

**Is “glocalization” still the golden way for Electrolux? Is there more to be done?**

Hollensen, Svend; Møller, Erik

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28 August 2019

## Is ‘Glocalization’ still the golden way for Electrolux

### - Is there more to be done?

## Introduction

The main aim of this paper is to explain and discuss the main drivers of the ‘globalization’ strategy for one of the of the world’s leading producers of appliances for households – **Electrolux**<sup>1</sup> (further description of the company can be found later in the paper). Though the starting point for this article’s glocalization theme is the traditional marketing mix standardization / adaptation discussion, one of the main contributions of this research is the more extended view of the multinational corporation (MNC) by integrating the whole value chain, and not only the marketing activities.

Within the field of international business and international marketing, the debate over the extent of standardisation (centralization) or localization (decentralization) has occupied a significant part of past research.

Developed by the sociologist Robertson (1992, 1994), glocalization is a theoretical concept that combines the two words globalization and localization. Glocalization refers to the interface between a global and a local marketing strategy by combining dynamics of cultural homogenisation and heterogenization. Whereas globalization, in and of itself, stresses the omnipresence of corporate or cultural processes worldwide, glocalization stresses particularism of a global idea, product, or service. Glocalization is not merely another take on nichemarketing, now global. Rather, glocalization also adds accuracy to the present globalization approach among scholars and practitioners.

Despite this debate, geography matters in international business, because location is specifically linked to understanding behaviour of people in specific regions, because of different climate, culture, law, politics and trade (Berill, 2015).

Berill (2015) classifies a company as global if it has sales subsidiaries in all of the six regions: Europe, Africa, North America, South America and Oceania. In this regard, Electrolux can be classified as a truly global company. But a formal definition is not enough for being a truly global or glocal company. The development of a global mind-set is necessary, this global mind-set results from being open to diverse cultural perspectives and being aware of strategic options after considering the nuances at both the global and local level (Chandwani et al., 2016)

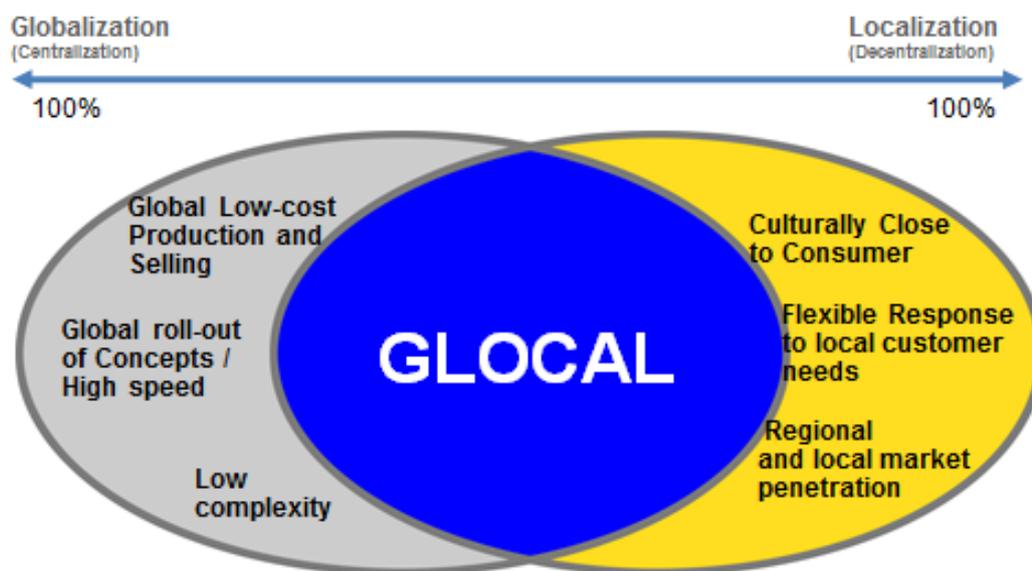
Globalization strengthens the consciousness of the world that pervades both the local and the global. This opposed the argument that globalization is a fully homogeneous process. On the

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<sup>1</sup> The case study is the sole responsibility of the two authors and does not necessarily represent the current strategy of Electrolux

contrary, while globalization gears toward some degree of cultural homogenization, glocalization simultaneously permits people to identify more strongly with their local culture. Glocalization emphasizes that relocating a theme, product, or service elsewhere has a higher chance of success when it is accommodated to the local culture in which it is introduced.

Figure 1: The overlap of Globalization + Localization = Glocalization



Source: Based on Hollensen (2017), p. 22

This glocalization strategy strives to achieve the slogan, ‘think globally but act locally’, through dynamic interdependence between headquarters and subsidiaries. Organizations following such a strategy coordinate their efforts, ensuring local flexibility while exploiting the benefits of global integration and efficiencies, as well as ensuring worldwide diffusion of innovation.

Principally, the value chain function should be carried out where there is the highest competence (and the most costeffectiveness), and this is not necessarily at the headquarters.

The two extremes in global marketing, globalization and localization, can be combined into the ‘glocalization’ framework, as shown in Figure 1. The glocal strategy approach recognises that there has to be a balance and overlap between the standardisation versus the adaptation. This focus of

balance between globalization and localization is crucial in the development of a company's glocal marketing strategy (Svensson, 2001, 2002).

### **A value chain perspective**

Most of the literature regarding 'Glocalization' originates from the issue of 'standardization' or 'adaptation' of the marketing mix elements in international marketing (Svensson, 2002). This study does not only apply the traditional marketing approach but tries to include the company's whole value chain. It goes into a discussion about the standardization (centralization) / adaptation (decentralization) from a value chain perspective, because this perspective takes a starting point in the product and service features that create value for the customers.

Consequently, this paper models the activities of Electrolux as a value chain, which obtains its product components from its suppliers, and generates products and services for its clients (Porter, 1985). The departments or units in upstream activities deliver to the downstream activities, until the final product reaches the final customer. In the upstream part, competitive advantage is more likely to involve process and cost-oriented mechanisms that facilitate a low-cost position. Success at the downstream part is more dependent on differentiation advantages towards the customers, such as branding, innovation and customization (Nicovich et al., 2007).

Some value chain activities are transversal, interacting with all the other activities in the value chain. Porter (1985) suggests that each organization's value chain is embedded in a larger stream of activities that he calls 'value system'.

### **Concepts used synonymously**

There is evidence that centralized decision-making is strongly correlated to standardization in multinational corporations (MNCs). A number of papers have reported a positive link between centralized decisionmaking and higher degree of standardization and globalization (Solberg, 2002; Birnik et al., 2007; Alimiené and Kuvykaité, 2008; Viswanathan and Dickson, 2007).

Consequently, in this study 'standardization', 'centralization' and 'globalization' are used synonymously.

### **Structure of the paper:**

The remainder of the paper is structured as follows: It begins with a literature review that forms the basis for development of two research questions (RQs). Then the methodology section explores the methodological approach adapted for the Electrolux case study. Findings from the Electrolux case are divided in two parts: First we explain the general context of Electrolux, i.e. the internal and external environment, primarily through secondary data. Afterwards findings regarding the specific research questions are then presented and subsequently discussed. Based on this, conclusions are made, and managerial implications are discussed. Finally, recommendations are made as to key issues that demand further research in future.

## **Literature Review / Research questions (RQs)**

The overall purpose of this article is to investigate the drivers of 'Glocalization' for a company like Electrolux. Understand and show how Electrolux has been able to balance the "Worlds" of Globalization (centralization) and Localization (decentralization) in key parts of the valuechain within household appliances.

This section describes two different streams of literature deemed relevant to the arguments in this article. After the first review of the literature on standardization (centralization) / adaptation (localization), which is the basis for (Research Question 1) there is a discussion of the contributions by authors on 'multinational management' in MNCs, which is the basis for (Research Question 2). This second theory stream goes into the centralization of decisionmaking in the relationships between the Headquarter (HQ), Regional Headquarter (RHQ) and country subsidiaries (SUB). Apart from a few studies, such as Solberg (2000) there is very little research done on the combination of these two research streams.

