong selling power and is easy access to suppliers' merchandises	Weak selling power and was difficult to access to suppliers' merchandises
Actor bonds		High level of trust	High level of distrust

Network pictures change, Network becoming starts

Since Y suffered low level of sales and substantial deficits, from the late 1998, Y seriously reconsidered its rules, practices, and institutional logics which were taken for granted in Japan but turned out to be unsuitable in China. That is, Y began building the collective sense-making (sense-giving and sense-taking) with suppliers about the network pictures. Y explored new procedures to satisfy customers. Rather than importing merchandise from Japan, which already proven to be unaffordable or unpopular among local customers, Y strengthened its market research to grasp the local needs. Staffs checked garbage, visited local residents' homes, and took pictures of the scenes of their daily lives in order to understand consumers' needs.

They also visited open-air markets and other department stores to identify the types of merchandise that were popular. As selling depends not only on whether the merchandise meets the needs of consumers, but also on how the merchandise sells, the Japanese staffs made further efforts to educate local employees about how to serve customers, including how to greet, how to display merchandise from the standpoint of customers, and how to keep the store clean and tidy.

Regarding sourcing, Y did not adhere to direct management of its merchandise as was its practice in Japan, but instead adapted to the store-within-a-store business practice in China. As a result, the number of tenants increased rapidly. Employees of tenants increased from 50 people in 1997 to more than 300 people in late 1998. Because of the rapid increase in the

number of employees, Y had to establish a personnel education section under the administration department to strengthen the education of employees of tenants and Y.

“At the beginning, Japanese staffs tried to totally transfer Japanese methods (of retailing), but it wasn’t adaptive to R market... Later, our (Chinese staffs’) opinions were also actively adopted and gradually we got the recognition from our customers.”(Chief Manager of Household Merchandise Dept.(E))

“From the late 1998, we began to actively introduced tenants. As a result, employees of tenants increased from 50 to 300... we had to establish a personnel education section to strengthen employee education.”(Chief Manager of Human Resource Dept.(I))

These network becoming gradually took effect. Consumers recognized that Y’s merchandise assortment was based on local needs, and highly appreciated its pleasant shopping environment and delicate service. As a result, sales at Y gradually increased. Suppliers also became more willing to provide popular products due to Y’s adoption of the store-within-a-store practice and its increase in sales, as well as Y’s principle of making payments on time.

“Trust is built on performance. That is business...Customers can find what they wants and can enjoy friendly service (in Y)...Suppliers can achieve sales growth and can receive payment on time...That is why we achieved the trust from local people.”(Chairman (A))

In 2000, the first store finally made a profit after the difficult situation of its early years. In the same year, the first store received the largest customer flow in the local market, and Y’s market share increased.

During this phase, Y formed new interpretations of its network picture through interactions with local customers and suppliers. Based on the successful feedback, Y as well as its suppliers gradually grasped how to build and develop relationship with each other. An inter-subjectivity of new network context is on the way of formation.

Network community transformation after the network becoming (From 2001 to 2008)

Though network becoming for selling and sourcing practices received support from suppliers, Y faced other problems in further improving the effectiveness and efficiency of its selling and sourcing practices. Retailers during China’s planned economy were just ration

Table 2 Network becoming for shared network picture on the way

Activity	Selling	Self-service and face-to-face selling
links	Sourcing	Buying merchandise and introducing tenants
Resource ties		Providing sales growth to suppliers and becoming easier to access to suppliers' merchandises than before
Actor bonds		High level of trust, low level distrust, courtesy

institutions designed to distribute goods. As a result, retailing industry in China lacked competent human resources with retailing expertise.

Y tried various methods of educating own employees and tenants. Buyers are educated through formal programs, such as expertise training courses, as well as on-the-job training (OJT), such as accompanying veteran buyers, visiting foreign retailers to learn merchandise knowledge and job skills. Sales persons of Y and tenants have to take part in training courses to learn Y's philosophy of management, behavior standards, and required job skills. They are also educated by floor managers through OJT.

