

IR Trade-off Management

- Simultaneous management of international integration
and local responsiveness in a consumer-oriented MNC -

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Abstract

Multinational corporations (MNCs) face a trade-off between international integration and local responsiveness, named the IR trade-off. International integration refers to an organizational focus on economies of scale while local responsiveness refers to an emphasis on adaptation to differing consumer needs. Literature on IR trade-off management has so far produced theoretical contributions that for most MNCs are unattainable or undesirable. The purpose of this thesis is therefore to fill this research gap by presenting a strategic and operational theory on how to simultaneously manage international integration and local responsiveness. This is done through the synthesis of a conceptual framework drawn from theory with an explorative and qualitative in-depth case study at a consumer oriented MNC. It is found that a regional strategic approach to the trade-off enables consumer-oriented MNCs to enjoy benefits from integration and responsiveness simultaneously. Further, the results show how this strategy can be operationalized through two separate centralized product development processes. One of these develops standardized products to be sold on a global scale, while the other develops products adapted to regional needs, sold on a regional scale. In the latter process headquarters and regional subsidiaries cooperate, which demands facilitation of knowledge transfer.

Keywords: IR Trade-off, New Product Development, Knowledge Transfer, Transnational

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Preface

We would like to express our sincere gratitude to the supervisor of this thesis, Ingela Sölvell. Your knowledge and ability to push us further has been truly helpful for us when writing this thesis.

Special thanks are also addressed to the project sponsors working at the anonymous research object of this study. Your coordination and assistance throughout the work with this thesis helped us a great deal.

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Glossary List

Concept	Description
Absorptive capacity	Determines the speed of knowledge transfer and represents the employees' emotional and intellectual energy put into transferring knowledge, both at the sharing and receiving end of the process.
Administrative heritage	The company's existing organizational attributes and historical way of doing things.
Centre-for-global NPD process	Develop products in one location and sell them worldwide.
Combination	Explicit-to-explicit knowledge transfer. Completed by letting individuals or groups combine explicit knowledge into new explicit knowledge.
Direct communication	Face-to-face communication.
Economies of scale and scope	When volume increases the cost per unit decreases. Producing a range of products is cheaper than producing each of them separately.
Explicit knowledge	Explicit knowledge is formal and systematic. This kind of knowledge is easy to codify and examples include product specifications and scientific formulas.
Externalization	Tacit-to-explicit knowledge transfer. Can be done by for example conducting an active face-to-face dialogue in a group and where beliefs are shared, ideas are exchanged, and feedback is provided instantaneously.
Globally-linked NPD process	Resources and capabilities of disperse global units synthesized to develop products cooperatively.
Global MNC	Focuses on international integration to reap benefits from economies of scale and scope.
Global products	Standardized products developed for global scale.
Glocal products	Products developed as adaptation to local needs.
Indirect communication	Communication aided by Information and Communication Technology.
Internalization	A process wherein explicit knowledge is transferred into tacit actionable knowledge. This process is experiential and individual. Can be aided by the help of a mentor who already internalized the specific knowledge at hand.
Local-for-local NPD process	Develop and sell products locally.
Locally-leveraged NPD process	Local product ideas are capitalized on a global basis by taking a locally developed product and adapting it to other markets. The difference compared to a centre-for-global process is that the idea can be generated at any subsidiary and that the products are developed locally.

Glossary List

Local responsiveness	The degree to which the company listens and adapts to differing consumer preferences
Information and communication technology (ICT)	Conference calls, emails, documents, databases, and the like.
Integration/responsiveness (IR) trade-off	The strategic choice between focusing on local responsiveness or economies of scale and scope.
International integration	Strategic focus on economies of scale and scope.
Market orientation	Adherence to the belief that you beat competitors by identifying and satisfying consumer needs better than them.
Multidomestic MNC	The multidomestic MNC has independent local operations in all local markets, which means that it employs a strategic focus on local responsiveness.
Multifocal MNC	Strategic focus pursued homogeneously across markets somewhere in between that of the fully global and multidomestic MNC, thereby trying to benefit both from international integration and local responsiveness.
Organizational dilemma	Attributes facilitating one process often impede others, leading to the development of homogeneous processes and structures in an attempt to avoid contradictions and provide clarity.
Regional transnational	Transnational with a regional dimension. In terms of the location on the IR trade-off grid, the regional transnational MNC displays a higher degree of international integration and a lower degree of local responsiveness than the transnational.
Regional transnational mentality	Cultural foundation guiding and supporting the regional transnational strategy. At the heart of this mentality lies a belief that diversity and international differences are imperative, but that this is best leveraged through centralized coordination and control.
Socialization	Tacit-to-tacit knowledge transfer between individuals wherein knowledge is captured in an experiential way through direct interaction. Leads to shared experiences through 'learning by doing'.
Tacit knowledge	Cannot be articulated and is innate in the doing of a person. This knowledge is properly exemplified by the statement 'we know more than we can tell'.
Transnational mentality	Cultural foundation guiding and supporting the transnational strategy. At the heart of the transnational mentality lies a belief that diversity and international differences are great assets rather than liabilities, and that they therefore should be treated as sources of opportunity.
Transnational MNC	Strategic focus similar to the multifocal MNC but different from this (and the multidomestic and global MNC) in that it employs heterogeneous operations, processes, and structures across the globe.

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Chapter 1 – Introduction

A key success factor for consumer-oriented MNCs is the ability to employ efficient new product development (NPD) processes that on the one hand exploits advantages of scale and scope, and on the other hand displays ability to adapt products to specific needs of local markets. Unilever, the large multinational selling fast moving consumer goods, is a success story with few equals, and one of their main strengths is their management approach to this process (Edens et al., 2008).

In 2008, Unilever developed a shallow frying liquid¹ that quickly became a huge success on the European food market. This enabled the company to gain a sustainable competitive advantage within the European fats market. Previously, most attempts to launch somewhat standardized products on the European market had failed because of the heterogeneity displayed by the consumers. Unilever not only acknowledged these differences among consumer tastes, they embraced them. By observing natives cooking at home in countries throughout Europe Unilever identified similarities and differences among consumers, which could be leveraged in the development of new products. During this process the company utilized local resources, as they were believed to better understand the consumers on the respective markets. Still, by keeping product development centralized at headquarters, control was maintained and economies of scale ensured. Thus, by integrating local tastes and traditions across nations through a centralized NPD process (process controlled and coordinated from headquarters), Unilever was able to enjoy benefits from both economies of scale and adherence to local needs.

In this instance, the key factor behind Unilever's success was the adoption of a clear strategic focus advocating both scale efficient operations and the importance of local consumer needs, as this clarified involvement and priorities of employees throughout the organization. However, without employing operational processes aligned with the strategy, or vice versa, the success story can be reversed to a failure.

¹ Liquid butter used to fry food in a pan, in Sweden launched under the brand name Milda Culinesse.

In fact, such a story of failure can also be found at Unilever². In the mid 1990s, the company initiated the development of a new butter spread product in Europe. As the product concept was being developed, input was mainly based on the behavior and tastes of German consumers. The decision to rely on the needs displayed by the German consumers was made because these were believed to be the most representative group for European consumers. Input from other countries regarding deviation in local needs were supposed to be communicated to headquarter and incorporated into the development process.

When the product was launched it became a success in Germany, but failed utterly in all other launches throughout Europe. It was evident to Unilever that they had underestimated the heterogeneity of the European consumer. Additionally, they had fallen short in their attempts to transfer the knowledge that resided in country subsidiaries regarding local consumer needs to the central NPD process. In short, Unilever did not manage their operational processes in a way that fulfilled the strategy they pursued.

The fact that success and failure stories like these can be told about the same company, with a long history in this industry, shows how difficult and important it is to balance scale efficiency against responsiveness to local needs. If this balance is managed successfully within strategy and operations management, this will lead to benefits from both economies of scale and adherence to local consumer needs.

Throughout the rest of this chapter we will step by step provide the foundation upon which this thesis stands. We will start by outlining the background and problem description. Thereafter, the purpose of the thesis and the corresponding research question are provided. Finally, we briefly describe the research object before the chapter will conclude with the delimitations and structure of the thesis.

1.1 Background

The success and failure stories outlined above shows that there is a trade-off to be managed. On the one hand we have international integration, which means leveraging cross-country similarities through standardization. The rationale behind Unilever's choice to launch standardized products across several markets is that such

² Based on the case '*Unilever's Butter Beater: Innovation for Global Diversity*' (1997).

international integration is cost efficient and enables economies of scale and scope throughout global operations³. On the other hand we have local responsiveness, which means being responsive to differing consumer needs. Unilever wants their products to adhere to local market needs as the consumers' tastes differ across markets. If they would fail to listen to local consumers, the products will not sell as well and the butter spread failure will be repeated. Thus, the trade-off multinational corporations (MNCs) face is that between local responsiveness on the one hand, and economies of scale and scope through international integration on the other hand.

