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# **Transnational Strategy Shift: The Importance of Cultural Awareness**

Case Study: IKEA



THE SWEDISH SCHOOL  
OF TEXTILES  
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## **Master Thesis**

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## Declaration

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This research was conducted during the spring of 2015. We declare to have worked on the entire thesis *Transnational Strategy Shift: The Importance of Cultural Awareness* on our own under the supervision of Jenny Balkow, Ph.D. and to have listed in it all literal and other scientific resources in accordance with legal regulations, internal regulations of University of Borås and internal acts of Textile Management of University of Borås.

Borås, 26<sup>th</sup> of May 2015



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## **Abstract**

Internationally operating business organizations tend to use a global marketing strategy by using a standardized approach for all their markets. This strategy method however, has not proven successful for companies to compete in the different markets worldwide. The adaptation of local preferences hence, seems to be crucial for multinational retailers.

This study therefore, determines the complexity of considerations of a shift from a global to a transnational strategy includes. The decision making of which strategy is appropriate for multinational retailers to compete on a global market can be quite puzzling, as is can be especially seen in the bed textile segment. Therefore this research paper investigates, within a case study of IKEA's marketing strategy in the bed textile department, what the challenges are how influential cultural awareness is related to transnational strategies is and what challenges entail around this thematic. The methods that were used for this study include a literature review in the mentioned focus areas, transnational strategy and cultural awareness, and a collection of primary data through a qualitative research design with an open questionnaire sent to the Sales Leaders of IKEA.

The research has shown that cultural awareness is an important factor when it comes to operating across countries. When dealing with the right degree of strategy adaptation of market relevant products, the Sales Leaders of IKEA have also perceived various concerns. Therewith an adaptation may not be the solution for all businesses, since this depends on many different factors, such as product and market preferences. The cultural preferences in each country and the right degree of standardization and local preferences are a big issue for the global bed textile industry and are hence perceived as the main challenges in this concern.

Possible paths for future investigations are shown by the results of this study. Thus, an inclusion of other cases could enable the possibility of a generalization of the study's findings. Also, the same case study could be expanded by including customers input in the individual markets; this would lead to a better understanding of the customer's preferences and a higher validity of the study. Last but not least this study has shown that cultural awareness is necessary for multinational retailers in the bed textile industry; however interesting factors concerning the shift could be identified.

**Keywords:** Transnational strategy, shift, global strategy, cultural awareness, market research, local preferences, bed textile industry.

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# 1. Introduction

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*This chapter is intended to build up the interest for the thesis. First a background to the research area is being presented. The introduction will continue with the purpose of the study, which includes the problem statement, and continues with the definition of the research questions. Lastly the limitations of the research will be discussed.*

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## 1.1 Background

To date, thousands of companies branched out from their local markets and expanded their business all over the world, by setting up marketing strategy replicas from their home countries. This approach, however, has not proven successful for some of the largest companies, such as Wal-Mart (Landler & Barbaro, 2006), Starbucks (Schultz & Yang, 1999), Red Bull (Rogers, 2014: 9-10) and IKEA (Michman & Mazze, 2001). Managing business operations across international borders is one of the biggest challenges, when entering into new markets.

Root (1994) states, that the design and execution of international business strategies is the Alpha and Omega for successful market entries. He exposes that the global economy has created business environments, which demand companies to look past their local and traditional thinking and to look at businesses from an international global perspective instead. According to Winter & Szulanski (2001), applying a homogenous strategy for all countries is linked to benefits, like economies of scale or brand recognition. However, the international business literature has long realized that these benefits should be changed against the advantages of local adaptation. This raises the issue of how and to what extent multinational companies (MNC's) should implement transnational marketing strategies (Verbeke, 2013 and Peng, 2014).

Studies and literature about the internationalization process share the same thought that when expanding, a deep understanding of new markets is the most difficult, but also most important factor (Liesch & Knight, 1999). The lack of knowledge and information about foreign markets and business environments can be seen as the main obstacle when going international (ibid). It is important therefore to invest a lot of time and money in market research. Companies need to study the different cultures, their habits and customer's traditions as well as customs, since these elements are crucial when it comes to shopping patterns and consumer behavior (Adekola & Sergi, 2007). Unfortunately, there is a lack of research literature in international management that clearly addresses transnational strategies in terms of how they build a necessity for MNC's, the importance of cultural awareness involved, the right degree of strategy adaptation to local preferences, and moreover practical case examples from companies that have undergone a flourishing shift from a standardized strategy to a transnational one.

According to Haex (2004) one industry, where consumer habits and preferences could not be more diverse from each other, is the bed textiles industry. In his analysis he points out some of the differences when it comes to sleeping habits around the world. For example in Japan, people prefer sleeping on Futons, which are slat bed bases that are covered with quilts and placed directly on the floor. On the other hand consumers in the US market, which differ

completely in their sleeping habit, prefer to sleep on a thick mattress, which can be up to 42 cm high. On top of the thick mattresses Americans use a flat mattress and then cover all of it with one fitted sheet. Although these two examples are extremes, it clearly shows that cultural differences make it very challenging for multinational retailers to satisfy their consumer's wishes and to act proactive (Haex, 2004). In line with this phenomenon our research is going to focus on the bed textile segment and their strategic management decisions.

Particularly, we undertake a detailed analysis of the strategic management practices of the bed textiles department of the Swedish home furnishing giant IKEA. Based on this study we show that many of their international expansions have proceeded by using a standardized strategy for their products in all the markets. This decision however, has not proven to be successful, and the company had to overcome many setbacks. Existing marketing strategy studies based on IKEA have either a general viewpoint (Mårtenson, 1981; Salzer 1994; Salzer, 1998), are that old that its reliability could be questioned (Salmon & Tordjman, 1989) or little to none emphasis has been put on the investigation of marketing strategies in particular markets, and many studies dearth a well-defined understanding of what marketing standardization and adaptation may mean in a retail perception. More recent studies (e.g. Burt et al., 2010) investigate the standardization approach of IKEA but do not address a possible shift towards transnational strategies.

Among researchers there has been a growing dispute over whether strategy adaptation can be seen as the key success factors for multinational retailers, rather than using a standardized marketing strategy (e.g. The McKinsey Quarterly, 2004; Rundh, 2003; The McKinsey Quarterly, 2006a; Samiee et al., 2004). This appears to be particularly true for international retailers that expand in countries where cultural differences are great. The question arises where does this fact leave IKEA's global business strategy? In order to understand this we have to grasp into the thematic of international business strategies and the importance of cultural awareness.

## 1.2 Purpose of the study

The main objective of this research is to understand the influence and importance of cultural awareness for transnational strategies. Therefore IKEA's marketing strategy will be examined, with a focus on their bed textiles department. IKEA's presence differs in all of their markets and moreover, the countries differ in terms of cultural behavior and preferences. The research aims to get a deeper understanding of the importance of shifting from a global to a transnational strategy for international retailers. There has so far no research been pursued that is dealing with the shift from a global to a transnational strategy within the bed textiles industry. The dominant problem explored in this thesis is the fact that international companies identify cultural differences as one of the most puzzling issues in their activities and at the same time as the biggest potential barrier to their success, profitability and existence. This problem is complex and challenging since every market has different economic and cultural characteristics, which vary from other markets.

## 1.2 Research Question

The background and purpose described above led to the primary research question, which is followed by a sub-question. These questions are going to be answered based on Sales Leaders (SLs) opinions from the multinational retailer IKEA:

*How influential is cultural awareness for multinational retailers, operating in the bed textiles industry?*

*What challenges do multinational retailers, operating in the bed textiles industry, need to overcome before shifting to a transnational strategy?*

Both of the questions are driven by the fact that multinational retailers tend to use a global strategy for all their markets. According to Landler and Barbaro (2006), this decision has contributed to market failure for big retailers, such as IKEA. Therefore it is interesting to find out, how influential cultural awareness, especially for retailers operating in the bed linen industry, is and what challenges they need to overcome for a transnational strategy shift.

## 1.3 Structure of the work

The structure of the work is build op on the purpose of this study. To get familiar with the thematic, the thesis begins by clarifying the theoretical background. By forming a broad knowledge about already known theories and strategies, *Chapter Two*, analyses different marketing approaches for multinational companies when entering new markets. This explanation is made to get readers more acquainted with the terminology and the research area. The focus, however, is put on transnational marketing strategies. *Chapter Three* therefore is analyzing in detail transnational strategies and moreover it reviews cultural intelligence as a key for MNC's. It explains the connection of cultural awareness and transnational strategies as well as the direct influence of cultural differences on a company's profitability and the benefits it can offer when investing in market research, before taking the step to enter a new market.

*Chapter Four* covers the methodology part and briefly explains the instruments used for gathering information. It also explains why using IKEA's international business activities, is a useful case study for serving the closing purpose of this thesis. A short close-up about IKEA is being presented in *Chapter Five*. The chapter is going to give a brief summary about the history of IKEA and its vision and business idea. Moreover the chapter is going to present the "Blue Ocean" business strategy.

The main research part of this thesis can be found in *Chapter Six*. The aim of this chapter is to analyze in a descriptive way the results of the study. *Chapter Seven*, the Discussion, links the findings with the topics brought up in theory. The focus lays in the identification of current challenges in the bed textile department of IKEA. Moreover, the analysis will show if a shift to a transnational strategy for multinational retailers might be of advantage to compete better internationally.

The final chapter, *Chapter Eight*, provides a conclusion of the case study and the final outcome of the thesis. It is going to link the theoretical background with the findings of the study and will try to create knowledge in this research area. Additionally it will give guidance for future research.

## 1.4 Delimitations

This research is going to concentrate on the analysis of transnational strategies and the influence as well as importance of consumer habits on multinational companies. Thus, the paper is not going to dig deeper into the research area of internationalization processes and its implementation steps. Entry modes for international companies are another topic, which is not going to be mentioned in this research. This paper is furthermore not investigating cultural differences or culture as such. It is defining the importance of including cultural awareness in international business activities. Moreover, the research is not going to analyze each IKEA market in detail on their relevant product preferences in size and design in the bed textile sector. It will however try to find similarities between the markets, when it comes to consumer preferences and bed dressing behavior around the world.

## 1.5 Definitions

The following two key words will occur throughout this research and will be in detail explained in the following chapters; a brief definition will be given beforehand to make the reader aware of these terms.

**Transnational Strategy:** It is a marketing strategy, which is being used by multinational companies. The aim of this strategy is to find the right balance between standardization and local adaptation to countries specific requirements.

**Cultural Awareness:** It is the awareness of the differences between various cultures, which is essential when it comes to the interaction between people from other cultural backgrounds.

## 2. Theoretical Background

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*This chapter intends to build up the theoretical basis for the thesis. First the four different marketing strategies will be introduced briefly. An emphasis is being put on the transnational strategy, due to the fact that the research later on builds up on this approach.*

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### 2.1 International Strategic Management

The target/goal of competing in foreign markets successfully can be achieved by pursuing an international strategic management. It creates a framework by defining the company's essential goals (Lymbersk, 2008).

Recent research proposes the following definition, according to Lynch (2007), of international strategy:

*“The field of strategic management deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of companies in their external environments”*  
(Lynch, 2007).

Strategic management makes fundamental decisions about the future success of an organization. It explores the environmental surrounding, the organization and the resources that are being handled by the companies. These factors are then used to explore and define the purpose of the organization. There is a constant change when it comes to environmental and organizational processes. This change leads to the fact that international strategy is an ongoing and comprehensive process that needs to be reviewed continuously.

When comparing a company working in multiple markets with a company operating in just one single market, it is easier to develop a strategy for companies that are operating on a local base. Companies that operate in one country only have to deal with one currency, one customer behavior, one legal system and one language. On the contrary, multinational companies have to deal with more than one currency, government and culture. To handle these challenges, it is necessary to implement an international strategy across the business entities of a company. As already mentioned in the Introduction, this is the point where most multinational retailers are facing the need of a trade-off between benefits and difficulties when entering new markets. According to Lymbersky (2008) the advantages can be divided into three areas - international flexibility, worldwide learning and global efficiencies.

**International flexibility** is related to the opportunity for a multinational organization to tackle challenges and opportunities more efficiently. National companies for example only need to focus on one market and try to fulfill their market demand. Anyhow they are not able to respond to changes in the demand by adapting their production in another country in their network and use their resources, as multinational companies are.