In addition to lacking capable employees, adoption of the store-within-a-store practice also brings new problems. Tenants are independent companies who have their own information systems and their own merchandising policies. They also have stores in other department stores and shopping centers. If merchandising were left totally to the tenants, it would be difficult for Y to differentiate itself from other retailers, which would result in decreasing attractiveness to customers. Y has explored ways to coordinate tenants. For example, It coordinates tenants' assortments at stock keeping unit (SKU) level. It also coordinates tenants' displays, sales promotions, sales goals, and so on. Most of these activities are rarely observed in other large-scale retailers, who also adopt the store-with-a-store practice. However, tenants were not willing to coordinate with Y from the beginning. Only if coordination actually contributed to tenants' sales and profits, could Y gradually achieve tenants' cooperation.

“Tenants have many other stores and have their own policies, but we have to differentiate Y from other retailers. Therefore, we put our requirement as well as exchange information with tenants every day.”(Vice General Manager (D)).

“Because it is business, you have to produce (good) outcomes. If you are unable to make tenants grow, they will not listen to what you say.” (Chairman (A)).

Table 3 Network becoming for institutionalized network community

Activity	Selling	Self-service and face-to-face selling
links	Sourcing	Buying merchandise and introducing tenants, routinizing employee education and supplier coordination
Resource ties		Providing sales growth and retailing know-how to suppliers and achieving cooperation from suppliers regarding merchandise assortment, promotion, service.
Actor bonds		High level of trust

These new practices brought Y great support from customers and suppliers. In 2003, Y opened its second store, S store, which fully exploited practices accumulated in C store. Based on these practices, Second store successfully made a profit in its first fiscal year. From 2004 to 2008, average annual growth rate of Y was near to 40%, and it is the most visited retailer among local residents. Suppliers also highly evaluate Y's employee cultivation, and transfer retailing know-how learned from Y to their other stores.

“You know, residents in the local market just like to shopping in Y...we learn how to better display our merchandise from Y and we employ those knowledge to our other stores.”(Supplier A (M))

During this phase, Y formed rules and ostensive routines to educate employees both from Y and tenants, whose capability direct influence the relationship with customers. It also formed routines to interact with tenants to differentiate from other retailers. Base on the great performance, these new practices become routines and a generic-subjectivity of a network community formed. Members of network community understand their roles and there are institutionalized routines to play the role. Y and its suppliers understand how to work together to satisfy customers.

Second discrepancies encounter period (2009~now): facing the second sense-making and inter-subjectivity building for network becoming

Y was faced with a big turning point in 2009. In 2008, China's GDP growth rate declined remarkably because of the impact of the global financial crisis, which negatively influenced consumption. Consumers also became more mature and knowledgeable, which means they only bought merchandise that they needed and liked. What's more, a large number of

commercial facilities speeded up their pace to enter specific local market, which made the competition fiercer than before. Due to this tremendous environment change, sales growth of Y declined sharply from 38% in 2008 to 12% in 2009.

Around 2010, the chairman proposed a future direction for Y, which was to establish high quality GMS. Compared to providing a wide range of reasonable merchandise, the new direction emphasized providing high quality merchandise and service. It also posited the middle-upper class as its main target, rather than regarding the middle class as a whole. Though Y still formed its merchandise assortment through a mix of tenants and directly managed merchandise, and sold in a mix of self-service and face-to-face selling, it explored new practices in order to realize new value proposition.

Y interpreted the meaning of high quality GMS as providing customers joyful and fresh shopping experiences through new or interesting daily consumed merchandise and dedicated service. As a result, it introduced more imported merchandise, such as organic vegetables, fruits, meats, cosmetics, and groceries that can provide customers a high quality lifestyle. Simultaneously, it explored new ways of selling together with suppliers. Rather than displaying merchandise based on brands and categories, it displayed them based on life scenes. It also displayed the process of how the merchandise was produced, how to use it, which were usually not presented to customers and consequently brought freshness and pleasure to customers.