This trade-off was coined the IR trade-off⁴ (Integration / Responsiveness) by Doz (1980) and has thereafter been further elaborated upon in several fields of research. Scholars have developed a certain terminology to label firms who choose to adopt a strategic focus on international integration or local responsiveness. A firm pursuing international integration on a full scale is labeled 'Global MNC' (Levitt, 1983), while a firm solely focusing on local responsiveness is labeled 'Multidomestic MNC' (Porter, 1986). The IR trade-off, including the positions of the global and multidomestic MNC on this trade-off, is depicted in Figure 1.1.

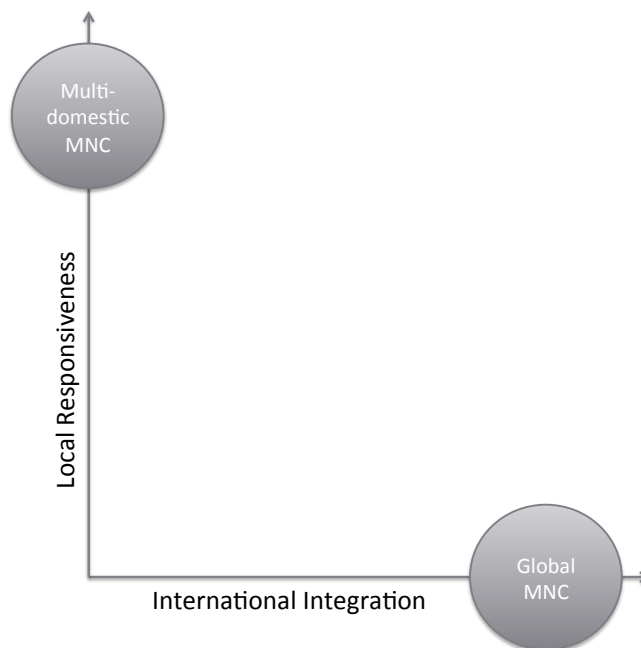


Figure 1.1 – The IR trade-off including the positions of the global and multidomestic MNC

³ By global we mean the whole world, while we by region and local mean continent and country, respectively.

⁴ The glossary list outlined after the abstract provides short explanations for this and many other concepts discussed throughout the thesis.

The only MNCs who would be indifferent to IR trade-off management are those with fully homogeneous or heterogeneous consumer needs worldwide. For such firms the natural strategic focus to adopt would be global (for MNCs with homogeneous consumer needs) or multidomestic (for MNCs with heterogeneous consumer needs). However, as there are few industries, if even any, whose consumers are considered fully homogeneous or heterogeneous across countries worldwide, management of the IR trade-off is of interest to most MNCs (Dawar & Frost, 1999; Sheth, 1986; Still & Hill, 1984; Ward 1973).

Still, as pointed out by Prahalad and Doz (1987) and Porter (1986), the balancing act between standardization and adaptation varies depending on product and/or service offering. Management of the IR trade-off is considered most critical for firms that face pressures to both integrate internationally and adapt to local needs. Consumer-oriented MNCs face this pressure as neither pure integration nor full responsiveness is considered optimal for them. Instead, simultaneous benefits from both are preferable, because the consumer-oriented MNC has to acknowledge the heterogeneity displayed by consumers, while at the same time utilize economies of scale in order to be competitive on a global scale (Ghemawat, 2007). These consumer-oriented MNCs belong to the consumer goods industry and offer products such as food, cosmetics, and pharmaceuticals (Dawar & Frost, 1999; Sheth, 1986; Still & Hill, 1984; Ward 1973). Unilever is an example of a company in this industry, as they launch a large number of products that are sensitive to local tastes.

In an attempt to shed light on IR trade-off management, scholars have thus far emphasized the importance of strategy (e.g. Ghemawat, 2007; Bartlett & Ghoshal, 2002), historically with the standpoint that a focus on either local responsiveness (multidomestic MNC) or international integration (global MNC) is the optimal solution. However, as was illustrated by the examples of Unilever's product launches, it seems that this trade-off can be managed by a mutual focus where international integration and local responsiveness are pursued simultaneously.

1.2 Problem

The strategic focus on either local responsiveness or international integration is important, as it determines how the company conducts its operational processes. However, this strategic focus is not clear-cut. When Unilever developed their shallow frying liquid for the European market, there was not a sole focus on either international integration or local responsiveness. Thus, there seems to be an array of strategic focuses that lies somewhere in between the two strategies pursued by the multidomestic and global MNC, as illustrated in Figure 1.2.

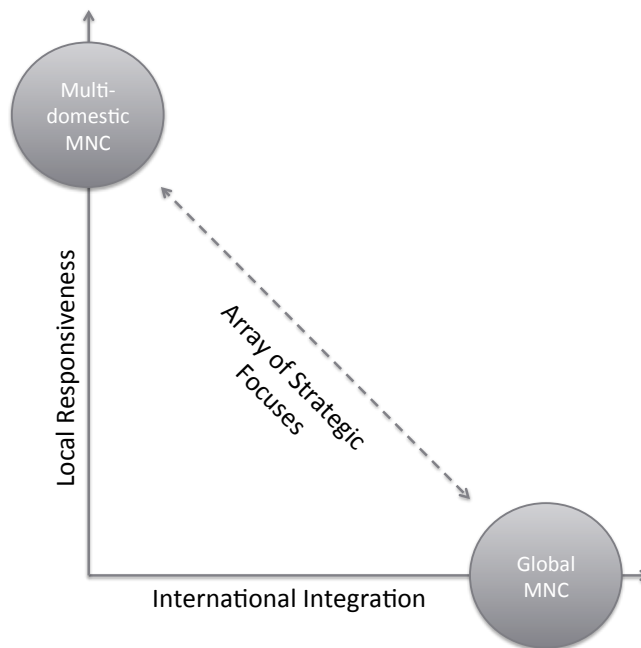


Figure 1.2 – Array of strategic focuses on IR trade-off management

Research on IR trade-off management has outlined different strategic focuses that MNCs can adopt in their efforts to manage the trade-off. This is what we call strategic IR trade-off management. However, as the success of a certain strategy is dependent on successful implementation, it is important to acknowledge operations management in connection to the IR trade-off. We call this operational IR trade-off management.

As the strategic focus inevitably will affect various operational processes and activities within a MNC, it is important to understand the connection between the two in order to successfully manage the IR trade-off. The key operational process that facilitates a strategic focus to pursue either local responsiveness or international

integration is the NPD process, as this generates the physical products that are to satisfy the consumers (Subramaniam & Venkatraman, 2001; Bartlett & Ghoshal, 2002). Naturally, the NPD process varies depending on the strategic focus, as a NPD process aiming to develop products for the global audience is most likely not set up in the same way as a process aiming to develop products for local tastes (Subramaniam & Venkatraman, 2001; Bartlett & Ghoshal, 2002). While a NPD process developing products for the global audience should facilitate standardization and coordination, a NPD process developing products for local tastes should facilitate market sensing and autonomy. Moreover, as part of managing the NPD process, the degree, form, and means of knowledge transfer are important factors because these are inferred by, and affect the quality of, the NPD process the MNC adopts (Porter, 1986; Ohmae, 1990; Subramaniam & Venkatraman, 2001; Liang 2006). As Subramaniam (2006, p. 542) simply puts it: “Knowledge integration is the cornerstone of new product development”. A purely global or local set up of a NPD process (i.e. NPD process conducted at a single location, either at headquarter or at a subsidiary) would require less knowledge transfer than a cooperative NPD process between business units (Porter, 1986; Ohmae, 1990; Subramaniam & Venkatraman, 2001). For example, the knowledge necessary to develop products in a pure global or local set up would already be at hand, while a possible joint development process would require the knowledge to be transferred from/to a local/central location.

As can be understood from the above argumentation, a MNC’s approach to strategic IR trade-off management (i.e. the strategic focus pursued to manage the IR trade-off) has consequences for operational IR trade-off management (i.e. the operational processes in terms of management of the NPD process). This connection is illustrated in Figure 1.3, where IR trade-off management is depicted as management of both strategy and operations. The inverted pyramid in the figure indicates that the strategic focus is seen as having implications for operational management, rather than vice versa. In the next chapter we will outline the foundations of strategic and operational IR trade-off management and show their interconnectedness.

