INTERNATIONAL MARKETING STRATEGY
OF INNOVATIVE COMPANIES
FOR NEW MARKETS WITH CULTURAL DIFFERENCES

- Swedish Companies -

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SUMMARY

• **Title:** International marketing strategy of innovative companies for new markets with cultural differences. - Swedish Companies

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• **Level:** Bachelor Thesis in Business Administration, Marketing

• **Key words:** Culture, Innovative company, International strategic marketing

• **Purpose:** To understand how international established innovative companies overcame cultural differences through Strategic Marketing processes.

• **Method:** The research method used in this thesis is based on developing multiple case studies which are relevant to answer purpose of thesis. Companies which fit into criteria - Be Swedish, innovative, international - are chosen and case studies about the companies’ situation are developed. It is based on the secondary data from a qualitative point of view.

• **Theoretical framework:** To set theoretical background, literature reviews which are about strategic marketing process and culture are dealt with. Based on the discussions, the conceptual framework is created. It explains influences of culture to international strategic marketing process and the firms’ decision as the outputs.

• **Conclusions:** Conclusion for each case is summarized and cross analysis for related cases is following. Based on all the previous findings, general conclusion is derived and the purpose of the thesis is answered. Besides, quality of thesis is also delivered. Possible further research is suggested as well.
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1. INTRODUCTION

In this chapter, we introduce the background about the topic of this thesis. The reason why companies should pay attention to this issue for improving competitive advantages which are innovation and internalization is delivered as well. Then, we discuss the problem, ‘cultural differences’, which innovative and international companies faced during strategic marketing process in abroad. Also, we present the aim and the purpose of our study, and our research question to look further into regarding these problems. We finally discuss our expected audiences, definitions of main concepts, and how it’s going to be structured

1.1. BACKGROUND

The global economy is in a severe recession inflicted by a massive financial crisis and acute loss of confidence. Economies around the world have been seriously affected by the financial crisis and slump in activity. Therefore, Industrial production, trade, and employment have dropped sharply since the blowout in the financial crisis in September 2008. Recent data on business confidence and retail sales (See Fig. 1) provide some tentative signs that the rate of contraction of the global economy may now be moderating (International Monetary Fund, 2009).

As the global economy slowly slides into recession, organizations face other challenges and opportunities. Firms become more global minded (international), but also considering its ability to innovate. Indeed, in nowadays world market situation, it is crucial to consider innovation as a competitive advantage to offer more value to the customers than competitors (Frey, 2008).

Besides, firms need to have a sufficient degree of internationalization, being active in many markets, to capture successfully the fruits of innovation (IESE Business School, 2009). Opportunities presented by the globalization and the entwined simultaneous

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1 Sources: CPB Netherlands Bureau for Economic Policy: Analysis for CPB trade volume index; for all others, NTC Economics and Haver Analytics.
2 - Argentina, Brazil, Bulgaria, Chile, China, Colombia, Estonia, Hungary, India, Indonesia, Latvia, Lithuania, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Romania, Russia, Slovak Republic, South Africa, Thailand, Turkey, Ukraine, and Venezuela.
3 - Australia, Canada, Czech Republic, Denmark, euro area, Hong Kong SAR, Israel, Japan, Korea, New Zealand, Norway, Singapore, Sweden, Switzerland, Taiwan Province of China, United Kingdom, and United States.
4 - Japan’s consumer confidence data are based on a diffusion index, where values greater than 50 indicate improving confidence.
pressure to innovate open for firms to new arenas to engage in “global innovation” activities to gain the competitive position (Tiwari et al., 2007). Regarding to that, also the International Advisory Board (IAB) of the IESE Business School agree mix innovation and internationalization in the business strategy of a firm is a possible solution to emerge from this recession (IESE Business School, 2009).

In many ways, the recession has forced the companies to improve its approach to innovation. All the companies that The Global Innovation 1000 Booz & Company’s annual study (Jaruzelski and Dehoff, 2009) contacted noted that they have learned to streamline R&D processes, to make sure their product development filters more effectively reflect economic reality, to make smart bets on advantaged technologies, and to kill weak projects more quickly. All these changes should help them get more from their R&D investments over time. Accordingly, with two analyses of Global Innovation 1000 companies, the most of these companies increased their R&D budgets, even if they were not profitable (top) or if their net income fell (bottom) (Jaruzelski and Dehoff, 2009).

Consequently, the relationship between innovation and internationalization becomes into a clear competitive advantage for any company that want to compete in global market, as it is nowadays, and look for new opportunities. Obviously, having these competitive advantages (be international & innovative) allows a firm to compete in an active way in the markets, even more when the firm interacts in different foreign markets. In this context, the innovation represents one of the most important factors in increasing the national and international competitiveness of the firms. Being innovative allows the company, on one hand, to obtain products, with superior characteristics as the ones offered by the competition (product innovation) and, on the other hand, to reduce the costs of production (process innovation) and consequently the prices. In this way, the innovative firms obtain some competitive advantages that give to them the possibility to compete in an active way in different markets.

The companies which have those competitive advantages of innovation and internationalization have been getting attention. Also, it is called an innovative and international company (Eusebio and Rialp, 2002).
1.2. PROBLEM

Strategic marketing refers to a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage, and Strategic marketing process is the key part of general corporate strategy (Baker, 2008). Also, strategic marketing process consists of three crucial phases, which are planning, implementation, and control. The planning phase is the most crucial stages in a firm's strategic marketing process and each stage includes several sub-steps (Kerin et al., 2007; Kotler et al., 2005).

Strategic marketing helps the innovative companies deliver their innovative factors such as products or services, distributions, and specialties to consumers. Strategic marketing is well positioned to participate in the understanding and management of innovation within firms and markets because a primary goal of innovation is to develop new or modified products for enhanced profitability. A necessary component of profitability is revenue, and revenue depends on satisfying customer needs better than competitors can satisfy those needs (Hauser et al., 2006). The innovative companies which operate their business internationally should care more elements to appeal their innovativeness to consumers who have different tastes. In this context, as a final stage of communicating with consumers, finding how innovative and international companies have planned their marketing strategies is helpful and important to understand these companies’ business.

However, the main problem with this process is that the environment in which businesses operate is constantly changing. So, a company must adapt to reflect changes in the environment and make decisions about how to change the marketing implementation in order to succeed. Especially, in the case of ‘international’ strategic marketing process, more difficulties and problems have been existed because of totally different environment of the markets. Differences in economical environment, political-legal environment, and cultural environment are the typical barriers to success at the new markets (Kotler et al., 2005). Due to the importance of strategic marketing process, innovative and international companies must cross many hurdles in order to implement strategic marketing process successfully.

Unlike economical or political-legal environment such as tariff and regulation of government, cultural environment is not easy to be measured and defined. However, cultural environment has a special importance in multinational business and marketing activities (Miroshnik, 2002). For example, even in Europe, with economic union and a progression toward the standardization of the political and social infrastructure, national cultural values are strongly rooted in history, and appear to be stable over time (DeMooij, 2000). Further, even after tremendous exposure to globalization, consumers from different cultures have different attitudes, perceptions, tastes, preferences and values, and remain reluctant to purchase foreign products (Suh and Kwon, 2002). Hence, it can be posited that cultural differences remain an important aspect of international strategic marketing because cultural norms and beliefs are powerful forces shaping people’s perceptions, dispositions and behaviours (Markus and Kitayama, 1991; Triandis, 1989).

According to Hopstede (1980, p 25), culture is suggested as “A collective programming of the mind which distinguishes one group from another”. Like this definition, values are shared in the certain country as a cultural group and these values represent identity of the society. Accordingly, although the cultural environment is some extent abstract, in order to understand the new market of other countries, innovative and international companies had to take into account the cultural aspects in the strategic marketing process. The problem can be recognized in this stage. How the innovative and
international companies could control the cultural differences? Was there any difficulty because of their innovativeness when they appealed to consumers who have different cultural value?

Why do we pay attention more to the influence of cultural differences to strategic marketing of innovative companies? Van Everdingen and Waarts (2003) found that cultural variables have significant impact on the adoption of innovations. Also, Mahajan et al. (1990) point out members in a society as having different reliance on mass media or other interpersonal communication channels and that these communications are important influences in determining the speed with which an innovation will be adopted (Tellefsen and Takada, 1999). Therefore, it is possible to infer that particular cultural aspects are related to innovation or the adoption of innovation.

Innovative companies introduce something new, even though there is various degree of newness, to the market to pursue higher profit and to get more loyal consumers through continuous innovation. Attracting international consumers who have different cultural values is more difficult to innovative companies because their ‘new’ business is adopted by different way per consumers in different countries. For instance, in one country a new product can be welcomed but in another country the product can be treated excessive. Therefore, understanding cultural effect on the acceptance of new products in a specific country is necessary to plan strategic marketing by decreasing the perceived uncertainty of foreign cultural environments (Yeniyurt and Townsend, 2003).

Innovative companies which are in internationally high position also went through these difficulties while they implemented their strategic marketing process. Then, how international established innovative companies overcame these problems and achieved their goals successfully?

1.3. PURPOSE

The main purpose of this thesis is to understand how international established innovative companies overcame cultural differences through Strategic Marketing processes.

1.4. DEFINITIONS

The concepts innovation and internationalization will be the main guidelines to define the criteria for choosing which firms will be taken into account in this paper.

Innovation can be defined in different points of view; European Union in 1995, defines it as every novelty proven beneficial to and accepted by its customers (EU, 2004). It is not up to authors and owners of a new idea, product, process, management style, method of work and collaboration, business program, education program, etc., to decide which novelty is an innovation, but up to its customers. In other words, innovation = invention + successful commercialization / use. (Afuah, 1998) Besides, according to Thorstein Veblen (cited in Cunningham, 1993), invention is the mother of necessity. However, it is important to be clear as to what innovation is not. Innovation is not invention, even if invention is the mother of necessity. An innovation is the extension of an invention. If the invention improves some product, process or service for the public, then that invention transforms into an innovation. If an inventor discovers a fantastic new product and he cannot find anyone who can produce it, then that remains undiscovered to the world (Cunningham, 1993). But regarding to this thesis the best way to define innovation is; the process of turning opportunity into new ideas and of putting these into widely used practice (Tidd and Bessant, 2009). The design process is
seen as a sub process of the innovation process when the actual development work and creation of the product is carried out. A company can innovate in the product characteristics or processes operations. This paper considers an innovative company as a firm with the characteristics explained before.

**Internationalization** is the need to seek new markets because of the increase of competition in our natural market (Confederation, 2008). Also, to understand what internationalization is, we should know what globalization is. Nowadays, we are in a single global market, and consequently, new threats and new competitors who can access to the companies’ businesses appear from all over the market. On the other hand, to win at the new era of competition, companies should consider these threats as new opportunities to access to foreign markets as well. Then, an international company is defined as a company that engages in business with customers who are in other domestic regions (Deans and Kane, 1992). Thus, this paper considers an international company as a firm with the characteristics explained in this paragraph.

**1.5. AUDIENCE**

This thesis is written for all people who are interested in strategic marketing process of innovative established international companies. By studying this subject, this thesis can flash back on the start-up companies, which try to start innovative and international business.

These start-up companies can get insights and lessons about getting competitive advantages through this thesis. Also, since this thesis focuses on the cultural differences which innovative companies faced during their international strategic marketing, companies which have difficulties about this part can get guidelines as well. Besides the practical business world, the students and researchers in the academic fields who have interests in these topics can be our readers.

**1.6. STRUCTURE**

The structure of this thesis will follow this order. In the chapter 2, we introduce the theoretical frameworks which are academicals foundation of our discussion. After, in chapter 3, we describe the method we have used to understand purpose of the thesis. The process of method which includes choosing, implementing, and evaluating of data is explained in this chapter. Before going to case studies, in the chapter 4, part for explaining national culture and business is added to guide analysis. From the chapter 5 to 8, the case studies are presented. In each one, firstly data collection including empirical data is shown to get meaningful research results and then we analyze the data based on theoretical framework. Accordingly, in chapter 9, thesis is concluded and purpose of the thesis is answered.
2. THEORETICAL FRAMEWORK

In this chapter we present our theoretical framework and the main theories that will help us answer research questions. The strategic marketing process theory, and the considerations for international strategic marketing process is added. Also, the understanding cultural aspects as the marketing environment and relate it to marketing process is dealt with. This knowledge base will support the gathering, interpreting and analyzing of our data made in latter chapters.

2.1. STRATEGIC MARKETING PROCESS

According to Doole and Lowe (2008), the key elements of strategic marketing process still apply to international strategic marketing process. The conceptual framework is not going to change to any marked degree when a company do an international marketing. Therefore, to understand theoretical background of international strategic marketing, understanding general strategic marketing process should be first.

Strategic marketing process differs depending on the situation of the individual business and the people who implement the strategies. Also, the concept of strategic marketing is broad among various trial to give definition and explanation about strategic marketing (El-Ansary, 2006). Therefore, in this thesis, the scope of discussion about strategic marketing is to understand outline and backbone of strategic marketing process not to dig into details of the academicals controversy about strategic marketing process.

2.1.1. STAGES OF STRATEGIC MARKETING PROCESS

Generally, the focus of the strategic marketing process is the formulation of segmentation, targeting, differentiation, and positioning strategies designed to create, communicate, and deliver value to the customer to ensure their satisfaction and gain their loyalty (El-Ansary, 2006).

In the strategic marketing process, there are three major stages, which are planning, implementation, and control (See Fig. 3). Analysis plays a supportive role of feeding information and other inputs to each of the other stages. Among three stages, paying attention to planning stage is more significant to get the successful result in marketing (Kotler et al., 2005). According to Kotler et al. (2005), it is possible to draw outlines of each stage with concise explanation.

![Figure 3: Market analysis, planning, implementation and control](Created by the authors, Adapted from (Kotler et al., 2005))
Planning begins with a complete analysis of the company’s situation. The company must analyze its environment to find opportunities and to avoid threats. Also, company should focus on strengths and weaknesses, as well as current and possible marketing actions, to determine which opportunities it can best pursue. Through strategic marketing planning, the company decides what it wants to do with each business unit. This stage involves deciding marketing strategies that will help the company attain its overall strategic objectives (Kotler et al., 2005).

Implementation turns strategic marketing plans into actions that will achieve the company’s objectives. People in the organization that work with others inside and outside the company implement marketing plans. The firm obtains resources and designs to put into action. Schedules are developed and the marketing programs are executed (strategy and tactics). The products or services are available to the public at offered the places and prices which were decided in the planning stage. The implementation stage also requires close control and monitoring to reflect changes occur (McFarland, 2001).

Control consists of measuring and evaluating the results of plans and activities, and taking corrective action to make sure objectives is being achieved. This practice allows higher management to review, which evaluates its process, outcomes and consumer satisfaction, the results of each period and to spot businesses or products that are not meeting their goals (Kotler et al., 2005). These problems and the corrective actions will take into account to analysis. Also, it is necessary for a firm to ensure that their marketing plan is moving in the directions set out in the planning phase and critical for success in measuring whether objectives were met (McFarland, 2001).

2.1.2. PLANNING STAGE OF STRATEGIC MARKETING PROCESS

The role of strategic analysis and planning process is more crucial than other stages (Kotler et al., 2005). Without establishing appropriate plans, it is hard to achieve meaningful result in marketing. Therefore, in this thesis, the discussion about strategic marketing process focuses on this planning stage.

From planning, the competitive advantages which are suitable particular business are formulated. The focus of the strategic planning model is on achieving corporate financial objectives through designing and implementing product, pricing, promotion, and place programs (El-Ansary, 2006). Making well-organized plan takes time. The more time spent at the beginning on the foundations of the strategy, the analysis and planning stages, the communications and action can get competitiveness (Southwest arts marketing, 2002).

In the planning stage contains several components: setting the mission, the strategic audit (SWOT analysis, portfolio analysis etc.), marketing objectives and strategies (Segmentation, targeting, and positioning), and marketing mix (Product, pricing, place, and promotion). All of these feed from and feed into marketing plans (Kotler et al., 2005).

Mission statement and strategic objectives

These two components are closer to corporate level than marketing level. However, by figuring out corporate overall direction, strategic marketing process can be implemented consistently. A mission statement is a statement of the organization’s purpose which can answer these following questions. What business are we in? Who are our customers? What are we in business for? What sort of business are we? (Kotler et al., 2005). Also, mission statement should be meant to motivate employees, provide a shared sense of purpose, give a sense of direction, and identify major policies about management
(Doyle and stern, 2006). After setting mission statements, mission needs to be turned into strategic objectives to guide management. Mission leads to a hierarchy of objectives, including business objectives and marketing objectives. The mission states the philosophy and direction of a company, whereas the strategic objectives are measurable goals (Kotler et al., 2005).

**External and internal analysis**

Under these mission statements and strategic objectives, the next step of planning is studying the external and internal situation of the company. This stage is also called as the strategic audit (Kotler et al., 2005). It covers the gathering of vital information. It is the intelligence used to build the detailed objectives and strategy of a business. A detailed examination of the markets, competition, business and macro-environment in which the organization operates is the essential activity of external audit step. The internal audit evaluates all aspects in entire the firm’s (Kotler et al., 2005). To do strategic audit, several analysis tools, for example SWOT analysis (Kerin et al., 2007), PEST analysis (Oxford University Press, 2007), 5 forces analysis (Porter, 2004), and portfolio analysis (Doyle and stern, 2006) etc, can be used and these tools play important role to setting strategic planning (Doyle and stern, 2006).

**Marketing objective and strategy: Segmentation, Targeting, Positioning**

The third step in the planning stage takes a market-product approach and involves setting specific marketing objective based on corporate overall objectives and previous analyses about the company (Kerin et al., 2007). From a strategic marketing perspective, the company sets specific marketing objectives and considers issues that are related to current situation. The objectives are goals that the company would like to attain during the particular plan’s term. Marketing objectives that can be measured and attainable such as increasing market share or earning aimed incomes. Determined marketing objectives take the role of guideline leading specific marketing strategies and implementations (Kotler et al., 2005).

Marketing objectives are connected to marketing strategy which is the marketing logic by which the business unit hopes to achieve its marketing objectives. It should detail the market segments on which the company will focus. The method of segmenting differs in consumers’ needs and wants, responses to marketing, and profitability. The process of market segmentation can consist of the selection of those segments for which a firm might be particularly well suited to serve by having competitive advantages relative to competitors in the segment, reducing the cost of adaptation in order to gain a niche (Porter, 1985).