### **Glocalization strategy on the corporate level in relation to key competitors**

Supporters of standardisation view markets as increasingly homogeneous and global in scope and scale and believed that the key for survival and growth is a multinational's ability to standardize goods and services. For example, Levitt (1983) argued that standardization and the creation of a single strategy for the entire global market, offers economies of scale in production and marketing and moreover is consistent with what he described as the "mobile consumer". The primary argument of the proponents of standardization therefore rests on the assumption of a homogenization of demand worldwide. This homogenization of demand expresses itself in a worldwide consumer demand for high quality and low costs due to the impact of technology. In addition, Levitt argues that firms could take advantage of technology by adopting a standardized approach that will result in products of high quality and low costs for world markets.

On the other hand, proponents of adaptation such as Kashani (1989) argue that there are difficulties in using a standardized approach and therefore support market tailoring and adaptation to fit the unique characteristics (e.g. cultural issues) of different international markets. Santos and Williamson (2015) recommends to go even further regarding the localization strategy. They argue that it is not enough to adapt locally. To reap the rewards of local integration, companies need to become embedded in local distribution, supply, talent networks as well as in the broader society. Interaction with local partners may generate new knowledge and unexpected opportunities for

global innovation. These opportunities may come from new ways of learning and execution of different business models rather than implementing and adapting formulas crafted at the HQ. This kind of local integration can be painful, because it undermines traditional cost efficiencies and traditional HQ powers. Instead of pushing from the HQ the new mission of multinational is about fostering pull by local operational units (Santos and Williamson, 2015).

Levitt (1983) introduced a new element to the standardization / adaptation discussion. He asserted that one important consequence of the globalization is the emergence of **global competition**, which imply a competitive structure that encompasses several country markets.

Theories of competition (Hunt and Morgan, 1996; Dickson, 1992) also suggest that one of the primary objectives of the firm in general is to create sustainable competitive advantage. When the firm expands its markets to new geographic domains globally, a primary question that arises is, whether the firm can continue to create sustainable competitive advantage with its existing strategy? If the firm can sustain its competitive advantage in new markets with its existing strategy, a strategy of standardization (centralization) will be facilitated. In spite of the important role that competition plays in the standardization/adaptation strategy, there is only limited research on the role of competition in the choice of standardization/adaptation strategy. The few competition related factors have been identified as playing a role in standardization include competitive position in terms of market share and number of competitors and market competitiveness (Viswanathan and Dickson, 2007; Cavusgil et al., 1993; Jain, 1989).

Considering that more emerging market firms (EMFs) are entering the global market for white goods (for example Haier from China), it is interesting to consider the importance of country cultural background and institutional factors of these state-owned and private-owned MNCs. Rao-Nicholson and Khan (2017) found that especially the institutional factors are very important in explaining these MNCs' degree of standardization (centralization) in the global strategy.

This leads us to the first research question:

**RQ1:** How is the degree of standardization (centralization) / adaptation (decentralization) in Electrolux – at the corporate level - compared to key competitors like Samsung, Haier, Whirlpool and BSH?

### **Glocalization strategy regarding value chain functions on the global versus regional level**

The idea that regionalization may better describe multinational corporation (MNC) internationalization than global integration or multi-domesticity (Rugman and Verbeke, 2008) can help balancing global integration (based on the HQ) and local responsiveness (based on country subsidiaries - SUB) (Prahalad and Doz, 1987). Most of the research on regional management structures has focused on regional headquarters (RHQs). An RHQ is a special type of MNC foreign affiliate, tasked with the coordination, control, development and/ or implementation of business

strategies in a specific region (Chakravarty et al., 2017). The use of RHQs by MNCs (like Electrolux) leads to a three-tier nested structure (Hoenen and Kostova, 2014):

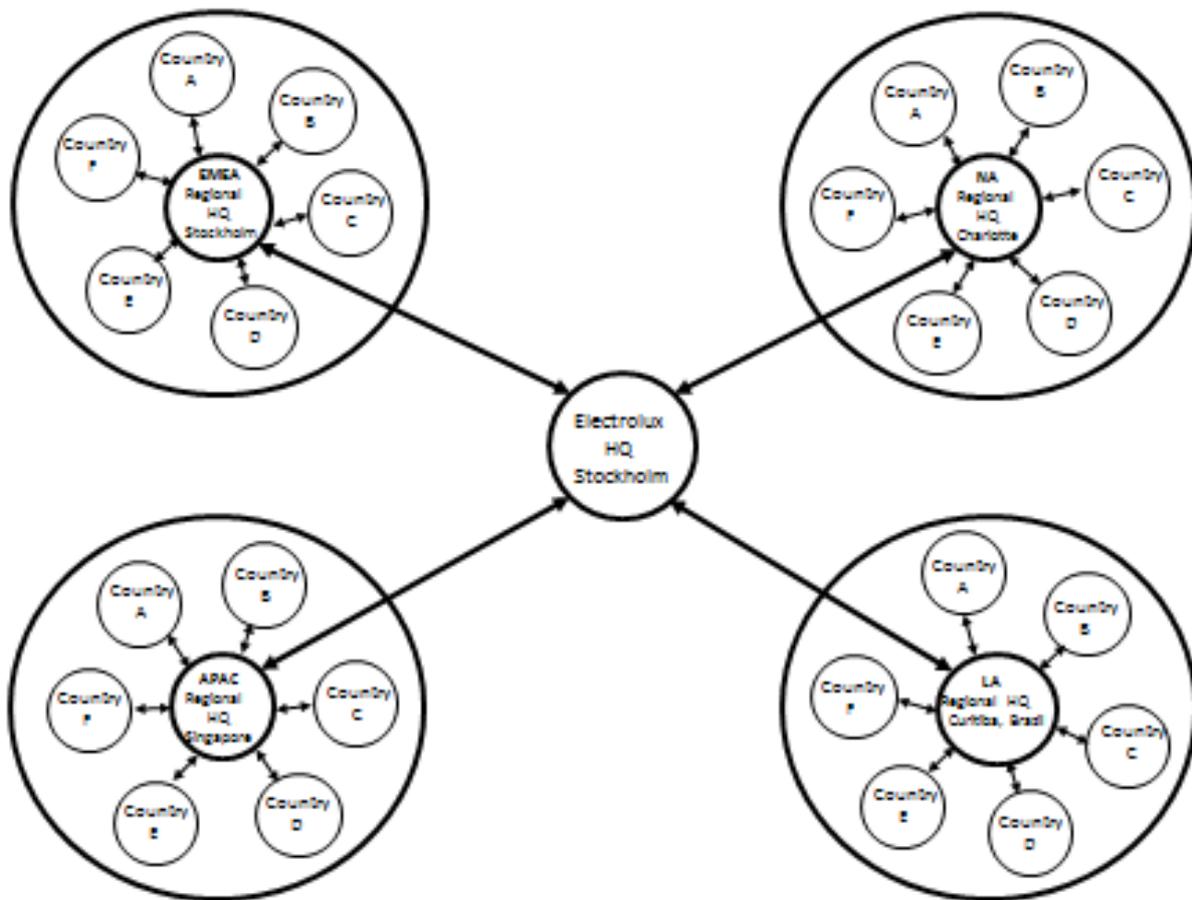
#### HQ – RHQ – SUB

with regular decision delegation from HQ to RHQs and from RHQs to SUB (subsidiaries). The opposite way back to the HQ: SUB reporting to RHQs and RHQs reporting to corporate headquarters (HQ). This three-tier approach is also illustrated in the case of Electrolux (Figure 2)

Verbeke and Asmussen (2016) suggested that strong RHQs structures may be vital to identifying, absorbing, and disseminating new globally applicable knowledge coming from HQ. They also emphasized the importance of RHQs in orchestrating regional value chains to exploit cross border resource and market differences, while achieving scale efficiencies. Chakravarty et al. (2017) suggest that when integration and responsiveness pressures are high and low respectively, a standardized and “global” approach to upstream functions with centralized decision making is recommended. When integration pressures are low and responsiveness pressures are high, a “multi-domestic” approach with autonomy delegated to SUBs is recommended. However, as Verbeke and Asmussen (2016) point out, it is less clear what MNEs should do, when both pressures are high i.e., what is an optimal “transnational” approach, as for example, a product cannot be simultaneously standardized and locally adapted. Hence Chakravarty et al. (2017) introduce a regional strategy dimension, which maintains consistency within a region while adapting to inter-regional differences. This approach provides regional economies of scale as well as regional responsiveness, when regions are sufficiently large and internally homogeneous markets but differ substantially from each other, and may therefore represent a feasible response to a transnational environment.