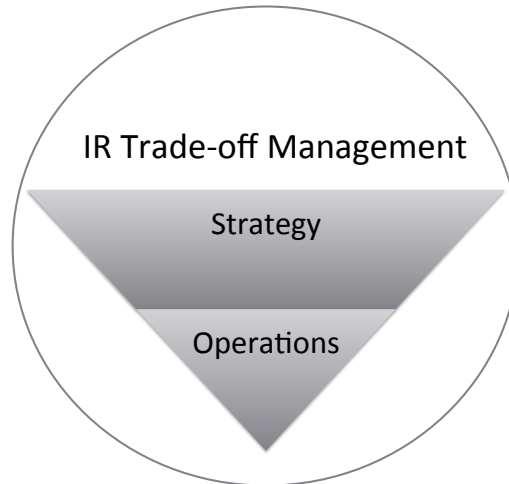


Figure 1.3 – IR trade-off management as management of both strategy and operations

The problem with current theoretical contributions to the field of strategic IR trade-off management is, as we will discuss in detail in the next chapter, that they are either unattainable or undesirable. In addition, many of them are outdated. As a second order effect, this means that contributions to operational IR trade-off management explain the implementation of fallacious strategies. Naturally, theoretical models are simplifications of reality. However, as we shall show in the coming chapter, the degree of idealism of current theoretical contributions is too great. This has created a research gap where theories on how contemporary consumer-oriented MNCs can manage the IR trade-off are absent.

1.3 Purpose

The purpose of this master thesis is to enhance the knowledge about, and attempt to close, the research gap explained above. By creating a theoretical model outlining how a consumer-oriented MNC strategically and operationally can manage the IR trade-off, knowledge about the research gap can be enhanced. The decision to create a theoretical model, thereby taking a theory-building rather than a theory-testing approach, has been made as current theory is not sufficient to address the below stipulated research question.

1.4 Research Question

In order to fulfill the purpose of the thesis, the following research question has been formulated:

How can a consumer-oriented MNC strategically and operationally manage the IR trade-off so as to benefit from integration and responsiveness simultaneously?

The answer to the research question is significant for consumer-oriented MNCs because a poorly managed IR trade-off can diminish competitive advantage and lead to value destruction. Successful IR trade-off management, on the other hand, can lead to benefits of scale and local responsiveness simultaneously (Doz, 1980). As previously explained, this is especially important for consumer-oriented MNCs. Moreover, as current theoretical contributions are excessively idealistic, a model coupled with reality brings managerial implications (described in the final chapter).

An approach taking both strategic and operational IR trade-off management into account enables the creation of a model taking a more complete approach to IR trade-off management. The link between strategy and operations is important to acknowledge as without it, a process of decoupling may occur where the actual operations of a company does not represent its strategy. A parallel can be drawn here to Unilever and their failed attempt to develop a butter spread for the European market. While the strategic focus was proper (develop a single product for several markets taking local tastes into account), the operationalization was poor and did not effectively implement the strategy (failed to transfer knowledge resided in local subsidiaries regarding local consumer tastes). This example illustrates the relevance, level of complexity, and multifaceted nature of the research question. The journey towards the answer of the same will be far from easy.

1.5 Research Object

The company researched in this thesis is an anonymous Swedish direct-selling⁵ cosmetics company with worldwide operations. In this section we describe the company in general with the purpose of providing the reader with a basic conception

⁵ A business model where products or services are sold face-to-face through demonstration at home or at the office by independent sales representatives (Berry, 1997).

of what the company does and in which context it finds itself. We also describe cultural aspects of the company that we have come to acknowledge prior to and during our study. It is important to note that we prior to this research had knowledge of the company because of having done internships there. To us this is a strength, as it has enabled us to reach a deeper level of understanding of the company. However, there are also potential disadvantages with this, which is further discussed in the Research Design chapter. We only describe the business in general terms in the following description.

The research object has business activities in Europe, Africa, Middle East, Asia, and Latin America. Production is both in-house and outsourced, and factories and suppliers are located in many different countries. Distribution centers are located in countries such as India, Poland, Hungary, and Russia. Sales are widespread, but the majority of revenue comes from Russia. Headquarters is located in Stockholm, Sweden, where a few hundred employees work.

As mentioned, the company manufactures and sells cosmetics through an independent salesforce. Product offerings include skincare, personal and hair care, fragrance, and color products such as mascara, lipsticks, and nail polish. The salesforce receives a number of catalogues each year from which they can select products and use as a selling guide when approaching consumers. There are separate catalogues developed that are written in different languages for the various regions and countries.

The culture of the company is highly international. English is the main communication language, but in the headquarter you can hear everything from Swedish to French, Portuguese, and Russian. Based on our experience, most familiar with the company describes the mentality within the organization with the same words: “entrepreneurial”, and this is a description we agree with. In short the culture can be defined as pragmatic, emphasizing the feeling of doing that strikes one when you walk through the headquarters’ doors.

1.6 Delimitations

As this study is rather broad in nature, three sets of delimitations have been made in order to provide the study with the desired degree of focus. The first delimitation concerns the type of offerings made by MNCs, namely product or service offerings. This study excludes service businesses as these MNCs' service development efforts are expected to require a higher degree of local responsiveness than MNCs developing products. This notion is supported by Goffin and Mitchell (2005), who argue that the nature of services puts requirement on a higher awareness of consumer's perception in its development. The two following delimitations are inherent in the research question provided above but nonetheless justified below.

The second delimitation considers the degree of market orientation adopted by the MNC. Kirca et al. (2005) explain that a company adhering to the belief that you beat competitors by identifying and satisfying consumer needs better than them, display a high degree of market orientation and can be labeled a consumer-oriented MNC. This thesis will focus on consumer-oriented MNCs as these benefit from both local responsiveness and international integration⁶. On the other hand, MNCs facing fully homogeneous consumer needs benefit from a sole focus on international integration (Levitt, 1983). This notion holds, as there is no need to take local needs into account because these do not differ from other consumers' needs. Thus, consumer-oriented MNCs are the focus of the study as management of the IR trade-off is most crucial for this type of MNC.

The last set of delimitations this thesis adopts relates to the choice of operational field to include in the study. To begin with, the decision to not only research strategic IR trade-off management, but to expand the scope and study the relatedness to the operational level, was done as this would enable the creation of a more complete approach to IR trade-off management. The choice to include NPD process management is motivated by this operational field's inherent relation to the IR trade-off. The operationalization of a strategic focus on either local responsiveness or international integration is most evident in the development of the physical product

⁶ In the extreme case of fully heterogeneous consumer needs, i.e. when there are no cross-country similarities to leverage upon, the MNC would benefit from focusing fully on local responsiveness as the lack of similar consumer needs would not support the development of standardized products (Porter, 1986).

the company offers (Subramaniam & Venkatraman, 2001; Bartlett & Ghoshal, 2002). As part of managing multinational NPD processes, knowledge transfer has been emphasized by several scholars as being imperative as it facilitates local responsiveness in such processes (Porter, 1986; Ohmae, 1990; Subramaniam & Venkatraman, 2001). The importance of knowledge transfer is properly shown by the introductory Unilever example where the failure to transfer knowledge about local consumer needs from national subsidiaries caused the failure of the butter spread product across European markets.

Other operational fields such as manufacturing, research and development (R&D), and marketing are naturally also affected by a certain strategic focus and the interconnectedness among these and numerous other fields can be researched. However, this thesis delimits itself to focus solely on management of NPD processes on an operational level due to the reasons outlined above.

1.7 Thesis Structure

This thesis consists of seven chapters and the structure of the remaining parts of the thesis is structured as follows. Next follows the Theory chapter where strategic and operational IR trade-off management is outlined in individual sections in the commencing literature review. A conceptual framework showing the relation between the strategic and operational level is developed and presented in the end of the chapter. This framework also delineates the main theoretical concepts to be used in the analysis. In the third chapter, the Research Design is described as an explorative study conducted through a single-case research. Thereafter, the Empirical Findings are described in a narrative format. In chapter five, the Analysis and Discussion are outlined before the Conclusions, and their potential generalizability, are presented in the succeeding chapter. The thesis concludes with a chapter on Managerial Implications and Future Research.

Chapter 2 – Theory

This second chapter will start with a literature where we look specifically at strategic and operational IR trade-off management, the theoretical focus of this thesis. The review will lead to the development of a conceptual framework where the relation between strategic and operational IR trade-off management is explored and the core concepts to be used in the subsequent analysis are outlined.

2.1 Literature Review

Literature on globalization emphasizes the need for international integration in order for MNCs to capitalize on increasing similarities worldwide and reap benefits from economies of scale and scope (Ghemawat, 2007). In 1983, Levitt claimed that the multinational corporation was near its end at the cost of the global corporation that sells the same thing in the same way, everywhere. While it is undisputable that pressures to globalize have increased over the past decades, there are scholars who argue that the need to integrate internationally has been exaggerated (see e.g. Ghemawat, 2007; Bartlett & Ghoshal, 2002, Rugman & Verbeke, 2004). These researchers stress that differences around the globe have been, and always will be, a fact. Consequently, MNCs have to acknowledge this fact by emphasizing the need to adapt to local market needs, thereby illustrating local responsiveness.