In 2014, Y began an experimental organizational reform in order to equip all the employees with the ability to incrementally improve their daily job and to simultaneously invent or capture breakthrough ideas that may radically change operational practices to refine customer value.

“Our customers change very rapidly, and competition become fiercer. We need every employee to become a self-directed entrepreneur to proactively adapt change and to make innovation”(Chairman (A))

During this phase, generic-subjectivity of a network community formed between Y and its suppliers in the local context is faced with breakdown triggered by the tremendous environment change. Y and its suppliers again start the interaction to form the new network becoming under the new environment.

DISCUSSION

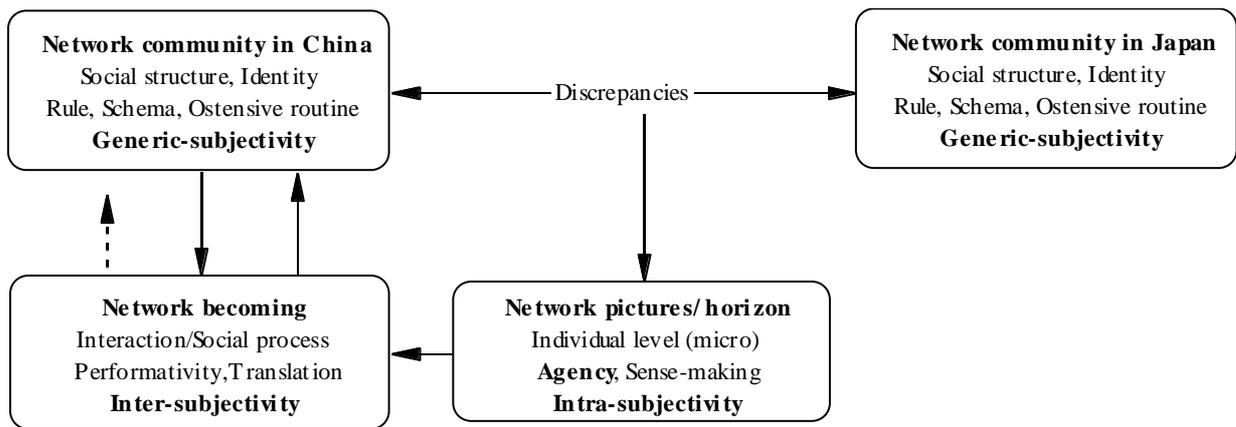
We have applied extended ARA (activity links, resource ties, actor bonds and schemas) model to operationalize the embeddedness or specify what to embed in local market. Through describing the evolution process of Y's sense-making and sense-giving, namely, the recursive pattern of network community, network picture, network becoming on several subjectivity levels between Y and its suppliers, we clarified the trans-nationalization process of a Japanese global retailer's business model (see figure2).

In the market entrant era, global retailers tend to replicate the business model established in the network community of home country, during which the social and cultural imprint of the network community have the most influence on business model in China. Specifically, global retailers plan to carry out the similar selling and sourcing activities as practiced in the home country. It tends to believe that it can exchange resources with local relevant actors in the same way as in the home country and build trust relationship with them. When Y entered into the Chinese local market, it designed as a Japanese style GMS, which was regarded as the best practice of Y's headquarter. However, global retailers often will be faced with big discrepancies between two communities. They must have an intra-subjectivity of new network picture in the host country.

Global retailers will be faced with a kind of sense-breaking due to local relevant actors' different understandings of network picture. When sense-breaking happened, global retailers have to unlearn extant institutional logic (rules, schemas, etc.) during interacting with local relevant actors, to build inter-subjective understanding of network picture. Though Y planned to introduce Japanese-style GMS, local customers didn't appreciate its value proposition and its suppliers also didn't willing to provide Y merchandise through buying practices, which resulted in Y's substantial deficit in the first fiscal year. As a result, Y explored new activities of selling and sourcing to embed itself to the local market, which promote the resource exchange and formation of trust bonds with customers and supplier. When the new activities achieved strong support from local suppliers, it indicates the sign the network becoming has been completed.