After probing each segment, evaluate each market segment’s attractiveness and select one or more segments to enter. The company should put its effort into segments, which are called targeted segment. Target should be best served from a competitive point of view and matched well with company’s marketing objectives. Marketing strategy for each targeted segment should be developed. This differentiated strategies for decided target segment can be called positioning strategies and it is delivered through positioning statement. Positioning means an organized system for finding a window in the mind. It is based on the concept that communication can only take place at the right time and under the right circumstances (Ries and Trout, 1981).

**Marketing mix: Product, Price, Place, Promotion**

The final step of planning is to decide specific marketing implementation strategies. In this step, the marketing mix has to be set. The major marketing management decisions can be classified in one of the following four categories: Product, Price, Place (distribution), and Promotion. These variables are known as the marketing mix or the 4
P's of marketing (Kotler et al., 2005). Marketing mix elements are often viewed as controllable variables because they can be changed. They also describe the result of the management’s efforts to creatively combine marketing activities (Zineldin and Philipson, 2007). The product must be desirable to the target segment specified during the planning stage. Price, promotion and placement must also be worked out bases on the analyses supplied through the planning phase (McFarland, 2001). The 4Ps must work together in a single marketing plan to satisfy the customer’s needs and allow the firm to make a reasonable profit. Many new Ps are offered to be added to the marketing mix. One example is transforming the term 4P into 6P by including People and Planning. However, the general use for marketing mix is still as 4P (Knillans, 2008; Lipson et al., 1970).

The product means the tangible product or service offered to the consumers. When the company decide about product strategy, the elements include several sub-dimensional variables, which are product line, product services, brand, package and so on. Pricing decisions should consider profit margins and the expected action of competitors. The decision includes not only the list price, but also discounts, financing, and credit terms as well.

Place (distribution) is associated with channels of distribution for delivering their product to the target customers. The distribution system performs transactional, logistical, and facilitating functions. These strategies include market coverage, channel network, logistics etc. Promotion is related to communicating and selling to potential consumers. It is useful to know the value of a customer in order to determine whether additional customers are worth the cost of acquiring them. Promotion decisions involve advertising, public relations, media types, etc (Knillans, 2008; Kotler et al., 2005). The end result of the planning phase is to set measurable and attainable goals which can be measured in the control phase.

2.2. INTERNATIONAL STRATEGIC MARKETING PROCESS

The strategic marketing process for each foreign market must be carefully planned. Managers must decide on the precise customer target. Then, managers have to decide how, if at all, to adapt the firm’s marketing mix to local conditions. To do this, it requires a deep understanding of country market conditions as well as cultural characteristics of customers in that market (Kotler et al., 2005).

The different international marketplace changes international strategic marketing process. However, the differences are still based on the structure of general strategic marketing process. The structure of strategic marketing process is figured out in previous part. Therefore, in this part, the major differences of international marketing process will be dealt with.
2.2.1. DIFFERENCES IN EXTERNAL AND INTERNAL ANALYSIS

The key differences between international marketing and domestic marketing are the multidimensionality and complexity of the different country markets (Doole and Lowe, 2008). Because of the complexity and importance, understanding the role of the environment of international marketplace is very important. The dramatic changes directly affect to the business the company operates. Each nation the company wants to offer has different environmental situation (Miroshnik, 2002). The elements of environmental analysis are various but the most representative one include economic, political-legal, and cultural aspects (Kotler et al., 2005). According to Phatak (1986), each aspect has sub elements. Economic field includes level of economic development, per capita income, natural resources, membership in regional economic blocks (EU, NAFTA), currency convertibility, inflation, interest rates, and wage levels etc. Political-legal aspects have sub-elements such as governmental attitude towards foreign firms, foreign policy, political ideology, stability of government, effectiveness of legal system, patent trademark laws, laws affecting business firms etc. Finally, cultural environments have customs, values, beliefs, language, status symbols, and religious beliefs etc as sub-points.

2.2.2. DIFFERENCES IN MARKETING OBJECTIVE AND STRATEGY: SEGMENTATION, TARGETING, POSITIONING

The importance of segmentation, targeting, and positioning still applies to international strategic marketing process. Because of differences in the cultural, economic, and political-legal environment between various countries, international markets tend to be more heterogeneous than domestic one (Wind and Douglas, 1972). This heterogeneity causes the existence of substantial different segments in each country. When the company looks at segments within countries where one wants to operate business, in other words, after deciding which country market to enter, the market should be segmented on the basis of differences in customer characteristics with in each country. The company should be aware of significant differences of demographic characteristics, geographic location, attitude, personality and lifestyle etc (Wind and Douglas, 1972). Not all segments that exist in one country will exist in another and that the sizes of the segments may differ significantly. Therefore, to decide their target segment and appeal to them, sufficient research and analysis should be performed (Joshi, 2005).

Ultimately, this tailoring the marketing strategy which considers each market has own right and seeks to identify segments help the company to maximise potential profits by delivering fit marketing activities to local consumers (Aurifeille et al., 2002). Segmentation and positioning decisions are central to the development of international strategic marketing process. After segmenting and deciding the targets, the firm should appeal to target with their distinctive positioning. In an international marketing context, the need to base positioning decisions on a broader scope that provides an understanding of differences and similarities from each market and it aims to deliver their competitiveness to intended market segments (Hassan and Craft, 2005).

2.2.3. DIFFERENCES IN MARKETING MIX : PRODUCT, PRICE, PLACE, PROMOTION

After marketing strategy - determining segmentation, targeting, positioning - is set, the decision about specific marketing mix strategies which is related to the degree of adaptation, from delivering totally new strategies for each market to offering standardized strategies for every market, need to be formulated (Kotler et al., 2005).
Regarding to product strategies, a firm’s product adaptation decision is also variable depending on the range from standardization to adaptation. Some scholars have noted that adaptation is often a requirement for entering foreign markets. Sorenson and Wiechmann (1975) and Kacker (1975) distinguished between obligatory and voluntary adaptation. Similarly, Hill and Still (1984) commented about mandatory and discretionary product changes. When it comes to adaptation, there are also many available types of decision. Governmental regulations or widely accepted product standards are examples of mandatory changes firms must implement just to enter particular international markets. On the other hand, modifications to satisfy customer needs better and variations in size, ingredients, or features are examples of discretionary product changes (Calantone et al., 2004).

Setting pricing strategies in another market has problems. One of them is price escalation, it is because of added the cost of transportation, tariffs barriers, importer margin, wholesaler margin and retailer margin to their factory price (Kotler et al., 2005). It causes differences between countries and makes gray markets which occur when products are diverted from one market in which they are cheaper to another one where prices are higher. Besides, pricing is related to various factors such as the reference price of consumers in certain market, governmental policies about pricing, willingness to pay, and consuming patterns (Joshi, 2005).

The firm invests in acquiring knowledge about each market’s distribution situations and decides on which distribution strategies are best to deliver their products. It is because channels of distribution within countries vary greatly from nation to nation. First, the numbers and types of intermediaries which server the distribution in each foreign market are largely different. Another difference is the size and character of retail units abroad. The geographical features - size of country, hilly or plain etc - affect to the characteristics of distribution system of that country. Getting to grips with a country’s distribution structure is crucial to achieving effective market access. In addition, when the company enters a certain market, must select the most appropriate distributors and work with them to attain performance goals (Arnold, 2000).

The company which tries to convey their message to local consumers meets several difficulties in communication and promotion stages. Language barrier, cultural barrier, local attitudes toward advertising, advertising regulations, and media infrastructure are the example of constraints to effective communications with end consumers in each country (Joshi, 2005). Besides that, under many issues about international promotion strategies, the company should choose appropriate media tools to deliver their communication messages. It needs to be adapted internationally because media use and media availability varies from country to country. Considering advertising messages is also important considerations. Since advertising messages represent the corporate image and products and it includes sensitive issues, the details, for example colour, expression and nuance, and design, should be cared (Kotler et al., 2005).

2.3. CULTURAL DIFFERENCES

Marketing in countries around the world is subject to many influences as it was figured out in the previous part. The development of successful international strategic marketing process is based on a sound understanding of the similarities and differences that exist in the countries and cultures (Hollensen, 2001; Cateora and Graham, 2003; Terpstra and Sarathy, 2000). According to the purpose of the thesis, narrow down the scope of discussion and examine the issues which are importance of cultural aspects, influences on strategic marketing process, and assessing cultural environment, in detail.
2.3.1. WHAT IS CULTURE?

Definitions of culture

To learn the international marketing environment fully, it is necessary to understand the ways in which cultures vary (Miroshnik, 2002). Culture is the way of life of the group of people (Foster, 1962). Culture enables us to identify with – that is, include ourselves in the same category with – other people of similar background. The most frequently cited definition suggested by Hofstede (1980, p 25), culture is “A collective programming of the mind which distinguishes one group from another” the interactive aggregate of common characteristics that influences a group’s response to its environment. Also, Dresser and Carns (1969) offer the functions of culture as, at first, enables us to communicate with others through a language that we have learned and that we share in common. Secondly, culture makes it possible to anticipate how others in our society are likely to respond to our actions. Next, culture gives us standards of distinguishing between what is considered right or wrong, beautiful and ugly, reasonable and unreasonable, tragic and humorous, safe and dangerous. Finally, culture provides the knowledge and still necessary for meeting sustenance needs.

In relation to international marketing, culture can be defined as the sum total of learned beliefs, values and customs that serve to direct consumer behaviour in a particular country market (Doole and Lowe, 2008). Thus culture is made up of three essential components which are beliefs, values, and customs. Beliefs mean a large number of mental and verbal processes which reflect our knowledge and assessment of products and services. Values are the indicators about consumers’ use to serve as guides for what is appropriate behaviour. They tend to be relatively enduring and stable over time and widely accepted by members of a particular market. Customs stand for overt modes of behaviour that constitute culturally approved or acceptable ways of behaving in specific situations. Customs are evident at major events in one’s life, for instance birth, marriage, death and at key events in the year such as Christmas, Easter, Ramadan, etc (Doole and Lowe, 2008).

Levels of culture

Under the definitions of culture, to look at culture more deeply, the next step is defining the levels of culture. Among many elements which consist of culture, there are different levels depending on the characteristics of each element. Schein (1992) explains three different levels of culture, i.e. artefacts and creations, values and ideologies, and basic assumptions and premises (See Fig. 5). People only can see some artefacts of culture. What people cannot see are values and assumptions that can be the cause of the company’s which want to enter the culture failure. Daily behaviour is influenced by level of value which works closer to the surface than the basic assumptions (Hollensen, 2001).

Artefacts and creations are the manifestations which are on surface of a culture. It includes, among other things, art, language and technology etc. Though this level is highly visible, it is often not
decipherable in the sense that the newcomer to the culture cannot figure out “what is really going on”, what values or assumptions tie together the various visible manifestations, e.g. behaviour patterns (Schein, 1992).

**Values and ideology** are the rules, principles, norms, morals and ethics which guide both the ends of a given society and the means by which to accomplish them. It helps people to make adjustments to their short-term (ten or twenty years) daily behaviour (Hollensen, 2001). They usually define, among other things, what intergroup relationships and interpersonal relationships are appropriate to strive for. It begins as shared value then becomes shared assumption. Cross-cultural studies often focus on issues at this level (Schein, 1992).

**Basic assumptions and premises** represent the underlying and taken for-granted philosophical position. Perceptions, thoughts, and feelings are ultimate source of value and action. If people are treated consistently in terms of certain basic assumptions, they come eventually to behave according to those assumptions in order to make their world stable and predictable. These assumptions create the cultural core or essence, provide the key to deciphering the values and artefacts, and create the patterning that characterizes cultural phenomena. It formulate by repeating over several centuries (Schein, 1992).

2.3.2. WHY CULTURAL ASPECTS ARE IMPORTANT IN INTERNATIONAL STRATEGIC MARKETING PROCESS?

Culture remains an elusive, multi-faceted dimension that is difficult to harness and understand completely; in the most simplistic of terms, it is typically considered as a shared set of values and beliefs (Yeniyurt and Townsend, 2003).

**Influences of culture on consumer decision**

![Figure 6: Cultural influences on consumer decision process, adapted from (Jeannet and Hennessey, 2004)](image)

From consumer’s point of view, the culture is their life itself and it makes them behave in certain ways. Therefore, observing and analyzing how consumers recognize and behave in particular culture is essential part of establishing strategic marketing process for company. Components of culture influence a consumer’s perception, attitude, and understanding of a product or communication and affect the way of behaviours in buying process. Jeannet and Hennessey (2004) indentify three major stages through which culture influences consumer’s decision process (See Fig. 6). Culture is seen as being embedded in elements of culture such as religion, language, education and these elements are visible (Cultural forces). These elements send direct and indirect messages to consumers regarding the selection of goods and services (Cultural message). Those messages are formed by intrinsic values which are different level with cultural forces. The culture we live in determines the final consumer decision process and behaviours.
In order to get consumer’s final choice, it is necessary to figure out the whole buying process in a cultural point of view.

**Influences of cultural differences on strategic marketing process.**

Since consumers’ attitudes and behaviours are significantly influenced by the cultural context of the market (Triandis, 1989) according to previous description, regarding cultural aspects in developing strategic marketing process is more crucial. Depending on the cultural forces and cultural messages, the choice of consumers varies from market to market. These cultural differences add a significant degree of complexity and perceived uncertainty to the international marketing environment, and have direct impacts on all dimensions of marketing activities (Takada and Jain, 1991). More specifically, cultural differences affect the specific products people buy, the structure of consumption, individual decision-making, and communication about the product. The role that culture plays in the consumers’ decision-making process is the driver that motivates people to take further action, determines what forms of communication are permitted to solve problems at hand. The company can take advantageous position in the market by using cultural messages appropriately which are fit into their competitiveness (Delener and Neelankavil, 1990; O’Guinn and Meyer, 1984).

The firm faces the problems that are a result of their mistaken assumption that foreign markets will be similar to their home market and that they can operate overseas as they do at home market. Frequently, in international markets, the toughest competition a firm may face is not another company but the different customs or beliefs as a result of cultural differences. For a company to succeed in that market, they often have to change ingrained attitudes about the way they do business. Thus culture sets the standards shared by significant portions of that society, which in turn sets the rules for operating in that market (Doole and Lowe, 2008).

**2.3.3. MEASURING CULTURAL DIFFERENCES**

Then, which cultural factors should companies consider when they plan strategic marketing process for new markets? Following cultural analysis tools help the company plan suitable strategic marketing process for the market which they want to enter.

**Terpstra and Sarathy Cultural Framework**


![Figure 7: A cultural framework, adapted from (Terpstra and Sarathy, 2000)](image-url)
• **Education**: The level of education in the country has a direct impact on the sophistication of the target customers. A simple example will be the degree of literacy. In developed countries, main form of communication is advertising and printed method. In developing countries, they rely on training and verbally based educational programmes to get their message across.

• **Social organization**: This relates to the way in which a society organizes itself. How the culture considers kinship, social institutions, interest groups and status systems. The role of women and caste systems are representative examples.

• **Technology and material culture**: This aspect relates not to materialism but to the local market’s ability to handle and deal with modern technology. Some cultures find the idea of leaving freezers plugged in overnight, or servicing cars that have not yet broken down difficult to understand.

• **Law and politics**: The legal and political environments in a market are regarded as consequences of the cultural traditions of that market. Legal and political systems are often a simple codification of the norms of behaviour deemed acceptable by the local cultures.

• **Aesthetics**: This covers the local culture’s perception of things such as beauty, good taste and design, and dictates what is acceptable or appealing to the local eye. A firm needs to ensure that use of colour, music, architecture or brand names in their product and communication strategies is sympathetic and acceptable to the local culture.

• **Values and attitudes**: The values consumers from different countries place on things such as time, achievement, work, wealth and risk-taking will affect not only the product offered but also the packaging and communication activities. The methods used by a firm to motivate its personnel are also strongly influenced by the local culture and practice.

• **Religion**: Religion is a major cultural variable and has significant if not always apparent effects on marketing strategy. For example, the identification of sacred objects and philosophical systems, beliefs and norms as well as taboos, holidays and rituals is critical for an understanding of a foreign market. In some countries religion is the most dominant cultural force.

• **Language**: Language can be divided into two major elements, which are the spoken language of vocal sounds in patterns that have meaning, and silent language, which is the communication through body language, silences and social distance. This is less obvious but is a powerful communication tool. To many commentators language interlinks all the components of culture and is the key to understanding and gaining empathy with a different culture.

**Hofstede’s cultural dimensions**

The most frequently utilized and cited framework for analyzing and assessing culture is that of Hofstede (1980, 1991), who views it as the mental programming of a society, resulting in a definition of the interactive aggregate of common characteristics that influences a group’s response to its environment (Hofstede, 1980). Culture is common to members of cultural groups or clusters with well defined boundaries (Hall, 1966) and distinguishes the member of one group from those of another (Hofstede, 1991). Nationality may be considered a proxy for culture, since all members of a nation tend to share similar language, history, and religion (Dawar and Parker, 1994).
Hofstede worked with IBM staff over the years 1967 to 1978 to obtain this research. The study comprised 116,000 questionnaires, from which over 60,000 people responded from over 50 countries (Hofstede 1980; Jone and Alony, 2007). From this study, Hofstede identify five dimensions of culture: individualism/collectivism, power distance, uncertainty avoidance, masculinity/femininity, and long-term/short-term orientation which became the basis of his characterizations of culture for each country (Dorfman and Howell 1988; Hofstede 1980; Schneider and Barsoux 1997).

- **Power Distance Index (PDI)** that is the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally. This represents inequality, but defined from below, not from above. It suggests that a society's level of inequality is endorsed by the followers as much as by the leaders. Power and inequality, of course, are extremely fundamental facts of any society and anybody with some international experience will be aware that 'all societies are unequal, but some are more unequal than others' (Hofstede, 1980; Hollensen, 2001; Doole and Lowe, 2008).