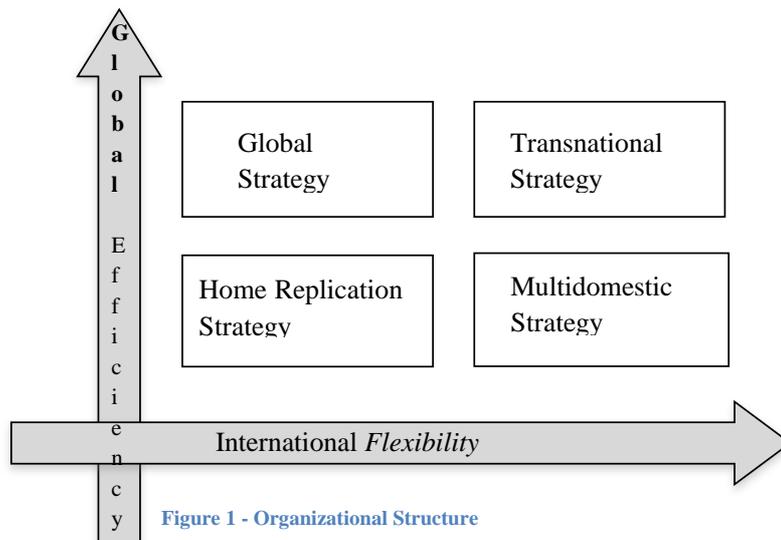
**Worldwide learning** is about seeing cultural differences as a potential for improving the organizations processes. It is about utilizing the insight to further strengthen the activities in each country. This learning can be identified as a key competitive advantage into which companies should invest in (Bartlett et al., 2007).

**Global efficiency** can be achieved by MNCs in different ways. For example location efficiency or Economies of Scale (EoS) Location efficiency is concerned with finding a suitable location for either the production, research or development department. This decision is most of the time based on different factors like for instance cheap labor or skilled workforces in another country. Companies can achieve global efficiency by making use of EoS. They are defined as cost advantages that arise with the increased output of a product. The more units being produced the lower the fixed costs per-unit are going to be (Norman, 1979).

In practice it is quite challenging to take advantage of all these three factors mentioned above at the same time, since they can be interpreted as trade-offs. For example if a company decides to centralize most of its production and R&D department, global learning is going to get lessened. On the other hand if a company decides to decentralize, which will result in a higher level of responsibility for local units, problems might occur that will lead to redundancy. Therefore it is essential for multinational companies to find the right balance in these factors when implementing a new strategy.

### 2.1.1 Organizational Structures

The main objective of an organization design is to develop and implement a correct corporate strategy. From a decision-making process perspective, the most important parameter is the right balance of local and central influences. Generally, companies operating in more than one market have implemented one of the four organizational structures seen in Figure 1.



This matrix has first been developed by Bartlett and Ghoshal (1998), and describes the characteristics of each of these organizational designs. As already mentioned at the beginning of this chapter, all of the four strategies are being described briefly, whereas an emphasis is put on transnational strategies. It is important to get an overall view of the four strategies first, to later on understand the distinctions between each of them. Most crucially though to understand the importance for MNC's to shift towards transnational strategies.

This framework (Figure 1) is centered on the two advantages mentioned before, international flexibility and global efficiency. In the next chapters each of these strategies from figure 1 are going to be analyzed briefly.

#### **2.1.1.1 Home Replication Strategy**

International (export) strategy is often used as a synonym for home replication strategy in the literature. This strategy is characterized by the home country-based competencies in foreign markets (Peng, 2013). Therefore companies transfer their experiences from their home market to other countries. The name of the strategy is not surprising though, since companies are aiming to replicate advantages, which they have already gained from their home country, to a new market in which they want to enter (Rivera, deLeon, 2008).

The companies offer standardized products and exploit the parent companies knowledge through the world. Their key strategic capability basically is to transfer the home countries innovations worldwide. An example can be taken from the German automotive industry, which uses a home replication strategy when entering new markets. German car brands like Audi, Mercedes or BMW for example sell their cars in foreign markets with the image that it is possible to travel very fast but also safe. This image arises with the fact that consumers all over the world know that in Germany, different to other countries, parts of the highway do not have speed limits. Even though most of the consumers are not able to enjoy these cars to their fullest, they still have this image in their mind. When taking a look at Figure 1.0 we can see that the home replication strategy can be used best when there is no or less need for international flexibility and global integration (Lyubersky, 2008).

#### **2.1.1.2 Global Strategy**

As Figure 1 shows, a global strategy is defined by low international flexibility and high global efficiency. Companies using a global strategy see the world as one big market with a homogenous consumer behavior. Standardized products are being offered in each of the countries a company operates in. The aim is to reach a high level of Economies of Scale (EoS), due to the fact that the same production process can be applied for all products in every market. Global strategy aims for a competitive advantage that comes from common global brands, largely standardized products and global scaled production with little local variations (Porter, 1990).

It furthermore focuses on a standardized marketing campaign and one standardized distribution system. Using this kind of strategy often allows companies to outsource production to countries where production and employment costs are much lower than in their home country (Laroche et al., 2011). The global strategy is very similar to the home replication strategy mentioned previously but organizations using a global strategy develop one strategy for all their markets. They believe that this one strategy is applicable to all of them. Home replication strategy on the other side believes that the way of doing business in the home country can be applied for all other markets as well. As an example for a global strategy, we can use the Chinese computer technology company Lenovo. They take advantage of EoS and hence, outsource their production to low cost countries like India, China and Mexico. They have also outsourced their R&D department to Shanghai and Raleigh since workers there are highly trained in the computer and electronic industry (Lenovo, n.d.).

### 2.1.1.3 Multidomestic Strategy

When a company uses a multidomestic strategy, it adapts and customizes the parent company's strategy to country specific needs. The matrix above shows that this strategy is high in international flexibility but has a low level of global efficiency. When using an entirely multidomestic strategy a company does not only adapt its products but also their marketing, advertising, distribution and R&D to each country (Meyer, K., Su, 2015, pp. 149-158).

To sum it up a multidomestic strategy is where a company completely customizes its response to each of the existing markets. Therefore the organization operates with more or less uncontrolled subsidiaries. This enables them to focus completely on each countries needs and consumer preferences. The literature says that this approach is used best when consumer habits are very different from one country to another (Bartlett et al., 2007).

This strategy however, has a negative side effect for the parent company. Due to the high level of self-responsiveness of subsidiaries, the parent company loses some of its control and coordination over their markets. Moreover a key disadvantage is that through their geographic and organizational structure achieving a high level of EoS is quite impossible to reach, since production and distribution processes are customized (Hitt et al., 2010). As an example we can take a look at the European consumer products company Unilever. The company focuses on producing and distributing food and beverage products. This company emphasizes on adapting their products to each geographic area, to be able to meet different consumer's tastes and preferences and wishes when it comes to fresh food and beverages (Lymbersky, 2008).

### 2.1.1.4 Transnational Strategy

Bartlett et al. (1998) are, including a few other researchers, the ones who claimed that transnational strategy is either superior to other strategies or it is the ultimate level to reach for success. There is not much to be found in textbooks on international management. This is also why the topic around transnational strategies remains rather abstract with a lack of theoretical profundity. This lack of theory is also strengthened by the recently published research paper, *Integration and responsiveness in subsidiaries in emerging economies (2015)*, where the authors state that little evidence exists of, if and how transnational strategies can be applied. Besides the theoretical part, case examples, which deal with a transnational strategy shift, are missing in literature. This statement is being strengthened also by the researcher Sirkeci (2013), who's scholars are dealing with transnational strategies and consumer behavior.

Ibrahim Sirkeci (2013) tries to define in his book, "Transnational Marketing and Transnational Consumers", transnational strategy as following:

*"[...] as the understanding and addressing of customer needs, wants and desires in their own country of residence and beyond and in borderless cultural contexts with the help of synergies emerging across national boundaries and transfer of expertise and advantages between markets where the organization operates transnationally with a transnational mentality supported by transnational organization structures and without compromising the sustainability of any target markets and resource environment offering satisfactory exchanges between the parties involved."*  
(Sirkeci, 2013)

Anyhow, there is no clear definition in marketing literature what "transnational marketing" in detail is about. The mentioned definition above is a revolutionary attempt to explain concepts

and the understanding of this increasingly essential phenomenon. There has been a lot of research going on in the field of transnational strategies and new key words have appeared in the last years that are connected with the approach of transnational marketing, such as strategic agility or ambidexterity challenges (Fourné et al. 2014, pp.3). Before chapter 2.2 is going to dig deeper into the subject matter of transnational strategy themselves, following sub-chapter is going to give a short summary and overview about the four mentioned marketing strategies.

## 2.2 Summary organizational structure

Having described all of the four organizational structures that were based on Figure 1, it is of great interest to see a clear distinction in their network models, which also helps to get a better general overview. The following figure distinguishes and highlights the differences between each of them. This figure was adapted from the book *Transnational Management* by Professor Manish Parsuramka (2010).

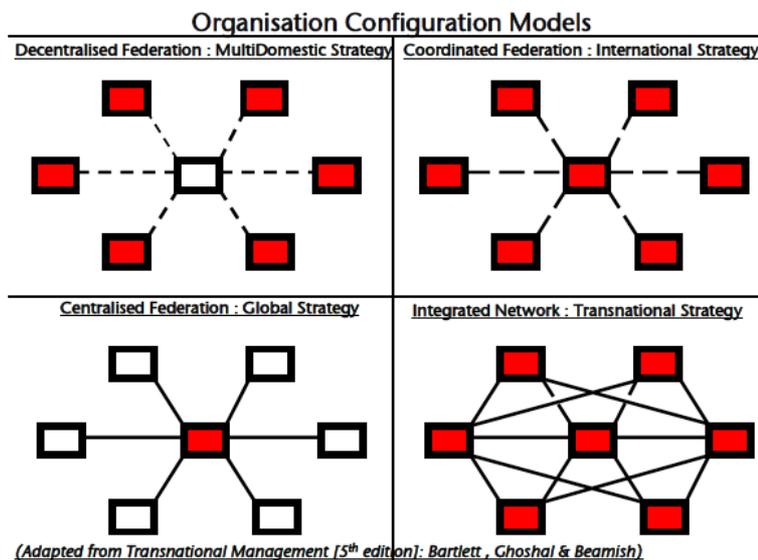


Figure 2 - Organization Configuration Model

The box in the center of each of the models indicates the parent company. The boxes around the center-model represent the worldwide subsidiaries. If a box is filled with red color it says that the concentration of power lies within these units. When boxes are connected with a full line, this means that the parent company has complete control over their subsidiaries. The lines also indicate knowledge sharing within the units. And as seen in the last model, only in transnational strategies, sharing of ideas exists also between all the subsidiaries and the parent company. According this author competence may not only be located in the headquarters but also in all the subsidiaries. As seen on Figure 2 above the strategy complexity of the four types varies in terms on internal coordination and knowledge flow (Pla-Barber, 2002, Harzing, 2000, and Wolf and Egelhoff, 2002). To be able to work effective and efficient in this kind of model, companies are facing different challenges. The next chapter is going to focus on this problematic and will try to analyze transnational strategies even further.

### 3. Transnational Strategy

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*This chapter is going to focus on the approach of transnational strategies. Therefore the model is being analyzed in great detail, to provide as accurately as possible, an overall picture of this business strategy. Furthermore challenges when implementing this strategy are being pointed out and the importance of cultural intelligence is being linked to transnational strategies. Then the importance of cultural awareness and intelligence will be presented and set in relation to the business perspective. The chapter ends with a summary of the findings.*

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The organization model for an adapted transnational marketing strategy differs completely from all the other three approaches, as seen on Figure 2. This model is more or less a combination of a multidomestic strategy's local responsiveness and a global strategy's efficiency. Companies using this strategy are aiming for both of the advantages, international flexibility and global efficiency, as also displayed in Figure 1 (Verbeke, 2013 and Peng, 2014). Basically this strategy aims to capture the best of both worlds. These transnational companies endeavor to strike a balance between the level of standardization and the extent to which they should include country specific requirements to their business activities.

These strategies are followed with the objective of achieving all three advantages – global efficiency, international flexibility and worldwide learning. Bartlett and Goshal (1998) distinguish between three key attributes that transnational strategies develop. In the following part a description of each of these characteristics will be given.

**1. Multidimensional perspectives:** This attribute is dealing with the national subsidiary management. A subsidiary is a company that is completely or partially owned by another company, which is normally referred to the parent company. This parent company sets the regulations and laws that subsidiaries in foreign markets have to follow and the parent company also carries the financial statements of the subsidiaries (Oxford Dictionary, n.d.).