Consequently, our base research model for RQ2 can be illustrated in this way (Figure 2):

Figure 2: Research model regarding ‘glocalization’ in Electrolux



(Note: EMEA = Europe, Middle East and Africa, NA = North America, LA = Latin America and APAC = Asia Pacific, including China)

In the case finding part we will present a modified decisionmaking model based on our case learning process.

This leads us to the second research question:

**RQ2:** What is the degree of standardization (centralization) / adaptation (decentralization) across different value chain functions and across organizational levels (HQ-RHQ-SUB) in Electrolux?

### About the methodology, research design and data collection

We have chosen to use a ‘single case study with embedded units’ (Yin, 2003; Stake, 1995), because the holistic case study (seen from the Electrolux HQ in Stockholm) with embedded sub-units (here the four Electrolux regions) enable us to explore the Electrolux case while considering the influence of the different regions. The ability to look at the sub-units is powerful, when we consider that data

can be analyzed *within* the sub-units (here regions), *between* the different sub-units or *across* all the five units (including the Electrolux HQ). The case design has been employed to take advantage of extensive research access to key members of the Electrolux organization that was derived through a personal network. Our single case study approach enables us to answer the ‘how’ and ‘why’ type of question, while taking into consideration how a phenomenon (Glocalization in Electrolux) is influenced by the social context within which it is situated (Ridder et al., 2014). It is an excellent opportunity for us to gain insight into Electrolux and its Glocalization strategy. It also enables us to gather data from a variety of sources and to converge the data to enlighten the Electrolux case. It is a frequent criticism of the ‘single case study’ that the method is lacking generalization, and that the results are not widely applicable for other types of companies. Yin (2003) responds to the criticism by explaining the difference between ‘analytic generalization’ and ‘statistical generalization’, where the results are generated through a survey, based on a large sample. With ‘analytical generalization’ (represented by a ‘single case study’) previously developed theory is used as a template to compare the empirical results of the case study and give input for developing new theoretical approaches and models. The depth of analysis possible from a single case study can generate high level of understanding and help to build theory. The role of theory prior to conducting any data collection is seen as a central characteristic of the case study method (Ridder et al., 2014). Nonetheless, the authors have been sensitive to the potential selection bias that a non-random single case selection might bring and have been careful not to over-generalize based upon the case study findings.

For this paper we conducted different types of data collection – **secondary** and **primary**.

First we did a **secondary data collection**, in order to explain the topic of ‘Glocalization’ from an internal and external (Electrolux) perspective:

- We analyzed internal Electrolux documents (e.g. financial reports), that generally constitute the Electrolux ‘glocalization’ strategy
- We analyzed external international market reports (e.g. Euromonitor reports) in order to evaluate which effects the Electrolux ‘glocalization’ strategy has on the external market performance in global markets (market share etc.), compared with its key global competitors.

Next we did **primary data collection**, in form of personal interviews with Electrolux managers, who provided us with in-depth knowledge about the Electrolux global corporate strategy, compared with its key global competitors. We chose to do an app. 2 hour personal interview with **10 top managers** of Electrolux, based on the attached questionnaire in Appendix 1. We divided the interviews into two steps (according to the Figure 2 research model):

- Step 1: The standardization (centralization) / localization (decentralization) choice seen from the different key value chain functions in the Stockholm headquarters (HQ) and going out to the different regions. Besides the CEO, we interviewed the responsible managers from the following HQ group functions: Operations, Modularization, Innovation, Marketing and HR - here we interviewed **6 persons**
- Step 2: The standardization (centralization) / localization (decentralization) choice in the region itself, seen from each of the four different regional headquarters and going out to the different countries. Here we interviewed the responsible managers from the different regional headquarters: EMEA (regional headquarters in Stockholm), NA (regional

headquarters in Charlotte, USA), APAC (regional headquarters in Singapore), LA (regional headquarters in Curitiba, Brazil) - here we interviewed **4 persons**

We conducted the ten interviews during December 2015 and January 2016.

Throughout the paper we underline our analysis points regarding the two research questions with some of the different Electrolux managers' statements that came up during the interviews.

Furthermore, on a more informal level, we observed the real battle grounds – on the shop floor – in Denmark, Sweden, Norway and Germany, where we also made informal interviews with some of the shop owners.

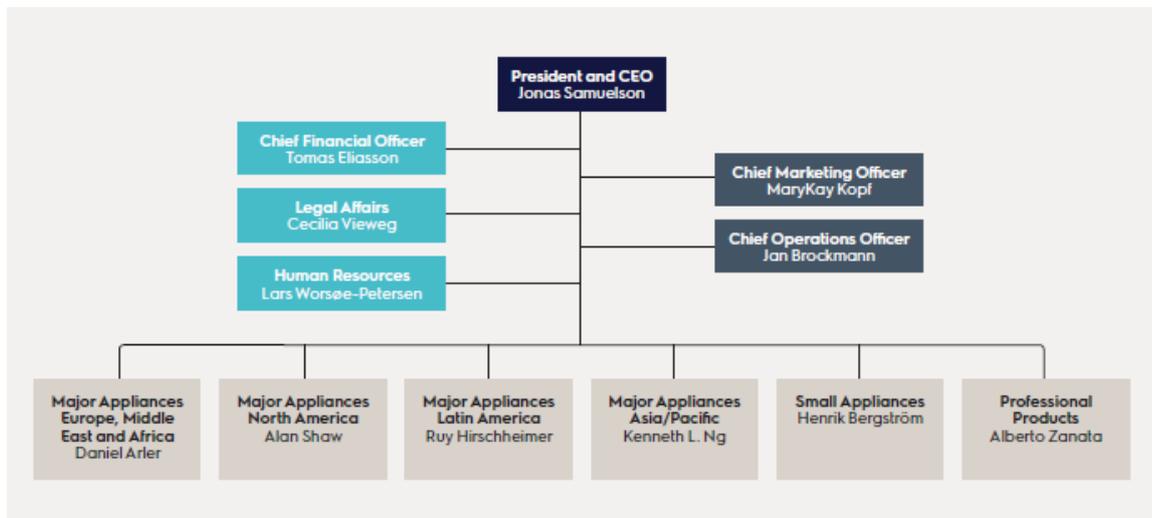
## Case background - Electrolux

Electrolux is one of the world's leading producers of appliances for households and professional use. The Electrolux sells 60 million products annually across 150 countries under various brands. Some of its products include refrigerators, freezers, cookers, dishwashers, washing machines, and small domestic appliances (primarily vacuum cleaners) that are sold under brands such as Electrolux, AEG Zanussi, Frigidaire and Electrolux Grand Cuisine. Electrolux operates in the following regions: Europe, Middle East, Africa (EMEA), North America (NA), Latin America (LA) and Asia Pacific (APAC).

Electrolux is headquartered in Stockholm, Sweden and the group employed 55,400 people, as of December 31, 2016.