- **Individualism (IDV)** on the one side versus its opposite, collectivism, that is the degree to which individuals are integrated into groups. On the individualist side, the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family. On the collectivist side, people from birth onwards are integrated into strong, cohesive in-groups, often extended families which continue protecting them in exchange for unquestioning loyalty. The word 'collectivism' in this sense has no political meaning: it refers to the group, not to the state (Hofstede, 1980; Jone and Alony, 2007).

- **Masculinity (MAS)** versus its opposite, femininity refers to the distribution of roles between the genders which is fundamental issue for any society to which a range of solutions are found. Hofstedes’ studies (1980) revealed that women's values differ less among societies than men's values; men's values from one country to another contain a dimension from assertive and competitive and maximally different from women's values on the one side, to modest and caring and similar to women's values on the other. The assertive pole has been called 'masculine' and the modest, caring pole 'feminine'. The women in feminine countries have the same modest, caring values as the men; in the masculine countries they are somewhat assertive and competitive, but not as much as the men, so that these countries show a gap between men's values and women's values (Hofstede, 1980; Jone and Alony, 2007; Dawar and Parker, 1994).

- **Uncertainty Avoidance Index (UAI)** deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to man's search for truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising, and different from usual. Uncertainty avoiding cultures try to minimize the possibility of such situations by strict laws and rules, safety and security measures, and on the philosophical and religious level by a belief in absolute truth; 'there can only be one truth and we have it'. People in uncertainty avoiding countries are also more emotional, and motivated by inner nervous energy. The opposite type, uncertainty accepting cultures, are more tolerant of opinions different from what they are used to; they try to have few rules, and on the philosophical and religious level they are relativist and allow many currents to flow side by side. People within these cultures are more phlegmatic and contemplative, and not expected by their environment to express emotions (Hofstede, 1980; Jone and Alony, 2007; Doole and Lowe, 2008).
• **Long-Term Orientation (LTO)** versus short-term orientation: this fifth dimension was found in a study among students in 23 countries around the world, using a questionnaire designed by Chinese scholars. It can be said to deal with virtue regardless of truth. Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face'. Both the positively and the negatively rated values of this dimension are found in the teachings of Confucius, the most influential Chinese philosopher who lived around 500 B.C.; however, the dimension also applies to countries without a Confucian heritage (Hofstede, 1991; Doole and Lowe, 2008).

### 2.4. CONCEPTUAL FRAME WORK

![Conceptual Framework](image)

Figure 8: Conceptual Framework: The relationship between strategic marketing process and influences of cultures, (Created by the authors)

Based on the previous studies, the international strategic marketing process and the influences of culture into the strategic marketing process can be derived as the integrated conceptual framework. The conceptual framework is developed to show the relationship between two factors. Firm’s strategic marketing process is vertically shown stage by stage from overall mission to specific marketing mix. On the horizontal side, it shows the causal relationships which are the role of culture as inputs to company’s adapted strategic marketing process and how the outputs of the adapted marketing strategies decided.
Influences of culture

Among various classifications and elements of culture, in the conceptual framework, culture as the input of process is restructured. **Hofstede’s cultural dimension** (1980) can be considered as underlying background of each culture’s characteristic. It has its own criteria to evaluate culture; it plays a significant role in analysing culture. Analysing Hofstede’s dimension first helps to understand following cultural facts easily.

Based on Schein’s (1992) “levels of culture”, authors recognize different levels of culture also reflect to Jeannet and Hennessey’s (2004) “Cultural influences on consumer decision process”. The details are not exactly identical, however, with the characteristics of each part, it is possible to derive similarity the way of culture’s acting. ‘Artefacts’ in Schein’s model can be replaced as ‘cultural forces’ in Jeannet and Hennessey’s one and the relationship between ‘values’ and ‘cultural messages’ is same (See Fig. 6).

According to this comparison, the cultural process in conceptual framework is consisting of two levels, which are cultural artefacts and cultural values. The third level of Schein’s model (1992) which is ‘basic assumption’ is not included conceptual framework because of the difficulties in analysing. In the cultural artefacts, elements from the Terpstra and Sarathy (2000) are complemented. Those elements are highly visible and fit with the characteristics of artefacts which were described in Schein’s model (1992). The part of cultural values are more abstract than cultural artefacts, however, it gives clues to interpret cultural values. Cultural values are closely related to behaviour and final decision of people (Schein, 1992). Values, beliefs, attitudes are chosen as the components of cultural values from the intersected part of researchers’ studies (Doole and Lowe, 2008; Schein, 1992; Jeannet and Hennessey, 2004).

Relationship with strategic marketing process

Cultural input formulated in conceptual framework affects directly to firms’ external and internal analysis of strategic marketing process. Analyzing and expecting how the cultural environment of market influences to the company’s position is the essential part of this stage. Based on the analysis of cultural external factors, internal analysis is also completed. After examining external and internal situation in regard to cultural inputs, the specified marketing objectives, strategies, and marketing mix which are corresponded with previous analysis are formed. The degree of adaptation of strategies is depending on the influences of cultural inputs. If some particular cultural factors are not fit with existed marketing of the company which aims to enter the market, the company need to tailor pointed part of strategies.

After all cultural inputs are reflected to company’s strategic marketing process, the results or outputs of establishing marketing strategies will be implemented as strategic marketing decision to overcome cultural differences. It is related to whole strategic marketing process activities, however, more specifically, the final marketing decision is affected by the company’s internal analysis, marketing objectives, and marketing strategies based on the cultural characteristic of the market. The company’s own strategies to solve cultural differences influence consumers’ decision in various ways. With the company’s original strengths, the adapted approaches to local customers can change consumers’ final choices in favourable ways for the company. Depending on the measurable results, the company can evaluate the effectiveness of their solution and modify to get better results. The analyses are based on this conceptual framework. It will be helpful to understand the relationship international marketing process and influences of culture.
3. METHOD

In this chapter, the methods used to develop the thesis are explained. Especially, the method used to collect information for studying this research is mainly discussed. Firstly, in the research design, the reasons why the thesis is based on the analysis of a multiple case study are explained. Also, in the research context part, the reasons why our research subject are focusing on Swedish innovative internationalized companies are following to enable explaining which criteria will be used. Besides, some companies which fit into our criteria are introduced as the result of sampling. Accordingly, the paper demonstrates why the chosen companies fit to the method criteria. Finally, the choice in terms of deciding cases which is related to those firms and the way of developing case study and the analysis process is described.

3.1. RESEARCH DESIGN

3.1.1. CASE STUDIES

Researchers have used the case study research method for many years across a variety of disciplines. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Researcher Robert K. Yin defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used (Yin, 1994).

Case study research excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research (Yin, 1994).

While statistical surveys might address questions of who, where, how many, how much, etc, they are limited direct value. However, case studies address more interesting how and why questions that underlies the rich issues that surround the adoption of sustainable grazing practices and related R&D-sourced technology. These lie within the complex problem domain being addressed by contextual-process research approaches (Pettigrew, 1985).

Lack of potential generality is a problem of all scientific experiments and has been addressed to some extent by the use of multiple-case studies and recognition of the difference between analytic and statistical generalisation (Yin, 1994).

Yin (1994) means that all empirical research has a research design that follows a logical sequence connecting empirical data and the study's initial research questions finally leading to its conclusions. The research design can be defined as "the plan that guides the investigator in the process of collecting, analysing, and interpreting observations" (Yin, 1994).

Yin (1994) discusses four different types of research designs relevant for case studies:
When designing a case study, it is of great importance to make a distinction between single and multiple case designs. The single case design is useful when the case represents “the critical case in testing a well formulated theory” (Yin, 1994). The single case can be used to discover whether the developed theories are relevant and if there are ways in which they can be extended and further developed. When the same study contains more than a single case the use of a multiple case design becomes relevant. That is, there exist several individual units of analysis that as a whole can be considered as a multiple case design.

The single and multiple case studies can be holistic or embedded. The embedded case study involves more than one unit of analysis and attention is also given to sub-units. When no logical sub-units can be identified or when there is a global nature of the problem, the holistic design is preferable (Yin, 1994). This thesis applies the holistic multiple case study. Although relation and logic are existed between the companies of our sampling, each case explains the different situation in the different context.

Besides, a case study is based on an in-depth investigation of a single individual, group, or event (situation) to explore causation in order to find underlying principles (Baxter and Jack, 2008).

Thus, our choice is to develop a multiple case study. The type of case that this paper is presenting for each single case explains a real business event (situation) that happened to some companies that fit with the context criteria (See 3.2.1) in a determined country. In the next chapters, after this method part, every single case study is structured in two main parts:

- **Empirical Data**
  - Country culture overview
  - Real Case

- **Analysis**
  - Conceptual Summary Analysis
  - Cultural Influences
  - Strategic Marketing decisions

**Why case study research?**

Case study research is the most appropriate when the researcher is interested in “how”, “what”, and “why” questions (Yin, 1994). When the researcher is interested in contemporary events and does not have an ability to control or manipulate behavioural events, case study research is deemed an appropriate strategy. In addition, case studies may be used in evaluation research to explain, to describe, to illustrate, to explore, or to
be used as a meta-evaluation (Yin, 1994). Yin (1994) also thinks that case studies are very appropriate when the researcher is interested in process or seeks an in-depth understanding of a phenomenon because of its uniqueness. From another source, Merriam (1998) also argues that case study approaches are best suited to how and why questions, hence a qualitative approach. In fact, the main purpose of this paper tries to “understand how...”, thus, we think that this research method is a good choice to develop the thesis.

Choosing the case studies

An important issue is how to select the case studies. Firstly, the paper considers what kind of organization is more suitable. This thesis has developed a criteria to choose a determined kind of companies to be clear what type of firm would fit the criteria for the research (See Context criteria, 3.2.1).

3.1.2. QUALITATIVE METHOD

There are two types of research methods that researchers can use: qualitative and quantitative method. While a qualitative method includes interviews, documentary exegesis and deals with words, a quantitative method comprises of questionnaires, surveys and databases and deals with numbers (Ammereller and Fischer, 2004). Otherwise, qualitative research’s aim is generally to test the theories by looking the relationship between theories and research. They apply scientific tools to reach objective results while they are testing the theories. The qualitative method aims at generation of theories while looking at the relation between theories and research. This method rejects the objective reality and emphasizes on the way of interpretation of results. Finally, this method rejects the generalizations because of different individual perceptions, which influence the results (Bryman and Bell, 2007).

According to this, qualitative method is the best way for evaluating the research questions of this paper. Qualitative method helps researchers to understand human behavior in depth and the reasons behind the behaviours (Denzin and Lincoln, 2005). Regarding to the purpose of the thesis, which is to understand how international established innovative companies overcame Cultural Differences through Strategic Marketing processes, we will consider the qualitative method as our main research method.

3.1.3. SECONDARY DATA

Secondary data information is gathered by someone else (the other researcher, institutions, governments ...etc.) or for some other reason than the current topic or combination of both (Cnossen, 1997; cited in McCaston, 2005). Each case study (empirical data) will be done by using secondary data. This thesis aims to develop selected cases with secondary data, which are obtained through academic journals, universities databases, books and relevant websites, internet, companies’ annual reports, thesis papers, and statistics related to the paper topic. Thus, the information to describe the firms’ overview (sampling part) and the reasons why they fit in the paper research context will be gathered in the same way.

Stages used for searching the secondary data:
**Why secondary data?**

Secondary data analysis saves time that would otherwise be spent collecting data and, particularly in the case of qualitative data, provides larger and higher-quality databases than would be unfeasible for any individual researcher to collect on their own. In addition to that, it is not necessary for researchers to wait for (or pay for) a research project to collect primary data if the desired information already exists. Therefore the major advantages of secondary data are: (Patzer, 1995).

- Saving in time
- Monetary savings

In this specific case, the empirical data that the thesis needs to analyse and consequently answer the paper purpose already exist, but we need to filter data to take into account our criteria and method. Also, the time is a crucial factor that we decide to go for gathering data with only the secondary data sources even though this is limited method.

**3.2. RESEARCH CONTEXT**

The context of this thesis is based on 4 relevant situational cases studies. Firstly, to collect each case, this paper takes into account suitable companies. The context criteria to select the companies are described in the next part. Then in the sampling, the paper demonstrates why every selected company fits in the context criteria. Finally, there is a point that presents every single case and a table which are related to every case with the chosen companies.
3.2.1. CONTEXT CRITERIA

Criteria to choose companies

Which companies should be analyzed to answer the purpose? Besides two conditions which are referred in the purpose, we add one more condition to get more precise and meaningful results. Therefore, there are three main conditions, which are ‘Be Swedish’, ‘Be innovative’, ‘Be international’, that should be considered to choose the companies to develop cases. Regarding that we are trying to understand how firms overcame the cultural differences while they were in process of internationalization, conditions for choosing companies to select cases will be justified.

BE SWEDISH. This thesis mainly focuses on the importance of cultural differences of strategic marketing process when Swedish innovative companies internationalize. Even though there are numerous innovative companies which have internationalized in other countries, we selected innovative and international companies based on Sweden as our research subjects.

The first condition is that they must be Swedish companies. More specifically, the condition is “Swedish innovative companies”. The reason we choose Swedish companies as the research subjects is their success in innovativeness. According to European Innovation Scoreboard (2008), Sweden is the one of the Innovation leaders, with scores well above that of the EU 27 and all other countries (See Fig. 11).

In addition, in the World Economic Forum’s The Global Competitiveness Index (2009-2010), Sweden is in the fourth place in the world (See Fig. 12) in terms of being competitive (and 2nd in Europe and central Asia). Also, Sweden comes in fifth place out of a total of 131 countries in the sub-index of innovation and business sophistication factors. These results mean Swedish companies are innovative and they are leaders in the innovative business way. By studying leading innovative companies’ international marketing strategies to overcome cultural differences, this research can get more academically meaningful result.

BE INNOVATIVE. Among the Swedish companies, the innovative companies should be decided as the research subject. This paper considers an innovative company as a firm which has the characteristics of innovation explained in the second paragraph of the definitions part in the introduction (See 1.4).
BE INTERNATIONAL. The third condition is that the chosen companies should be already international. An international company is considered as a firm with the characteristics of internationalization explained in the last paragraph of the definitions part in the introduction (See 1.4).

3.2.2. SAMPLING

The two basic types of sampling are probability and non-probability sampling. The former allows the researcher to generalize results of the study from the sample of the population, from which the sample was drawn. However, since generalisation in a statistical sense is not a goal of qualitative research, non-probability sampling is the method of choice for most qualitative research. The most common form of non-probabilistic sampling is called purposive and is based on the assumption that the investigator wants to discover, understand, and gain insight, and therefore must select a sample from which the most can be learned. In qualitative case studies, two levels of sampling are usually necessary (Merriam, 1998).

After gathering a huge amount of information, we decided to choose these companies. The reasons about this decision are explained in the next part. The following part presents the corporate overview and the reasons why the chosen firms fit in the research criteria. The case studies will be developed in the empirical data which are related with these firms: Volvo Trucks Corp. (VOLVO), IKEA and SAAB.

3.2.3. THE SELECTED COMPANIES OVERVIEW

• Company 1: SAAB

Corporate Overview

SWEDISH - Saab Automobile AB was founded in Trollhättan, Sweden (1947). It was originally a division of Svenska Aeroplan Aktiebolaget. Saab – Svenska Aeroplan AB had been building aircrafts since 1937. Saab’s first automotive prototype was unveiled in 1947 – the first production model rolled off the production line in 1949 (Saab website, 2010). Saab is the exclusive automobile Royal warrant holder as appointed by the King of Sweden.

In the 26th of January in 2010, Saab was merged to Spyker which are Dutch-based car company (Chang, 2010). Even though their parent company is not Swedish any more, the situational case that we will develop was happened before this acquisition. Therefore, the paper considers Saab as a Swedish-based company.

Why SAAB?

Innovative status

Saab’s origin in the aeronautic sector is still a resource for technological innovations, which can also be adapted to the automotive sector. Product developments of the last years show that Saab, despite some financial problems still keeps the position of being an innovative and therefore competitive car producer. For example, its 9-X BioHybrid concept car has been named “Best Concept” at the Geneva Motor Show in 2008. Two years before, Saab gained attention with the design of its Aero X concept. After the
Acquisition through Spyker in January 2010, Saab will become an again an independent company and therefore its whole portfolio will be renewed completely, beginning with the launch of the new 9-5 in 2012.

Figure 13: Innovative examples of Saab (Saabhistory website, 2010)

International status

Saab is now operating in more than 60 countries worldwide. The most important markets are: USA, United Kingdom, Sweden, Germany, Switzerland, Italy, Australia, France, The Netherlands and Norway. In Sweden, the company is one of the biggest actors and has a market share of 8-10 percent.

- Company 2: IKEA

   Corporate Overview

IKEA is the leading home furnishings brand in the world with more than 300 stores in more than 35 countries and more than 130,000 co-workers. IKEA was founded in 1943 by 17-year-old Ingvar Kamprad in Sweden. The brand name comes from the initials of Ingvar Kamprad who is the founder of IKEA, I and K, plus the first letters of Elmtaryd and Agunnaryd, which are the names of the farm and village where he grew up (IKEA website, 2010).

IKEA sells flat-packed furniture, accessories, and bathroom and kitchen items in their retail stores around the world. Also, IKEA pioneered flat-packed design furniture at affordable prices (IKEA website, 2010).

The IKEA Concept is based on 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. Rather than selling expensive home furnishings that only a few can buy, the IKEA Concept makes it possible to serve the many by providing low-priced products that contribute to helping more people live a better life at home (IKEA website, 2010).
Why IKEA?

Innovative status

IKEA’s success is originated from distinct innovation. The company was the first to make well-designed home furnishings widely available at low prices; and they created an iconic global brand in the process. IKEA products stand for value, design, and accessibility. The company’s goal is to provide all consumers with cutting-edge but cost-effective products through innovative design, production, distribution, and sales techniques (Futurethink, 2008).

IKEA also ranked at one of ‘The Top 100 Most Innovative Companies’ as 19th in 2006 and 28th in 2007 (Businessweek, 2006; Businessweek, 2007). The innovation is spread over the whole company, but especially, their flat-packaging and DIY (Do It Yourself) furniture is the core innovative feature. It was started in 1958 and it has made new way of furniture consuming. These innovation in product are defined as particular and contemporary design Low-cost, self-assembly furniture Scandinavian culture (Genovesi, 2010). Also, the innovation scoreboard shows IKEA has high scores in almost every part (Innovation leaders, 2010).