A strong, national subsidiary management is addressing country specific needs and is able to sense and analyze changes and shifts in the market (Katsikeas et al., 2006). Working with subsidiaries is seen as a competitive advantage, due to the fact that companies fundamentally understand and respond according to a country's culture, views, preferences, tastes and systems (Bartlett et al., 2011 and Roth, 1995).

Subsidiaries also have to have an eye on competitors and react proactive when needed. Transnational organization's aim is to achieve a participative framework, in which the parent company and the subsidiaries play an important role together (Grewal et al., 2008)

**2. Distributed, interdependent capabilities:** After knowing various country needs, a transnational company must make choices between these needs based on their importance, and then respond effectively and timely. It is therefore vital to realize strategically more important concerns. When the decision-making process of multinational companies is centralized, which is the case for example in a global strategy approach. It is often very difficult to react quickly and properly to different demands around the world. Organizations hence, break away from the thought that activities, for which global scale or know-how is important, must be centralized and open up to a broader view. They see national subsidiaries as world source. The transnational strategy model is seen as an integrated network of all parties included. National subsidiaries are not seen as the end of the delivery chain for a

company's product. In fact, national units are seen as a source of know-how, ideas, skills and capabilities that can benefit from all units included in the network. The company becomes a truly integrated network of distributed and interdependent resources and capabilities (Porter, 1986).

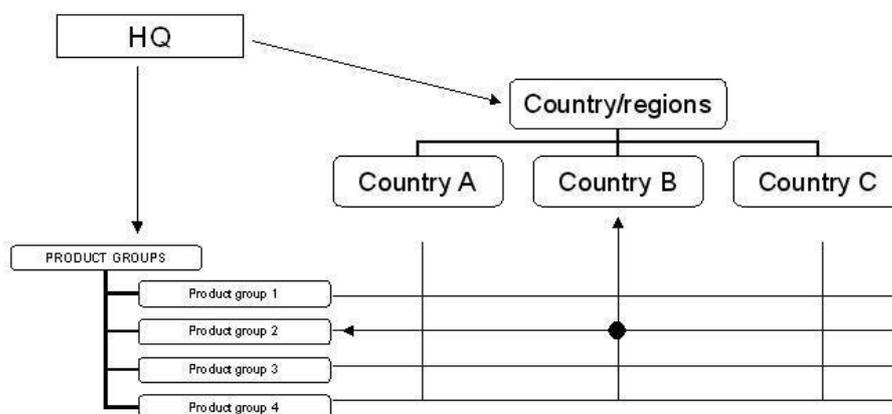
**3. Flexible integrative process:** (Kornberger et al., 2011) This characteristic deals with the co-existence of centralization, formalization and socialization. The parent company is taking decisions that influence national units, which is defined as centralization. Assigning and delegating activities from subsidiaries and taking responsibility are described with formalization. Socialization is about the cooperation of each of the national subsidiaries in the entire network, to exchange information and experiences (Parsuramka, 2010).

As mentioned at the beginning, transnational companies aim to find a balance between standardization and customization in their products and processes. According to Barlett et al, (2011) there are different pressure factors that force companies nowadays to adapt their strategies and to move more towards a transnational strategy (Fourné et al. 2014, pp.3).

Each country alters from another in many different ways. Each of these things can be the decisive reason for a market failure for multinational retailers. For instance - customer needs and preferences, different competitors and the existence of product categories in different phases of a product life cycle (e.g., Slangen, 2006, Ahammad and Glaister, 2011b, Sarala and Vaara, 2010, Vaara et al., 2012, Reus and Lamont, 2009 and Weber et al., 2012b). Moreover some countries of the world are rich in resources, others are not. These are just some of the factors that need to be considered by companies that operate internationally.

### 3.1 Implementing a transnational strategy and its challenges

According to Ireland et al, (2011) implementing a transnational strategy is quite a challenging task. The process is generally based on a global matrix structure (Figure 3). Companies that aim to use a transnational strategy also need to adapt this kind of hierarchically structure. This involves intra-organizational trade; strategic coordination and knowledge transfer not only between the headquarter and its subsidiaries, but also through subsidiaries in different countries. The subsidiaries are therefore extremely interdependent on a strategic as well as operational level (Harzing, 2009). As Figure 3 shows, a global matrix structure consists of both, functional and product expertise, that are integrated into teams. This enables quick responses to the various requirements in the international market.



### Figure 3 - Global Matrix Structure

Through this kind of structure a company is more flexible in all its activities. These activities include the design of products or a proactive responding to customer needs from different geographical areas. The headquarter (HQ) has to be in constant contact with both, product groups and the countries. Anyhow, due to the complexity of the structure, employees often have more than one manager they have to report to. Additionally an employee can also be a member of various cross-functional teams. This makes it difficult to develop devotion to either one of the groups. Another disadvantage is that the decision-making time is getting extended due to a more complex reporting structure. The key to an efficient handling of this structure is based on a substantial coordination of knowledge sharing within and across international teams (Ireland et al., 2011).

In general, implementing and managing this type of strategy is expensive and difficult. The implication is that companies, using transnational strategies, require complex structures, frameworks and a strong culture to coordinate the value-creation activities. Therefore, they have to face many challenges on the way (Hill & Jones, 2013).

Taking a look on the research of different authors (e.g. Hill & Jones, 2013, Bloom et al., 2002), most of them agree on three main challenges when implementing transnational strategies. These 3 challenges can be seen as sub-categories, which follow into the thematic of cultural awareness. The research is going to describe each of them briefly in the next paragraphs and later on, in Chapter 3.2, the study concentrates more on the central phenomenon of cultural awareness.

#### **Standardization and localization**

Finding the right degree of standardization and localization of the product range can be one of the trickiest parts. Robson (2005) has argued in their research that the main challenge that international marketing manager face is the decision of which part of the products should be standardized or adapted. It is important, therefore that all members of the network work in a transparent and consistent way. A high level of transparency raises also a feeling of equal treatment among all the employees, no matter where they are located in the world. Additionally, consistent systems can simplify the administration activities by rising operational efficiencies (Bloom et al., 2003).

#### **Knowledge transfer**

The key source of competitive advantage is knowledge transfer and therefore building trust between all the value chain partners. Companies have to invest in the newest technologies to be able to communicate in the best possible way with all their subsidiaries. The higher the degree of electronic data interchanges, the better it is for companies. Information and knowledge can be shared faster and less knowledge is getting lost on the way (Bloom et al, 2002).

#### **Internal and external cultural differences**

Transnational strategies have to face many cultural challenges. It does not matter whether they are internal or external differences, the importance is to be aware of them and include them in strategy decisions. It is essential to involve differences in the opinions, beliefs, tastes and preferences into a company's strategy (Zikmund & Babin, 2013). Companies need to invest a lot of time and money in appropriate market research to be able to act proactive to abrupt changing market demand. Cultural differences on the one hand can cause conflicts and

difficulties. On the other hand especially this variety, can be an important source of creativity, which is essential for companies operating in today's rapidly changing business environment. In literature there is no specific time frame, which states how long market research processes should be, to be well prepared for every situation abroad (Zikmund & Babin, 2013). Birn (2004) however states, that the longer the market research is carried out, the better the final results will be.

Companies need to overcome these challenges to create a system that can be used effectively in multiple countries by utilizing local differences and at the same time sustaining global consistency. Global consistency includes that the strategy should be on the one hand open to local changes and on the other hand uses consistent approaches (White, 2005). Even if the implementation of transnational strategies is challenging it is nowadays necessary to be competitive within the international markets. This makes it necessary to adapt this strategy and find the right degree of adaptation (Porter, 1986).

As Hill & Jones (2013) have already mentioned one of the biggest challenges in adapting a transnational approach while turning away from standardized strategies, is the consideration of cultural awareness. The following chapter is going to explain the importance of cultural intelligence in MNC's and its linkage to transnational strategies.

### 3.2 Cultural awareness and intelligence

When a MNC decides to shift towards a transnational strategy, cultural differences and preferences must be considered since every market has different values. As already mentioned in the previous sector, cultural awareness is strongly related to standardization and adaptation, knowledge sharing and cultural differences. Before the focus will be set on cultural awareness in business relations, the definition of cultural awareness will be stated in more detail.

Referring to Adekola and Sergi (2007), it is well known that people's cultural background, values and experiences lead them unconsciously to do and see the things the way they do. A lack of knowledge of the other culture or a misleading projection of similarities of the own country to another, might end up people acting inappropriately. Hence, it is recommended to be careful with interpretations and differences. Otherwise misunderstandings may occur which can turn into an unwanted situation (ibid). Looking at the literature, there are many authors discussing about cultures and their culture-related behavior in different terms. Some authors call it culture awareness; some prefer to talk about cultural intelligence and some about cross-cultural competence. Some authors such as Quappe & Cantatore (2007) define this term, by saying that "cultural awareness becomes central when we have to interact with people from other cultures."

Cultural intelligence quotient (CQ) on the other hand is defined e.g. by Peterson (2010) as "the ability to engage in a set of behaviors that uses skills (i.e. language skills) and qualities (e.g. tolerance for ambiguity) that are tuned appropriately to the culture-based and attitudes of the people with whom one interacts." Since cross-cultural competences are not so clearly defined and the existing definition relates to the CQ. This paper is combining CQ and cultural awareness together, since the two are correlated. Furthermore these definitions are stronger related to international relationships. (Sahin, F. et al. 2014; Earley et al. 2004; Ang et al 2007).

The main difference between CQ and cultural awareness is that CQ is related to the intelligence quotient or IQ measuring. It is used to enable a determination of the cultural openness or cultural knowledge of a person (Peterson, B. 2010). However, CQ is defining the capability of a person to act effectively in intercultural contexts (Ang et. al, 2007). Cultural awareness however is not measureable in the same way as CQ, but the criteria around the topic are the same (Quappe & Cantatore, 2007; Peterson, 2010). By referring to Sahin et al, (2014), CQ is a continuous learning effect, especially during international experience; individuals gain a unique, conscious and aware knowledge through working with other cultures. The increasing diversity in cultures leads to challenges for individuals as well as for organizations, such as multicultural domestic work teams and global leaders (Soon et al, 2007). One of the main challenges is how people perceive cultural awareness by CQ.

The authors Quappe and Cantatore (2007) and Peterson (2010) have defined four different types of this perception:

- My way is the only way – (The Parochial stage)
- I know their way, but my way is better - (The Ethnocentric stage)
- My way and their way - (The Synergistic stage)
- Our way – (Participatory Third culture stage)

Another important point, when it comes to cultural awareness, is the continuous change in cultural experiences over time. This can be seen nowadays through masses of information shared by media and other channels. Our cultural values have not changed so quickly at a time when technology was not that advanced. In these modern times, where societies are complex and industrialized, constant changes in cultural features are somewhat normal (Ferraro, 2002). Ferraro defines this development as “cultural innovation - the introduction of new thoughts, norms, or material items”. He also states that societies have generally accepted cultural innovation and it has developed its own mechanism. According to him, it is important to review a product or service constantly to see if it is suited for the new market with the following different phases:

1. It is superior to what already exists on the market (relative advantage)
2. It fits to the culture (compatibility)
3. It is easy to understand (complexity)
4. It can be tested (trialability)
5. It benefits clearly to a large number of people (observability)

Quappe and Cantatore (2007) state, that diversity in cultural background may become a challenge, if organizations around the world need to work, decide and act together. The confusion and complexity level may increase thus, and can make it difficult to reach agreements. But cultural diversity also has its advantages when the organization takes different approaches towards problems and expands its solutions. It involves the creation of valuable skills and knowledge (ibid). The following chapter is focusing on cultural awareness in business relations.

### **3.3 Cultural awareness from a business perspective**

International trading has been growing ever since the existence of the Silk Road. If a company decides to expand from its local market to a global market, the prevalent reason is that they feel a saturation of the market. Globalization therefore seems to be widespread solution to escape saturated market (Adekola & Sergi, 2007). Entering a new market has its

challenges, and Ferraro (2002) states that a commonly appearing factor of failure on the international market is sourced in wrong assumptions that a person, service or company would be in a foreign culture as successful as in a familiar environment.