Naturally, whether the MNC should pursue either international integration or local responsiveness is decided by consumer requirements. If these differ significantly across regions or nations a strategy pursuing local responsiveness is reasonable, while homogeneous consumer requirements are preferably met by international integration as this enables economies of scale and scope. Further, the degrees to which consumer needs are homogeneous or heterogeneous vary across industries (Porter, 1986; Prahalad & Doz, 1987). While manufacturers of cement, steel, or paper tend to face homogeneous needs globally, consumer goods industries such as pharmaceuticals, cosmetics, and food most likely have to cater needs that differ largely across markets, thus putting requirements on the latter industries to be more consumer-oriented (Dawar & Frost, 1999; Sheth, 1986; Still & Hill, 1984; Ward 1973).

The consequence of this is that MNCs face a complex trade-off between international integration on the one hand and local responsiveness on the other. The concept of the IR trade-off has been developed to depict these contradicting forces being put on MNCs. To manage the IR trade-off means managing the balance between international integration and local responsiveness.

2.1.1 Strategic IR Trade-off Management

Managing the IR trade-off is important for every firm operating in multiple markets (Doz, 1980) and strategic management research has explored ways for MNCs to do so through adopting a certain strategic focus. By embracing a clear strategic standpoint, resources and efforts are aligned and the IR trade-off is managed (Ghemawat, 2008). By doing so, the MNC would either focus on international integration or local responsiveness. The terminology used to label the type of firm who choose to focus solely on international integration or local responsiveness is global MNC (Levitt, 1983) and multidomestic MNC⁷ (Porter, 1986), respectively.

However, the idea of a MNC pursuing a fully global or multidomestic strategy is rather theoretical with little grounding in practice (Rugman & Verbeke, 2004; Prahalad & Doz, 1987). Contemporary MNCs often find themselves with a strategic focus somewhere in between that of the global and multidomestic MNC. The concept of semiglobalization, coined by Ghemawat (2007), helps explain why MNCs often pursue a strategy seeking the benefits of international integration and local responsiveness simultaneously. He argues that while it is important to take advantage of cross-border similarities it is equally important to embrace the differences between countries, which are larger than generally acknowledged. Semiglobalization is a business reality inferring that neither a country-by-country nor a one-size-fits-all approach is favorable, but that a strategic focus somewhere in between is optimal.

Strategic management research has acknowledged that a dual strategic focus is more realistic and named a third type of MNC labeled 'Multifocal MNC' that employs a double-edged strategic focus. The key success factor for these firms is to achieve a balance between subsidiary (i.e. business unit at other geographical location than

⁷ Some scholars use similar terms like 'Multilocal' (see e.g. Doz et al., 2001) or 'International' (see e.g. Leong & Tan, 1993) referring to the same type of MNC. For consistency reasons, this type of MNC will be called multidomestic throughout the thesis.

headquarter) autonomy and centralized control (Prahalad & Doz, 1987). The position of this MNC type on the IR trade-off grid, in relation to the position of the global and multidomestic MNC, is illustrated in Figure 2.1. Evidently, firms pursuing a multifocal strategy are unable to achieve neither the high degree of international integration as a global MNC, nor the high degree of local responsiveness as a multidomestic MNC.

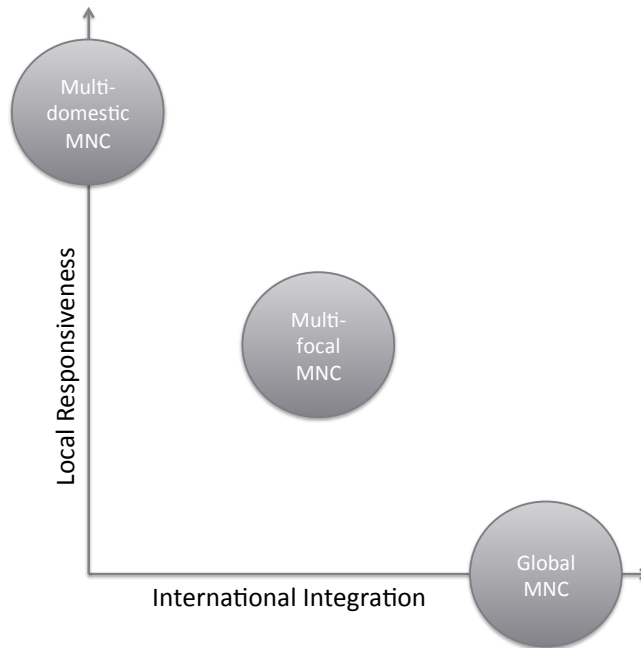


Figure 2.1 – Global, multidomestic, and multifocal MNC mapped on the IR trade-off grid

2.1.1.1 Transnational MNC

Naturally, a strategic focus enabling a high degree of both international integration and local responsiveness would be favorable as the MNC would benefit from both economies of scale and adherence to local market needs. The strategic focus offered by the approach of a multifocal MNC falls short of providing a high degree of these benefits simultaneously. In 1989, Bartlett and Ghoshal revolutionized the research on strategic focus for MNCs when they coined a fourth MNC type they named the ‘Transnational’⁸. The main advantage of the transnational in comparison to the multifocal MNC is that the dual strategic focus facilitates a high degree of

⁸ Some scholars argue that the theoretical contribution by Bartlett and Ghoshal (1989) was actually rather limited. E.g. Rugman and Verbeke (1992) state that the theory of the transnational can actually be incorporated into the older transaction cost theory, meaning that Bartlett and Ghoshal’s concept of the transnational cannot be seen as a new theory in itself. Interested readers are referred to Rugman and Verbeke’s (1992) article on the topic.

international integration and local responsiveness simultaneously⁹. This idea is visually illustrated in Figure 2.2.

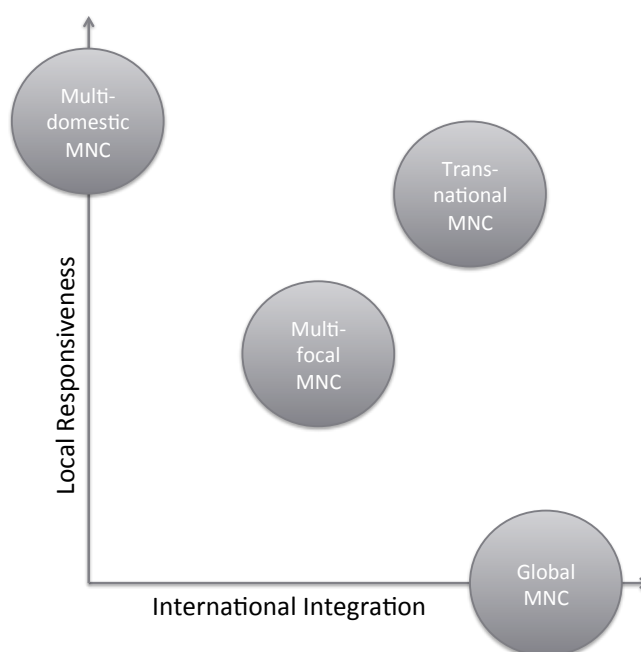


Figure 2.2 – Transnational MNC mapped on the IR trade-off grid

The fundamental difference between the transnational MNC and the other three MNC types is that the transnational does not hang on to the belief that processes and structures must be homogeneous and symmetric in all operations worldwide. Bartlett et al. (1990) call this belief the ‘organizational dilemma’, i.e. the fact that attributes facilitating one process often impede others, leading to the development of homogeneous processes and structures in an attempt to avoid contradictions and provide clarity. Thus, while the global, multidomestic, and multifocal MNC employ a strategic focus that emphasizes homogeneous processes and structures throughout worldwide operations, the transnational MNC pursues a strategic focus that allows for differentiated roles and responsibilities among its subsidiaries. These heterogeneous processes and structures enable the transnational corporation to display a high degree of both international integration and local responsiveness, thus benefiting from economies of scale and adherence to local needs simultaneously.

⁹ Also other MNC types and theories on how to manage the IR trade-off in a way that facilitates simultaneous benefits from integration and responsiveness have been developed. Examples of these are the Metanational MNC by Doz et al. (2001) and the AAA Strategy Triangle by Ghemawat (2007; 2008). As these are elaborations upon the concepts developed by Bartlett and Ghoshal we choose not to go into detail on these. Interested readers are referred to the works by the mentioned authors.

The example outlined in Table 2.1 demonstrates the power of employing a transnational, rather than a global, multidomestic, or multifocal, strategic focus as an approach to strategic IR trade-off management.