However, because of introducing new activities to adapt to local markets, global retailers could be faced with new agenda constructions resulted from those new activities. Meanwhile, there is also a large latitude to improve the effectiveness and efficiency of its ARA dimensions. Thus, global retailers and its relevant actors will institutionalize their activity links, resource ties and actor bonds through further interaction, where relevant actors (often unconsciously) transform the network community as a generic-subjectivity and the

Figure2 Trans-nationalizing process of Y's retail business model



community prescribes the role of members belonging to it vice versa.

The trans-nationalization process of Y identified in this study is matched with the tentative framework we developed in the first section. That is, the business model of a global retailer evolves through the process of cognitive dissonance of two network communities, revised network picture through individual sense-making on intra-subjectivity level, shared meanings through network becoming on as inter-subjectivity level and transformation or reproduction of network community on generic-subjectivity level. During this evolutionary process, the network contexts originated from the extended ARA among relevant actors also change or reproduce.

In addition to this evolutionary process, our case study identifies the second discrepancy period. This finding demonstrates that though the network community based on generic-subjectivity has a trait of stability, it can still break up. The break down can both due to the external shocks or internal initiative of network community members. When the break down of network community occurs, focal firms, together with its relevant actors may begin again the cycle of forming new inter-subjectivity. Y was faced with a turning point in 2009. Because of the economic financial crisis as a external shock and intensification of competition and maturation of customers (inevitable market change), the existing network community shook down, extant institutional logic became less effective method to create and capture economic value. As a result, Y has to search new practices within network community or out of unknown environmental sphere.

CONCLUSION

We applied a constructivist approach to the trans-nationalization process of the retail

business model and clarify how the business model of a Japanese global retailer has evolved through interaction with relevant actors in the context of local market in China. This study has three contributions. First, we operationalized the embeddedness effects in terms of applying the extended ARA model in empirical setting. Second, we found a recursive pattern of trans-nationalization process including the discrepancies of generic-subjectivity of network community, intra-subjectivity of network picture, inter-subjectivity from network becoming. Third, we identified the transformation phenomena of community after the generic-subjectivity emerged, which results from both external shocks and internal initiatives.

There are several future research agendas. First, as the tentative research framework in the first section shows that there is a network environment, which means the national culture of a specific country. National culture has a great influence on one's schemas and interpretative frame to make sense of world and the interactions taking place. For a global retailer, understanding the different national cultures (supra-subjectivity) between the home and the host country is important to overcome the liability of foreignness caused by the embeddedness effects. Second, the trans-nationalization process identified in this study is based on single case. There is a need to study different cases under different network context to test whether the recursive pattern can be generalized or not.

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APPENDIX

Name	Job position when interviewed	Date (D/M/Y)	Time
A	Chairman	24/6/2014	13:00-14:40
		10/9/2015	16:00-17:30
		2/3/2016	18:00-20:30
B	Employees Talk Room Manager of C Store	23/7/2014	10 : 00-12:00
C	General Manager	25/7/2014	9:25-11:00
D	Vice General Manager	25/7/2014	9:25-11:00
E	Chief Manager of Household Merchandise Dept.	25/7/2014	11:00-12:30
		3/12/2014	16:30-17:30
	Vice Manager of Sales Division	2/3/2016	14:30-16:00
F	Floor Manager of S Store	3/12/2014	15:00-16:00
G	S Store Manager	10/9/2015	13:00-14:15
H	Chief Manager of Sales Division	10/9/2015	14:20-15:30
I	Chief Manager of Human Resource Dept.	2/3/2016	10:00-11:30
J	Vice Manager of Sales Division	2/3/2016	11:35-13:05
K	Chief Manager of Food Commodity Dept.	2/3/2016	16:10-17:40
L	Vice General Manager	5/3/2016	11:15-13:30
M	Supplier A	2/12/2014	15:00-17:30
		9/9/2015	14:00-16:00
N	Supplier B	4/12/2014	10:30-11:30
O	Supplier C	3/3/2016	11:00-13:30