As mentioned in the chapter before, cultures can differ from one country to another. It is hence very important to know the different behaviors, habits, preferences of cultures to be successful (Adekola & Sergi, 2007). Some research has shown, that the most frequent failures in setting business in foreign markets were the inability of understanding the local ways of thinking, rather than professional or technical incompetence (Tung 1981; Black et al., 1992). According to Adekola and Sergi, (2007) problems arise in business communication across cultures, when participants were unable to comprehend culturally predefined differences in traditions, communication practices and thinking processes during planning phases. Hence “International management requires the understanding of crossing cultures, multinational corporations’ interactions, global perspectives, and corporate issues” (Adekola & Sergi, 2007).

It is important to be able to predict which ideas, products and services or behaviors are more likely to be accepted by a foreign culture (Ferraro, 2002). As an example, IKEA has recently (2015) introduced a small range of textiles and table accessories with a specific print. The print design was from a famous designer called Olle Eksell. It shows children playing football together. One of the boys is drawn as a white and the other as a black person. As these boys are playing together, the drawing has no racist intention. Every market of IKEA has adapted this range. Anyhow, one co-worker at IKEA in the US felt offended by the drawing. He stated that the drawing of the face expression of the colored kid was not as precise as the drawing of the other kid. Here we can see how cultures reflect on the same thing differently. The result was that the range in the US had to be taken off the market. Now the IKEA US was facing the problem of having ordered a large volume of different products with this specific drawing. This led, especially in the bed textile range, to severe problems, since the US has different sizes to all other countries. The question now arose, what to do with all the inventory stock?

This example shows that internally as well as externally, a company needs to include cultural awareness into their daily business. Therefore cultural awareness and cultural intelligence are necessary for all internationally operating companies. Business communication across different cultures must be handled cautiously, since nobody is liable to reflect who he or she is. It is necessary to understand the sense of a message and how it might be perceived (Adekola, & Sergi, 2007). The three categories mentioned above (3.1) are very challenging for multinational companies. Even though standardization makes the handling and offering of the products easier, a local adaptation would satisfy the consumer in a larger extend. The sharing of knowledge of cultural preferences and differences is important to compete on the different markets and has to be up-dated due to their constant changes continuously. This also shows that cultural awareness is one of the biggest challenges when it comes to shifting from a global standardization to a transnational strategy where local adaptation is crucial for success.

### 3.4 Summary

Chapter 2 and 3 surveyed the literature on the nature of organizational structures, transnational strategies, the importance of cultural awareness, and the impact of culture on businesses. Notions seminal to this dissertation, such as multidimensional perspectives, interdependent capabilities, and flexible integrative processes were discussed. The issue of

choosing the right strategy for MNCs was examined from a constructive perspective. Furthermore the importance of finding the right balance between standardization and adaptation of a marketing strategy was studied. General theories of transnational strategy, which holds the perspective that MNCs nowadays need to consider a shift from a global to a transnational strategy, which takes into account cultural preferences and habits of foreign markets, were summarized. The chapter continued with a discussion of the implementation of challenges in transnational strategies. The three challenges of the implementation process, which follow under the thematic of cultural awareness, were reviewed. In the following, the importance to include internal as well as external cultural differences in business decisions was revised.

The examination of theory has shown that it is necessary nowadays to localize business strategies partly, to be able to satisfy customers around the world. Challenges, such as the constant change of values and trends have never been as fast as it is today. The main reason behind it is the development of cultural innovations. Due to the usage of technology customers get influenced faster and change their minds permanently. Companies therefore need to review their strategy and products on a constant base. Literature has shown that it is very crucial for MNCs to handle transnational strategies. There is no case example yet existing, which analyzes the steps from a global to a transnational strategy from a MNC. However, during this research paper, one of the things that need to be studied is the relation of market research to transnational strategies. The second one that needs to be understood is to see how the current market situation in the bed textiles sector is. Furthermore, the third thing that needs to be looked at is the strategic management analysis. This includes advantages, difficulties and challenges when implementing a transnational strategy.

Table 1 shows, based on the literature framework, the thematically analysis approach of this research. This table is a recurring theme through all work in this research and forms the basis for this research.

	<b>Market research</b> (Chapter 6.2)		<b>Market Situation</b> (Chapter 6.3)		<b>Strategic Management Analysis</b> (Chapter 6.4)		
	Time	Tools	Sleeping behavior	Range lacks	Adaptation Advantages	Adaptation Difficulties	Challenges
SL 1							
SL 2							
SL 3							
...							

**Table 1 - Thematically analysis approach**

## 4. Methodological Framework

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*This chapter provides an overview of the methodological framework of the thesis. The research method and design will be clarified, which is going to explain why the selected research method is suitable. Further on a description follows how the data was collected and the structure of the study will be explained. The next heading is the data analysis method, where the investigation steps towards the relevant results are shown. The chapter concludes with a clarification of the validity and reliability of this paper and its relevance.*

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### 4.1 Research Method and Design

A research design gives a framework for collecting and analyzing the data of the research (Bryman, 2012). During the research design, according to the same author, a connection between variables was found and an underlining of similarities and differences are to be enclosed. Research is either theory building (inductive) or theory testing (deductive) (Carson et al, 2006). For this research paper a deductive approach was chosen, where the theory will be examined, since this type of analysis gives a broad and detailed study of the topic and will thereafter tested by a survey (Bryman, 2012).

The qualitative methods approach was selected for this case study, since a questionnaire research design with a deductive literature research was conceived as an appropriate framework. This is because of previous research that has been undertaken, related to the thesis' topic; the majority has determined a qualitative research method with purposive sampling as their framework (Johnsson & Foss, 2011). According to Bryman (2012), the selected method gives an overview of the reality, which helps us to understand the actual situation. This reality is simply based on assumptions and cannot be measured as with a quantitative research method (Carson et al, 2006). While a quantitative research method is merely based on numbers, a qualitative research approach is concerned with words during collection and analysis of data (Bryman, 2012).

### 4.2 Data Collection

The data collection for this study originates from two coinciding sources; an examination of relevant documents, journals and books and an open question survey. The secondary data was collected from a number of different sources. On one hand we used documents such as peer-reviewed journals and other media, such as books, journals, and online data. On the other hand secondary data was conducted systematically with IKEA manuals such as the IKEA intranet, which offers access to the internal manuals and tools of the company. The investigation of relevant documents was not only necessary to gather more information about the topic; it also allowed us to check the received information with mentioned media. The Primary data was collected by a questionnaire, which was sent to the SLs of IKEA's bed textile department around the world.

To be able to generate a representative sample, a generic purposive sampling was selected, which enables to develop theoretical categories, in order to answer the research questions (Bryman, 2012). For the primary data collection a survey was used to find out more about the current situation of the bed textiles department of IKEA and furthermore about the SLs perception of a shift from a global to a transnational strategy and its challenges connected

with it. To be able to analyze this thematic, a questionnaire with open questions was established. Open questions were given to make the respondent answer in a free and individual way, which enables us to receive information in more detail. Only a word limitation for the given answers had been determined. A limitation enabled us to receive from each of the SL approximately the same length of answer, which helped during the analysis. The survey also allowed us to gain a real viewpoint of the participants' opinion and their experiences made in their position as a SL at IKEA in their country.

The questionnaire was sent to all the 41 SLs of IKEA, who are responsible for the bed textile range. These SL's are in charge for all the 53 markets IKEA is operating in. A SL may be responsible for only one market or more, depending on the size and amount of responsibilities connected with each of the countries. Since the SLs should know their market in this specific area quite well, the questionnaire has examined e.g. how they would define the sleeping habits in their country and if they think an adaptation in the bed textile range, resulting in a transnational strategy, would be of advantage. This enables us to get a good overview of the country specific preferences and the strategic management decisions of IKEA.

The reason for choosing the SLs for this research is based on the following three factors, with which they are familiar;

- Market research: This is necessary to enable an understanding of the importance of market research in the bed textile sector of IKEA.
- Market situation: Understanding of consumer's bed textile preferences and the lacks in the actual IKEA range to meet the different demands: as it is known that people have a different sleeping behavior.
- Knowhow of strategic management: it indicates an understanding of the SL's perception of current challenges in management decisions within the bed textiles segment and what they think are advantages and disadvantages when it comes to a shift to a transnational strategy.

For all the SLs, a letter with an explanation of the purpose of this research was prepared in advance. The questionnaires began with some questions about how the SL's define the need of their market and furthermore how they conduct market research in order to meet these needs. The questions were structured as seen above, to guide the respondents reasonably step by step through the questions.

A deadline was given to the SL's to receive the responses in an appropriate timeframe. 36 out of 41 SLs have responded to us, each questionnaire was examined thoroughly if the responses were sufficient. Some questions were not completely filled out, due to either an incapability of the SL, since the position has been filled very recently, or due to time pressure by reason of a high level of work-load. Anyhow, we identified all of the questionnaires as usable, since the given answers included different aspects concerning market research conduction, consumer's bed textile preferences and challenges in the strategic management, that were found as suitable to analyze. Even though the usage of open question might disclose a response in the SL's own terms; this also allows unusual answers, which would be not possible in a closed question survey (Bryman, 2012). Overall this investigation allowed us to gain a deeper insight into subjects that may have not seemed as relevant before and may open up a new perspective of the research for the findings. We also wanted to find out how they conduct market research and if an adaptation to the market relevant bed textiles range is in their opinion of advantage.

Even though a customer's investigation would have been interesting to analyze as well, it would have extended the given timeframe far too much. Moreover this type of research should have been undertaken in all the countries IKEA is operating in to gain a real overview of consumer preferences. Since some SLs are responsible for more than one country, a detailed listing per country is not given; the countries will be divided per clusters (see chapter 4.3).

### 4.3 Data Analysis

The data, which was collected through the questionnaire, was subsequently examined through a thematic analysis method (Bryman, 2012). According to Ritchie et al. (2003) a matrix, based on a described framework, must be constructed to be able to order and synthesize the data. The themes and subthemes occurring during the analysis of the responses were later on organized into core themes.

For a proper analysis the data was reduced, coded and interpreted by analyzing them thematically. The answers have shown a pattern in which the responses were hence categorized. The, in 4.2 mentioned, three factors were subsequently also defined as the three core themes for the coding. Subthemes of the market research were the time and the different market research tools that were used. Also for market situation we could define subthemes, such as sleeping behavior and IKEA range lacks towards market preferences. Lastly, the subthemes for the strategic management analysis were advantages and difficulties of an strategy adaptation in the bed textile range and the challenges perceived by the SLs to meet the market demand.

The table below shows the thematically analysis approach:

	(covered in Chapter 6.2)		(covered in Chapter 6.3)		(covered in Chapter 6.4)		
	Market research		Market Situation		Strategic Management Analysis		
	Time	Tools	Sleeping behavior	Range lacks	Adaptation Advantages	Adaptation Difficulties	Challenges
SL 1							
SL 2							
SL 3							
...							
SL 36							

**Table 2 - Thematically analysis approach**

For some of the questions, especially the ones of the market situation category, the responses have been varying to a large extent. Therefore we developed in cooperation with the IKEA employees at the IKEA headquarter a cluster division, to be able to analyze this data easier. The division of the countries is based on country similarities, such as market relevant sizes in bed textiles, consumer habits and location of the markets. These categorization criteria's are principles to create broader categories in a classification structure. Analyzing the received data on a cluster level reduces the largely unstructured and widely distributed data. According to Ritchie et al. (2003), by clustering the data, they can be analyzed based on different groups, and hence decision-makings can be made cluster wise, which eases the process enormously. The country codes can be found further explained in the Appendix.

Table 3 shows all the 53 markets, divided into seven clusters:

Cluster 1 stands for North European countries, Cluster 2 South Europe, Cluster 3 Central Europe, Cluster 4 Eastern Europe, Cluster 5 North America, Cluster 6 Asia and Cluster 7 Middle East.

Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5	Cluster 6	Cluster 7
NO	IT	DE	RU	USA	AU	AE
FI	FR	NL	PL	CA	AUW	EG
DK	ES	BE	CZ	DO	CN	JO
IS	GR	GB	RO		HK	KW
SE	IL	CH	HU		ID	QA
	TR	AT	SK		JP	SA
	CE	IE	BG		KR	
	SP		LT		MY	
	CY		HR		SG	
	MA		RS		TH	
					TW	
					IN	

Table 3 - Cluster divisions of IKEA markets

Throughout the coding, we were able to find some similarities between the responses and within the country clusters as well as outside of them. This was subsequently alleageable through further examination in context of the responses outside of the clusters or the relation of the countries within the constellation. As already mentioned, one SL might be responsible for more than one country in charge. This reasons simply that IKEA is not strongly represented in these countries, hence it e.g. in cluster 7 one SL is responsible for three countries. Also mentioned, not all of the SL's have responded to our questionnaire, a great amount originates from cluster 2. This made it difficult to analyze the data from this cluster to the full extent.