As seen in Figure 3 the Electrolux organization consists of an geographical division principle – four regions concentrating about Major Appliances– plus two further product divisions (Small Appliances and Professional Products) *which will not be in focus in this paper*.

Figure 3: The organization of major divisions in the Electrolux group



Source: Electrolux (2017)

In January 2016 the Electrolux Board of Directors informed that they had appointed Jonas Samuelson as the President and CEO of Electrolux as of February 1, 2016

In the financial year ended December 2016 (FY2016) Electrolux recorded total revenues of SEK106 billion (USD12.2 billion)

In the following, the 2016 financial results for the four major regions (exclusive the last two divisions, Small Appliances and Professional Products) are shown

Table 1: Electrolux' key 2016 financial results (number of employees) for four key regions

| Region       | Net sales<br>(billion<br>SEK) | %           | Operating<br>income<br>(billion<br>SEK) | %           | Operating<br>margin<br>(operating<br>income / net<br>sales in %) | Number<br>of<br>employees |
|--------------|-------------------------------|-------------|---|-------------|--|---------------------------|
| EMEA         | 37.8                          | 35%         | 2.5                                     | 43%         | 6.6%   | 20,991                    |
| NA           | 43.4                          | 41%         | 2.7                                     | 47%         | 6.2%   | 10,064                    |
| LA           | 15.4                          | 15%         | 0.0                                     | 0%          | 0.0%   | 16,218                    |
| APAC         | 9.4                           | 9%          | 0.4                                     | 10%         | 6.4%   | 8,127                     |
| <b>Total</b> | <b>106.0</b>                  | <b>100%</b> | <b>4,6</b>                              | <b>100%</b> | <b>5.5%</b>  | <b>55,400</b>             |

Source: Based on Electrolux (2017)

United States is the single biggest Electrolux market accounting for approximately one third of the total net sales (35%), followed by Brazil (8%) and Germany (5%).

Electrolux has sales subsidiaries in 28 countries across all the four regions.

Electrolux operates 60 manufacturing facilities in 18 countries, including several in each of the four regions. The group's manufacturing operations consist mainly of the assembly of components made by suppliers. The need for cost-efficient manufacturing has become increasingly important due to globalization and the emergence of manufacturers from low-cost areas. Approximately 60% of the Electrolux household appliances are today manufactured in low-cost areas that are near rapidly growing markets for household appliances.

### Major appliances – major product lines

Electrolux kitchen products in major appliances include:

- Kitchen (Hot: cookers, hobs, ovens; Cold: refrigerators, freezers. Furthermore, there are dishwashers and hoods)
- Laundry (washing machines, dryers etc.)
- Home comfort (air conditioners, air cleaners and heat pumps)

Some of these products are shown in the picture of Electrolux representation in a typical kitchen.

In 2016 these kitchen products accounted for 60% of the Electrolux' total sales and the company holds strong positions in all major categories of kitchen appliances and commands significant global market shares. Besides, Electrolux also hold a strong position in home laundry (washing machines), which accounted for 20% in 2016.

The strongest global position currently held is for cookers, enabling, for example, know-how from Electrolux cooking solutions for the world's best chefs and restaurants to be utilized when developing consumer appliances. In recent years, Electrolux has strengthened its leading position in built-in appliances through extensive product launches and partnerships with kitchen manufacturers. Electrolux also offers restaurants and industrial kitchens complete solutions for cookers, ovens, refrigerators, freezers and dishwashers. The Electrolux's strongest position is in Europe, North America and Latin America (especially Brazil). For example, in Europe about half of all Michelin-starred restaurants use kitchen appliances from Electrolux.

In the laundry segment the Electrolux also holds strong positions in front-load washing machines, especially in the European market.

Figure 4: Some of the Electrolux kitchen products



Source: Retrieved from <http://afterinc.com/electrolux/>

### **The world market – Global competition regarding major household appliances**

The total worldwide sales volume of major appliances was 491 million units in 2014 (Table 2).

Table 2: Total worldwide sales volume of major appliances in 2014

| <b>Product</b>                             | <b>Worldwide sales volume – 1000 units</b> |
|--|--|
| Dishwashers                                | 22,567                                     |
| Large cooking appliances                   | 115,615                                    |
| Refrigeration appliances                   | 153,834                                    |
| Microwaves                                 | 65,311                                     |
| Home laundry appliances (washing machines) | 133,746                                    |
| <b>Total</b>                               | <b>491,072</b>                             |

Source: Based on Euromonitor (2015), p. 2

The world household appliances industry is still rather fragmented with no single manufacturer commanding more than 15 per cent of the world market (Table 3). Fragmentation reflects the high incidence of transport costs, persistent differences in consumers' preferences and brand loyalty.

The world's top ten manufacturers, ranked by volume sales, include two South Korean companies, two Chinese companies, two US companies (actually only one as GE Appliances has been acquired by Haier in 2016), and one each from Sweden, Germany, Japan and Turkey

In Table 3 the total sales volume is divided among the top 10 world manufacturers, plus the rest.

Table 3: Top 10 (+ rest) manufacturers on the world market 2014 (total sales volume: 491 million units from Table 2)

| <b>Manufacturer of Major Appliances</b> | <b>Headquarters (HQ)</b> | <b>Volume share %</b> |
|---|--------------------------|-----------------------|
| Whirlpool                               | US                       | 12.6                  |
| Haier                                   | China                    | 11.0                  |
| Electrolux                              | Sweden                   | 7.1                   |
| LG                                      | South Korea              | 6.1                   |
| Bosh-Siemens (BSH)                      | Germany                  | 5.8                   |
| Samsung                                 | South Korea              | 4.7                   |
| Midea                                   | China                    | 3.8                   |
| Panasonic                               | Japan                    | 3.5                   |
| Arcelik                                 | Turkey                   | 3.0                   |
| General Electric Appliances             | US                       | 2.6                   |
| Rest                                    | -                        | 39.8                  |
| <b>Total</b>                            |                          | <b>100.0</b>          |

Source: Based on Euromonitor (2015), p. 11

Only a few offer the whole product range and are present in all key world markets. In fact, only Whirlpool, AB Electrolux, Haier and Samsung have a clear global orientation. Others (like Bosch Siemens BSH, Miele from Germany, Panasonic from Japan or Arcelik from Turkey) have a strong

regional position or are leaders in specific product niches (sometimes of high quality – like Miele). While they may not be present on all geographical markets, most manufacturers offer complete or nearly complete lines of major household appliances.

## **Market development in the regions**

### **EMEA (Europe, Middle East and Africa)**

The European market is fragmented and characterized by widely varying consumer patterns between countries and a large number of manufacturers, brands and retailers. Structural overcapacity and price pressure has led to ongoing industry consolidation.

Europe comprises Electrolux' largest market and the company has a broad offering under the three main brands: Electrolux, AEG and Zanussi. In many countries and segments, Electrolux has strong market positions with a particularly strong position in kitchen appliances, such as cookers, refrigerators and built-in appliances.

In Eastern Europe the level of market development varies substantially between countries. The geographic spread plays its part in hindering manufacturers and retailers from capturing substantial market shares. Eastern Europe is dominated by Western manufacturers and a large market for replacement products is emerging.

Penetration is low in Africa, but growth is high and in line with increasing household purchasing power.

The Middle East offers a base for regional here manufacturing but is impacted by the political uncertainty. The main Electrolux market is within home comfort.