International status

In August 2009, IKEA has 301 stores in 37 countries, most of them in Europe, North America, Asia and Australia. The rate of expanding stores is also increasing every year worldwide. The catalogue which is the main marketing channel of IKEA is printed in 56 editions and 27 languages. These figures show the evidence of IKEA’s huge internationalization (IKEA website, 2010).
VOLVO GROUP

The Volvo Group was founded in 1915 and it is headquartered in Goteborg, Sweden. The Volvo Group is one of the leading suppliers of commercial transport solutions providing products such as trucks, buses, construction equipment, engines and drive systems for boats and industrial applications as well as aircraft engine components. The Volvo Group also offers its customers financial solutions. Nowadays, the Group has about 90,000 employees, production facilities in 19 countries, and sales activities in some 180 countries (Volvo Group Annual Report, 2009).

The business units are organized globally and created to combine expertise in key areas. The Volvo Group’s strategy is based on customers’ requirements and is focused on profitable growth, product renewal and internal efficiency (Volvo Group Annual Report, 2009).

VOLVO TRUCK CORP. (VTC)

Founded in 1927, Volvo Truck Corporation is one of the world’s leading manufacturers of heavy commercial vehicles and diesel engines. The Volvo Truck Corporation is the second-largest heavy-duty truck brand in the world; more than 95% of the trucks they build
are in the heavy weight class above 16 tonnes. Their trucks are sold and serviced in more than 140 countries all over the world (Volvo Truck Corp. Official Website, 2010).

The company's retail strategy is based on customer orientation and is supported by over 2300 dealerships and workshops. The trucks are the core products in our total offer, which also includes aftermarket, service and extended offers. Volvo Trucks has a production structure based on global presence. About 95% of the company's production capacity is located in Sweden, Belgium, Brazil and the USA.

They focus on their core values: Quality, Safety and Care for the Environment. With 21,000 dedicated employees, Volvo Trucks strives to have satisfied customers and to be an attractive employer (Volvo Truck Corp. Official Website, 2010).

**Why Volvo Truck Corporation?**

**Innovation status**

VTC facilities and methods are among the most modern and sophisticated in the industry (Volvo Truck Corp. Official Website, 2010).

Besides Volvo Truck Corp. has won in 2010 an award related to being an innovative company. EuroTra Association created the EuroTra Safety and Innovation Award to recognise the efforts of individuals, organisations or companies who have made efforts to improve road safety for the European road transport and logistics industry. The European Transport Training Association (EuroTra) is an International network of leading training institutes within the transport and logistics industry.

To support the importance of safety and to recognise achievements within the transport and logistics branch, EuroTra has teamed up with Volvo Truck Corporation for this Award in 2010 (EuroTra, 2010).

**International status**

- Global Market: Their trucks are sold and serviced in more than 140 countries all over the world.
- Manufacturing worldwide: VTC is a truly global company that build trucks across the world (Volvo Truck Corp. Official Website, 2010).

![Worldwide location of Volvo plants](Volvo Truck Corp. Official Website, 2010)
3.2.4. THE SELECTED CASES

Accordingly, based on all the criteria, the paper choose a multiple case study as following 4 cases:

1. **SAAB IN USA**
2. **IKEA IN USA**
3. **IKEA IN CHINA**
4. **VOLVO TRUCKS CORP. (VTC) IN INDIA**

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Case Study</th>
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<tr>
<td>Saab</td>
<td>USA</td>
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<td>IKEA</td>
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<td>Volvo Trucks C.</td>
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<td>Case 3</td>
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Table 1: Summary for case studies. Relationship of the companies and the countries, (Created by the authors)

Those cases are meaningful to chosen companies. To develop effective analysis, the countries that companies enter are overlapped in some extents. It makes to derive more meaningful results by comparing. The comparison is about how one company overcame cultural differences in two different markets and how two different companies overcame cultural differences in one market. By analysing across cases, the purpose will be answered.

3.3. STUDY PROCESS

According to previous decisions about method, our choice for the research is to develop the analysis of 4 situational case studies by collecting information with secondary data from a qualitative point of view. Each case study which is from chosen companies that this paper considers shows the different situation which can answer purpose of the thesis. In each case, empirical data which is showing situational case directly and analysis will be structured.

Before studying the cases, there is a chapter that shows an overview of the Swedish culture. Indeed, it will allow us to analyse and compare the different culture of each case as the standard of home country.

On the way of studying, besides, we developed a single pilot case study which is about Electrolux in Russia. In fact, it turns out invalid to answer the purpose because relevance of the chosen situation is weak and data to develop the case is not enough. However, developing and studying this case show us how to do next cases in a better way. Even though it is not included final cases, it was part of the method process to get meaningful results. The pilot case study is attached in the appendix (See Appendix 1).
### 3.3.1. PROCESS FOR STUDYING EMPIRICAL SOURCES

At first, the country’s culture which the company chooses to enter will be dealt with. Studying overall characteristics of the culture is necessary to understand what the distinct factors of the culture are. The level of discussion in this part is not deep and helping to draw outline of cultural differences.

The next part is describing case about the situation the company went through. From the situation and background, how the company handled the situation is organized by focusing on strategic marketing process decisions.

### 3.3.2. PROCESS FOR ANALYSING

According to developed case materials, analysis about the meaning of case will be following. This part will give the answers to the purpose of the thesis by doing academic interpretation. Due to the importance and complexity, therefore, the process how the interpretation about the case should be made needs to be discussed.

Culture, which is the main topic of the thesis, is not measurable and hard to analyse. We set the process to make appropriate analysis. By considering the theoretical review and conceptual framework, according to the characteristics of each cultural level - cultural artefacts and cultural values in the conceptual framework, the analysing process is planned. From the part of input, to show how each cultural element in the case affects the company’s decision, Hofstede’s cultural dimension, cultural artefacts and cultural values should be analyzed in different ways. As the basis of understanding the culture, the score of the country’s Hofstede’s cultural dimension and analysis will be shown. Some distinct factors of score are going to analyze profoundly. Then, analysing cultural artefacts which are visible is continued. Therefore, with the information in case, transparent characteristics of the culture and be observed. Classifying cultural elements regarding to conceptual framework’s categories, and checking the differences in each category will be done. After this stage, unlike cultural artefacts, cultural values are not possible to figure out clear differences and consequences. Based on relationship with cultural artefacts, trials to interpret their own values, beliefs, and attitudes of people in that culture will be continued.

After the influences of culture turn out clear, the focus of analysis is on which decisions the company took to overcome these cultural differences as the outputs. Since the cultural inputs affect to company’s external analysis stage of strategic marketing process, reactions from the next stages of strategic marketing process is the main discussing point. How they adapt their marketing strategies will be handled. By paying attention to final marketing mix strategies, if the companies adapt their marketing objectives and/or STP (Segmentation, targeting, positioning) strategies, the stages also will be taken into accounts. It includes the influences cultural elements that were defined in the part of inputs. Therefore, the relationship between inputs and outputs is implied in companies’ strategic marketing decision analysis. Because of the characteristics of the research topic and method, finding relationship and

![Figure 21: Analysis process method, (Created by the authors)](Image)
analysing fully depends on authors’ judgement and decision. However, based on theoretical framework and method, we try to understand and analyze the situations rationally.

Since the overall characteristics of Swedish culture will be described before going to case studies, it is possible to see cultural differences by comparing Swedish culture and the culture that companies entered in analysis of each case. Clearly different features of cultures will be explained in the part of host culture and strategic marketing decisions that companies took.

Finally, the analysis will be summarized with our conceptual framework. The main inputs and outputs which are considered in each case will be remarked in a different colour. Therefore, whole process of international strategic marketing of chosen cases will be shown in this conceptual framework.
4. SWEDISH CULTURE CHAPTER

Before going to case study, taking a look to the Swedish culture is necessary as a basis for understanding Swedish business practice. It helps to understand how Swedish innovative international companies react to local cultural characteristics. Therefore, as the one side of comparison of cultural differences, Swedish culture will be described as the home culture.

4.1 NATIONAL CULTURE AND BUSINESS CULTURE

Several studies on national and organizational culture say that there are nationality influenced differences in work values, beliefs and orientations of organizations across different countries (Hofstede, 1991, 2001; Inglehart et al., 1998; Trompenaars, 1994; Black and Mendenhall, 1989). With the home country’s own cultural background, the way of doing business in one country is also different to the companies which established in other countries (Bhaskaran and Sukumaran, 2007). As we examined characteristics of culture, every factor including business area - e.g. founder, employee, governmental policies, and consumers’ preference - are influenced by culture.

The layers of culture support this relationship more clearly (See Fig. 22). Figure illustrates a typical business situation between different layers of culture (Hollensen, 2001). The different layers are looked at from a ‘nesting’ perspective, where the different culture levels are nested into each other in order to grasp the cultural interplay between levels (Hollensen, 2001). From this model, we need to focus on relationship between national culture and business culture.

![Layers of culture and role of national culture.](image)

- **National culture**: It gives the overall framework of cultural concepts and legislation for business activities.

- **Business / industry culture**: Every business is conducted within a certain competitive framework and within a specific industry. Industry culture is related to a branch of industry, and this culture of business behaviour and ethic is similar across borders.

- **Company (Organizational) culture**: The total organization often contains subcultures of various functions. Functional culture is expresses through the shared values, beliefs, meanings and behaviours of the members of a function within an organization.
4.2. SWEDISH CULTURE

To give an overall understanding background of Swedish companies’ culture, Swedish national culture is described. Based on the elements in conceptual framework, details are delivered. The discussion is going to be used as standard of comparing to other cultures that chosen companies entered.

4.2.1. OVERVIEW

Located in the centre of Scandinavia in Northern Europe, Sweden has one of the highest standards of living in the world. With a vast majority of its population living in urban centres, Sweden enjoys a very low population density outside of the major cities. Sweden’s recent history of neutrality has made it a popular location for immigrants while the northern part is still home to a minority of indigenous Sami people. Sweden is a forward thinking country where people have very egalitarian notions of society. Understanding Swedish society and culture is essential to successfully do business in Sweden (Malinak, 2007).

Directness: Swedes are known for their open but direct style of communication. Swedes tend to be literal and to the point in their communication, often voicing what might be perceived as strong and confrontational opinions. Directness is highly valued in business discussions, but direct criticism should be diplomatic and directed towards aspects of the problem and not towards anyone in particular (WorldBusinessCulture, 2010).

Consensus and compromise: Swedish culture places a high importance on notions of egalitarianism. Consensus and compromise permeate almost every aspect of Swedish society. Decision-making in business can therefore be a slow process since everyone has a right to contribute and decisions will tend to be made only once everyone is in agreement (Malinak, 2007).

Reserve: The national character of Swedes is often described as shy, quiet and reserved. As a result, Swedes are often mistaken for being cold and unfriendly but once you get to know them they are extremely warm and hospitable. The fact that they prefer to keep separation between their personal and public life often makes them seem uninterested and distant when; in fact, they simply value modest and reserved behaviour (Malinak, 2007).

Love of nature: Surrounded by expansive forests, archipelagos and over 100,000 lakes, it comes as no surprise that the small population of Sweden has a high respect for natural spaces. This love of nature is reflected in Swedish society such as in their environmental awareness and unique architecture. It is also evident at work where Swedes ensure that they take time off to escape from the high-paced business life to a more serene and peaceful existence in the country (Sweden’s official website, 2010).

4.2.2. HOFSTEDE’S CULTURAL DIMENSIONS

In the Hofstede’s cultural dimension, score of Sweden indicates power distance 31, individualism 69, masculinity 5, uncertainty avoidance 29, and long-term orientation 33 (Hofstede, 1980).
The most notable part of score of Sweden is low masculinity score. Sweden has the lowest score in masculinity (The lowest - Sweden 5, the highest – Japan 95). The mean score of the 39 countries was 51 on this dimension. Low Masculinity index scores indicate sex roles in society should be fluid as compared to differentiated sex roles in high Masculinity index scores. Low Masculinity scoring nations tend to depict both men and women as “breadwinners”, whereas high scorers have a tendency to portray only men as “breadwinners” (Wiles et al., 1995). Status of women in Sweden, equality, and sense of design which will be explained following part are related to high femininity score.

In female societies such as Sweden, the people attend to be more interested in the people and concern more about social values than making money (Doole and Lowe, 2008). The social roles of men and women overlap in these societies. People care for others and the life quality is more important than competition. Being a winner is not considered positive and people show for underdogs. Furthermore, people consume for use (Hofstede, 1991).

Also, the highest score of Sweden is individualism. When comparing to average score which is 43, it is one of the highest score (Ranked at 7th). Highly individualist cultures believe individual is most important unit and People taking care of themselves (including immediately family only), Identity based on individual, and they regard everyone has a right to a private life (Hofstede website, 2003).

4.2.3. CULTURAL ARTEFACTS AND VALUES

Education

Free education for everyone: Schools are well funded and of high quality. Until the late 1990s there were few private schools. The public school system emphasizes inclusive values such as aiding children with special difficulties. Sweden has nine years of compulsory schooling, which begins at the age of six or seven. Almost every student then continues on to upper secondary education for three years, in some 20 different programs. Roughly a quarter of students then go on to study at a university or college. Higher education is also government-funded to a large extent and also features a system of student loans financed by the government. Compulsory education is focusing on much school activity which cultivates independence and self-sufficiency rather than targeting resources toward the most talented pupils. At the same time, cooperative
social skills are of central importance and are nurtured in after-school activities, leisure-time centres, clubs, and sports leagues (Swedish institute, 2006).

Sweden is one of the countries that invests the largest percentage of GDP in education—an important policy priority given that education is considered the most important investment in the future in a knowledge-intensive society like Sweden’s (Sweden’s official website, 2010).

Language

Swedish is a Germanic language related to Danish and Norwegian but different in pronunciation and orthography. English is widely spoken, particularly by Swedes under the age of 50 (Sweden’s official website, 2010).

Religion

The role of the church has declined: In Sweden, most of Swedes believe (Lutheran 87%). Other religions are (includes Roman Catholic, Orthodox, Baptist, Muslim, Jewish, and Buddhist) 13% (Swedish institute, 2006).

Sweden broke with the Catholic Church in the 16th century and has been a decidedly Lutheran country since then. In modern times, the church has been separated from the state and in 1996 it gained its full independence. The importance of religion has declined and Sweden has become one of the most secular countries in the world, even though roughly 80 percent of its inhabitants formally belong to the Church of Sweden. For most Swedes, the church today provides largely ceremonial functions, such as baptisms, confirmations, graduation ceremonies, weddings and funerals. With the considerable migration to Sweden of recent decades, the country has become multicultural in a religious sense as well. After Christianity, Islam is now the second largest religion in Sweden (Swedish institute, 2006).

Social organization

Gender equality: No other country has a higher proportion of women as parliamentarians (43 percent) and cabinet ministers (50 percent), and Sweden leads the developed world in the percentage of professional and technical workers who are women. The proportion of women in the labour force is the highest worldwide. This is due both to job opportunities in the public sector, and to the support that sector provides to women in private firms. Public child-care institutions make it easier for women to work outside the home (Swedish institute, 2007).

Family and kinship: Families are predominantly nuclear rather than extended. While the two-parent household with children remains normative, the rate of single-parent households is high. Kin solidarity is weak beyond the level of the nuclear family. Only 3 to 4 percent of elderly persons live with family members other than their spouses. Working adults typically spend time with their parents at Christmas, on birthdays and anniversaries, and during vacations; those who live in the same city as their parents may have some meals together. Detailed population records kept by the Church of Sweden make it possible for people to trace their kin over many generations (Popenoe, 1991).

Welfare system and child care: Swedes benefit from an extensive social welfare system, which provides childcare and maternity and paternity leave, a ceiling on health care costs, old-age pensions, and sick leave, among other benefits. Parents are entitled to a total of 480 days' paid leave at 80% of a government-determined salary cap between birth and the child's eighth birthday. The parents may split those days however they
wish, but 60 of the days are reserved specifically for the father. The parents may also take an additional five months of unpaid leave (Lars, 1999).

**Technology and material culture**

In Sweden, a tradition of technocratic planning, widespread respect for professional expertise, and an increasingly high-technology economy encourage investment in research. Public funding is crucial, and it is administered through national research councils, universities, and specialized institutes. Natural science is quite advanced, particularly as applied in engineering and medicine. Swedish social scientists are noted for their positivistic methodologies, which demand meticulous data collection. Thanks to the Nobel Prizes, foreign laureates and hopefuls maintain ties with their colleagues in Sweden. In science as in politics, solving such problems is a national preoccupation (Swedish institute, 2006).

**Law and politics**

Form of government (A representative democracy): Universal suffrage for men and women was introduced in Sweden in 1921. Sweden has a one-chamber parliament, the Riksdag, with 349 members elected from all parts of the country. The Swedish parliament is one of the world’s most gender-equitable. Almost 50 percent of its members have been women during the past three four-year terms. There are currently seven parties represented in the Riksdag, divided into two blocs – the Alliance (the Moderate Party, Liberal Party, Center Party and Christian Democrats) on one side and the Social Democrats, Left Party and Green Party on the other. The dominant party since the early 20th century has been the Social Democrats, who have governed the country most of the time since the 1920s with a few brief periods out of office (Swedish institute, 2006).

Monarchy (A ceremonial head of state): Sweden is a constitutional monarchy in which the king is head of state, without political power, and with only representative and ceremonial functions. The current king of Sweden, Carl XVI Gustaf, has been on the throne since 1973 (Swedish institute, 2006).

**Aesthetics**

Design (Minimalist extravagance): Swedes are sensitive to design, fashion, interior which can show their sense of beauty. Purity, simplicity and proximity to nature are a few of the traits that characterize what the world has come to know as Swedish design. These qualities are to be found, albeit in different forms, in historical Swedish designers and architects as well as in many of the big names of today (Swedish institute, 2006).