Some questions mainly concerning the strategic management analysis were not divided into the clustering for the analysis. Reason for this was that the clustering of these responses would not have made sense since every individual answer was found important. The answers were therefore coded differently by devising new themes. One of the subthemes of the strategic management analysis was named as following; the advantages and difficulties in an adaptation of the bed textile range to the market demand. Another subtheme was the challenges concerning a shift towards an adaptation in the bed textile range.

To be able to interpret the results, this thematic analysis method procedure helped to manage the out coming data and enabled the authors to discuss similarities and differences between the theoretical findings and the survey outcome. At last the findings were summarized in the results and set in context to the research questions (Bryman, 2012).

Kommentar [i-1]: Neu geschrieben!

#### 4.4 Validity and Reliability

This study was conducted in an ethical way by informing every participant in an email with the attached questionnaire about the study, about the purpose and how it will be analyzed and used. Moreover, the study outcomes and the gained information were treated anonymously to provide a secure handling of personal and delicate company data. All other sources were treated with respect. The citation style in form of the Harvard reference system recommended

by University was used to ensure crediting every single idea that does not belong to the authors of this work (Bryman, 2012).

The external validity is a weakness of this research and cannot be generalized concerning the findings of this study, since it is only referring on data collected from SLs at IKEA (Bryman, 2012). LeCompte and Goetz (1982) recognize another weakness of external validity, which might be that the employees will not be the same; hence it is suggested to conduct a similar survey with a similar social role to make the replication somewhat comparable (Christensen et al., 2001).

Since the process of coding is quite time consuming this questionnaire was only sent out once. This discloses a weakness in reliability since the answers in questionnaire were not secured by a return consignment and SL's review of the analysis outcome. According to Guba and Lincoln's (1986) ideas of trustworthiness and authenticity, it can be argued that dependability, the equivalent to reliability, was secured as the questionnaire can be reviewed and resent anytime. This means that all collected and analyzed data will be accessible and can be revised anytime by an auditor. This procedure merges the study's extent but also provides higher reliability.

#### **4.4 Relevance**

This case study contributes to increase information about an understanding of the importance of a transnational strategy shift for multinational retailers. This research is mostly relevant for international retailers in particular the decision-making managers that can use this study as indicators for a shift to a transnational strategy in their business. Advances concerning the publication include giving new insights and motivations to dig deeper into the market analysis and preferences in the bed textiles area. Large retailers have already entered a lot of markets but only with little success. Therefore the discussion of a shift from a global strategy towards a transnational one and what IKEA SL's perceive as a challenge in this situation of different market needs faces more and more requirement in investigation especially in the bed textile sector.

Further research within this field is expected for a deeper analysis of all customer preferences in this specific industry. This will later on hopefully lead to a number of additional research studies that examine the sleeping habits around the world. Using IKEA as a case example is suitable as this company has already expanded globally and faced different local barriers and therefore has made interesting experiences, positive and negative. These experiences and their willingness to act globally without compromising consumer preferences were some of the facts why IKEA is found suitable to be investigated in this research paper.

## 5. Close-up IKEA

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*During this chapter the company IKEA will be presented. First, a short introduction about IKEA's history is given. Furthermore IKEA's vision and business idea will be discussed. An overview of IKEA's franchising system and its concept will also be given. Lastly the Blue Ocean business strategy and IKEA's approach to this strategy will be defined.*

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### 5.1 History

IKEA is the largest retail company worldwide, which offers a variety of home furnishing products and operates today in all continents (IKEA, n.d., Nr. 1). There is almost no one nowadays, who has not experienced or visited an IKEA store. IKEA's reputation is in such an extent well known that even in the countries where IKEA has not yet entered, the people have heard of its name (Abrahamian, 2013).

The company was founded 1943 by Ingvar Kamprad. The company's name is formed by his initials (**IK**), the first letters of the farm **Elmtaryd**, and the village, **Agunnaryd** (IKEA, n.d., Nr. 1). The early ages of the company started very simple by selling fish, vegetable seeds and magazines by using the local milkman as a distributor (Referenceforbusiness, n.d.). Since that time, the company has changed their offer to furniture and started selling the products through a catalogue, which is used today ever since. Selling furniture in flat packages and offer a wide range of products affordable for many people are some of the factors that made the company IKEA so successful (IKEA, n.d., Nr. 2).

Today IKEA exists with 368 IKEA stores in over 58 countries with sales total of EUR 30,1 billion and more than 820 million visitors in the business year 2014. The 58 countries are divided in 53 different markets where IKEA is operating in (Inter IKEA franchise, 2014).

### 5.2 Vision and business idea

Every company has its own business strategy statement, which determines the goals, values and future directions. This business plan is also known as a company's vision and mission strategy (businessdictionary, n.d.). IKEA is defining its business vision and trade mission as following:

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*"Our vision is to create a better everyday life for the many people. Our business idea supports this vision by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them"*  
(IKEA, n.d., Nr. 1).

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It states clearly that IKEA wants to offer products that are well-designed, practical and affordable on a low price without making compromises in quality. Hence, the products must be able to fulfill people's preferences and needs in a simple and efficient way but on a low price level.

To be able to understand the needs of the customers, IKEA visits frequently people in their homes in each country they are operating in, IKEA employees call it 'Home Life Visits' (IKEA, n.d., Nr. 1). A practical case is given by Kowitt in her article in March 2015, when

IKEA puts cameras in people's homes in selected cities to analyze their living habits and to better understand their everyday life. In this example IKEA found out that sometimes people do unexpected things with the furniture they received from them. As in Shenzhen, where people did not use the sofas for what they were designed for. Instead, they found out that the consumers utilized the sofa only to rest their backs, since they are used to sit on the floor.

IKEA's own developed market research tool, visiting people in their homes enables them to better understand the differences in the countries and based on that to develop product solutions for their customers. The aim is also to combine quality, form, function and sustainability with a low price solution, which is called democratic design (IKEA, n.d., Nr. 1). As not everyone can afford an expensive designer-furniture, IKEA is trying to make design for everyone's purse. To make this happen, IKEA is constantly focusing on keeping the prices down. Their solution for example was that one can skip the lacquering of the underside of a table, if it is not seen or used anyway (Kowitt, 2015). But 'democratic design' how IKEA calls it, means also to focus on sustainability in the choice of their material, production, supply chain innovation and of course in their products (Brown, 2013).

One of the main principles on the financial side of the IKEA Group is that they use their own resources, meaning they do not spend money before they have earned it. This enables IKEA to make investments on the long term. The IKEA vision builds the foundation of their growth. They want to make sure that they are accessible and that more people are able to buy their products. This means IKEA invests a majority of their own profits continuously in their own growth; in existing and new stores, product development and sustainable solutions, but also ensuring low prices.

### 5.2.1 The IKEA concept

To ensure that the IKEA concept of staying ahead, being relevant, doing it right and better, is always up-to-date, IKEA retailers need to monitor constantly the application of this concept. This goes from market relevant conditions to cultural factors that can affect the shopping behavior, to the analysis of impacts on the global markets (Inter IKEA-What we do, n.d.). According to The Economist (2006), IKEA concept is also to create a long-term success effectively. This is done by implementing a franchising strategy into their business. Franchising is an art of business by which the owner of a product or service (franchisor) achieves distribution of his goods through a joined supplier (franchisee) (Entrepreneur, n.d.). To be able to grant the rights of using the IKEA trademark and to save taxes, every IKEA store, pays 3% of their sales to Inter IKEA Systems AB also known as the IKEA Group. Hence the IKEA group can secure its survival, as the IKEA Concept states clearly that no money will be spent before earning it (ibid).

This enables them to have the right of selling IKEA products and work with their business methods in the defined territory. The IKEA website states that today all the 360 IKEA stores are operating with franchise agreements. Only exception of the mentioned agreements is the IKEA store in Delft, the Netherlands, which is owned by Inter IKEA Systems B.V., owner of the IKEA concept and the global IKEA franchisor (Inter IKEA – Franchisor). The franchising is explained in more detail in chapter 2. According to The Economist (2011) and IKEA (n.d.), the Inter IKEA Group is divided into different companies, partitions and divisions, but since we are focusing on the divisions, only the franchise divisions will be explained. A long life of the IKEA Concept and the assurance of continuous improvement is the overall purpose of the Inter IKEA Group.

To be well organized, the business is allocated into three divisions; with the Franchise Division as a core:

The Property Division endeavors ways to create long-term value by initiating and investigating property investments. The main tasks include the management of property portfolios and commercial real estate developments to be able to secure financial independence.

The Finance Division takes care of the treasury management and includes activities of investments.

The Franchise Division, including Inter IKEA Systems B.V., is the owner of the IKEA Concept, the franchisee systems, solutions and methods for marketing to worldwide franchisees and responsible IKEA products that are sold under the IKEA trademark (Inter IKEA organization).

The IKEA franchise structure operates throughout the value chain, meaning the IKEA Group operates from product development and assortment strategy to production, distribution and retail (IKEA, n.d., Nr.1). Moreover the IKEA System B.V. is divided into global partners that subsidize the IKEA concepts and support the associated franchisees. There is the IKEA of Sweden AB (IOS), commissioned by Inter IKEA Systems B.V, which has the main responsibility to create the entire IKEA product range in the home furnishing offer.

This paper is focusing on the textiles sector, in which product development, supply chain processes, product range and the commercial management processes are being managed for all the countries, IKEA is operating in. This means that the responsibility area of IOS textiles ranges for all the subsidiaries worldwide in the textiles department.

The hierarchy valid for each of the subsidiaries is defined as follows; each country has a country retail manager which is the head of the parties below; he is responsible for all the business affairs in the market area. The next responsibility level per country is divided in logistics country manager, sales country manager, commercial country manager and marketing country manager. The denotation of the country manager also shows their responsibility area. They have to communicate between each other and report to the country retail manager. The hierarchy below the sales country manager is the same for every country manager. The SL's are responsible for each IKEA store, the sales, market research and competitor analysis. Same here, the SLs of the different departments have to interact with each other for better communication in between. The shopkeepers are the heads of the IKEA stores which have Co-workers who work for them in the store.

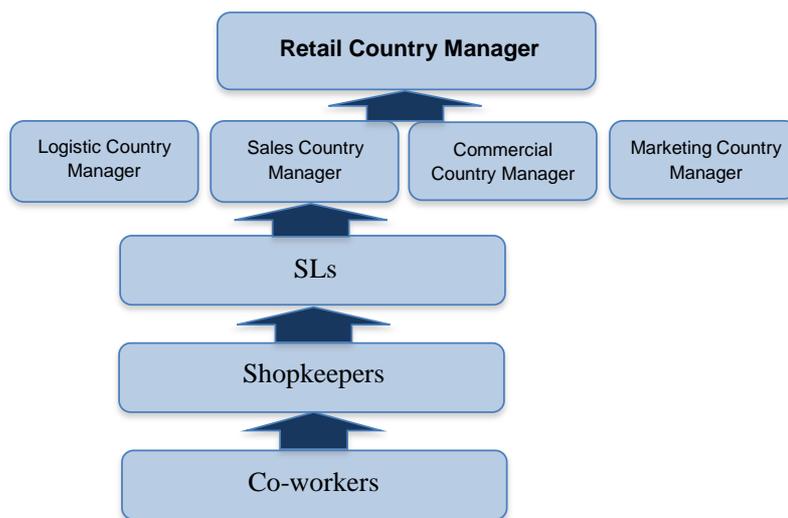


Figure 4 - IKEA's internal Hierarchy

To sum up, the entire IKEA structure is very complex with many parties in the group involved. Even though there are a lot of different companies involved, one can say that no matter which one, they all operate under the IKEA concept (IKEA, n.d., Nr. 3).