Type of MNC Type of consumer needs	Global MNC	Multidomestic MNC	Multifocal MNC	Transnational MNC
Homogeneous consumer needs	Suitable strategic focus	Poor strategic focus	Average strategic focus	Suitable strategic focus
Heterogeneous consumer needs	Poor strategic focus	Suitable strategic focus	Average strategic focus	Suitable strategic focus
Mixed consumer needs	Average strategic focus	Average strategic focus	Suitable strategic focus	Suitable strategic focus

Table 2.1 – Example demonstrating the power of employing a transnational strategic focus

As seen in Table 2.1, the strategic focus of the transnational MNC is suitable for satisfying consumer requirements, irrespective of the type of consumer needs a corporation faces. In fact, Wasilevski's (2000) research shows that a transnational strategy is related to improved firm performance.

One might wonder, then, why not all corporations adopt a transnational strategy if it offers so large benefits. The answer scholars give is that it is difficult to pursue such a strategy worldwide (Rugman & Verbeke, 2008; Wasilevski, 2000). In order to move from the multifocal stage to the transnational stage, a corporation needs to tackle the impediment of enhancing both the level of international integration and local responsiveness (Wasilevski, 2000). For this to happen, the corporation needs to identify which functions, subsidiaries, and products would benefit from a certain level of integration or responsiveness and then differentiate roles and responsibilities accordingly. Additionally, managers have to find systems, structures, and processes that facilitate integration and responsiveness simultaneously.

According to Bartlett and Ghoshal (2002), the greatest obstacle for management when pursuing a transnational strategy is that of creating and maintaining what they call the 'Transnational Mentality'. In essence, this mentality is a cultural foundation guiding and supporting the transnational strategy. At the heart of the transnational mentality lies a belief that diversity and international differences are great assets

rather than liabilities, and that they therefore should be treated as sources of opportunity. The ease by which such a mentality can be created depends to a large extent on the company's 'Administrative Heritage'. This term refers to the company's existing organizational attributes and historical way of doing things (Leong & Tan, 1993). The historical and current leadership at the firm, the home country culture and social systems, as well as the firm's internationalization history are other factors that affect this heritage (Bartlett & Ghoshal, 1987; 1989; 2002). In essence, a company's administrative heritage can, depending on its configuration, either facilitate or hinder the creation of a transnational mentality.

If the potentially hazardous barrier of administrative heritage can be overcome, and a true transnational mentality is created and maintained, the firm's employees will construct, embrace, and continuously update differentiated roles and responsibilities. This differentiation should not only take place at a business or subsidiary level. Instead, transnational firms also differentiate roles and responsibilities depending on the business function. As Prahalad and Doz (1987) explain, different functions (e.g. headquarter and regional subsidiaries) face separate pressures on integration and responsiveness respectively. The headquarter function, for example, is more likely to emphasize integration at the cost of responsiveness, while the regional subsidiary will prioritize reversely. Furthermore, Bartlett et al. (1990) emphasize that a transnational also recognizes that within a national subsidiary, there are different product lines that are to be treated in a heterogeneous manner, putting additional requirements on the extent of differentiation that is to be implemented.

Criticism Against the Transnational Concept

As explained above, a prerequisite for a transnational MNC is the ability to develop a transnational mentality that enables and supports the facilitation of differentiated roles and responsibilities. This differentiation should not only take place on a national level, but instead permeate the entire organization, down to the level of functions, product lines, and even single tasks and decisions. Rugman and Verbeke (2008) dispute this prerequisite and argue that the excessive differentiation the transnational promotes unnecessarily increases complexity in a MNC's internal functioning.

Furthermore, they explain that the transnational solution, as presented by Bartlett and Ghoshal (2002), has low practical value. They argue that the only MNCs who might benefit from this approach are truly global firms, as these are the only firms with sufficient resources to employ the high degree of differentiation required by transnationals. This argument is supported by the fact that the concept of the transnational is based upon research of nine MNCs who are considered to be truly global firms. Subsequently, Rugman and Verbeke (2004; 2008) show that there are very few firms that can be seen as truly global. Based on the geographical distribution of assets and sales, they conclude that only 1-2% of all MNCs display a sufficiently dispersed distribution to be seen as unambiguously global. This indicates that the transnational solution is of little or no use for the vast majority of contemporary MNCs, and why the theory can be seen as a desirable but unattainable state for most firms.

Rugman and Verbeke (2008) argue that the reason for the theory's impracticality is its underlying assumption that assets and sales are globally dispersed. Instead, they insist, MNCs need to adopt a strategic focus that addresses the reality in which they operate, a reality of geographically concentrated distribution of assets and sales. They therefore argue for the implementation of a "regional component" in a MNCs' strategic focus, instead of a national or task-oriented differentiation of roles and responsibilities that the transnational theory suggests. This regional reasoning is shared by other scholars (see e.g. Lehrer & Asakawa, 1999; Ghemawat, 2005; 2007) and can be seen as a reaction to the countless differentiations and focus areas of the transnational solution as presented by Bartlett and Ghoshal (2002) promotes. However, no scholar has developed a model explaining how this regional component can be configured. Moreover, the connection between such a strategy and operational management supporting this strategy has not been developed.

2.1.2 Operational IR Trade-off Management

Regardless of the strategic focus a MNC adopts in order to manage the IR trade-off, the operational aspects are key for its implementation. This section will delineate theory on different multinational NPD processes as means for operational IR trade-off management. As mentioned in the introductory chapter, the NPD process is a key operational process to this end, as it generates the physical products that are to satisfy the consumers the strategy aims to pursue (Subramaniam & Venkatraman,

2001; Bartlett & Ghoshal, 2002). Further, theories regarding knowledge transfer are outlined since these are crucial to understand as part of managing multinational NPD processes (Porter, 1986; Ohmae, 1990; Subramaniam & Venkatraman, 2001; Liang 2006).

2.1.2.1 Multinational NPD Processes

Broadly, NPD is about exploring a business opportunity through converting it into a concrete product (Trott, 2008). An efficient NPD process leads to many advantages such as cost reductions and first mover advantages (Shepherd & Ahmed, 2000). As mentioned, we will focus on multinational NPD processes, which, according to Subramaniam et al. (1998) and Salomo et al. (2010), have special requirements that are important to understand.

Specifically, a multinational NPD process differs from a national in two ways, it requires (i) coordination of a team effort that is more complex, and (ii) a decision of where to source new product concepts (Subramaniam et al., 1998; Bartlett & Ghoshal, 2002; Bartlett et al., 1990). The former requirement is related to the question of how knowledge can be transferred and will be discussed further in the next subsection. The latter is the focus of the research of Bartlett and Ghoshal (2002) and Bartlett et al. (1990) who have labeled four different multinational NPD processes, each offering a distinct approach to operational IR trade-off management. According to them there are two traditional set-ups of the multinational NPD process where you either develop the product centrally and sell it worldwide, called 'Centre-for-global', or develop the products on a local level to be sold locally, called 'Local-for-local'. MNCs often try to develop aspects of both of these configurations, but as this is difficult organizations tend to emphasize one or the other (Bartlett & Ghoshal, 2002; Bartlett et al., 1990). The risks with a centre-for-global process are that it might be insensitive to local market needs and that it can be difficult to have global products accepted by subsidiaries, also referred to as the not-invented-here (NIH) syndrome¹⁰ (Bartlett et al., 1990). For a local-for-local process the problem might instead be that it can lead to needless differentiation (Bartlett et al., 1990).

¹⁰ The unwillingness of locals to accept global solutions enforced by headquarters (Katz & Allen, 1982).

Bartlett and Ghoshal (2002) further describe two other multinational NPD processes they call 'Globally-linked' and 'Locally-leveraged'. Both of these have a focus somewhere in between the two previously mentioned in that they are cooperative processes. For these two processes, products are developed with input from both central and local employees. In a globally-linked NPD process resources and capabilities of disperse global units, both at headquarter and subsidiary level, join to develop products cooperatively (Bartlett & Ghoshal, 2002; Bartlett et al., 1990). When it comes to a locally-leveraged process, local product ideas are capitalized on a global basis by taking a locally developed product and selling it on other markets, sometimes including adaptations of the product to cater specific local needs. The difference compared to a centre-for-global process is that the idea can be generated at any subsidiary and that the products are developed locally, sometimes with further adaptations included (Bartlett & Ghoshal, 2002; Bartlett et al., 1990). Bartlett et al. (1990) says that the risk with a globally-linked process is excessive coordination costs and that the corresponding risk with a locally-leveraged process is the NIH syndrome.

The two processes local-for-local and locally-leveraged can be seen as representing a decentralized product development approach where control and coordination take place on a subsidiary level. The other two processes, centre-for-global and globally-linked, represent centralized product development with central control and coordination¹¹. Despite wide application of all of these NPD processes, Egelhoff (2010) advocates the usage of centralized NPD processes as scale advantages are viewed as core to modern MNCs.