**Values, beliefs, and attitudes**

Swedish don’t take too much of it, but also not to less. ‘Lagom’ means in moderation", "in balance", "optimal", "suitable", and "average". In a single word, lagom is said to describe the basis of the Swedish national psyche, one of consensus and equality. “lagom är bäst”, “lagom is best”, The value of lagom, if you consult a Swede, is indisputable; it does after all keep things from getting too extreme. It also offers a comfortable guideline for conducting one’s life. It's the idea that for everything there is the perfect amount: The perfect, and best, amount of food, space, laughter and sadness." In recent times Sweden has developed greater tolerance for risk and failure as a result of severe recession in the early 1990s. Nonetheless, it is still widely considered ideal to be modest and avoid extremes. The concept of lagom is similar to that of the Middle Path.
in Eastern philosophy, and Aristotle's "golden mean" of moderation in Western philosophy (Cultural coach, 2008).

Equality (A belief that everyone is of equal worth): Even though Sweden is far from being a society where everyone is equal, the belief that everyone is of equal worth and has the same rights has prevailed in the development of the modern Swedish welfare state. Compared internationally, Sweden has come a long way in its efforts to guarantee the rights of once vulnerable groups, like women, children, people with functional disabilities, sexual and religious minorities, and others. Swedish laws and customs include a system of rules and regulations that prohibit discrimination against people on the basis of sex, ethnic origin, physical, mental or intellectual disabilities, sexual orientation and political and religious conviction (Swedish institute, 2006).
5. CASE 1: SAAB IN THE USA

5.1. EMPIRICAL DATA

This first case study will examine and explore how SAAB can achieve a legitimate position in the U.S. by developing and implementing their strategy depending on the influences of cultural differences.

5.1.1. NORTH-AMERICAN CULTURE OVERVIEW

United States of America consists of 50 states governed on a federal level, as well as a state level. Laws are written at both levels, and when doing business in the United States one must make sure to meet the requirements mandated by these laws. The country is very litigious so legal resources are available and specialists can be found to assist with any transaction. The culture and geographic location of an area will influence how business is done. Traditionally, the East Coast is more conservative and formal in their dress and manners than the West Coast. That is not to say a West Coast meeting carries any less importance. The climate and lifestyle are just more relaxed, which is reflected in the pace and informality (Hofstede website, 2003).

The high Individualism (IDV) ranking for the United States indicates a society with a more individualistic attitude and relatively loose bonds with others. The populace is more self-reliant and looks out for themselves and their close family members. The next highest Hofstede Dimension is Masculinity (MAS) with a ranking of 62, compared with a world average of 50 (Hofstede website, 2003).

The U.S. has a good education system with a high literacy rate among its population and the U.S. is at the forefront of the technology concerning the energy, transportation and communication. Regarding to the economy, the benefits of a foreign company in the U.S. are submitted to a double imposition (the first one when the benefit are earned and the second one when the benefit are distributed to the parent company as a dividend) (American Government website, 2010).

Work is an important value in the society. They live in order to work and not the contrary (Two weeks vacation per year is normal). They are comfortable with change: they're flexible; “they have good truth uncertainty avoidance” (Hofstede website, 2003).

The verbal communication is low. They prefer the rapidity of the action and they have a very participative style of management: they are action oriented. Even if the religion takes an important place in the U.S., it doesn't really interfere in the marketing strategy or in the recruitment. According to the U.S. embassy website, nowadays, there is a greater religious diversity between the American labour. Regarding to the language element in the U.S., they consider English as the universal language, the best one (American Government website, 2010).

5.1.2. THE CASE OF SAAB IN THE USA

Saab is active in the non-premium car segment; the target group for Saab products in Sweden consists of the upper liberal segment and is divided into 50% male and 50% female buyers. Even the communication efforts are focused on attracting the male customers, the company wants to get an image of having a sporty driver focus. To gain this position, consumer attributes as independent thinking, passion of driving, environmental focus and an interest in being different and special are regarded. Although the company has only a low market share, the United States is the biggest market for Saab. The company has the same definition of the target group in the USA as
on the Swedish market. But in contrast, in the U.S. market mainly women and students are attracted by the company’s brand attributes. This is due to the perception of the company’s products as being safe and not enough masculine. There is obviously a gap between the defined target group and the customers, which actually buy the companies’ products (Jansson and Hasselgren, 2008).

The USA has a masculine society where the consumers generally want more powerful and faster cars. Adapting the products to the American demand shaped by cultural and societal factors, two product properties were changed. Firstly, no ethanol driven cars were offered in the American market since this fuel was not available for the consumers there. Secondly, all Saab cars in the USA were offered with a six-cylinder engine, whereas in Sweden all cars came with a four-cylinder engine (Jansson and Hasselgren, 2008).

Then, concerning the promotion activities, the communication strategy presents the company’s heritage from the aviation industry. This heritage is supposed to represent the two product features the company uses as strategy for gaining its goal target and position.

5.2. ANALYSIS
As seen in the case study, culture has been the driving force to change product attributes, the positioning strategy, and the promotion of Saab in the U.S. in the recent years, specifically in 2007 and 2008 (Jansson and Hasselgren, 2008).

5.2.1. INPUT CULTURAL INFLUENCES
Hofstede’s dimensions analysis:
The two highest dimensions in the U.S. are individualism and masculinity. There are only seven countries in the Geert Hofstede research that have Individualism (IDV) as their highest Dimension: USA (91), Australia (90), United Kingdom (89), Netherlands and Canada (80), and Italy (76), Sweden (69). The high Individualism (IDV) ranking for the U.S. indicates a society with a more individualistic attitude and relatively loose bonds with others. The populace is more self-reliant and looks out for themselves and their close family members.

Hofstede's culture dimensions showed how the specific culture in the USA differs from the culture in Sweden especially in the masculinity dimension. It is the next highest
Hofstede Dimension with a ranking of 62, compared with a world average of 50. This indicates the country experiences a higher degree of gender differentiation of roles. The male dominates a significant portion of the society and power structure. Furthermore, the people stress making money and the pursuit of visible achievement. Status is important to show success and consequently big and fast are considered beautiful features.

Cultural elements:

CULTURAL ARTEFACTS

- **Social organization:** Like we understood before in the case study, the U.S. is a country with a high level of masculinity. It is totally opposite to Sweden. The women in feminine countries have the same modest, caring values as the men; in the masculine countries they are somewhat assertive and competitive, but not as much as the men, so that these countries show a gap between men's values and women's values.

- **Technology and material culture:** The U.S. is at the forefront of the technology concerning the energy, transportation and communication. Although, what is interesting with the case is that even if the U.S. is an innovative country which follow or even introduce the technological trend, the country does not provide ethanol as a fuel for its consumers which in turn forced Saab not to sell cars with ethanol engines.

CULTURAL VALUES

- **Value / Attitudes:**
  - Work is an important value in the society.
  - Masculine attitude.

5.2.2. STRATEGIC MARKETING DECISIONS

Saab in the USA offers more powerful and faster cars.

**Targeting:** As the case explains, the company has the same definition of the target group in the USA as on the Swedish market. But in contrast, in the U.S. market mainly women and students are attracted by the company’s brand attributes. There is obviously a gap between the defined target group and the customers. This is due to the perception of the company’s products as being safe. Therefore, for keeping the target strategy, Saab in the USA, tries to address to the American consumers who are part of a masculine society. In other words, Saab focuses more on male consumers than they do in Sweden.

**Positioning:** According to Doyle and Stern (2006), a brand has several strategies for repositioning. The one that fits best for Saab’s situation is altering the importance of some brand attributes.
Marketing Mix

PRODUCT

Based on a theoretical framework, an adaption to the customer’s product expectations is caused by cultural and societal forces. It is necessary to satisfy customer’s needs best. The customer has a product choice set for every purchase decision one makes. This set consists of a number of product alternatives one he considers as meeting one’s needs (Doyle and Stern, 2006). Therefore, it is important to differ between the need set of the U.S. customers and the Swedish ones. The U.S. male consumer values the products abilities to deliver a sporty and masculine image. In the USA stronger engines are common, on the other side ethanol engines are generally not in use. The decision of offering all Saab models with a 6-zylinder-engine instead of a 4-zylinder one is therefore adequate.

PROMOTION

The advertisement on the right side shows the focus on the aviation heritage, the powerfulness and masculinity. The positioning of Saab is the same in both markets – they want to be seen as a sporty driver car. But there are some differences in the positioning strategies (SaabHistory Webpage, 2008).

In Sweden, the company uses the user as the attribute ladder up to the position, communicating that the company understands the consumer’s needs in terms of independent thinking, environmental thinking and a passion of driving. This is addressing the Swedish culture as it is a feminine society with a care of well being (Doole and Lowe, 2008). In the USA however, product features which are stressed in promotion are used to position the brand. Product features like masculinity and powerfulness are stressed by communicating the company’s heritage from the aviation industry.
5.2.3. CONCEPTUAL FRAMEWORK ANALYSIS

This figure shows which cultural forces made Saab to change their international strategic marketing plan.

Figure 27: Schematic Concept to analyse the case of SAAB in the USA, (Created by the authors)
6. CASE 2: IKEA IN THE USA

6.1. EMPIRICAL DATA

6.1.1. NORTH-AMERICAN CULTURE OVERVIEW
This part is described in the first case study of Saab in the USA (See 5.1.1.).

6.1.2. THE CASE OF IKEA IN THE USA
IKEA is the world’s top furniture retailer. There is no question about company’s success. The success is also obvious in the USA. In 2009, IKEA operates 37 stores in USA and earns 11% of whole sales in the USA, which is the second largest country followed by Germany (IKEA website, 2010). However, success in the USA was not got easily from the first time. IKEA's path in the USA has been continuous one of error and recovery (Leland, 2002). Unlike European markets, operating business in another continent was different especially because of consumers’ perceived values. Studying the case how IKEA overcame the problems and becomes the most powerful furniture retailer in the USA delivers lessons which can help to answer the purpose of the thesis.

After opening the first store in Philadelphia in 1985, IKEA discovered that Americans did not like IKEA’s products. Apparently, its beds and kitchen cabinets did not fit American sheets and appliances, its sofas were too hard for American comfort, its product dimensions were in centimetres rather than inches, and its kitchenware was too small for American serving-size preferences. There were no glasses large enough to meet American big-gulp thirsts as well (Moon, 2002).

However, the perception of American consumers towards furniture was the greatest problem for IKEA. In the market research which begun in the mid-1990's, IKEA asked questions not just about housewares but also about values. It found that much of the respondents were afraid of decorating. For example, according to Christian Mathieu (Leland, 2002), external marketing manager for IKEA North America, "Americans change their spouse as often as their dining-room table, about 1.5 times in a lifetime. Also, many Americans, especially older Americans, keep a sofa longer than a car." (Moon, 2002).

In contrast, younger group were regarded as more entrepreneurial, more risk-taking. In another research, the company identified a change in the way post-boomer Americans view their material possessions. The line between durable goods (things like refrigerators or furnaces, which are expected to last forever) and soft goods (things that turn over at the speed of fashion) was blurring (Leland, 2002).

Almost completely coincidentally, the value of Americans started to change. It was based on new trends in technology and economy, but it was the translated matter of attitude and perception of people. Due to the technology boom of the 1990's, American class was affected. Old money represented fading values; new money was the future: plastic, high-tech, and replaceable. Most important for IKEA, new money stimulated different desires among the broader public (Leland, 2002). The furnishings were expensive, but their value lay not in the materials but in a narrative of design. For IKEA, this was an opportunity.

However, members of the middle class who were regarded as the target of IKEA were losing ground. What they could have, in just the same degree as the new economy's new rich, was the pursuing trends in design. So, the motivation about design was getting
stronger. It realized in the way like adding value to a toilet brush or a garbage bucket. American changed perspective on democratic design was if you couldn't afford to make your home look like Buckingham Palace, you could get some pieces of the appeal of an Ian Schrager boutique hotel. Not only that, the newer was better (Leland, 2002).

By paying close attention to customer reactions, IKEA had been able to address these problems through relying on market research to adjust its product line-up and merchandising. Also, IKEA put their efforts to change consumer desires ahead of its competition because their unfavourable and non-active attitude to change furniture was the obvious obstacle to success (Leland, 2002). Even though there was some coincidence as consumers’ value changed, IKEA made adaptations and changed the landscapes of business in advantageous ways for IKEA. They did not want to be just another supplier of traditional furniture (Margonelli, 2002).

In early surveys of American consumers, the company found that IKEA buyers were likely to be people who had travelled abroad, who considered themselves risk takers, who liked fine food and wine. They bought the first Walkman, laptops and cell phones. The least likely were those who collected guns (Leland, 2002).

However, IKEA realized that they were addressing the people who could not afford other options, and that market was not enough. These were not the people who liked foreign travel and wine and not the early adopters who make American consumer taste. After emphasizing their focus more on design, they preferred to have taste makers as targets that make the many follow them (Leland, 2002).

By considering American consumers’ complaints, eventually, the company changed the size of its mattresses and cabinets, softened the sofa cushions and added big, cheap glasses (Moon, 2002). With little change in the product line, the company shifted its style from functional side to its design side. By keeping a close eye on its market, based on the change in values about design, IKEA went from building ugly, inferior furniture to becoming a chic, stylish furniture provider within millions of American homes. IKEA became more and more interested in design. In the IKEA stores, finding pieces which are good designs and very reasonable in pricing is not difficult (Margonelli, 2002).

Their target was considered risk takers and not conservative, therefore, IKEA chose sites for new stores based on the distribution of such values (Leland, 2002). The company went to the coasts where people who are supporting democratic and not conservative live.

As the part of activating consumers’ desires, the company's advertising campaign was a result of that decision. It can be seen as a kind of curriculum by which to teach this new group how to take a more commitment-free approach to furniture (Moon, 2002). For example, the ad campaign called ‘Unboring’ had featured a series of television commercials poking fun at American unwillingness to part with their furniture. It was directed by Spike Jonze, best known for his film "Being John Malkovich." In the campaign, there is a discarded lamp, forlorn and forsaken in some rainy American city. A man turns to the camera sympathetically. "Many of you feel bad for this lamp," he says in an exaggerated Swedish accent. "That is because you're crazy" (Leland, 2002).

Alex Bogusky, executive creative director and partner at Crispin Porter (McCarthy, 2003), says the "IKEA: Unboring" campaign is trying to convince consumers that its OK to throw out Mom's old coffee table and splurge on a new one. While Americans overspend on "fashion" purchases such as clothes and shoes, they still cling to a "till death do us apart attitude" with their furniture.
6.2. ANALYSIS

6.2.1. INPUT CULTURAL INFLUENCES

Hofstede’s dimensions analysis

This part is described in the first case study of Saab in the USA (See 5.2.1.).

Cultural elements

In 1990’s, when IKEA put their effort to get American consumers’ choice, economically and technologically the society was in dynamic changes. Therefore, some parts of cultural background were changed as well. Even though there were coincidences, these new trends helped IKEA’s success.

CULTURAL ARTEFACTS:

- **Technology and material culture**: The perception about possession of material shows how American considers furniture. Originally, American consumers are not sensitive to change material, especially furniture. However, among young consumers, the way of material culture was changed and they think the line between durable goods and soft goods are not fixed. For success in the USA, IKEA had to get the chance to appeal their fast-changing furniture.

- **Aesthetics**: The middle who are target of IKEA started to pay attention to design while IKEA struggled to attract consumers at the early days of its entering. Americans changed taste in design. It was on the same line to changes what Americans think about material and furniture. Not only for design, but also the interests in overall arts became dominant leisure activity in 1990’s. Americans have reversed their leisure spending habits. The dramatic change parallels the shift from an industrial to an information society and has been accelerated by the coming of age of the post boomers, a well-educated and consequently arts-loving generation (Naisbitt and Aburdene, 1990).

CULTURAL VALUES:

- **Values / Attitudes**: Based on the characteristics of cultural artefacts, values and attitudes towards furniture, design, and interior which are sensitive issue for IKEA showed dramatic changes. In 1990’s, the new paradigm of economy, technology, and social class - It does not mean the real social class system but symbolic expression to indicate deeper gap between the upper and the middle – leads people to pursue new value. The reason why Americans’ non-active and indifferent attitude to furniture changed in favourable way is design of furniture can be means which can realize their desires to show off their status and fine taste. So, the value was added to decorating home and their attitude to buying furniture changed more actively. Good design does not mean expensive price. With the efforts, they could show themselves through sense of design at the lower cost.

It is also related to Americans’ masculinity as well. The high masculine society’s people stress the pursuit of visible achievement and status is important to show success. The way of realization that value moved to design and interior because of bigger gap of the wealth. It is quite different Swedish people’s tendency which is avoiding showing off and staying in moderation. For
Swedish, design is for well living and quality of life not for showing. It can be interpreted because of their different masculinity score.

6.2.2. STRATEGIC MARKETING DECISIONS

Marketing objectives

As IKEA’s strengths are flat-packaging, low price, various ranges of product, and design etc, the sceptic perception towards changing furniture was obvious problem to IKEA which needs frequent consumption for profit. Therefore, to win at the competition was not IKEA’s first goal in the USA. Changing consumers’ perception into advantageously was more urgent issue. All the following part of strategic marketing process was under this objective.

Targeting: To appeal IKEA’s innovativeness, IKEA targeted young and risk taking people who can accept and try new lifestyle. Their marketing research about attitude towards furniture and home interior proved the segment would be promising consumers for IKEA. Also, by considering Americans’ new desire for design, IKEA focused on people who are affective to others in terms of design.

Marketing Mix

PRODUCT

Adapting product size to Americans’ standard was implemented. More important decision was strengthening dimension of design. It was part of the IKEA’s development - being the one which focus on design much more. However, it was also intended in the USA to provide products which are more sensitive to design. By stimulating consumers’ desire by design, Swedish minimalistic but refined style could conquer American’s taste.

PLACE

To attract the main target, IKEA built their stores at the location in regard to targets’ political orientation. Their aimed target that is risk taker, willing to change, not conservative can be considered people supporting the Democratic Party. The map of supporting political parties in the USA and location of IKEA stores show regional similarity to some extent (See Fig. 28).

Figure 28: The location of IKEA stores in the USA (left, IKEA website, 2010) and Map of supporting political parties in the USA (grey) (right, Newman, 2008)
IKEA used campaign effectively to lead consumers to new way of thinking about furniture. It was part of giving more comfortable feeling about changing furniture and interior to target. The most popular commercial of IKEA ‘Unboring’ won the Grand Prix award in the "Film" category for the world's best TV and cinema ads at the 50th Annual Cannes Lions Advertising Festival in 2003 (McCarthy, 2003). The commercial conveyed implied message by appropriate setting and scene. Even though Swedish tone of the guy who spoke in the commercial is aggressive, it was effective to appeal to change American’s old habit.