#### 5.4 The Blue-Ocean strategy

There are many different types of business strategies existing; a very important one that IKEA is using is the “Blue Ocean” strategy. According to Kim and Mauborgne (2005) the Blue Ocean strategy can be defined as such:

*“Blue Ocean Strategy is a creative battle where the players of a particular segment don't compete with each other remaining in the same market space; instead explore, create and acquire new market spaces by dealing with new demand through the principle of ‘value innovation’.”*

The Blue Ocean strategy concentrates on a reconstruction of the market by creating a new demand of non-existing markets (Abrahamian, 2013). Kim and Mauborgne (2004) recommend companies not to focus on a competitive strategy, since the idea of creating innovations that hold relevant value for the target market, is another way to stay alive in the market. ‘Value innovation’ means therefore the search of differentiation from others and to apply a low cost strategy. It is the main principle of the Blue Ocean strategy.

According to Barwise et al. (2012) a customer driven approach is hence required in order to meet the needs with the development of the demanded product or service. Furthermore, companies using this strategy are continuously looking “for the next Blue Ocean”, which might be attractive as a new market (Hyde, 2013)

#### 5.5 The IKEA Blue-Ocean strategy

IKEA's business plan is based on offering well-designed, simple and easy solutions with low prices, as it was outlined in the previous section. Therefore the IKEA Blue Ocean Strategy is based on corporate culture, unique simplicity, cash-and-carry retailing and cost cutting philosophy (Kalinsky & Bennett, 2013). With this strategy IKEA minimizes its investments and engages the entire organization in its policies. As IKEA is always trying to be unique, this is the only way for them to be the “only”, rather than constantly competing with competitors

(Abrahamian, 2013). To be the “only” and offering low prices equates exactly the core of the Blue Ocean Strategy.

For IKEA the additional challenge is to be unique also in foreign markets. Every time IKEA entered a new market, which was already saturated, they transformed the original market and succeeded by applying their Blue Ocean Strategy. (Kalinsky & Bennett, 2013) This success might be true in general for IKEAs development, but to be really able to meet the market on the long term, some market research have shown that a certain amount of cultural adaptation is necessary to meet the customer’s needs.

Like Kalinsky & Bennett (2013) suggest “a recommended course of action is to allow each region to adapt to its own culture where it seems reasonable”. One good example is when IKEA entered the United States 1985. It was their first expansion outside of Europe and they imitated the already existing business model and offered the same products as in the European market, without paying attention to the American culture. Unfortunately they had to find out that the American market demanded for a customization on the products, for instance, bigger wardrobes and bigger beds. Hence they had to do some changes in their offer and marketing strategy. (Chu et. al., 2013) This was a huge setback for IKEA since products have been already produced for the long-term and quick changes are very cost-intense. Research has also shown more examples like this, where IKEA had to rethink its marketing strategy to be able to act proactive on the long run.

## 6. Case Study of IKEA`s bed linen

*This chapter is divided into three main parts and is going to analyze the findings of the survey. The first sub-chapter is going to focus on market research. Second, the cultural challenges related questions are being examined. The last sub-chapter is going to center around strategic management.*

### 6.1 Introduction to the data analysis

The collected data was processed in response to the problem statement in Chapter 1 of this master thesis. Three fundamental goals drove the analysis. The goals were to develop an understanding of the importance of cultural awareness and market research for multinational retailers operating in the bed textile sector and furthermore to get a better knowledge about used market research tools. Moreover a base of know-how about cultural awareness challenges in transnational companies was being developed and the current market situation in sleeping habits was established. All the stated objectives were accomplished.

As already mentioned in the methodology chapter, the survey was sent out to all the 41 SLs of IKEA. These SLs are in charge of the 53 markets IKEA is operating in. A SL can be responsible for only one market or more, depending on the size of the market and the work effort, linked to a specific market.

However, 36 surveys were returned, from which all of them were identified as usable for further analysis. From these 36 returned questionnaires out of 41, the response rate is 88%.

As mentioned in Chapter 4, some of the questions are being analyzed by using a cluster classification. Following table displays again, for a clearer understanding, all IKEA markets divided into the seven clusters. The country codes are further explained in the appendix.

Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5	Cluster 6	Cluster 7
NO	IT	DE	RU	USA	AU	AE
FI	FR	NL	PL	CA	AUW	EG
DK	ES	BE	CZ	DO	CN	JO
IS	GR	GB	RO		HK	KW
SE	IL	CH	HU		ID	QA
	TR	AT	SK		JP	SA
	CE	IE	BG		KR	
	SP		LT		MY	
	CY		HR		SG	
	MA		RS		TH	
					TW	
					IN	

**Table 4 - Cluster divisions of IKEA markets**

(Cluster 1 - North Europe, Cluster 2 - South Europe, Cluster 3 - Central Europe, Cluster 4 - Eastern Europe, Cluster 5 - North America, Cluster 6 - Asia, Cluster 7 - Middle East)

**Sales Leader profiles**

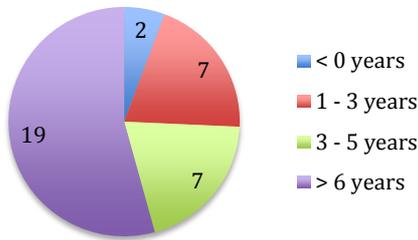


Figure 5 - Years employed at IKEA

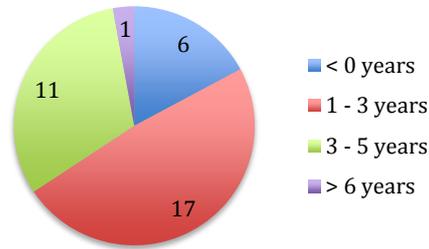


Figure 6 - Years working as Sales Leader

According to Figure 5 more than half of the questioned SLs, 19 out of 36, have been working for IKEA for more than six years. In reply to the question for how long they have been in the position as a SL, the majority answered between one and three years. Only one SL stated that he has been in this market position for more than six years. When looking at both pie charts, it can be clearly seen that IKEA attaches great importance on long-term employment. Even though most of the SL stated that they have been working for IKEA for three up to more than six years, only a few of them have been in the actual SL position for a long time. This can be led back to IKEA’s organizational structure and their principle to build up on long-term employment combined with a constant change of internal positions.

**6.2 Market Research Analysis**

For the market research analysis the SLs were asked what they believe is necessary for a shift towards a transnational strategy in the bed textile sector. Looking at the responses, an improvement in market research, was clearly the most mentioned factor. 24 of 26 responded SLs stated they use different market research tools to better understand their customers. On the question, how much time they spend for market research, the answers were given within a range of three days until twelve months. For the analysis of the different answers, all of the given times were converted into days, which allowed a better comparison and examination of the data. Since not every SL has answered this question, the analysis is taken out from 26 of 36 survey responses.

The answers from the SLs showed an average of 30 days spend on market research. Whereat the answers varied strongly between three and 90 days, nine out of 26 have responded with less than ten days. 12 out the 26 responded SLs stated between 10 and 60 days which varied in the indication. Interesting was also to see that five SLs gave the same response of 90 days, which indicates a long duration for market research.

To get a better insight on how the SLs conduct their market research, the survey also asked about the used tools. The main responses were Survey/Questionnaire, Home Life Visits and Consumer decision journey.

On the following graph, the main used market analysis tools are presented.

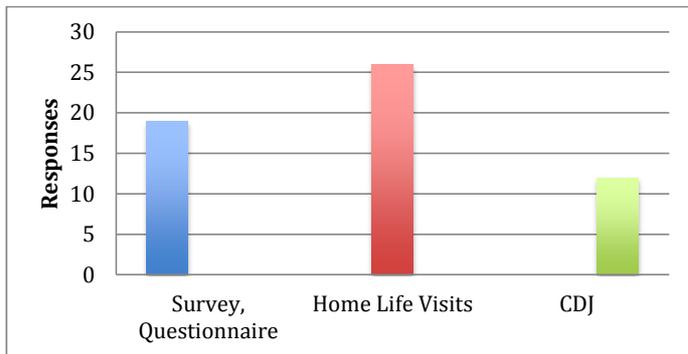


Figure 7 - Market research tools

On the figure above we can see that Home Life Visits is the mainly used tool for market research at IKEA in the textiles department. Home Life Visits is a commonly used tool for IKEA for a better understanding of their customer's preferences and all the 26 SLs mentioned the usage of this instrument. Only 12 SLs stated they use the IKEA tool, Consumer Decision Journey (CDJ), for market research. CDJ is a marketing approach to meet the consumers in the IKEA store at the moments that influence their purchasing decision the most (Court et al, 2009). The most well known tool for market analysis, survey or questionnaire, seems to be not as common as Home Life Visits, since only 19 out of 26 SLs have named to use it (Kelley et al, n.d.).

The additionally mentioned market research tools from six SLs showed that they also monitor their competitors to gain a better overview of the market. Four SL stated that they use either their own excel sheet or template for their research. Other tools where for example industry publications, market research via agency or their marketing department or consumer forums.

### 6.3 Cultural Challenge Bed Textiles

For the analysis of the questions related to the bed textile market situation, the cluster classification, as explained in 6.1, has been used. This method enables a general view on the countries, and therefore the possibility of finding similarities within the cluster. This comprehension makes it easier to take strategic decisions related to market relevant bed textile products.

#### Sleeping behavior around the world

On the question, how SLs define the sleeping behavior in their country, the answers between most of the clusters varied from each other, and also within the clusters no clear preference could be identified.

Most of the countries in Cluster 1 prefer to sleep on wooden-base mattresses. For this kind of mattress there is no need of an additional bed base, since legs can be added and placed directly on a frame (IKEA, n.d.). Another significant attribute for this cluster is the importance of high priced bed textile products combined with high quality. In Cluster 2, a large amount of the countries emphasize on the importance of sleep in their markets and that most of the people prefer double sized beds, with a measurement of 160x200 cm, to single ones. Another trend is emerging when it comes to the usage of beds. People tend to spend more time in their beds, watching TV, reading or working on their laptops.

The analysis of the sleeping behavior has also shown a cross-cluster-wise similarity between Cluster 3 and 4. It is common in these countries to use a mattress protector, two pillowcases with pillow protectors and one quilt with a quilt cover. Consumers in these countries tend to not use mattress pads. Due to the fact that Cluster 6 comprised all the Asian countries, the answers could be generalized more easily. Seven out of 11 countries implied that, due to the humid weather, people prefer to use thin blankets over quilts. According to mattress preferences, a great amount of consumers still sleeps on the floor, whereas a trend emerges to use Western style beds in the master bedrooms.

The analysis has shown one upcoming sleeping trend across all the clusters - the consumer preference towards purchasing a box-spring. The hotel-trend of luxurious box-spring beds can currently be found in private bedrooms across the world (Manager Magazin, 2014).

### **Lack of IKEA's bed textile range**

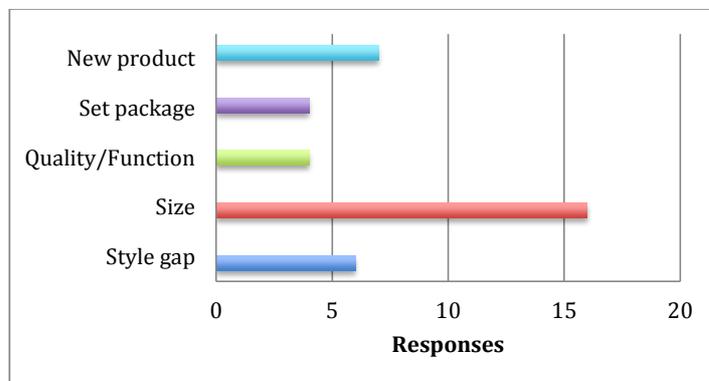


Figure 8 - Lacks of IKEA's product range

After getting a better overview of cultural differences in the bed textile area, it is interesting to find out current lacks of IKEA's product range in this sector.

Figure 8 displays the five most common, in relation with the amount SLs have mentioned them. Predominantly a lack in bed textile sizes is pulling through all the markets. 17 of the 36 SLs said that IKEA is lacking in offering the right product size for their market. Most of them have furthermore included specific product types, in which IKEA is lacking to meet the market demand. Following, excerpts of some of the answers, related to a lack in size, state clearly that no matter which cluster the countries are in, a lack in size is an overall problem.

*We miss extra length of quilts and quilt cover.*

[Sales Leader, Denmark]

*The customers would prefer the NO sizes.*

[Sales Leader, Norway]

*[...] Sizes of quilt and quilt cover; 140x200 and of pillow and pillow case in 70x90.*

[Sales Leader, Austria]

*Missing local sizes of quilts (200/220), 160/200 for two persons [...]*

[Sales Leader, Poland]

In order to meet the market demand it is necessary to spend a lot of time for market research. The Australian SL in this main example said, that IKEA is apparently not able to meet any of the market relevant sizes of the sheets in this country.