In Table 2.2 an overview of the multinational NPD processes identified by Bartlett and Ghoshal (2002) and Bartlett et al. (1990) is presented. In the coming conceptual framework we will see how these correspond to different focuses in terms of strategic IR trade-off management. In the next section we discuss the theoretical concept of knowledge transfer.

¹¹ It is important to note that a centralized NPD process not only develops standardized products. A globally-linked NPD process is regarded a centralized process despite the fact that it also can develop products catered to local needs.

Product development	NPD Process	Risk	Subsidiary cooperation during development
Decentralized	Local-for-local	Needless differentiation	No
	Locally-leveraged	NIH syndrome	Yes
Centralized	Globally-linked	Coordination cost	Yes
	Centre-for-global	Insensitive to local market needs NIH syndrome	No

Table 2.2 – Multinational NPD Processes (Bartlett & Ghoshal, 2002; Bartlett et al., 1990)

2.1.2.2 Knowledge Transfer

A key success factor for managing a cooperative multinational NPD process is the ability to transfer knowledge between subsidiaries (Porter, 1986; Ohmae, 1990; Subramaniam & Venkatraman, 2001; Liang 2006). Thus, to enable comprehensive understanding of operational IR trade-off management, this section outlines the core research findings within the area of knowledge transfer. In order to be able to grasp these concepts, an initial review of different knowledge types is conducted before we move to theories on knowledge transfer methods and means of communication facilitating this transfer.

Knowledge Types

Research on knowledge is extensive and has lead to the development of multiple classifications, or typologies, concerning different knowledge types. These typologies may differ to some extent but all share a common understanding of knowledge as a multidimensional and complex phenomenon (Canary, 2010). The most basic and commonly accepted division of knowledge types was developed by Polanyi (1967). He divided knowledge into two broad types; explicit and tacit. Explicit knowledge is, as Nonaka and Takeuchi (1995) puts it, formal and systematic. This kind of knowledge is easy to codify (Polanyi, 1967) and examples include product specifications and scientific formulas (Nickols in Cortada & Woods, 2000). Tacit knowledge, on the other hand, is difficult to articulate and innate in the doing of a person. This knowledge is properly exemplified by the statement ‘we know more than we can tell’ (Polanyi, 2009).

Knowledge Transfer Methods

So forth, there are different types of knowledge that individuals possess. However, the sum of individual knowledge is not equal to organizational knowledge. In order for organizations to learn and thereby enjoy the greatest possible benefits from cumulative individual knowledge, the knowledge has to be transferred throughout the organization. This is by no means an automatic process. On the contrary, it requires an installation of complex processes and procedures facilitating company employees not only to share knowledge, but also to absorb the like (Ernst & Kim, 2002). Nonaka and Takeuchi (1995) have developed a framework for how to transfer knowledge based on the two knowledge types explained in the previous section, namely tacit and explicit knowledge. The framework is illustrated in Figure 2.3.

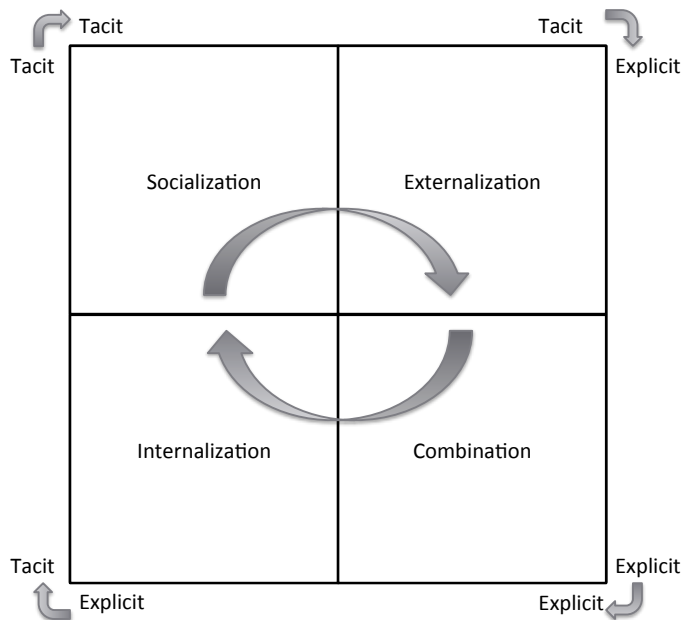


Figure 2.3 – Nonaka and Takeuchi's (1995) framework for knowledge conversion

Tacit-to-tacit knowledge transfer is an active socialization process between individuals wherein knowledge is captured in an experiential way through direct interaction. This leads to shared experiences, ultimately resulting in common understanding. This active socialization process suits well with Busch's (2008) argument that tacit knowledge is acquired in a manner of 'learning by doing' or 'learning by using'. A process of externalization between individuals within a group enables tacit-to-explicit knowledge transfer. This is a complex process, as tacit knowledge is difficult to articulate (Polanyi, 2009). However, by conducting an active

face-to-face dialogue in a group, beliefs are shared, ideas are exchanged, and feedback is instantaneous, leading to a transfer of tacit into explicit knowledge. Through a process of combination, explicit-to-explicit knowledge transfer is completed by letting individuals or groups combine explicit knowledge into new explicit knowledge. The final knowledge transfer process, labeled internalization, is a process wherein explicit knowledge is transferred into tacit actionable knowledge. This is an experiential and individual process, which can be aided by a mentor who already internalized the specific knowledge at hand.

Nonaka & Takeuchi (1995) emphasize that there needs to be a spoken commitment to transfer knowledge between employees for the knowledge conversion processes explained above to lead to organizational learning. Cohen and Levinthal (1990) call this commitment the 'absorptive capacity' of a company. This capacity determines the speed of knowledge transfer and represents the employees' emotional and intellectual energy put into transferring knowledge, both at the sharing and receiving end of the process. Ulrich (1998) explains this commitment to be a prerequisite even for knowledge to be created.

Means of Communication

Nonaka and Takeuchi (1995) emphasize how the four knowledge transfer methods above all have to be facilitated by the usage of certain communication means. 'Direct' and 'Indirect' means of communication exist, where the former represent face-to-face communication and the latter represent communication aided by Information and Communication Technology (ICT). Examples of ICT-aided communication means are emails, telephone, and videoconferences. These indirect means of communication help bridge geographical distance between individuals as the usage of them do not require individuals to physically be in the same place. By utilizing ICT solutions individuals are therefore able to communicate more direct than before, given that the individuals concerned are geographically dispersed (Nonaka & Takeuchi, 1995).

Recent progress in ICT offers alternative means of indirect communication means such as 'Knowledge Management Systems'¹² (Cooper, 2003) and 'Virtual Teams'¹³ (de

¹² A system supporting capture, storage, usage, and creation of knowledge in organizations, for example by listing areas of expertise for employees or documents outlining key learning outcomes in prior projects.

Grosbois et al., 2009; Lagerström & Andersson, 2003; Maznevski & Chudoba, 2000). While it is undisputable that the use of these ICT solutions is better than communicating by phone or emails, it is also a common perception that the use of ICT solutions in general is still significantly less effective in terms of transferring tacit knowledge than using traditional means of direct socialization such as face-to-face communication (Nonaka & Takeuchi, 1995; Lagerström & Andersson, 2003). Doz et al. (2001) even state that the idea of using ICT solutions in order to bridge distant knowledge is completely false, and that the reason for this misconception is the faulty assumption that knowledge is the same thing as information. They argue that while information is easily codified, the complexity of knowledge (especially tacit knowledge) puts requirement on the usage of direct means of communication. von Zedtwitz et al. (2004) explain that there is a dilemma between the usage of face-to-face communication and ICT solutions. While the latter is time-efficient and less costly than frequent travel, the former proves superior in terms of transferring tacit knowledge.

2.1.2.3 Knowledge Transfer in Multinational NPD Processes

The last two sections have presented theory on operational IR trade-off management specifically through describing multinational NPD processes and the core concepts of knowledge transfer. It was explained that four different multinational NPD processes offer alternative means of developing products. For the two NPD processes centre-for-global and local-for-local, products are developed either centrally or locally, requiring no knowledge transfer between the MNC's subsidiaries. However, with regards to management of cooperative NPD processes, it was described how facilitation of knowledge transfer was imperative (Leong & Tan, 1993; Bartlett & Ghoshal, 2002; Subramaniam & Venkatraman, 2001). These cooperative processes are labeled locally-leveraged and globally-linked, two processes wherein central and local employees cooperate during product development.