6.2.3. CONCEPTUAL FRAMEWORK ANALYSIS

Figure 29: The capture shots of IKEA’s commercial ‘Unboring’ in the USA, (McCarthy, 2003)

Figure 30: Schematic Concept to analyse the case of IKEA in the USA (Created by the authors)
7. CASE 3: IKEA IN CHINA

7.1. EMPIRICAL DATA

7.1.1. CHINESE CULTURE OVERVIEW

China is believed to have the oldest continuous civilization. China has over 4,000 years of verifiable history. Beijing is the capital of China and is the focal point for the country. The official language is standard Chinese, which is derived from the Mandarin dialect. Most business people speak English. There are many dialects in China however there is only one written language (Hofstede website, 2003).

China is the most densely populated county in the world with approximately 1.34 billion people as of 2009 (World fact book, 2009). There are strict rules regarding childbirth and each couple is limited to only one child. China composes 56 ethnic groups. Among them, Han Chinese is the majority ethnic group that account for 91.2% of the total population. The other 55 ethnic groups are consequently referred to as minority ethnic groups, or minorities (China guide, 2010).

A Communist form of government rules China. The Chinese government promotes atheism although the constitution guarantees freedom of religion. The Chinese practice a variety of religions which include Buddhism, Taoism (Taoism), Islam, Christianity, Judaism and other smaller religions. However, Confucianism; despite not being a formal religion is practiced widely throughout the country (Hofstede website, 2003).

The culture of China has been influenced by China's long history and by its diverse ethnic groups which customs and traditions could vary greatly between towns, cities and provinces. Despite all of its regional diversity, the Chinese culture is dominated by the Confucian value system. It has been the ethical and philosophical system in China since its foundation by Confucius 2000 years ago. It is a complex system of moral, social behaviour, political, philosophical and quasi-religious thought that has had tremendous influence on the culture and history of China (de Barv and Lufrano, 2000).

Confucianism emphasizes on self-restraint, good relationship with others and mutuality to promote social harmony. Confucianism advocates respect for hierarchy and emphasizes loyalty to authority, to family, spouse and friends for keeping society in good order. Confucianism also exhorts all people to strive for being a perfect gentleman and be humaneness to all people (de Barv and Lufrano, 2000).

Confucianism has embedded in people's behaviour and business culture in China. Many Chinese business people attach great importance to cultivating, maintaining, and developing personal relationship (guanxi) before doing business. In China, much of the business is arranged and negotiated at the dining table. Since the Chinese prefer to do business with whom they know well, Dining and drinking are the best media for building relationship (guanxi). The degree of importance and the depth of the relationship with the guest can be judged from the food and wine offered (de Barv and Lufrano, 2000).

In general, the Chinese are a collective society with a need for group affiliation, whether to their family, school, work group, or country. In order to maintain a sense of harmony, they will act with decorum at all times and will not do anything to cause someone else public embarrassment. They are willing to subjugate their own feelings for the good of the group. This is often observed by the use of silence in very structured meetings. If someone disagrees with what another person says, rather than disagree publicly, the
person will remain quiet. This gives face to the other person, while speaking up would make both parties lose face (Kwintessential, 2010).

The Chinese' Non-verbal communication speaks volumes. Since the Chinese strive for harmony and are group dependent, they rely on facial expression, tone of voice and posture to tell them what someone feels. Frowning while someone is speaking is interpreted as a sign of disagreement. Therefore, most Chinese maintain an impassive expression when speaking. It is considered disrespectful to stare into another person's eyes. In crowded situations the Chinese avoid eye contact to give themselves privacy (Kwintessential, 2010).

7.1.2. THE CASE OF IKEA IN CHINA

In most countries, IKEA has many aspects that are standardized and are supposed to be the same all over the world. Small adjustments are made (Johansson and Thelander, 2009). From IKEA's point of view, the strategy of standardization is logical as it provides a product with a 'low price' for 'as many people as possible' in a way that an adapting strategy would not. However, when IKEA went to potentially a huge consumer market but it was quite a different market to what they have faced before, the situation could be totally different. China was the representative example for this situation. IKEA has adapted their marketing strategies to meet Chinese local consumers’ needs. The focus for marketing activities in China has been on culture-specific aspects. IKEA has history of adaptations as already cases about in the USA studied. However, studying the actions which IKEA has taken for Chinese market shows more dynamic changes than other markets’ cases.

For IKEA the step into the Chinese market was a big step, maybe as big at the first step abroad to Switzerland and the first store on foreign soil (Spreitenbach) in 1973 (Torekull, 1999). Since the first store has been opened in 1998 in Shanghai, in China, IKEA operates 7 stores, in Beijing, Guangzhou, Shenzhen, Dalian, Shanghai, Chengdu, and Nanjing (IKEA website, 2010). After a fairly slow start, IKEA has seen substantial growth in China; between 2004 and 2005 sales grew by 50 per cent. Still, with a turnover in China of approximately $120 million.

At first, language was totally different. So, IKEA decided to use a Chinese name. It is pronounced ‘Yi Jia’, similar to the English pronunciation of IKEA. The meaning is positive and very appropriate: ‘desirable for home living/comfortable home’ (Burt et al., 2008). In addition, in a country with a huge population like China, it could be limited to have ‘many people’ as the target customer as it does in other countries. Shopping culture was also different. The typical customers in China buy less when they visit the store than the average IKEA customer elsewhere. But, in Shanghai for example, the core customers visit IKEA more often than anywhere in the world: 33 per cent come every month (Johansson and Thelander, 2009). It is because Chinese consumers not only use a shop to purchase needed products, but also they use it as a social venue, which is a slightly different experience from shopping in Sweden or the USA. In this context, Chinese people did not go to IKEA to shop but instead they went to socialize in a pleasant environment.

Apart from these differences, the image of IKEA has been recognized in different ways to Chinese consumers. IKEA is regarded as an exclusive, western retailer and the store is for the higher-middle class (Lewis, 2005). For example, ‘Billy the bookcase’, which elsewhere is inexpensive and high selling, was perceived as a luxury (Jungbluth, 2006). The low price which is the main strategy of IKEA is relatively less effective in China. The offering of IKEA in China is high by Chinese standards but compared to other
markets, where IKEA is present, it is not so high. IKEA’s criteria for comparing different countries is by comparing how much work is needed in different countries to buy a certain set of products. The Swiss work only two months to buy the product set, while the Chinese work one year and six months to buy the same set of products. Including this fact, many complex situations result in different image positioning of IKEA in China (Johansson and Thelander, 2009).

The main target group is female, as they are believed to be the ones that take decisions about the home. Women in China, according to IKEA, stand for change. It suits IKEA as they see themselves as providing the tools for change in home. Men are also targeted but more indirectly, because women have interests in home furnishing and actually they make the decisions. IKEA also targets young customers. The core customer is around 30 years old. Many from IKEA’s target group, are what in China are known as ‘the little emperors’ and they are also called ‘the me-generation’ or ‘the lifestyle generation’ (Schütte and Ciarlante, 1999). One of the characteristics of this group of consumers is that they are believed to be impulsive, easy to influence, very social and committed to leading foreign consumer brands (Gunnarsson, 1997). They are seen as the future generation that will soon be furnishing their own homes. This segment of the population includes some 30 million people (Johansson and Thelander, 2009).

Since IKEA’s position based on low price is not easy to achieve in China, IKEA tries to position itself as a company with a unique competence in relation to interior design. Helping customers with interior design is the basic message, rather than selling individual products at low prices. Also, Many Chinese people live in small apartments and IKEA can help with smart solutions for storage that make life easier (at least that is IKEA’s argument). The argument is very much about function while this contrasts with the traditional furniture manufacturers in China where everything is about tradition (Burt et al., 2008).

In 1998, three products were added in China - chopsticks, a wok with a lid and a cleaver - but they are now in almost every store around the world. The Chinese IKEA stores have a special set of teacups for the Chinese New Year. Also, 500,000 plastic placemats were produced to commemorate the year of the rooster (Business Week, 2005). At the moment, in mainland China as well as in Hong Kong, the beds sold are shorter, 190 centimetres compared to standard-sized beds of 200 centimetres. Many Chinese people live in apartments with balconies, which is very important to them. IKEA has added model sets and special balcony sections in the stores, which show how you can furnish your balcony (Lewis, 2005).

Low price is a prerequisite for the IKEA Concept to realise the IKEA vision. As mentioned before, it did not work well. So, IKEA has tried to cut the prices with extraordinary efforts. China is a big sourcing country for IKEA. To be able to continue cutting prices in the Chinese market, IKEA China has been allowed to exceed and expand its sourcing of products in China, while the rest of IKEA still sources the same products from somewhere else in the world. Some said that half of the products in a Chinese IKEA store are made in China, compared to 23 per cent in other countries’ IKEA stores (The Wall Street Journal, 2006). IKEA representatives claimed that 30 per cent of the assortment is made in China. According to IKEA, this has resulted in lower prices as they have dropped by at least 30 per cent since 2003; on some products the price has dropped as much as 90 per cent (The Wall Street Journal, 2006).

IKEA stores in China are located closer to the city centre than stores in other parts of the world, which are usually located outside city centres. As consumers do not have
access to cars like they do in Sweden and the USA, in China, the stores have to be where public transportation can take people and where many people pass (Johansson and Thelander, 2009).

Also, in the store, IKEA tried to build the room settings in a way that feels relevant to Chinese customers, with sizes of rooms and kitchens that are realistic by Chinese standards. Thus, with the same product range, adapted presentation of goods and home solutions offered. The store layouts reflect the layout of Chinese apartments – an example being the balconies. In the new Beijing store, interesting adjustments have been made to the store format. The store has wider aisles for the high volume of shoppers (The Wall Street Journal, 2006). For many visitors, there was a need for many changes in the store. The Shanghai store rearranges its room-settings at least seven times a year, for new products or for different holidays and campaigns.

After identifying the large number of people that visit the stores in China, it is no wonder satisfaction levels were down. The big-box format that IKEA uses is unusual in China, where traditionally, shopping is done locally and at specialist stores. Hence, the IKEA shops are smaller and have a friendly, local atmosphere. However, the self-service concept is not so comfortable for Chinese shoppers, where customers have to visit a warehouse to pick up their purchases and then assemble them at home. China does not have a DIY culture. To try to explain and justify the DIY concept – which is at the heart of the IKEA concept – is thus hard work in China. IKEA provides home delivery – long and short distances – as well as an assembly service, for a small fee. IKEA has also unintentionally created an industry around itself – of delivery drivers that help assemble the IKEA furniture. These pick-up trucks with drivers are lined up outside the stores. IKEA tries to acknowledge these issues and provides information in the stores, on the web site and in the catalogue, to prepare the Chinese consumer for the IKEA experience. They even have shopping hostesses walking around the store explaining to customers how the concept works; and IKEA representatives argue that it is slowly progressing (Johansson and Thelander, 2009).

Studies by Edvardsson and Enquist (2002) and Edvardsson et al. (2006) have shown how important the service culture of IKEA is to drive service strategy and to achieve market and business success. Here, service culture is related to developing a culture around the interactive parts of marketing (service encounters). Thus, implementation of the service culture of IKEA is important to fulfil the IKEA concept. And how does this work at IKEA in China?

As indicated above, consumers in China are demanding when it comes to service. They are used to a high-quality service, where there are people to help with all kinds of tasks. The self-service and DIY concepts of IKEA are hard for Chinese people to accept. So, are there other service-level issues that are difficult to accept?

In China, IKEA tries to implement a staff strategy that makes everybody co-workers rather than traditional employees. However, it might be contrary to what is more common in China, where workplaces have a stricter and more formal hierarchical work structure with supervisors telling employees what to do. IKEA argues that focusing on creating co-workers creates more responsibility, which in turn should create a more service-oriented environment. There is little valid data available on whether this actually happens (Johansson and Thelander, 2009).

In China, one of the big differences is catalogue which is the major communication channel of IKEA with the consumer. It is impossible to distribute the catalogue in the
same way as it is distributed in other countries. In China, the catalogue is only distributed in the store and in some of the primary market areas. The stores rely on smaller brochures. These brochures are similar to the larger catalogue, in order that they have the same IKEA layout and design.

IKEA has run many different advertisements in China, on television, in newspapers and in print. Themes in the campaigns are the same as everywhere in the world but with a Chinese “twist” (be different and break tradition). The Chinese advertising line is a little “softer”, so they provide friendly, home furnishing solutions, which can educate the consumer, offering home-furnishing partnership solutions for the future. The message of the advertisement is “Small changes, a refreshing new life” suggests that life can be made better, easier and nicer with small improvements and at little cost. This concept is the key words in IKEA’s in-store marketing. Another advertisement had the theme of “do not be like your parents”, a theme that seems to speak directly to IKEA’s target group of young women 25-35 years old (Lewis, 2005). It can be argued that the websites of the different stores in China are important: the Internet is a common source of information for the target group, the younger middle-class. Also, this source is used as a way to educate customers about the IKEA concept and to prepare them for the shopping experience before coming to the IKEA stores.

7.2. ANALYSIS

7.2.1. INPUT CULTURAL INFLUENCES

Hofstede’s dimensions analysis

In the Hofstede’s cultural dimension, score of China indicates power distance 80, individualism 20, masculinity 66, uncertainty avoidance 40, and long-term orientation 118 (Hofstede, 1980). Except to uncertainty avoidance, all scores show almost the opposite tendency to score of Sweden.

![Hofstede Cultural Dimensions of CHINA](image)

The Geert Hofstede analysis for China is similar to that of Hong Kong where Long-term Orientation is the highest-ranking factor. However, the Chinese rank lower than any other Asian country in the Individualism factor. Chinese the highest score Long-term Orientation (118) indicates a society's time perspective and an attitude of persevering; that is, overcoming obstacles with time, if not with will and strength. (Hofstede website, 2003).
The Chinese rank one of the lowest score in the Individualism (IDV) ranking, at 20 compared to a world average of 43. This may be attributed, in part, to the high level of emphasis on a Collectivist society by the Communist rule and Confucianism. Comparison between low individualism score of China (20) and high individualism score of Sweden (69) is the most distinct part of cultural differences. The low Individualism ranking is manifest in a close and committed member 'group', be that a family, extended family, or extended relationships. Loyalty in a collectivist culture is paramount. The society fosters strong relationships where everyone takes responsibility for fellow members of their group.

China's significantly higher Power Distance ranking of 80 compared to the other Far East Asian countries' average of 60, and the world average of 55. This is indicative of a high level of inequality of power and wealth within the society. This condition is not necessarily forced upon the population, but rather accepted by the society as their cultural heritage.

Cultural elements:

CULTURAL ARTEFACTS

- **Social organization / Religion:** Even though China guarantees freedom of religion and government promotes atheism, the concepts and teachings of the ancient Chinese philosopher Confucius (500 B.C.) are woven into the society at large. Confucianism is not formal religion, however, it has tremendous influences on the culture of China as much as national religion does with its complex system (Kwintessential, 2010). Therefore, Chinese people consider harmony and relationship with others as the most important factor. Building bonds and belonging to groups as a member is big part of their life. This tendency is also shown well in low Individualism score of China in Hofstede’s dimension.

- **Language:** Chinese characters are representative ideogram unlike Swedish and English. Also, Chinese language is not direct but high context language. Therefore, when IKEA entered China, considerations about language were necessary.

CULTURAL VALUES

- **Value:** Their group-oriented perspectives and importance of relationship turns into particular value for shopping. Miller et al. (1998) found that shopping as an activity was not just about product acquisition but was very much a part of social relationships in China. Also, Chinese consumers attach a higher value to personal relationships and group, but a lower value to material goods than consumers in more individualistic societies. This valuation leads to greater pragmatism in purchases of products for private consumption. These price conscious shoppers would take more time and search through more items before purchasing the best options (Fang, 1999). Since shopping at IKEA store is an important part of IKEA’s business, checking and reflecting values about shopping of Chinese consumers was required.

7.2.2. STRATEGIC MARKETING DECISIONS

Under the Chinese name Yi Jia, which means desirable for home living/comfortable home, IKEA adapted some part of their marketing strategies to local cultures. IKEA has
targeted mainly European and North American markets. For Swedish furniture retailer IKEA, adapting marketing strategies according to local cultures must have not been necessary because their main markets share many part with the Swedish culture that IKEA was originated. IKEA concept was a standardized one but the strategies and the marketing activities to realize the standardized concept had to be adjusted to local marketing conditions if the differences are obvious (Johansson and Thelander, 2009).

Targeting: IKEA’s main target in China has been women. Chinese women traditionally handle the household budget and purchasing home-interior belongings are considered women’s role (Ackerman and Tellis, 2001). Masculinity score of China (66) is a little bit higher than the world average (50). However, when it comes to the role in shopping, the difference with Sweden which has the lowest score in masculinity dimension and role of gender is not separated is clear. Therefore, unlike Sweden, IKEA focuses on women as their main target. Also, IKEA also appeals to young people around age 30 - who more easily accept foreign brands and who are independent than their parent generation. IKEA believed International brand IKEA’s innovativeness could be new trend of furnishing to young target.

Positioning: Unintentionally, IKEA’s positioning in China is being related to professionalism of interior design. IKEA’s usual low pricing positioning was hard to be achieved in China. Level of price and cost in China is lower than Sweden and other countries in Europe or in the USA. Therefore, even though IKEA maintains similar price in China, it could be recognized high and luxurious to local consumers. Therefore, IKEA’s one of other strengths refined design for home interior could be their positioning in China.

Marketing Mix

PRODUCT

Basically, product size was adapted for Chinese people such as the length of bed. Chopstick, stuffs for celebrating Chinese New Year was introduced to meet Chinese traditions. Residential environment in China was also one of considerations. Many Chinese people live in apartment and they prefer to stay and decorate balcony. So, IKEA offers special section of products for balcony.