*No Australian sizes [...] main reason is mattresses have market relevant sizes, when our sheets don't.*

[Sales Leader, Western Australia]

The second most mentioned gap, was the lack of a new and innovative product. Especially SLs of Asian countries said that due to the warm and humid weather, consumers prefer to sleep just with thin summer blankets.

*[...] Summer blankets with pattern (no need to use quilt cover)*

[Sales Leader, Taiwan]

Due to the fact that in Japan competitors are already selling cooling and warming bed linen, it is of great interest for IKEA to jump on this trend and develop products with a higher degree of innovation.

*[...] Higher quality of down and feather, also innovative material products. Pillows: innovative material products. Lack of products to stay cool in summer and warm in winter (Cooling effect & Warm effect bed linens)*

[Sales Leader, Japan]

The last three lacks, Style, Quality and Sets, have an average amount of three answers. Most of the SLs were mentioning that in relation to style, the traditional designs of the countries were missing. In regard to quality, two SLs said that the competition has a better price/performance ratio, and that there is a buying trend peaking towards bed textile sets.

## 6.4 Strategic Management Analysis

The last section of the questionnaire responses is dealing with the strategic management analysis and the fact that IKEA's bed textile sizes are the biggest challenge to compete internationally. Since the market research and the market situation were already investigated, it was interesting to see the SL's perception of an adaptation of the IKEA product range to the market relevant bed textile products. Another important factor was to investigate main challenges for IKEA's the bed textile department using a global strategy.

### **Strategy adaptation advantages**

55% of the SLs believe that an adaptation to market relevant preferences would be of advantage.

19 out of 36 SLs were positive about the adaptation of the bed textile range. They see the main advantage in adapting size measurements for the bed textile range. SLs stated that the main reason is that a customer should not be forced to buy anything else than the market relevant sizes.

*From a customer perspective, why should I be forced to buy a size at IKEA that is not sold anywhere else?*

[Sales Leader, Germany]

For some countries, especially the ones from Cluster 1, the IKEA sizes already match the country specific sizes. Due to the fact that these countries have a lot of similar characteristics, this response is reasonable.

Contrary to expectations, some SLs stated that they have already undergone a change in IKEA'S bed textile range and thus sell some market relevant sizes. Anyhow, they also mentioned that there is still a gap in the entire product range. They reasoned that after an adaptation of the size range to the preferred ones, IKEA would be able to sell more. The analysis has shown that there is even one country, which does not have a standard size yet and therefore IKEA could use this opportunity to establish one, to be market leader.

*There is no standard size in our country; therefore, it is better to establish a standard for being market leader.*

[Sales Leader, Lithuania]

The other part of the SLs expressed themselves not so much in favor of an adaptation. Main factors were that also competitors in the markets are using local sizes but have also adapted part of its products to the IKEA range. Moreover some SLs stated that the customers are used to the local and IKEA sizes and hence an adaptation would not be of advantage for them, since the countries are used to have both size ranges available. Along with this disadvantage goes the statement that IKEA is present in some countries since many years, and a change in the size range would cause problems, such as confusion, with the current customers.

### **Strategy adaptation difficulties**

The survey also intended to find out the perception of the SLs concerning strategy adaptation difficulties. 39% of the questioned SLs believe that an adaptation, especially to market relevant sizes, in the bed textiles sector will be challenging. They emphasized their concern about range dimensioning and a lack of inventory space. Half of the SLs state that range dimensioning related to the sizes would be the main difficulty, due to the fact that the ranges can vary in one country between 15 to 25 different sizes. This would cause big problems not only for the inventory stock but also for the parent company to select the most important relevant sizes to produce. Two SLs reasoned that the space constraint would cause problems when it comes to an adaptation of the market relevant sizes. They mentioned, they already offer a broad range of different sizes and an adaptation to the market relevant sizes would cause difficulties to stock the products.

As already mentioned before, some markets do not have a standardized size yet. Even though SLs see an opportunity for IKEA to establish a generalized size in these markets, the process of introduction and furthermore acceptance of consumers will be a difficult task.

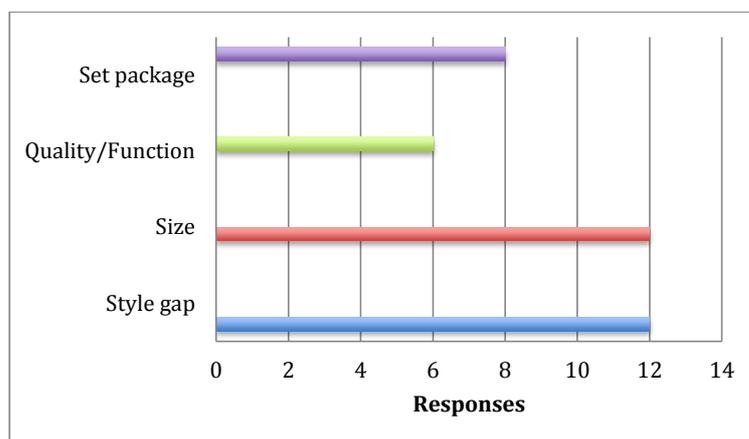
### **Cultural challenges to meet the market demand in bed textiles**

Since open questions were asked, the answers varied, but a pattern in the response enabled a generalization of the challenges to meet the market demand in bed textiles.

The analysis of the answers has shown some similarities between the different markets; so do 12 out of 26 SLs answers state that the two main challenges can be found in a gap of style and in offering market relevant sizes (Figure 9). They furthermore explained that IKEA at the moment does not cover countries specific preferences for the style of the bed textiles, such as patterns or colors. The customers want to have a wider choice in the design of bed textiles with additional seasonal updates. Since most of IKEA's products come with the typical Scandinavian design, not all of the countries are able to relate to it. Some prefer to have a more country specific design to the traditional one.

As presented above, some SLs prefer to have an adaptation to the local market to meet the markets demand. For many of them, offering the right sizes is the biggest cultural challenge. The analysis has shown that almost each of the countries prefer especially different sizes of their mattresses and bed textiles since.

On the following graph can be seen that there are also other challenges mentioned:



**Figure 9 - Cultural challenges in the bed textile department of IKEA**

After cultural challenges in size and style, the price setting towards competitors seems to be challenging as well. 31% of the SLs believe that competitors in their countries sell their products at a better price. The pricing problem can be related to the set packages and quality/function challenge. Since most of these SLs claim that competitors seem to be better established within the offering of set packages and its pricing, they see there a lack for IKEA in the product offer. They mention that IKEA needs to be more aware of each of the countries competitor, to act faster and more efficient to changes. Moreover, the right quality in connection to the price setting would enable IKEA a better positioning within the market segment. They reason that an offer of a different material could lead to make the range more unique, for instance including flannel/polyester or offering products with a cooling and warming effect, depending on the market's preferences.

Only one SL claimed that in their country customers do not perceive IKEA as first choice, when it comes to buying bed textiles.

## 7. Discussion

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*In this chapter the findings of the analysis and the theory will be discussed and set together. The structure of the discussion is building up on the three main factors, mentioned in chapter 2; market research, cultural challenge and transnational strategies. At the end of this chapter the research questions will be answered and latest implications and results expectations will be given.*

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The dominant theory of the importance of transnational strategies for MNC's (Liesch & Knight, 1999) predicts a necessity for an adaptation. As Porter (1986) already claims, even though an implementation is challenging, to be competitive in today's international markets, it is essential for companies to shift towards this approach. The following sub-chapters are going to evaluate the collected data of this research and subsequently link them back to the before, in Chapter 2 and 3, mentioned literature review in line with transnational strategies. The structure is again build up as table 1, to enable a continuous cord throughout the thesis. First, market research processes are being identified, furthermore the importance of cultural challenge and latest transnational strategies are being discussed.

### 7.1 Market research

As in chapter 6.2 mentioned, Sales Leaders of IKEA perceive as the most important factor, to enable a shift towards transnational strategies and an improvement in market research. On the question, how much time each of them spends on market research, the responses could not have been more diverse. SLs have stated that they spend between 3 to 90 days for market research, which leads to an average of 30 days. This factor indicates the assumption that IKEA does not oblige a specific time frame for their Sales Leaders to conduct market research. Authors, such as Zikmund and Babin (2013) have also stated in their research that there is no time frame existing, which stipulates how long market research processes should last, to prepare companies well for difficult situations, such as different customer preferences or country specific requirements, abroad. The longer the market research takes the better findings and market understanding can be guaranteed. This statement is supported by Birn (2004), who says that the longer market research is carried out, the better the final results will be. Companies and countries differ from each other and this is also the reason why it is hard to define the optimum time spend for market research. To be able to understand the actual demand in all the countries a company first needs to analyse them appropriately. In the case of IKEA, all the subsidiaries (especially the Sales Leaders) must conduct research on their specific market and communicate the findings to the parent company.

There are different market research tools and the most well-known, as well as most used one, according to market research books, is definitely a questionnaire or survey. This however is not the case for the Sales Leaders of IKEA, who prefer Home Life Visits and Consumer Decision Journeys (CDJ) to questionnaires. This scenario can be led back to the IKEA concept, as mentioned in 5.2.1. Their aim is to gain a deep understanding of the everyday life of people around the world. Home Life Visits enables IKEA to become experts in the various living habits and customs from people around the world. The aim is to get a deep understanding of how people live and behave in their own surroundings. Especially in the bed textile sector, consumer habits could not be more diverse, which is going to be analysed in great detail in the next chapter.

## 7.2 Cultural challenge

The results of the cultural challenge analysis have shown that a classification of the countries into clusters was necessary for a better investigation of the market preferences in each country. Also similarities not just in clusters but also between the clusters could be identified. The analysis has shown that there are actually only between cluster 3, 4 and 7 similarities to be found. All the other clusters have varied strongly from each other's bed textile preferences. When investigating the SLs opinions regarding sleeping behaviors and current lacks of the IKEA bed textile range for each of the countries, it seems as a crucial precondition to conduct market research before entering into new markets (Srivastava et al, 2001). There is a strong agreement regarding the mismatch of local preferences and actual sold products at IKEA. Most of the described sleeping and size preferences from countries do not fit the current sold bed textile products of IKEA.

As Adekola and Sergi (2007) already mentioned in chapter 3.3, it is very important to know the diverse behaviors, habits and preferences of cultures to be able to compete in today's business. The example mentioned in the introduction about the differences between Japanese futons and thick mattresses in the US show that sleeping preferences and sleeping behavior are a challenging task in the bed textile market for multinational retailers, such as IKEA. The analysis of the SLs response on their customer's sleeping behavior has shown that cluster 1, 2 and 6 differ strongly from each other, and also from cluster 3, 4 and 7. While cluster 1 is the only cluster where it is common to use a wooden base mattress, cluster 2 seems to spend more time in the bed than any other cluster and cluster 5 is unique with its preference of huge bed textiles.

IKEA's strategy has been a standardization approach in each country, this has shown to be not very successful (e.g. Burt et al, 2010). This problematic goes along with Adekola and Sergi (2007)'s opinion that problems may arise in business communication across different cultures, when participants were not able to understand culturally predefined differences in traditions, communication practices and thinking processes during planning phases. It is also the belief of Ferraro (2002) who stated, that a generally appearing reason of failure on the international market originates in wrong assumptions that a person, service or company would be in a foreign culture as successful as in the country of origin.

The analysis of the lacks in the range of the IKEA assortment has shown that some countries, miss market relevant bed textile sizes. This goes along with the problem that IKEA has entered the markets with the standardized strategy and did not conduct a pre-analysis of the country specific preferences and the market demand. As already the researchers Tung (1981) and Black et al. (1992) have realized, the most common failures in foreign countries were not a professional or technical incompetence, moreover the inability of comprehension of the local market.

Cultural challenge has been identified as the main issue for IKEA to compete in the bed textile sector. Therefore challenges such as the offering of the right sizes or product innovations have stood out. The size issue might originate in the problematic that some of the countries do not have a size standardization as mentioned in 6.4, or the market research was not done well enough. Hence a solution must be found to meet the market demand without compromising the company's intentions. Adekola and Sergi (2007) argued "International management requires the understanding of crossing cultures, multinational corporations' interactions, global perspectives, and corporate issues".

The second issue, that the analysis of cultural challenges has shown, is the demand of innovative products. For example the development of a bed textile that is usable in countries, where weather conditions such as strong air humidity are a big issue, is a necessity to compete in these specific markets.