Thus, in the locally-leveraged and globally-linked NPD processes, facilitation of inter-subsidiary knowledge transfer is crucial. With regards to the type of knowledge that

¹³ Definitions of this type of team vary. A commonly used definition is that given by Maznevski and Chudoba, 2000. According to them, a virtual team is a team consisting of globally dispersed members working on the same project who display communication patterns that utilize ICT-solutions substantially more than face-to-face communication.

is to be transferred, Subramaniam et al. (1998) clarify that knowledge about local consumer tastes represent tacit knowledge. This in turn has consequences for the types of knowledge transfer methods to be used. Out of the four methods of transferring knowledge, namely socialization, externalization, combination, and internalization, only the first two concern the transfer of tacit knowledge. These are therefore, according to theory, deemed the two relevant transfer methods for the globally-linked and locally-leveraged NPD processes.

In terms of means of communication, Nonaka and Takeuchi (1995) emphasize that direct social interaction, or face-to-face communication, is crucial for the facilitation of successful tacit knowledge transfer. This has implications for employees working in globally-linked or locally-leveraged NPD processes, who ideally should use direct means of communication (Subramaniam, 2006). However, as these NPD efforts are cross-national, this means that employees engaged in these processes are geographically dispersed (Subramaniam et al., 1998). Naturally, the farther the geographical distance the harder it is to utilize face-to-face means of communication. ICT-aided communication means offer potential solutions to the problem caused by the geographical distance (von Zedtwitz et al., 2004). However, as was explained previously, the use of ICT solutions is so far significantly less effective in terms of transferring tacit knowledge than using traditional means of direct socialization such as face-to-face communication (Lagerström & Andersson, 2003).

In short, for the centre-for-global and local-for-local NPD processes, no inter-subsidiary knowledge transfer is required. However, for the locally-leveraged and globally-linked NPD processes, transfer of tacit knowledge between subsidiaries is vital. The transfer of such knowledge is facilitated through processes of socialization and externalization, which emphasize the usage of direct (face-to-face) social interaction.

2.2 Conceptual Framework

We have so far reviewed theoretical concepts from strategic and operational IR trade-off management. In short, we can state that the main managerial challenge concerning IR trade-off management on a strategic level is the adoption of a strategic focus enabling simultaneous benefits from integration and responsiveness. With regards to the operational level, the main challenges concern the choice of NPD

processes coupled with facilitation of knowledge transfer. However, the connection between the strategic and operational level has yet not been reviewed. The insights gained from understanding their connection are important in order to get a complete picture of IR trade-off management. This section serves to show this connectedness as well as develop a conceptual framework outlining the core theoretical concepts we bring with us to the analysis.

From the literature review we know there are four main MNC types that adopt different strategic focuses on how to manage the IR trade-off. Operationally, we know there are four main NPD processes that MNCs adopt. The multidomestic and global MNC adopt the two classic NPD processes local-for-local and centre-for-global, as they facilitate the goals of the respective strategies (Bartlett & Ghoshal, 2002). However, since both of these strategic focuses fail to offer MNCs benefits from integration and responsiveness simultaneously, they fall short of providing an answer to our research question and will therefore be excluded as concepts in our conceptual framework.

The multifocal MNC pursues one of the two alternative NPD processes, globally-linked or locally-leveraged, homogeneously across worldwide markets, enabling simultaneous benefits from integration and responsiveness (Prahalad & Doz, 1987). The transnational, however, does not view the above two NPD processes as substitutes for the traditional processes. Instead, the transnational will develop differentiated roles and responsibilities for its subsidiaries, facilitating the usage of all four NPD processes in global operations (Bartlett & Ghoshal, 2002).

With this information we can develop the conceptual framework of this thesis, which is presented in Table 2.5. The framework outlines the connection between strategic and operational IR trade-off management by describing the NPD processes adopted by the multifocal and transnational MNC types. Furthermore, the level of tacit knowledge transfer, including transfer methods as means to manage the various NPD processes, are outlined.

2 Theory

MNC type	NPD process adopted	Level of tacit knowledge transfer between subsidiaries in NPD	Knowledge transfer method between subsidiaries in NPD
Multifocal	Either locally-leveraged or globally-linked	High	Socialization and externalization
Transnational	Centre-for-global, local-for-local, locally-leveraged, globally-linked (vary depending on subsidiary role)	None or high depending on NPD process employed	None or socialization and externalization depending on NPD process employed

Table 2.5 – Conceptual framework

The conceptual framework can be seen as theory's view on how to address the question how a MNC can manage the IR trade-off so as to facilitate simultaneous benefits from integration and responsiveness. However, the concept of the multifocal MNC does not render a high degree of benefits from integration and responsiveness simultaneously and can therefore be viewed as undesirable for consumer-oriented MNCs. This criticism does not hold for the concept of the transnational, which does enable a high degree of simultaneous benefits and therefore is desirable for consumer-oriented MNCs. However, critics of this concept accuse it for displaying a low degree of usefulness, as only 1-2% of MNCs would benefit from such a strategic focus. Additionally, the complex operational implications that the strategy incurs, results in the concept being unattainable for most firms (Rugman & Verbeke, 2004; 2008; Lehrer & Asakawa, 1999; Ghemawat, 2005; 2007).

Thus, there still exists a research gap where theories on how contemporary consumer-oriented MNCs can manage the IR trade-off are absent. Naturally, the existing theoretical models or concepts are simplifications. However, as the theoretical concepts of the multifocal and transnational are either undesirable or unattainable for contemporary consumer-oriented MNCs, there is a need for the development of a new concept. The purpose of the thesis, as described in the introduction, is to develop a model with such a concept, outlining how consumer-oriented MNCs strategically and operationally can manage the IR trade-off so as to enjoy simultaneous benefits from integration and responsiveness.

Chapter 3 – Research Design

In this chapter we describe why we selected the particular company as research object and how the empirical study was conducted. Specifically we discuss why we chose a qualitative explorative study and how the empirical data was gathered and analyzed. We conclude the chapter by describing why a single-case method was chosen, what alternative research methods were considered, and the limitations of the study.

3.1 Choice of Research Object

To perform this study we needed a research object with multinational operations, as the research question concern MNCs. The chosen company is not only selling on a global scale, but has production, distribution, and other facilities in multiple regions around the world, like we described in the introductory chapter. We also needed an organization that operated in a consumer-oriented industry, in line with the research question. Therefore, as an example, an oil company would not be suitable since the use of oil is somewhat similar in different regions. The case-company, in being a consumer goods company, is highly affected by local trends and tastes and was deemed optimal in this sense for the study (Dawar & Frost, 1999; Sheth, 1986; Still & Hill, 1984; Ward 1973).

Therefore, the case-company was selected as it is particularly affected by the IR trade-off due to the special characteristics of the business. This is in line with Siggelkow (2007) who argues that it is good to base the choice of research object on it being special in some way. The rationale is that a special organization can provide the researcher with insights that other organizations may not. The selected MNC is a special organization for several reasons:

- Direct selling
- Large product line
- Large annual product turnover
- Large difference in sales volume between markets

These special characteristics all contribute to why the research object is an especially interesting company from the perspective of this thesis. Being a direct selling company increases the importance of local responsiveness as this not only can boost revenue but also attract consultants for the independent salesforce. The large product line and high product turnover puts pressure on the organization to have efficient NPD processes. This in turn ensures that the topic has priority at the company and that we as researchers will be granted access to data. In addition, the large variety of products allows one to study specific requirements incurred by different products during development.

Another reason for why we selected the particular MNC was the fact that the researchers knew the organization beforehand because of previously having worked at the company. This not only made it possible to conduct the study at the company, but also assured greater access to people. Additional advantages include a thorough understanding of the MNC and its culture, enabling a fast start of the study and reaching a deeper level of analysis. Potential disadvantages with having worked at the company were the risks that we would be influenced by personal agendas at the company or that we had a preconception of the results. This was partly mitigated by the facts that we did not work at the same department where we conducted the research and that we had two project sponsors¹⁴ that we previously had met only briefly.

The last, but not least, reason for why we chose this particular research object was that the company was deemed, despite its originality, to be able to represent many others. As a cosmetics company it faces heterogeneous consumer needs and therefore experiences the difficulties of managing the IR trade-off hands on. So forth it represents other consumer goods MNCs that face this problem. The generalizability will be further discussed after the findings and conclusions are presented in chapter six.

¹⁴ The project sponsors are the spokespersons at the case-company with whom we initiated the research. They served as our main points of contact during the research at the case-company.