In major appliances Electrolux has the following market shares in the different sub regions:

|                 |  |
|-----------------|--|
| Western Europe: | 16%  |
| Eastern Europe: | 13%  |
| Africa:         | 2% (higher in North Africa – 30% in Egypt through Olympic Group) |
| Middle East:    | 5%   |

The major Electrolux competitors in this EMEA region include BSH (no. 1), Whirlpool (no. 2), Arcelik (no. 3 – Turkish), Samsung (no. 4), Miele (no. 5) and LG Electronics (no. 6)

## **NA (North America)**

North America (USA and Canada) is a mature, homogenous market with high product penetration that is dominated by replacement products. Large homes allow space for many household appliances, including large appliances. The market is comprised of several domestic and global manufacturers. Four major retailers (Sears, Lowe's, Home Depot and Best Buy) sell 70% of the appliances on the market. The recovery in the housing sector generates opportunities for growth in the coming years.

In major appliances Electrolux has approximately 19% in this region

The major Electrolux competitors in this region include Whirlpool (no. 1), GE Appliances (no. 2), Samsung (no. 3), LG Electronics (no. 4)

## **LA (Latin America)**

Brazil is the largest market in the region (accounts for 50% of the total market in LA), and the two largest manufacturers (Whirlpool and Electrolux) account for about 80% of the appliances market. Despite the economic slowdown in the region, there exists considerable growth potential for appliances in the longer term, especially in low-penetrated categories. The growing middle class is expected to drive demand for basic cookers, refrigerators and washing machines. Growing interest for energy and water efficiency may also drive demand.

The Electrolux brand occupies a strong position in Latin America through its innovative products and close collaboration with market-leading retail chains. Brazil is Electrolux' largest market in the region and accounted for about 60% of Electrolux sales. In major Latin American countries such as Brazil, Chile and Argentina, Electrolux is the market leader in a large number of product categories in appliances.

In major appliances Electrolux has approximately 35% market share in this region.

The major Electrolux competitors in this region include Whirlpool (no. 1), GE Appliances (no. 2), Samsung (no. 3), LG Electronics (no. 4)

## **APAC (Asia Pacific)**

In this region China is the largest total market for household appliances measured by volume. The market share of Electrolux in the Chinese market is relatively low, but there is great potential for increased sales to the rapidly expanding middle class in major cities in China.

Japan is the world's third-largest single total market for major appliances and is dominated by major domestic manufacturers and retailers. Small living spaces have led to consumers demanding compact products such as hand-held vacuum cleaners. Penetration is high in Australia and New Zealand, and demand is primarily driven by design and innovations as well as water and energy efficiency. Competition between manufacturers from Asia and Europe is intense.

About half of Electrolux appliance sales in the region are in Australia, where Electrolux is the market leader. The Electrolux brand is positioned in the premium segment with a focus on innovation, energy and water efficiency, and design. The Westinghouse and Simpson brands command strong positions in the mass-market segment.

In major appliances Electrolux has the following market shares in the different sub regions:

|                                    |     |
|------------------------------------|-----|
| Australia:                         | 40% |
| South East Asia (including China): | 1%  |

The major Electrolux competitors in these regions include:

South East Asia & China:

Haier (no. 1), Samsung (no. 2), LG Electronics (no. 3), Midea (no. 4), Whirlpool (no. 5), BSH (no. 6), Panasonic (no. 7)

Pacific:

Samsung (no. 1), Fisher & Paykel (no. 2), Haier (no. 3), LG Electronics (no. 4), Panasonic (no. 5)

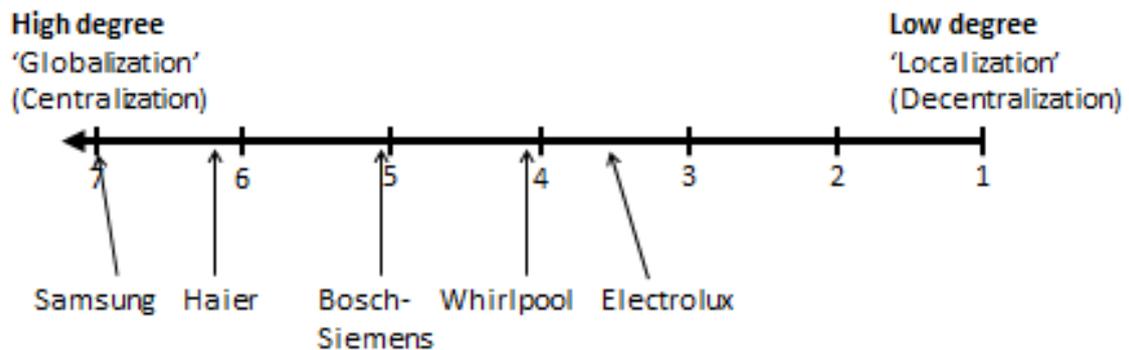
## Case findings – Electrolux

In the following the most important case findings are discussed in relation to the two research questions.

### Glocalization strategy on the corporate level in relation to key competitors (RQ1)

We asked the ten top managers (on a scale from 1 to 7) about their general opinion / perception about the degree of globalization (centralization) of Electrolux's strategy from the Stockholm HQ to the different countries. The average result was the following (Figure 5):

Figure 5: Globalization / Localization of Electrolux compared to its key competitors



Source: Electrolux survey (average of 10 respondents)

Based on the perception of the ten Electrolux top managers, the results clearly show that Samsung is the most globalized household appliances company of the ones listed. Furthermore, Electrolux is the least globalized company, which means it is a relative localized company that adapts to the local environment in a relatively high degree. Normally, we would expect that worldwide consolidation of the household appliance industry would imply making use of ‘scale economies’ to force down unit costs, and consequently favor ‘Globalization’. However, this has not been the primary driver of Electrolux’ acquisitions – instead Electrolux has tried to buy up brands that are perceived as local and regional brands.

The centralization in decision making of innovation by the two competitors, Samsung and BSH, was further explained by the CEO at Electrolux (Quote 1)

**Quote 1:**

*Both Samsung and BSH have a high degree of centralized decision making in for example innovation. They do most of their innovation in their homes – South Korea and Germany, whereas we have innovation centers in around 15 places around the world. Our more decentralized approach partly originates from all the acquisitions, we have done over the years.*

CEO at Electrolux

Contrary to a manufacturer like Haier, Electrolux starts to move ‘downstream’ in the value chain, trying to ‘own’ the relationship to the consumers. This is further explained by the CEO in Quote 2.

**Quote 2:**

*The challenge for Electrolux ten years ago was to bring cost down by producing in low cost countries. The times, where everybody thought that you just had to produce in China and then ship to the rest of the world, is over. The next challenge is to be close to the customer. The threat for a supplier like Electrolux is that we just stay as a supplier in the value chain to the retailers instead of owning the interaction with the consumer, which is the ultimate goal. Gradually, the push-model is changing towards a pull-model, where the consumers are actively searching for certain brands. Consequently, the next challenge will be about how to create new revenue stream based on the digital interaction*

CEO at Electrolux

Quote 2 is in line with a recent interview with the CEO of Electrolux in Financial Times where he said: “This is a €1,000 washing machine that is able, using soft water, to wash a little black dress

*fifty times without ruining it. This is technology, but for us it is not about technology or not. It's about: does it solve something for the customer” (Milne, 2016, p. 16)*

The position of Haier in Figure 5 as a relative globalized (with central decision making) is in line with Rao and Khan (2017), who found that when Chinese state-owned and private-owned companies make cross-border M&As, they are more likely to standardize their marketing strategies towards target foreign companies, as these Chinese MNCs are often restricted from exercising the full breath of their strategic decision making because of political restrictions. In this way, the standardization strategy also facilitates the Chinese companies' easier implementation of their home governments' policies. It is expected that the same tendency will be found in other companies with similar Asian culture background, like Samsung (South Korea).