The cluster-wise analysis has not proven to be as **efficient** as expected due to the fact that the analysis has not clearly shown that the market research and the decision making can be done in this way since some preferences are the same in the clusters and some are not.

**Kommentar [i-2]:** Hab ich geändert!

### 7.3 Strategic management

The above-discussed chapters' raise finally the issue of how and to what extend MNC's should implement transnational marketing strategies. Currently IKEA is using a global strategy for all their markets but due to this approach, they had to face many setbacks in the past. According to Porter (1990) a global strategy is created by a company for all their international markets together to reach competitive advantage, a high level of standardized products and a global scaled production with little variation. Anyhow, according to the opinion of IKEA's SLs this approach has not proven to be successful and customers needs cannot be satisfied properly at the moment. Peng (2013) stated in his research that companies using transnational strategies aim for a balance between international flexibility and global efficiency. This means that strategies need to be adapted to countries specific requirements. Half of the SLs share the same thought that an adaptation is necessary to fulfill customers' wishes in the bed textiles sector. Since the responses towards an adaptation and the ones against differ not very much (55% for an adaptation and 45% against), the results do not point in a clear direction. Anyhow, half of all the SLs are convinced that an adaptation to market relevant products is of an advantage. As the Sales Leader of Germany stated,

*"From a customer perspective, why should I be forced to buy a size at IKEA that is not sold anywhere else?"*

In his opinion customer satisfaction can only be reached by adapting a companies strategy to consumer preferences. The rest of the SLs argue about strategy adaptation and mention that, from a customer's perspective a shift towards adapted sizes for each country could cause confusion in their minds, since they are already familiar with the current IKEA sizes. Anyhow, adapting transnational strategies is not an easy task and companies have to struggle throughout the process.

The mentioned difficulties connected with transnational strategies, which were observed by the SLs, can also be linked to past literature research regarding this topic. As Robson (2005) argues in his study, the main challenge that companies need to address is the puzzling decision, which part of the strategy should be standardized and which part adapted. As chapter 7.2 previously discussed, each country differs from each other and each of the characteristics can be a decisive reason for market failure for MNCs. Possible market failure is additionally one of the main reasons why a precise analysis of country features, such as consumer behavior, trends, current market situation or market competitors is a necessity to compete in today's international world.

IKEA's present situation in the bed textile department is unsatisfactory due to their marketing strategy, applying a global strategy. According to White (2005) the strategy should be on one hand open to local changes and on the other hand use consistent approaches. SLs moreover claim that an adaptation will increase the range dimensioning to a large extent and that

therefore inventory stock will increase enormously. The trade-off between standardization and adaptation is hence very complex, and there is no clear solution given, neither in literature nor in the results of our research. This means that each company needs to decide for themselves which degree of adaptation is the right one.

This research paper has investigated how influential cultural awareness for multinational retailers like IKEA is. Also it was examined if cultural awareness would enable them to act more proactive in the bed textile industry and hence compete better in local markets worldwide. The SLs perception of cultural awareness was therefore examined.

*How influential is cultural awareness for multinational retailers, operating in the bed textiles industry?*

The responses of the SLs have shown that differences of bed dressing between the countries have been huge. Therefore it can be said that cultural awareness has a big influence on the bed textiles industry's operations. The SLs have clearly stated that their market is not satisfied with the offered products; especially the size issue has been omnipresent in the responses. The cluster-wise analysis was used to make it easier for the authors to find similarities across the clusters. Unfortunately it could not be distinctively said that the assortment of clusters would make it easier to handle the cultural differences in the bed textile range. The results of the analysis have shown that there were also differences between the countries inside of a cluster. It shows that IKEA seems to be not as cultural aware as they should be in the bed textile segment. Especially when it comes to size ranges, the differences in the bed textile industry are more diverse than in any other segmentation. The SLs stated that size adaptation could be a solution, even though they did not clearly state whether this would be of advantage. Also the matter of product innovation and design seems to be an issue to meet the market demand in each country. Therefore one can say that cultural awareness has a big influence on the decision making of multinational retailers in the bed textiles industry.

The sub research question is related to the IKEA SL's perception of challenges of a transnational strategy adaptation.

*What challenges do multinational retailers, operating in the bed textiles industry, need to overcome before shifting to a transnational strategy?*

There are two challenges that the SLs have perceived as the main ones: cultural preferences and the right degree between standardization and local adaptation.

Size dimensioning and style have been the main challenge to meet local demand. The analysis has shown that almost every market has different preferences when it comes to bed textile sizes. Furthermore the preferences of bed textile designs have differentiated. Not all the countries are in favor of Scandinavian design; they prefer more country related styles. Finding the right degree between standardization and a local adaptation of the product range, especially in the size range of the bed textiles, can be identified as the second main challenge. SL's have stated different reasons such as: the already existence of standardized sizes which differ from IKEA sizes, the customer's awareness of IKEA's different sizes.

The analysis of IKEA's SLs has shown that the degree of inclusion of country specific requirements has not been sufficient yet. IKEA needs to endeavor now to what extent local adaptations would suit to their business strategy.

Even though IKEA's huge company size and internal complex structure makes it challenging to share and process all the relevant data, the SLs have not perceived knowledge sharing, as received by literature, as a challenge.

## 7.5 Implications

In the following the implications for this paper, for the theory and for further research will be explained.

### 7.5.1 Implications

The debate of global and transnational strategies and the implementation of local adaptations for MNCs will continue to be in the focus of the academic literature. This thematic, especially the challenges of a shift of multinational retailers from a global to a transnational strategy and the influence of cultural awareness in this strategy have been discussed in the theoretical background of this study. According to Haex (2004) cultural differences are very challenging for MNCs to compete within the bed textile market. The same author stated that this industry is the most diverse one when it comes to consumer preferences. These concerns have been proven to be true for the bed textile industry. Implications for MNCs might be after an adaptation of a transnational strategy that the benefits of economies of scale and brand recognition (Winter & Szulanski, 2001) become affected. According to Liesch and Knight (1999) is the knowledge about foreign markets crucial but also cost and time effective.

### 7.5.2 Implications for theory

There has been a lot of research already been done in the fields of standardization, transnational and global strategies. Concerning this topic, this research paper has investigated only one case study and only the Sales Leaders at IKEA's bed textile department. The authors therefore acknowledge that a generalization for all MNC's is not possible to be done from this study for all MNCs.

### 7.5.3 Implications for further research

This thesis enabled the authors to gain a wider understanding of what influence of cultural awareness has on multinational companies operating in the bed textiles industry and what are challenges for when it comes to a shift to a transnational strategy. This paper has investigated the perception of the Sales Leaders of IKEA. This study cannot be called as complete, since only one company with a small amount of employees has been investigated. Though this research has addressed a possible shift towards transnational strategies in the case study of IKEA, the challenges and advantages of this shift, this thematic still can developed in other directions. Therefore the authors recommend future research in regard to the topic as following:

- To expand the research by including more case studies in order to enable a generalization of the research findings.
- To use the same case study and expand the scale of research by including more personal interviews and furthermore including the customers input on their preferences in each country to enable a better comparison.
- To examine the factors that may lead IKEA (or another company) to the decision to adapt local preferences to the business strategy.
- Further examination the SLs responses, since the data can be used for further investigations.

## 8 Conclusion

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*This chapter concludes the findings of the research, demonstrating that the purpose of this study has come together with them. This is done by referring to the motivation of the study and formulating the key results.*

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The issue of deciding which strategy is the right one for MNCs to compete on a global market increases in discussions. Especially the problematic concerning standardization and local adaptation is challenging and complex since every market has varying economic and cultural inclinations and was not sufficiently investigated yet. A transnational strategy is concerned with local adaptations in each market; cultural awareness, their importance and their influence from a business perspective were in focus of this research paper. The different international marketing strategies and cultural awareness aspects have been the starting point to investigate challenges in a shift towards a transnational strategy for multinational retailer operating in the bed textile segment, such as IKEA. This study was therefore set up for the following two purposes:

- To investigate the influence of cultural awareness for multinational retailers, operating in the bed textiles industry.

The above-mentioned purpose was identifiable with a strong positioning, due to the fact that the SLs responses have clearly shown that cultural awareness is crucial for a companies' success. Every market has different preferences when it comes to how to dress their beds. In order to meet the different market demands, it is particularly evident, based on the analysis, that a strategy adaptation for MNCs in the bed textiles market should be considered. It can be noticed that IKEA needs to decide for them to which extent an adaptation to the market preferences should be applied.

The second purpose,

- To investigate what challenges multinational retailers have to overcome, before shifting their strategy to a transnational one,

has yielded two main challenges – cultural preferences and the right level of standardization and local adaptation. The results of the analysis have therefore fulfilled the purpose of the study. Concerning the cultural challenge, different size and design preferences were defined as the main issue in the bed textile segment. The complexity of a trade-off between standardization and adaptation has been proven for the case of IKEA.

Even if the implementation of transnational strategies is challenging it is nowadays necessary to be competitive within the international markets. This makes it necessary to adapt this strategy at least partially.

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## **Appendix**

### *Appendix 1: Questions to IKEA Sales Leaders - Bed textile department*

#### **Personal information:**

- Question 1:** How long have you been working at IKEA?
- Question 2:** How long have you been working in this position?
- Question 3:** What are your main responsibilities within this position?

#### **Market research:**

- Question 1:** How much time do you spend for market research per year?
- Question 2:** Which tools do you use to gather information?
- Question 3:** Does IKEA`s product range in the bed textile department lack for your countries specific demand?

#### **Cultural challenge:**

- Question 1:** How would you define the sleeping habits in your country?
- Question 2:** How do people in your country dress their beds?
- Question 3:** Do you have any suggestions concerning a process simplification for introducing new market relevant products?

#### **Strategic Management:**

- Question 1:** Concerning market competitors, do you think an adaptation of market relevant bed textile products is of advantage?
- Question 2:** Do you think an adaptation to market relevant bed textiles will make it more difficult for IKEA to compete within this business area?
- Question 3:** What do you perceive as the main challenge for IKEA`s bed textiles to meet the market demand in your country?

Appendix 2: Country Codes

	Retail unit	Retail unit	Cluster name
<b>Cluster 1</b>	DK	Denmark	North Europe
	FI	Finland	North Europe
	IS	Iceland	North Europe
	NO	Norway	North Europe
	SE	Sweden	North Europe
<b>Cluster 2</b>	CE	Tenerife	South Europe
	CY	Cyprus	South Europe
	ES	Spain	South Europe
	FR	France	South Europe
	GR	Greece	South Europe
	IL	Israel	South Europe
	IT	Italy	South Europe
	PT	Portugal	South Europe
	SP	Mallorca	South Europe
	TR	Turkey	South Europe
	MA	Morocco	South Europe
<b>Cluster 3</b>	AT	Austria	Central Europe
	BE	Belgium	Central Europe
	CH	Switzerland	Central Europe
	DE	Germany	Central Europe
	GB	United Kingdom	Central Europe
	IE	Ireland	Central Europe
	NL	Netherlands	Central Europe
<b>Cluster 4</b>	BG	Bulgaria	East Europe
	CZ	Czech Republic	East Europe
	HR	Croatia	East Europe
	HU	Hungary	East Europe
	LT	Lithuania	East Europe
	PL	Poland	East Europe
	RO	Romania	East Europe
	RS	Serbia	East Europe
	RU	Russia	East Europe
	SK	Slovakia	East Europe
<b>Cluster 5</b>	CA	Canada	North America
	US	United States	North America
	DO	Domanican Republic	North America

<b>Cluster 6</b>	AU	Australia	Asia
	AUW	Australia Perth	Asia
	CN	China	Asia
	HK	Hong Kong	Asia
	ID	Indonesia	Asia
	JP	Japan	Asia
	KR	South Korea	Asia
	MY	Malaysia	Asia
	SG	Singapore	Asia
	TH	Thailand	Asia
	TW	Taiwan	Asia
	IN	India	Asia
<b>Cluster 7</b>	AE	United Arab Emirates	Middle East
	EG	Egypt	Middle East
	JO	Jordan	Middle East
	KW	Kuwait	Middle East
	QA	Qatar	Middle East
	SA	Saudi Arabia	Middle East

*Appendix 3: Contribution declaration*

Name	Contribution (%)	Signature
Isabella Ahrens	50 %	
Theresa Guetz	50 %	



THE SWEDISH SCHOOL  
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