PRICE

Even though IKEA does not have low pricing positioning in China, they kept trying to be price-competitive player. Apart from low cost level and price in China, Chinese consumers’ value of pursuing pragmatic product also gives the reasons for IKEA to cut price continuously. It was also part of realizing their original concept of low pricing. By shifting manufacturing places from different countries to China, IKEA tried to reduce delivery time, transportation costs, and labour costs. With exceptional efforts, in Chinese standards, prices of IKEA products were getting competitiveness.

PLACE

Because of Chinese consumers’ distinct shopping patterns which are originated from their group-orientation and low individualism, IKEA has had a lot of visitors. People spend time in IKEA for just going out and enjoy eye shopping at the new concepts of big shopping store. Therefore, IKEA broaden aisle of stores to contain many visitors and change room settings more often than stores in other countries to attract visitors continuously. IKEA becomes new symbol of location for social relation (See Fig. 32). In fact, many visitors lie down on the sofa and bed which are on display. IKEA
concerns this situation but IKEA hopes visitors to turn into future customer. Also, there was not many people among target of IKEA possess cars. Flat packaging, which is the core concept of IKEA, was regarded too radical for Chinese consumers. In these reasons, IKEA built their stores in the centre of city where public transportation operates and many people pass every day. In addition, IKEA provides delivery and assembling service for consumers who uses public transportation.

Figure 32: The shopping atmosphere at the IKEA store in Beijing, (Psfk, 2009)

PROMOTION

IKEA’s major channel of promotion is sending catalogue, but in china, because of spacious land and population, it was not possible to distribute catalogue as IKEA did in Sweden or other countries. Instead, main promotion strategies turned into using media (TV, newspaper, print). Refined messages, which emphasize their positioning in China, have been conveyed through those channels. Also, direct messages for main targets, for example ‘do not be like your parents’, were also introduced as well.

For local consumers who feel DIY culture and flat packing concept are difficult, IKEA website operates educational functions. IKEA has wanted for consumers to be prepared and accustomed to concept of IKEA. It was effective young targets that use Internet a lot.

Figure 33: IKEA print advertisement in China, (Johansson and Thelander, 2009)
7.2.3. CONCEPTUAL FRAMEWORK ANALYSIS

Figure 34: Schematic Concept to analyse the case of IKEA in CHINA, (Created by the authors)
8. CASE 4: VOLVO TRUCKS CORP. IN INDIA

8.1. EMPIRICAL DATA

This case study will examine and explore how Volvo Truck Corp. (VTC) can achieve a legitimate position in India by developing and implementing their strategy depending on the influences of cultural differences.

8.1.1. INDIAN CULTURE OVERVIEW

India is by many experts considered to be one of the largest markets of the future. The country possesses high future potential due to, for example, the large domestic market e.g. a middle-class of 250 million people and the advantageous labour market e.g. well educated engineers and IT personnel. Many countries in Asia had been severely damaged by the economic crisis that occurred in 1997. India had not suffered as much as their economy was not so dependent on foreign trade and due to their large domestic market.

India's economy is more mature than other Asian economies, that is, they have a heavy industry, which makes them less dependent on basic goods and commodities. India is a traditionally complex country for an MNC to operate in due to its diversity in culture between states and high government involvement in business life. Business in India is often very dependent on good cooperation with governmental bodies to function efficiently (Björckebaum and Säle, 1999).

The Indian industry is characterised by the government owned public sector and the private sector, both playing active roles. Traditionally, the public sector played a dominant role within the Indian infrastructure development and in the basic industries, while the private sector has played an important role in other sectors. The trend within Indian industry today is toward a larger role for the private sector, with public investments more restricted to strategic and essential infrastructure areas. Most big businesses in India are controlled by state owned corporations, large family groups and MNCs. This structure started to change in the 90's though with the entry of non-resident Indian technocrats and successful first generation entrepreneurs to the Indian market (Waterhouse, 1996).

The liberalization process in India, that begun in 1991, made it easier for foreign multinational companies (MNC) to enter the Indian market. The economic history in India is characterised by a high degree of government involvement in a mixed economy. The government has heavily controlled the rules and regulations in the different markets. Through the liberalisation, the rules in the markets change as the government assumes the role of being a facilitator rather than a controller for the industry. The government do still have an important role though as they act as an agent and driver of change in the product/service, labour, financial and professional and interest associations markets. To be successful in these markets, it is essential for any MNC to have good relations with the government. India is the thirteenth largest industrialised nation in the world (Björckebaum and Säle, 1999).

With the introduction of economic liberalisation by the Rao government in 1991, there had been a dramatic change in the environment surrounding the business organisations. Business leaders and industrialists’ organisations had assumed greater importance. Party leaders and government ministers seek to address their gatherings, assuring them of their cooperation in the economic growth of the country (Baxter et al., 1998).
India is an ancient civilisation but a new nation; the values and attitudes of its citizens, the nature of its political culture, and its political processes are influenced by both its traditional past and its contemporary experience. Although the most Indian population is poor, Indians are proud of the operation of their contemporary democratic institutions and of the uniqueness of their culture, which gives its people a distinct identity. Through a complex network of primary and secondary structures, the people of India have successfully transmitted several key elements of their cultural and political structure from generation to generation. It is through this process of socialisation that India has developed its distinct social and political culture (Baxter et al., 1998).

The political structure’s strong support from its citizens creates a stable business environment, which is desirable, especially in a country with a relatively short history. In addition, the tolerance against e.g. foreigners is a very important aspect of the Indian society for a foreign MNC.

Regarding to the religion, India is a melting pot of various religions; Hindi, Islam, Christianity, Buddhism and Jainism to mention but a few. The dominant religion is Hindi, which with its religious teachings of Hinduism and its belief system deeply influence the social behaviour and political attitudes of its followers. Hinduism is known for its flexibility, sectarian organisations, and religious tolerance. (Baxter, C et al, 1998). Hinduism retains one of the worlds most highly structured and stratified social orders, the caste system. This traditional social order divides Hindus into a hierarchical structure consisting of four castes: the Brahmans (priests and custodians of sacred knowledge), Kshatriyas (warriors and rulers), Vaishyas (traders), and Sudras (persons performing manual labour and menial jobs). The traditional norms and values of the caste system are reflected in the whole society and also influence the business culture, where both organisations and the government are very hierarchical and have several levels (Baxter et al., 1998).

8.1.2. THE CASE OF VTC IN INDIA

In June 1998, VTC established a production unit in Bangalore, India. VTC set up a 100 per cent foreign equity owned subsidiary, as the local manufacturers were not perceived as suitable for a joint venture. This was the first wholly owned subsidiary set up by a foreign MNC in the automotive sector in India. The VTC factory in Hosakote was built in 13 months, which was seen as a record even by VTC standards. The initial investment was US$ 80 million. The factory has a capacity to produce 4000 vehicles per year (Anton, 1999).

When doing business with Indians, it is recommended to go straight to the top when contacting an enterprise, since it is at the highest level that decisions are taken. When addressing professionals, it is important to use the right titles in order to show respect. This can be related to the high power distance in Indian society. Once a personal contact has been established with the business partner, Indians prefer to build the relation on mutual trust and friendship, instead of formal rules and contracts. Also, the knowledge about the characteristics of interaction between people in the Indian society is vital (Borden et al., 1994).

In order to understand the Indian business culture, that is, norms, values and codes of conduct, VTC India, in 1998, had employed experienced and skilled Indians who had knowledge of how to navigate the waters of Indian business life. VTC developed good relationships with politicians and bureaucrats at state and central level, who are highly placed in the hierarchy.
The caste system plays no major role for MNCs operating in India. VTC did not take religion or caste into consideration when recruiting, although they had recognised the importance of understanding the potential conflicts, which might arise (Björckebaum and Säle, 1999).

The educational level was highly important for VTC, which required skilled engineers and workers to design and manufacture their trucks. The availability of skilled manpower in Bangalore was one reason for locating VTC’s plant there. As English was the official working language, it made it easier to work in multi-cultural. The existence of many higher educational institutions in India ensured a steady influx of new skilled and qualified labour with the latest knowledge into the labour market. This was really important for VTC (Björckebaum and Säle, 1999).

VTC’s entrance into the Indian market exposed the customers to modern truck technology and standards that can develop the transport economy for the customers. With VTC entering the Indian market, new values and norms were brought into the truck-industry and VTC acts as one of the engines in the government’s wish to restructure and increase competition in the market (Björckebaum and Säle, 1999).

One VTC truck was three times as expensive as an Indian truck. VTC tried to win market share by providing the customers with state of the art technology and giving their customers the ability to make goods transportation more economical and efficient. The major competitors in the Indian market were TATA, AshokLeyland and some European manufacturers who formed joint ventures with local manufacturers (Björckebaum and Säle, 1999).

VTC’s trucks were of a much higher quality than the Indian manufacturers’ trucks. The gap between VTC and domestic producers was huge. To be competitive in the Indian market, it was of great importance for VTC to produce parts locally. The Indian truck manufacturers were producing trucks with low technology and quality levels and due to this, the Indian suppliers in the truck industry had supplied them with old solutions suitable to these demands. VTC being a global player had to have the same quality and technology demands on suppliers in India as on other markets, leading to the suppliers in India having to make some adjustments towards international standards.

Many Indian suppliers were capable of producing products to VTC’s high technological specifications but the Indian competitors within the truck industry were not willing to pay for it. For VTC it was a matter of balancing tactics, as they had to accommodate demands of producing locally and at the same time demand higher quality from the Indian suppliers. Sometimes, communication between VTC and their suppliers was difficult. For example, when VTC tried to get across the sense of urgency to a supplier, the supplier could find it difficult to understand this (Björckebaum and Säle, 1999).

Many state governments realised the benefits of having VTC in their state and therefore approached them in the scanning phase of VTC’s project. As VTC introduced top of the range trucks, they also contributed to raising the quality level of the whole truck industry as Indian customers then began to demand the same quality levels from the domestic producers.

When approaching customers, it was important for VTC to show respect for the customers and avoid imposing VTC’s values on customers. It is vital to understand the market, and develop sales and marketing activities to the local circumstances in India. VTC strives to create a close relationship with the customers in order to comprehend feed back from customers and adjust the products to the customer’s special needs and
demands. VTC was promoting local development by supporting some voluntary welfare projects, e.g. the building of a new road in one of the local villages, vaccination of locals, the set up of a small local clinic, the provision of eye-check facilities and the Managing Director participating in charity for a hospital (Björckebaum and Säle, 1999).

8.2. ANALYSIS

Analysing this case, several relevant points can be extracted to help to find some answers of the thesis purpose.

8.2.1. INPUT CULTURAL INFLUENCES

Hofstede’s dimensions analysis

India has Power Distance (PDI) as the highest Hofstede Dimension for the culture, with a ranking of 77 compared to a world average of 56.5. This Power Distance score for India indicates a high level of inequality of power and wealth within the society. This condition is not necessarily subverted upon the population, but rather accepted by the population as a cultural norm. India has Masculinity as the third highest-ranking Hofstede Dimension at 56, with the world average just slightly lower at 51. The higher the country ranks in this Dimension, the greater the gap between values of men and women. It may also generate a more competitive and assertive female population, although still less than the male population.

Figure 35: Hofstede Cultural Dimensions of India, (Hofstede website, 2003)

As in many countries with socialist traditions, the Indian society has been a mainly collectivist society. The group comes first and the individual is second. Without the group the individual becomes weak. The power distance is very high in India. Subordinates expect their superiors to display their power and exercise it. Tolerance exists between superiors and subordinates although it is more of a human nature, that is, respect for the human being. Masculinity and femininity are rather equal in India, although masculinity has a slightly more dominant role. This means, there are both large groups valuing wealth, earning money and assertiveness as the most important as well as groups advocating interdependence between people and caring for others.
Cultural elements:

CULTURAL ARTEFACTS

• **Social Organization:** The knowledge about the characteristics of interaction between people in the Indian society was vital to understand the culture and resolve conflicts as well as preventing them from occurring. The high Power Distance score for India indicates a high level of inequality of power and wealth within the society.

• **Technology & Material culture:** The technology level of the truck market in India was not as good as the VTC quality offered.

• **Law & Politics:** The government has heavily controlled the rules and regulations in the different markets. Business in India is often very dependent on good cooperation with governmental bodies to function efficiently.

CULTURAL VALUES

• **Value & Attitudes:**
  - Indians prefer to build the relation on mutual trust and friendship, instead of formal rules and contracts.
  - The local manufacturers were not perceived as suitable for a joint venture

8.2.2. STRATEGIC MARKETING DECISIONS

**Positioning:** VTC wanted to win market share by providing the customers with state of the art technology and giving their customers the ability to make goods transportation more economical and efficient. Basically, VTC was positioned as a company with high quality trucks in India.

Besides, this gap between the VTC and their competitors in terms of quality was bigger in India than in Sweden. For this reason, the case explains that their trucks were three times as expensive as an Indian truck.

**Marketing Mix**

**PRODUCT**

According to their positioning, VTC offered high quality trucks. Actually, it does not mean they changed product range. Because of characteristic in Indian market, with the same product, Volvo could be considered high quality truck provider. Product was a differentiation factor to beat the competitors in the Indian market. Especially, it was effective at the first time they entered the market.

As it was mentioned in innovation status of Volvo, VTC facilities and methods are among the most modern and sophisticated in the industry (Volvo Truck Corp. Official Website, 2010). Therefore, Volvo could achieve their positioning with their existed innovative products.

**PLACE**

VTC developed good relationships with politicians and bureaucrats at state and central level, who are highly placed in the hierarchy and many state governments realised the
benefits of having VTC in their state. Then, VTC contributed to raising the quality level of the whole truck industry as Indian customers then began to demand the same quality levels from the domestic producers.

Besides, VTC had to build good supplier relationships. For VTC, it was a matter of balancing tactics, as they had to accommodate demands of producing locally and at the same time demand higher quality from the Indian suppliers.

**PROMOTION**

VTC had a good knowledge of the social organization as the values and attitudes of the Indian society. VTC was new the Indian market positioned offering high quality trucks with a similar pricing strategy to the Swedish one. Therefore, it was crucial for the firm to attract the customers gaining prestige and image because they could not do it cutting the prices. In this way, they had to modify their usual promotion strategy by adapting that to the Indian new market.

Thus, promoting strategy started doing local development by supporting some voluntary welfare projects. As the case describes, e.g. the building of a new road in one of the local villages, vaccination of locals, the set up of a small local clinic, the provision of eye-check facilities and the Managing Director participating in charity for a hospital. These initiatives were contributing towards creating a positive image of VTC, thus enhancing their moral legitimacy. The relation with the cultural input is in the knowledge of the social organization as the people. The most population are poor in India and these welfare activities give good result on the brand image, which supports directly the population necessities. Accordingly, the Corporate Society Responsibility of VTC was implied in the Indian market with this innovative promotion strategy.

8.2.3. CONCEPTUAL FRAMEWORK ANALYSIS

![Figure 36: Schematic Concept to analyse the case of VTC in INDIA, (Created by the authors)](image-url)
9. CONCLUSIONS

In the previous chapters we have introduced the theories related to cultural differences and international marketing strategy to the readers. Also, the empirical study and the analysis results were described previously. Thus, in this chapter this paper will analyse the findings based on the analysis results. Firstly, this following part answers the purpose of thesis. It starts from concluding single case study. Then, conclusions based on special relationships between cases are derived. As the last step, general conclusions which include every finding are shown. Besides, there is a part explaining the reliability and validity of the thesis. Finally, some suggestions for some future related research are presented.

9.1. STEPS TO ANSWER THE PURPOSE

The purpose of this study was to understand how international established innovative companies overcame cultural differences through Strategic Marketing processes.

Firstly, we are going to understand the results of each case of the thesis. Then, the conclusions present some relationships between the specific case studies. Finally, the general conclusions based on these multiple case study are presented to answer the purpose.

9.1.1. CASES CONCLUSIONS

SAAB IN THE USA

The main cultural difference elements that influence to Saab in the U.S. are the social organization and masculinity. The male dominates a significant portion of the society and power structure.

How that affects to the company? In the U.S. market mainly women and students are attracted by the company’s brand attributes and this is due to the perception of the company’s products as being safe. Thus, the stronger masculine attitude in the U.S. market provokes to the men to see Saab as a car provider for women. In other words, the perception they have about Saab is that these cars are not enough masculine, sportive and powerful. Indeed, it is also due to the features that the U.S. cars market offer compared to the Swedish one.

Therefore, for keeping the target strategy as same as Sweden, Saab in U.S tries to focus more on male consumers than they do in Sweden. The positioning of Saab is the same in both markets - they want to be seen as a sporty driver car. Thus, in the USA, Saab must adapt the product to stronger engines. Then, product features like masculinity and powerfulness are stressed in promotion by communicating the company’s heritage from the aviation industry and consequently attracting more the male target. In conclusion, Saab basically adapts the product and the promotion strategy to overcome the cultural differences.

IKEA IN THE USA

In the USA, from the point of material possession, American consumers were unwilling to change furniture. Also, with deeper gap between social classes in 1990’s, desire towards aesthetic and design was getting stronger. As characteristics of high
masculinity shows, pursuing high quality design became new values of showing off. According to IKEA’s concept emphasizing low prices and many people, frequency of purchasing is important to maintain their business. Americans’ old habit could be negative factor to their business concept. However, coincidental changes of pursuing design could be big opportunities to IKEA. Based on marketing research, IKEA set objective to change consumers’ perception. IKEA focused on stressing their affordable high quality design as well. Target was who are open-minded to IKEA’s innovative life style and design. Design of product was strengthened and stores were located by considering target’s tendency. Promotion was the most powerful methods to change consumers’ perception in favourable ways to IKEA.

IKEA IN CHINA

In China, Chinese consider social relationships which are stressed in Confucianism very importantly and low individualism score supports the fact. For Chinese people, shopping is social activity and people spend long time to find appropriate products in terms of pragmatism. Besides, low prices in China and values towards prices made it difficult to keep IKEA’s existed concept and positioning. Also, since Chinese were not familiar with DIY, flat packaging, and shopping experiences in IKEA stores, IKEA’s innovative ideas were not competitive. By admitting local consumers’ perception as new positioning which are luxurious and interior design, IKEA targeted young people who can accept new lifestyle more quickly and women who are charge of purchasing furniture. Products which reflect Chinese tradition were introduced. To keep competitiveness of price, extra efforts have been done. To respect Chinese shopping patterns and contain high volume of visitors, location, structure, and setting of stores were changed. New positioning was conveyed by advertisements and trial to educate people about IKEA was implemented.