One of Electrolux' core competences lies in the cooking segment, where Electrolux' cookers for the kitchen is known as the main supplier to Michelin-starred chefs, especially in Europe. This position has helped with pushing Electrolux induction and steam technology to millions of European homes. This is underlined by the statement of the Head of HR, who explained (see Quote 3):

**Quote 3:**

*One of our focus areas is 'appliances for cooking', which perfectly fits to our core competence about being able to adapt to local needs, because 'cooking' is very much about being confronted with diversified food cultures and different ways of preparing food in different cultures.*

Head of Human Resources (HR) and Organizational Development at Electrolux

As discussed by Quote 4 there is also a risk-minimizing aspect connected to choosing a glocalized strategy:

**Quote 4:**

*If you are 'global,' you have to make one big 'bet'. If you are more 'local' – like Electrolux - you have to make many small bets, each of them with less risk. This also explains the trade-off between high speed (big bet) and adaptation to many different local needs (many small bets) – and why it makes sense to be in the middle, i.e. a 'glocal' company*

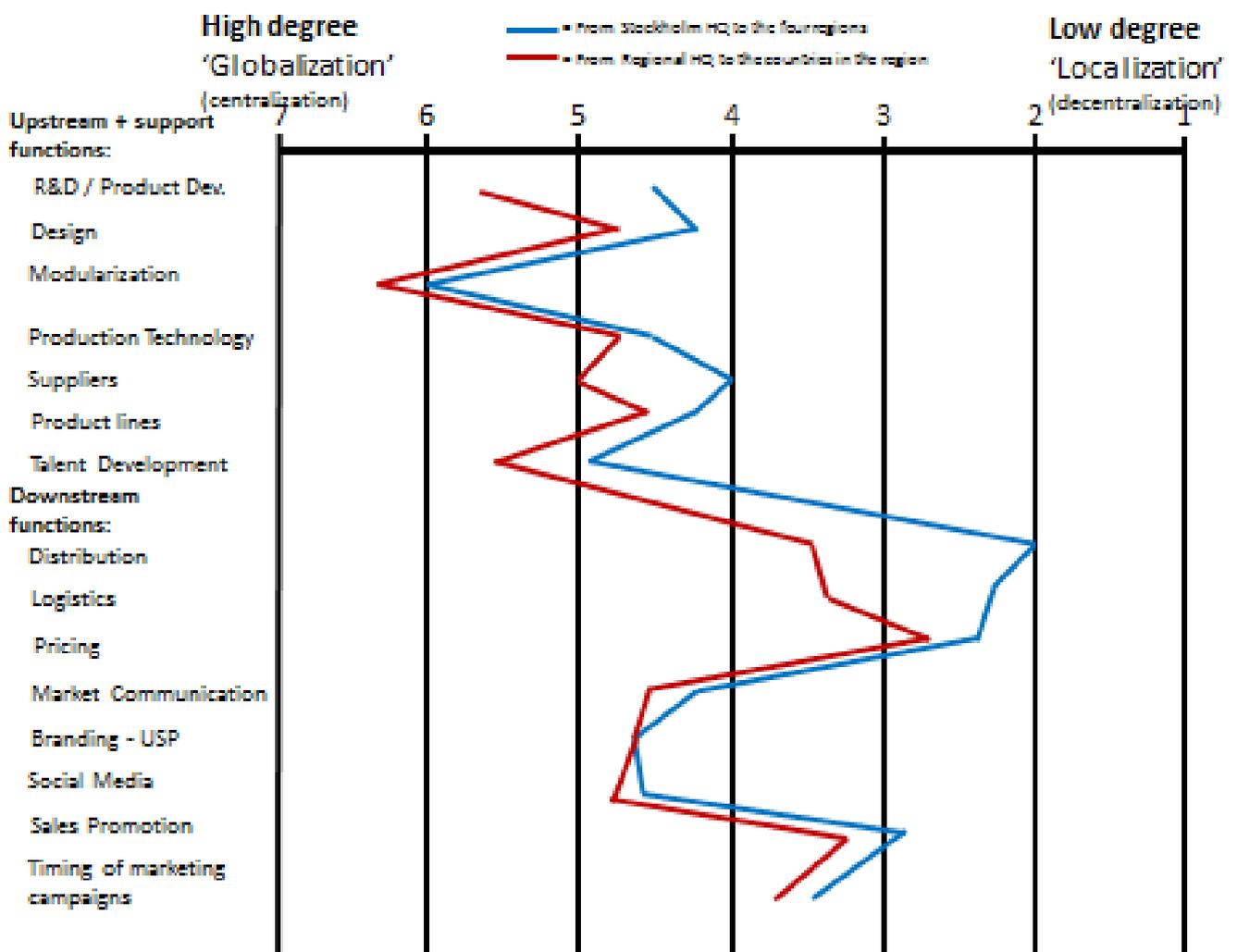
CEO at Electrolux

## Glocalization strategy regarding value chain functions on the global versus regional level (RQ2)

According to Porter (1985) we divided the value chain functions into upstream (& support functions) and downstream functions. These questions (see the Questionnaire in Appendix 1) reflect a more diversified ‘picture’ of activities across the value chain of Electrolux.

The resulting profiles are illustrated in the following figure.

Figure 6: Degree of globalization (centralization) of different Electrolux value chain functions



Source: Electrolux survey (average of 6 (blue) + 4 (red) respondents), based on questionnaire in Appendix 1

For both perspectives (blue and red profiles), the upstream functions are generally more centralized/standardized than for downstream functions. There are three exceptions from this general tendency:

- Market Communication
- Branding process (Unique Selling Proposition),
- Social Media

which are generally regarded as more globalized / centralized both from the HQ to the four regions and from the Regional HQ to the countries in the region.

Generally, we have observed an increasing ‘consumer insight’ tendency in Electrolux, and it points in the direction of localized / decentralized consumer solutions, where e.g. the local food culture is taken in consideration, when designing new innovative solutions. In order to keep production costs down, this would also require a high degree of modularization in in the production function, which is also reflected in Figure 6.

Overall, this points in the direction that Electrolux follows a true ‘Glocalization’ strategy, which is also underlined by Quote 5:

**Quote 5:**

*We have a global strategy at the ‘back end’ - at the upstream part - of the value chain, but we localize the ‘content’ at the ‘front end’ – at the downstream part - towards the consumers, meaning that Electrolux is a ‘glocal’ company. There are limits how far we can go global at the ‘front end’, because we need to be close to your consumers. For example, when I am doing marketing towards consumers in Vietnam, I am telling about Vietnamese food and cooking style, so the content and how we interact with the consumer has to be ‘local’.*

CMO at Electrolux

The more Quote 5’s point about the more globalized strategy of the ‘upstream’ part is generally supported by Figure 5.

Example 1 also explains how a content of a global core technology can be communicated in different ways in different regions of the world.

### **Example 1: Globalize ‘core technology’ and localize the sales arguments = Glocalization**

A good example of how Electrolux works with a global ‘core technology’ is, when they launched the ‘Concentrated wash’ innovation in several of their washing machines, for example AEG Ôkomix.

Most washing machines today mix laundry, water and detergent together, meaning that the detergent can take a long time to dissolve and get to work. With the ‘concentrated wash’ system, the detergent is first added to water to make an instant, concentrated wash mix. The washing machine system then delivers this mix directly into the heart of your laundry, where it begins to work immediately. This core technology (resulting in a more effective and concentrated wash) was launched worldwide in 2014, but the sales arguments regarding the consumer benefits have been different in different parts of the world. The consumer can choose to utilize different benefits coming out of this innovation:

In United States the key argument has been the ability to wash faster (everything should be fast in United States).

In Europe the sales argument has mainly been that the core technology has made it possible to save up to 50% energy (electricity) compared to an ordinary wash

Source: Based on <http://newsroom.electrolux.com/uk/2014/05/21/aeg-introduces-its-most-efficient-high-performance-washing-machine-ever-aeg-okomix/>

In order to answer the last RQ2 in relation to the three-tier approach HQ – RHQ – SUB, we will have to compare the ‘blue’ (from HQ to the four regions) and the ‘red’ (from the Regional HQ to the countries in the region) profiles in Figure 6.

We conclude that the centralization/standardization within the Regions (from RHQ to the different SUB) is generally a higher, than from the HQ (in Stockholm) to the four different RHQ. However, generally the ‘blue’ and ‘red’ downstream profiles (across regions vs. within regions) are quite similar. The most striking difference is the evaluation of distribution and logistics, which seems to be much more centralized from RHQ to SUB than from HQ to RHQ. This makes sense, as only a few companies provide global distribution and logistics, whereas there are several distribution and logistics providers on the regional level. Consequently, it is easier to centralize these functions on a regional level. The other explanation for a higher centralization within regions can be found in below Quote 6, which indicates that in times of ‘war’ (which the household appliance industry

always seems to be in), there is a tendency that the regions will take over the operational control of the primary value chain functions and centralize to a high degree.

**Quote 6:**

*We are a regional-driven company, which means we are globally organized in regions that own and drive the business. The regions are responsible for the regional Profit & Loss and are responsible for strategy, implementation, execution and the results. There are some global functions that define ways of working and functional strategies, but the implementation 'prioritization' is all done locally in the operational units. It is much like in the army ... Supply chain, HR, Modularization, Intelligence are all global functions in peacetime, but when we are 'at war' - as we always are – the regions are the operational lead. That is why the centralization in the regions is higher, but across the regions the centralization is lower.*

Head of Major Appliances EMEA at Electrolux

In line with the traditional understanding of 'Marketing Myopia' (Levitt, 1960), but supplemented with the new extended view (Smith et al., 2010), Quote 7 points out that it is important to think 'outside the box' and be inspired by other top-of-mind brands in the consumer home, also on the differentiated regional level.

**Quote 7:**

*The competitive household appliance arena and the consumer expectations within it are moving so rapid that when I benchmark, I don't do it against our traditional household appliances competitors, but more against other categories of brands, where we look at some specific top-of-mind brands, in beauty brands, sport brands and food brands – all brands that the consumers have in their home. With these brands we look – especially on the regional level – at, what kind of value and experience the consumer is looking for, and then we try to transform it into our own industry and make sure that we are delivering that kind of expected experience in the consumer home.*

Before ending up with only positive statements about the decentralized approach to decision making in MNCs, Quote 8 questions the effectiveness of the ‘Consensus’ part of the Swedish negotiation culture, which is also discussed by Meyer (2015).

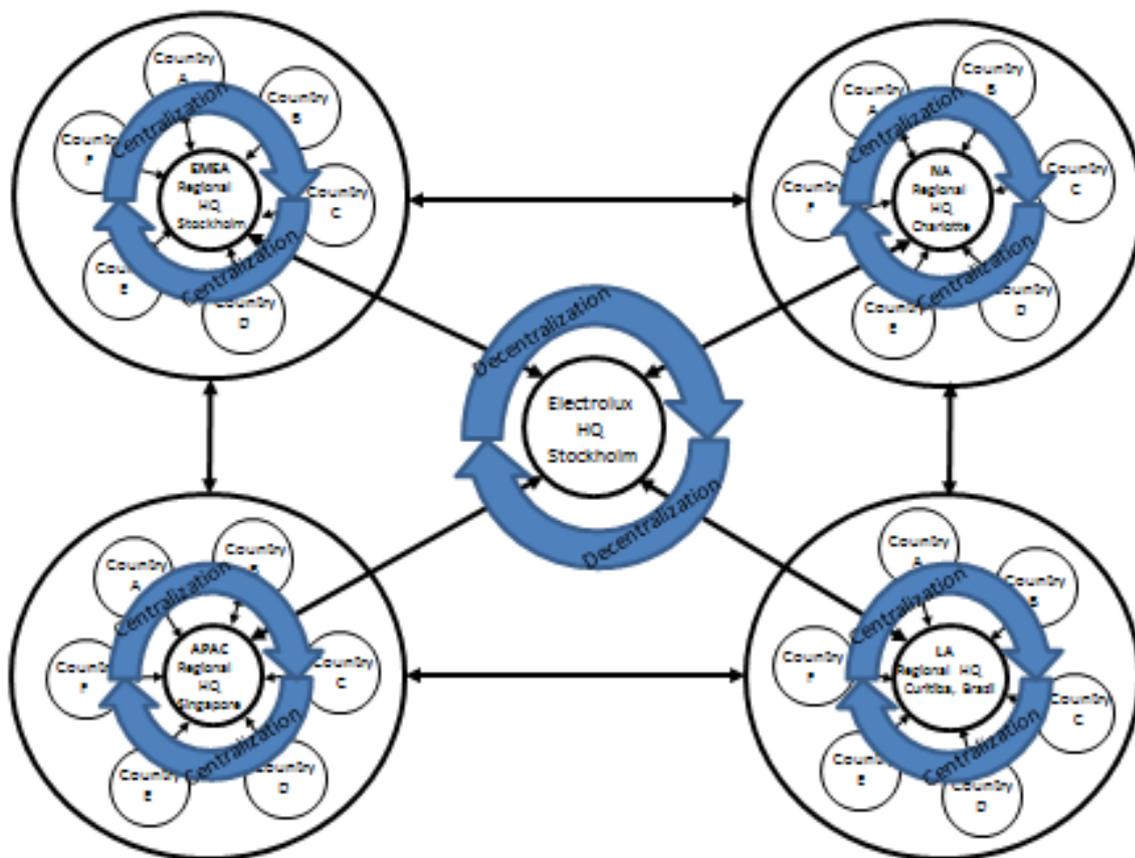
**Quote 8:**

*We have a strong corporate culture with a strong individual commitment and team spirit among employees. We share a deep respect for decentralized decision making, where employees take own responsibilities. But we also are inspired by the Swedish consensus culture, which sometimes result in blurred report lines and a slower speed of decision making, because too many have to be involved and asked. We could have used a more German, American or South Korean leadership philosophy, but the consensus philosophy is part of our deep-rooted culture and has the advantage that we get all on-board, and we all work in the same direction. In fact, we can work with high speed, as soon as we have analyzed the situation and agreed on a certain direction.*

Head of Human Resources and Organizational Development at Electrolux

Overall our research results indicate that the initial Electrolux research model is being transformed into the model that is shown in the following figure:

Figure 7: Modified Electrolux decision making model based on research results



Source: Based on interviews and analysis in Electrolux

Figure 7 shows that the Electrolux managers' perception of the level of centralization within the Regions (from Regional HQ to the different countries) is generally much higher, than from the Headquarters in Stockholm and out to the different regions.

The reason for the centralization / decentralization tendency in Figure 7 can be found in the perception that it is generally easier and faster to centralize key functions like distribution, logistics and pricing 'within a region' than globally 'across regions'.

The arrows between the different regions indicate the need for increasing transfer of 'Best Practice' across the regions. What has been successful in one region (e.g. a certain value chain function), can maybe be transferred and used successfully also in other regions. This would imply more cross-regional contacts and meetings.

## **Conclusion and implications**

A strong local/regional brand culture (with decentralized use of downstream functions) combined with an intelligent use of modularization (with centralized use of upstream functions), is transforming Electrolux into, what can be defined as a true ‘glocal’ company.

Among the market leaders in the global household appliances industry, our results for the first research question (RQ1) clearly show that Samsung is the most globalized company of the ones listed. Furthermore, Electrolux is the least globalized company, which means it is a more regionalized company that adapts to the local and especially the regional environment in a relatively high degree. This can be explained through the many acquisitions (of different brands) that Electrolux has undertaken over time, which has formed ‘local kingdoms’ with relative strong decentralized power.

Regarding the second research question (RQ2), the upstream functions of the value chain are generally more centralized/standardized than for downstream functions. However, there are few exceptions from this general trend. These are market communication, branding, and social media.