VOLVO TRUCK CORP. (VTC) IN INDIA

The main cultural difference elements that influence to VTC in India are the social organization and the high Power Distance score for India, which indicates a high level of inequality of power and wealth within the society. Also, a good cooperation with governmental bodies (law & politics) and the low technology level of the Indian truck market were considered as relevant cultural inputs.

This technology (quality) level in the Indian trucks market helped to decide the positioning strategy. VTC was positioned as a company with high quality trucks in India. Accordingly, VTC offered high quality trucks. Then, VTC developed good relationships with politicians and entered to the market selling the trucks to the government. It influenced to increase the quality demand of the Indian customers.

VTC had a good knowledge of the social organization as the values and attitudes of the Indian society. Thus, Regarding to the promotion strategy, VTC started doing local development by supporting some voluntary welfare projects. These initiatives were contributing towards creating a positive image of VTC.

9.1.2. RELATIONSHIPS CONCLUSIONS

Before developing the general conclusions, the multiple case study of this thesis presents some relationships between the single cases.
Two companies in the same new market

![Figure 37: IKEA and SAAB in the USA, (Created by the authors)](image)

Saab and IKEA in the USA faced the same cultural influence which is high masculinity. As Hoftede’s dimension analysis shows, there is a big gap between the Swedish and the American masculinity index. Extreme sides of masculinity caused different perceptions towards those companies. American consumer perceived the Swedish firms’ brand images from a distinct point of view what Saab and IKEA wanted to be seen.

Thus, they wanted to keep their original strategic objectives, positioning, and innovative business ideas. Therefore, they focused on changing American consumers’ perception through mainly their promotion strategies which are described in the analysis results.

One company in two different markets

![Figure 38: IKEA in the USA and China, (Created by the authors)](image)

In this situation, IKEA faced different new markets. In the USA, IKEA focused on attracting consumers to their stores by changing their perception. Swedish culture and American culture share high individualism as common features, and the basic idea such as flat packaging was accepted without resistances after consumers come to IKEA stores. However, in China which has low individualism, consumers’ acceptance of IKEA’s concept and shopping values are different. The matter was how to make them purchase furniture. Therefore, for Chinese consumers, IKEA has adapted more details of marketing strategies and has respected Chinese consumers’ behaviour than they did in USA. From positioning to marketing mix, every element was adapted by Chinese standards. Even though IKEA has changed a lot these strategies, IKEA does not yield their goals. Nowadays, they are trying to educate Chinese consumers about their concept and innovative ideas for the future.
Two different companies of the same industry in two markets

Saab offers passenger car and VTC is truck provider but VTC and Saab belong in the same automobile industry. They entered two different markets which are India and USA. Since the automobile is high involved product, when the companies appeal to local consumers, brand image positioning is important and extra efforts should be implemented by considering detailed cultural differences. In this context, Saab and VTC showed strategies which were focused on building appropriate positioning image in two new markets. Hofstede’s dimension scores – masculinity of USA and power distance of India - and technology level in two markets affected to strategic decisions. VTC and Saab wanted to stick to their original positioning that they had in Swedish market. In case of Saab, intended positioning was not working well in American market. Therefore, Saab stressed their sporty and strong image much more by adjusting product and promotion strategies than they did in Sweden. However, in India, VTC’s positioning was accepted well without resistances because of distinct industrial environment.

9.1.3. GENERAL CONCLUSIONS

By studying each case study, the overall process that companies took during international marketing is derived. Based on the process that they implemented, the general advisable process could be introduced.

Once the Swedish innovative companies take the decision of going to a new market, they should prepare the international marketing strategy. But before that, as we could see in this paper, it is crucial for them to analyse it previously, by focusing especially on what cultural differences that they will face. Then they should interpret how these cultural elements will influence to their business. Thus, these firms must take new decisions through international marketing strategy based on their objectives and taking into account these cultural differences that they found out before.

![Diagram](https://via.placeholder.com/150)

Figure 39 : Companies analysing process for adapting cultural differences, (Created by the authors)

Based on our multiple case studies, cultural inputs and adapted strategic marketing decisions are shown to give overall understanding. The aim of this analysis is not getting mathematical averages but it will help to have comprehensive point of view by putting all cases together. Among many elements, which were described in each case, the main factors will be introduced to get meaningful results. The number scale means the number of times that the cultural element influences to some of the analysed cases.
In four cases, influences of masculinity and individualism in Hofstede’s dimension were strong – especially masculinity – when score shows the opposite tendency to Sweden’s. In cultural artefacts, technology and material culture highly affected to firms’ strategies because the chosen companies are in automobile and retailing sectors. Social organization was also major factor because it is related to lifestyle of people in that market. Religion and aesthetics was the part of main influences in one case. All cultural artefacts formulated particular value and attitude of local consumers which could influent companies’ strategies directly.

Under those cultural influences, companies set marketing objectives. One of the important main findings for conclusion is that we can infer all chosen companies wanted to keep their original strategic goals and business concepts. Because of cultural differences, their innovative business was hard to be accepted at the first time. However, companies chose changing consumers’ mind and keeping their original core concepts and strategic goals.

Rather, to keep their core concept, they changed methods to achieve objectives in detail. For targeting, Saab and IKEA found the segments which are more suitable to achieving what the brand pursues. Also, the approaching to the segments was changed in a new way. Regarding to the positioning strategy, companies analysed in the cases decided to keep the original positioning that they have in Sweden. If local consumers perceived their positioned image in different ways, the companies tried to adapt their perception to get their original goal.

As the final outputs of companies’ adapted marketing strategies in the new market, decisions to adapt marketing strategies made and it was depending on situations and cultural inputs.
Products were adapted at the degree of modifying product details to meet local standards. It could be regarded basic requirement to appeal local consumers, so 3 cases showed adaptation in product. Place strategies changed in 2 cases of IKEA by regarding targets’ characteristics. It is because meaning of operating and managing stores is important to IKEA. Price was relatively less changed elements of marketing mix. However, as it was shown in case of IKEA in China, the impacts of price are significant if consumers’ values are directly related to price. Promotion strategies were the main part of adapted marketing strategies. Companies wanted to keep their original concepts, positioning strategy and change consumers’ mind. Therefore, promotion was the most used method to appeal their competitiveness to target. Promotion strategies which they did were various and creative. They showed their innovativeness through the promotion to local consumers in effective ways.

By analysing each case, relationships, and general findings step by step, we could find meaningful results and lessons. Thus, this way of concluding helps to answer the purpose. Therefore, now we can understand how to international established innovative companies overcame cultural differences through Strategic Marketing processes.

9.2. THESIS QUALITY

Validity

Construct validity is about establishing the correct operational measures for the studied phenomenon (Yin, 2003). According to Yin, three ways to increase the construct validity are to use multiple sources of evidence, to establish a chain of evidence, and to have key informants review findings and conclusions. Multiple sources of evidence and key informants reviewing findings are used in this research to increase the construct validity. Much of the studied context has also been studied, which will decrease the probability that parts of the studied context will be missed. Thus, in this thesis, the use of multiple companies’ cases strengthens validity more than single studies would. Also, main discussion and findings are related to existing theory in the field. To satisfy readers’ own estimation about the validity of the studies, the research process considered the comparisons between cases in different contexts.

Transferability

Refers to the degree that findings can be transferred or generalized to other settings, contexts, or populations. A qualitative researcher can enhance transferability by detailing the research methods, contexts, and assumptions underlying the study. Transferability is analogous to external validity, that is, the extent to which findings can be generalized (Guba and Lincoln, 1981).

This thesis which is qualitative research have considered this point by detailing accurately the main guidelines, the method used to develop the paper, and the answer of the purpose in the main findings. Especially, the main findings in conclusion shows transferability by leading answers from specific cases to overall conclusion.

Reliability

Reliability is about how it is possible to do the same study again and reach the same findings and conclusions (Yin, 2003). Although exactly the same study cannot be done again, because it is impossible to find the same research objects again and the objects are affected by the research done.

To reach reliable information, we used known search engine Google and we have chosen websites whose reliability accepted by many people such as major newspaper
During selecting books, we have preferred to use books that have been suggested by our instructor instead of gathering the most of the information from the Internet sources.

**Confirmability**

Refers to the extent that the research findings can be confirmed or corroborated by others. Strategies for enhancing confirmability include searching for negative cases that run contrary to most findings, and conducting a data audit to pinpoint potential areas of bias or distortion (Guba and Lincoln, 1981).

During several seminars, opponents have taken a position contrary to this thesis. Based on the points, the main findings of this thesis improved in better ways. Thus, this paper have conformability and consequently the quality of the paper has increased.

### 9.3. FUTURE RESEARCH

Once we understand better the purpose of the thesis, as it could be useful for the readers, we think that further studies could be interesting related with our findings. Finding more relationships with new firms or considering new criteria for choosing companies is possible.

Further studies in this subject are also important as it will not only give a broader view about the subject, but also a deeper and clearer understanding. Thus, now the paper presents some suggestions for these further studies by taking into account our findings.

Developing more deeply the cases with primary data and interviews could enhance the objective and quantitative point of view of the firms can give answer about the purpose in different ways.

Then, a research involving other international companies in other geographical areas would be interesting. For instance, it could be interesting to study the different cultures in Europe. Probably, in Europe the cultural different elements are not so distinct like India or China, but it should be also considered and studied.

Another suggestion is to develop a research involving more sectors and look for more relationships. Keeping the same criteria of this paper regarding to be innovative and international, but choosing more cases in distinct sectors such as a service sector can be researched.
10. APPENDIX 1. PILOT CASE: ELECTROLUX IN RUSSIA

- Pilot Company: ELECTROLUX

Electrolux

Corporate Overview

Electrolux is a global leader in household appliances and appliances for professional use, selling more than 40 million products to customers in more than 150 markets every year. This Swedish company focuses on innovations that are thoughtfully designed, based on extensive consumer insight, to meet the real needs of consumers and professionals.

Electrolux product range includes cookers, ovens, hoods, refrigerators, freezers, dishwashers, washing machines, tumble dryers and vacuum cleaners under esteemed brands such as Electrolux, AEG-Electrolux, Eureka and Frigidaire. In 2009, Electrolux had sales of SEK 109 billion (See Fig.42) and 51,000 employees (Electrolux Annual Report, 2009).

In 2009, Electrolux sold more than 40 million products. Almost half of them were sold under the global Electrolux brand. Consumer Durables comprises products for kitchens, fabric care and cleaning. Professional Products comprises corresponding products for professional users, industrial kitchens, restaurants and laundries.

<table>
<thead>
<tr>
<th>Category</th>
<th>Net Sales</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Durables Europe</td>
<td>39%</td>
<td>49%</td>
</tr>
<tr>
<td>Consumer Durables NA</td>
<td>23%</td>
<td>30%</td>
</tr>
<tr>
<td>Consumer Durables LA</td>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>Consumer Durables APA</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Professional Products</td>
<td>7%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Figure 42: Percentage of Electrolux Net Sales in the world, (Electrolux Annual Report, 2009)

Figure 43: Share of sales in products categories (Electrolux Annual Report, 2009)
Why Electrolux?

Innovation status

Electrolux has been transformed from a manufacturing company into an innovative company that is focused on the consumer. Investment in innovative products is becoming increasingly more important for maintaining a position as an industry leader (Electrolux Annual Report, 2009).

“We continued to implement our strategy despite weak demand, focusing on launches of innovative products under the Electrolux brand” (Hans Stråberg: President and CEO of Electrolux).

Besides, to demonstrate that it is an innovative company, Electrolux Professional was recognized for being the most innovative company that the Compass Group does business (Correct expression) with. Working exclusively with the contract-caterer for many years, the award was given in recognition of the continued product innovation and development Electrolux has shown during this time. The judging panel, made up of the executive board of Compass, explained that the areas Electrolux excelled in to win the award were (Electrolux official webpage, Media, Events):

- Its partnership with the Sussex Training Kitchen at Goodwood Racecourse
- The Eco Friendly Induction Kitchen at the Compass Innovation Centre in Chertsey
- The joint work done with Compass on the High Speed Grill (HSG) Panini
- The innovation when partnering with the Jockey Club UK to win a partnering deal
International status

Electrolux is one of the few global companies in the industry (Electrolux Annual Report, 2009).

The Group’s products are sold in more than 150 markets. The largest of these are in Europe and North America. Operations are organized in five business areas. Consumer Durables consists of four regional business areas, while Professional Products is a single global business area.

10.1. EMPIRICAL DATA

Russian culture

The most evident characteristic of the Russian culture is the focus on relationships, labelled particularism by Trompenaars. The whole society is based on personal relationships and that is mirrored in the business sphere as well. The centre of attention is on the current situation and Russians are mostly present-oriented. Moreover, the culture is of the affective kind and Russians value stability and security over dynamic changes in the environment. The most visible changes in the Russian culture are the steps towards individualism and the indications of more positive attitudes towards achievement (Mörch and Pearsson, 1999).

Situation and cultural differences

Swedish MNC’s have a long history of economic ties to Russia, both before the revolution of 1917 and during the Soviet era. The “new” Russia was formed in 1991 when the Soviet Union was dissolved. It has since then been a very turbulent market where uncertainty concerning the future has been the only constant (Mörch and Pearsson, 1999).

After that, at the end of the last century, Russia was developing towards a market economy, but the structure of the old centrally planned economy was hard to erase. The process of restructuring the economic system had been slow and turbulent affecting the entire Russian society. Corruption was widespread, poverty was increasing and a large part of the population was dissatisfied with the current situation. It is, however, no surprise that the break-up of the Soviet Union and the overall demise of the planned economy had had a profound effect on the welfare of the Russian people. The reform efforts had resulted in contradictory economic and political regulations. The industry, agriculture, military, central government, and the Ruble had suffered and it was hard to predict how the Russian economy would progress since the environment was such vigorous, particularly on the political scene. These factors all affected the business climate in Russia (Mörch and Pearsson, 1999).

This dynamic environment that characterises Russia increases the importance of building and maintaining relationships with different actors such as retailers,
wholesalers and other importers in order to cope with changes in the current and future business environment. Evidence suggests that these relationships that is, network ties, stem from the Soviet-era where, due to the lack of a legal infrastructure, an extensive reliance on personalised network-based exchanges were a necessity (Mörch and Pearsson, 1999).

Foreign Multinational Companies (MNC’s) were hesitating to enter the Russian market since the conditions were so volatile. This is further boosted by the fact that media reports often provided a picture of a country in chaos. With its 150 million people, Russia had an enormous potential for Swedish companies. To build strong relationships with key partners is a particularly important issue due to the dynamic business environment that influences Western MNC’s ability to operate in the country (Mörch and Pearsson, 1999).

Even though competition is increasing with globalisation, the business world does not see the survival of the fittest, driven by mechanisms to outfight each other, but the survival of those best able to form nurturing relationships with external parties and in external conditions (Trompenaars, 1996). This implies that it is important to build sustainable relationships since only strong and close relationships can manage unexpected changes and survive in the long-term. As a result, the internationalisation of business life requires more knowledge, of particular, unfamiliar cultures existing in different countries. Understanding a country’s culture will enhance an enterprise’s ability to operate in that specific country. Therefore, a primary concern is to be informed about cultural differences between societies, their roots and their consequences before judging and taking action in any specific culture (Mörch and Pearsson, 1999).

How did they overcome this problem? (Strategic marketing decisions)

Electrolux started its operations in Russia in the 1970’s when Electrolux was represented through a Swedish trading house that distributed all sorts of products to Russia. During the Soviet-era, the distribution of consumer durable appliances within the country was carried out through the Beriovska, a state owned trading house. It was not until 1995 that Electrolux made a real effort to establish its own operations on the Russian market (Mörch and Pearsson, 1999).

Place: The Electrolux brands were unknown on the Russian market at this time and operations had to be built up from scratch. The process of building new business relationships with local actors was very time consuming and demanding. Since it was totally unknown to the public and since distributors had no previous experience of dealing with Electrolux, the enterprise had a lot of groundwork to cover. Electrolux’s representative had to start out by going through the secretaries of the distributors and through them, progressing to higher levels within the distribution enterprises. This required hundreds of calls, a lot of gifts etc. It also included many hours of presentation of the Electrolux Group and its products. A key purpose here was to get to know those people with whom Electrolux were going to do business. This required that a great deal of time be spent with these persons. Especially, marketing issues had to be discussed at length. This was an area, which had been almost totally neglected during the Soviet-era - it was therefore a very underdeveloped function for many of the distributors (Mörch and Pearsson, 1999).

The Electrolux Moscow office was central for all Electrolux operations throughout Russia. The office was mainly a marketing and sales coordinating department, since Electrolux did not have any production in the country. In 1999, around 50 people work
for Electrolux in Russia with another 10 people stationed in Helsinki. Apart from the Moscow office, Electrolux had an office in St Petersburg, and had sales representatives in Minsk (Belorussia), Yekrinenburg (the Urals), Novosibirsk (in Siberia) and in the south of Russia. Only cities with over one million inhabitants were of interest to Electrolux, due to the economic situation, which had led to a low demand elsewhere, particularly in the countryside. Moscow was Electrolux’s main market, accounting for 60 per cent of its sales, followed by St. Petersburg with 15 per cent of all sales, while remaining regions contribute the rest (Mörch and Pearsson, 1999).

**Price:** The Electrolux and AEG brands were under heavy pressure to maintain their volumes and profitability since these were the only brands in the market for which prices had not gone down following the crisis.

**Product:** In 1999, the market was slowly picking up again but there was no room for extensive future planning since conditions may change overnight. Electrolux did not have any local production but there were plans to start this within the next couple of years assuming that the conditions in the country stabilises. In 1999, Electrolux’s products and activities in Russia were co-ordinated from Electrolux’s office in Helsinki, Finland (Mörch and Pearsson, 1999).

### 10.2. ANALYSIS

**Conceptual framework Analysis**

![Conceptual Framework Analysis of ELECTROLUX in RUSSIA](image-url)

*Figure 46: Conceptual Framework Analysis of ELECTROLUX in RUSSIA, (Created by the authors)*
11. REFERENCES


Yin, R.K. (1994). *Case study research, design and methods*, Sage publications, United States