The centralization/standardization within the Regions (from RHQ to the different countries) is generally higher, than from the Headquarters (HQ) in Stockholm to the different regional headquarters (RHQs). The two downstream profiles (across regions vs. within regions) are quite similar. The most striking difference is the evaluation of distribution and logistics, which seems to be more centralized within a region than across regions.

We conclude that Electrolux has chosen a true ‘Glocalization’ strategy. Electrolux is the company in the worldwide household appliances industry with the widest geographical reach, also product wise. Still Electrolux manages to cope with ‘regionalization’ in a clear and effective way, based on its dedication to deep consumer insight. Electrolux is balancing between globalization and localization in the different key value chain functions searching to take the best from the two.

Through a strong corporate vision, foundation, and values, Electrolux has been able to communicate these to all employees, so they are getting common understanding and “all on board“ around the globe.

### **Implications of analysis for Electrolux**

Each company has to find its own balance between ‘Globalization’ and ‘Localization’. For Electrolux with its context, background, and history, the best position is ‘in the middle’, in the glocalization area with a tendency towards localization.

As indicated by Figure 7, there is a general need of transferring ‘Best Practice’ and new marketing ideas (e.g. regarding use of social media) across the four Electrolux regions.

However, there still remain some tough future challenges for a ‘Glocalization’ company, like Electrolux, which were clearly highlighted in the interviews with the top managers in Electrolux:

- The reporting lines through the organization are often blurred and too slow – because of the Swedish ‘consensus’ culture (Meyer, 2015), which means that everybody has to agree/be involved. More speed in worldwide execution is necessary in today’s global competition.
- ‘Local kingdoms’ (regional/local companies, sales units and factories) acquired over time by Electrolux) are sometimes getting too much power, which also adds to the blurred reporting lines in the organization, and which significantly reduces top management's ability to ensure efficient and aligned execution of the decided strategy for Electrolux. Thus, some vital areas of the strategy remain only ‘Power Point proclamations’ and fail to get really embedded in the real mindset and behavior of the organization.
- The local adaptation strategy may undermine traditional cost efficiencies and traditional HQ governance. Electrolux uses modularization in order to compensate for this possible threat by combining ‘economies of scale’ in development and component sourcing with local adaptations of products based on common platforms. However, only a clear and strong centralized global governance from the Stockholm HQ central key functions can ensure that the necessary scale effects and cost efficiencies are implemented in the worldwide product platforms and organizational set-up.

## **General Managerial implications**

In a managerial marketing context it is most important to acknowledge that a company strategy strives to accomplish success in the marketplace. Markets are apparently similar but have often important regional differences. A firm's marketing strategy is doomed to fail, if it instinctively indicates that a formula that works in one country must also work in another. The key issue to success in the marketplace is a thorough understanding of, why the consumers want the company's product in each market. This may vary across markets. Success will be achieved, when a thorough understanding of the consumers 'needs, wants, and requirements is accomplished. This will not be achieved through a global marketing approach but requires a thorough balance and harmony between operative, tactical, and strategic activities on a regional level.

The current use of ‘Glocalized’ concept is often ambiguous and misleading. The use of the concept is not black or white but rather mixed up or grey. There is always a need for further explanation of the term ‘global strategy’ to comprehend in what sense, it is used. Therefore, it is appropriate to abandon the concept of ‘global strategy’ and move beyond to apply the concept of glocal strategy.

The global market differs in terms of demand characteristics, the nature of competition, and the development of the market infrastructure. Factors such as customer interests, taste preference, purchasing patterns, and, in particular, price sensitivity differ substantially among regions and countries. Also, the nature, importance, and tactics of regional and local competitors and the degree of sophistication and development of the market infrastructure vary considerably. As a result, companies must adapt and develop new and different strategies tailored to a region’s and/or country’s unique characteristics. Consequently, the company’s focus needs to shift away from global integration, coordination of strategy, and issues such as global branding to development of divergent strategies geared to different customer needs, competitors, and market conditions in

different geographic locations. In turn, this requires a more regional, rather than a globalized, focus and greater reliance on development regional skills, capabilities, and knowledge.

### **Suggestions for further research**

As mentioned, a limitation of our study is that the single case study approach restricts the degree to which, we can generalize based on our results. Therefore, a survey based on a larger sample of MNCs would help with generalizing the results. In this context, especially the focus on standardization (centralization) / adaptation (decentralization) of the different value chain functions might generate more in-depth knowledge of the ‘glocalization’ potential of the different upstream- and downstream activities.

This paper has grown out of the standardization / adaptation debate, which maintains a view on the value chain that is largely company centric – in this case seen from the Electrolux perspective. Akaka et al. (2013) argue that the S-D Logic service ecosystem approach can help with a unified framework that can move focus from value as created by the company to value as collaboratively created among multiple stakeholders in the industry value chain. In this case, by considering both the positioning of Electrolux and the views of their customers (and other stakeholders) across countries and cultures, a richer and a more robust framework for studying ‘Glocalization’ can be established. Consequently, this shift to co-create value together with customers (and other stakeholders) would enrich the ‘Glocalization’ strategy by integrating a broader stakeholder orientation.

### **Executive Summary**

Electrolux is the company in the worldwide household appliances industry with the widest geographical reach. But still Electrolux manages to cope with ‘regionalization’ in a clear and effective way, based on its dedication to deep local consumer insight. Electrolux is balancing between globalization and localization in the different key functions searching to take the best from the two. We conclude that Electrolux has chosen a true ‘Glocalization’ strategy. But there still remain some tough future challenges for Electrolux, in terms of coping with slow and blurred internal reporting lines.

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Questionnaire

Please indicate your perception about the centralization (standardization) of Electrolux’s strategy across national borders / clusters in your function (from HQ) / your region (from RHQ)

| Degree of perceived centralization (standardization)   | High degree (Standard.) |   |   | Medium |   |   | Low (Adaptation) |
|--|-------------------------|---|---|--------|---|---|------------------|
|  | 7                       | 6 | 5 | 4      | 3 | 2 | 1                |
| R&D / Product development  |                         |   |   |        |   |   |                  |
| - Basic needs (cooking etc.)   |                         |   |   |        |   |   |                  |
| - Features (pyro, steam etc.)  |                         |   |   |        |   |   |                  |
| Design   |                         |   |   |        |   |   |                  |
| - Aesthetics Features  |                         |   |   |        |   |   |                  |
| Modularization R/D<br>- modularity and commonality in subsystems                             |                         |   |   |        |   |   |                  |
| Production   |                         |   |   |        |   |   |                  |
| - Production technology (same production technology across border and factories?)            |                         |   |   |        |   |   |                  |
| - Suppliers (to which degree is the supplier base the same across production sites)          |                         |   |   |        |   |   |                  |
| Product line (to which degree is the breath of the product line the same across borders?)    |                         |   |   |        |   |   |                  |
| Talent Development (to which degree is the HR policy the same across borders?)               |                         |   |   |        |   |   |                  |
| Marketing  |                         |   |   |        |   |   |                  |
| - Distribution channels – same retailers across borders?                                     |                         |   |   |        |   |   |                  |
| - On-line distribution directly to consumers – is a standardized system used across borders? |                         |   |   |        |   |   |                  |
| - Logistics – are the same logistics providers being used across the region?                 |                         |   |   |        |   |   |                  |
| - Pricing – to what degree are   |                         |   |   |        |   |   |                  |

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
| prices to retailers standardized   |  |  |  |  |  |  |  |
| - Pricing – to what degree are online prices to consumers standardized       |  |  |  |  |  |  |  |
| - Market communication tools in general                                      |  |  |  |  |  |  |  |
| - Core Brand message – USP   |  |  |  |  |  |  |  |
| - Use of Social media (YouTube, Facebook, LinkedIn, Twitter, Instagram etc.) |  |  |  |  |  |  |  |
| - Sales promotion at retailers   |  |  |  |  |  |  |  |
| - Timing of marketing campaigns  |  |  |  |  |  |  |  |