3.2 An Explorative Study

The purpose of this thesis is to enhance the knowledge about, and attempt to close, the research gap where theories on how contemporary consumer-oriented MNCs can manage the IR trade-off are absent. The research question of this thesis is, based on the purpose, how a consumer-oriented MNC strategically and operationally can manage the IR trade-off so as to benefit from integration and responsiveness simultaneously. When both the purpose and the research question were set the question of how conduct the study emerged. An overview of the research design can be found in Figure 3.1, showing the chosen approach at each level

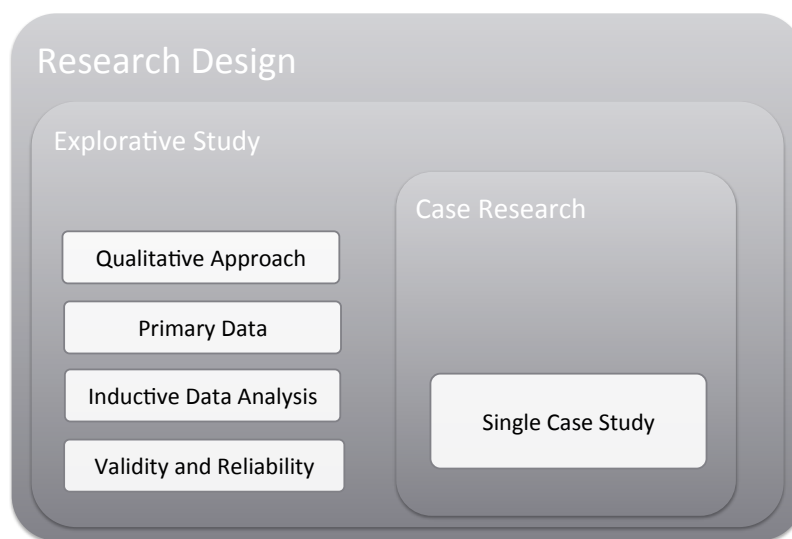


Figure 3.1. Overview of research design

By learning about the situation at the case-company and analyzing the empirical material we strive to close the research gap. Earlier studies, as shown in the preceding chapter, have laid the foundation for this construction of theory, but as our theory building moves outside of known territory, and the relationships between strategy and operations is complex, an explorative study is necessary (Babbie, 2007; Voss et al., 2002). In the remainder of this section we outline the specific choices made within this explorative research.

3.2.1 Qualitative Approach

Because the research question is complex and multifaceted, a detailed understanding is required. This is why we chose a qualitative approach in our research design. Ritchie and Lewis (2003, p. 22) describes a qualitative approach as “covering a broad

range of approaches which are linked to different beliefs about what there is to know about the social world and how to find out about it". Further they say that "although definitions vary, the aims of qualitative research are generally directed at providing an in-depth and interpreted understanding of the social world, by learning about people's social and material circumstances, their experiences, perspectives and histories". As these descriptions illustrate, qualitative research is aimed at providing a detailed, in-depth interpreted understanding through listening or reading about persons' stories and perspectives (Ritchie & Lewis, 2003). By conducting in-depth interviews it will be possible to create a picture of the interconnectedness between strategy and operations and how the IR trade-off can be managed through these areas. As we will describe more in detail in section 3.3, this qualitative study is performed through case research of one case company. In the next section we describe how the data we used in this qualitative explorative study was gathered.

3.2.2 Data Collection

The empirical data this thesis is based upon has been collected through a case study. When collecting exploratory primary data¹⁵ the researcher can use a number of different methods (Fisher, 2010). According to Fisher (2010), interviewing, observations, and internal documents are examples of commonly used sources of primary information. In this study we have chosen to rely first and foremost on interviews, but also internal documents describing the NPD process provided by the interviewees or the project sponsors. We selected to do an in-depth interview study at the research object because we wanted to be able to ask the 'how' and 'why' questions (imperative when performing a case study, see further discussion in the next section Case Research) and thereby enable comprehensive understanding. Other research design options we contemplated on using are discussed under Alternative Research Methods in the end of this section.

3.2.2.1 Interviews

In total 20 interviews, lasting between 30 minutes and an hour, were conducted at the case-company's headquarters between the 3rd of February and 19th of April in 2011. Out of these interviews, four were together with the two project sponsors. The

¹⁵ In methodology literature, material that the researcher gathers her- or himself is named primary data while material that have been compiled by others is called secondary data (Schutt, 2006).

other 16 interviewees were both from regional and headquarter level to enable understanding of both these perspectives at the case-company. Due to geographical distance, four interviews took place via conference call. People from different functions and product categories were chosen in order to enable the identification of possible differences in views. The organizational scheme in Figure 3.2 shows at which level and within what areas interviewees were selected. The two project sponsors can also be found in the illustration. When the study started we made a request to the project sponsors about what people we needed to meet. They then gave us a list of people to contact, chosen based on department, responsibilities, and relation to NPD in terms of geographical and hierarchical position.

The geographical position of the interviewees is at the headquarter in Stockholm except for three marketing directors from Asia, Latin America, and Europe, Middle East and Africa (EMEA), and the R&D representatives from Ireland (these are counted as headquarter employees because the R&D function is a headquarter function). Hereafter employees based in Stockholm or Ireland may be referred to as headquarter employees and employees from either one of the regions may be named regional employees. We make this division in order to highlight potential differences in views. Because the interviewees were promised anonymity, in the Empirical Findings we do not reveal what department or specific region expressed what thought. In Figure 3.2, dashed squares represent regional employees.

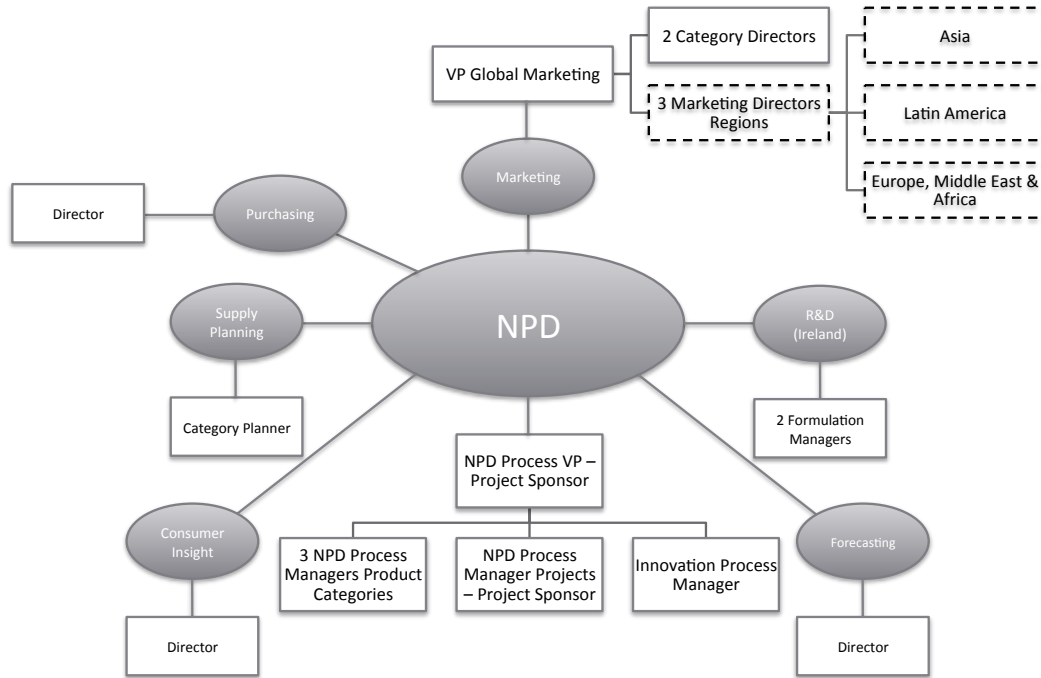


Figure 3.2 – The hierarchal and geographical position of the interviewees

As described before, an in-depth interview study was selected to be able to ask ‘how’ and ‘why’ questions. Interviews were also selected because of Eisenhardt & Graebner’s (2007) description of this tool as especially good when trying to reach in-depth understanding within a limited timeframe. However, as the quote below illustrates, they discuss both the advantages and disadvantages of using interviews.

“Interviews are a highly efficient way to gather rich, empirical data [...]. But interviews also often provoke a ‘knee-jerk’ reaction that the data are biased in which impression management and retrospective sense making are deemed the prime culprits. The challenge of interview data is best mitigated by data collection approaches that limit bias.” (Eisenhardt & Graebner, 2007, p. 28)

In other words, it is of high importance to keep biased opinions from infecting the gathered data (even though, as described by Meredith (1998), to completely avoid this is impossible). Because we, as previously mentioned, have interviewed employees from both regional and headquarter level from all product categories at the company, we have managed to get different perspectives and consequently minimized influence from personal agendas (Eisenhardt & Graebner; 2007).

The interviews this thesis is based upon were semi-structured using an interview guide (can be seen in Appendix 1a and 1b) as support to remind the interviewer of important issues and topics to discuss. We chose a semi-structured approach because of the complexity of the interconnection between strategy and operations. Furthermore, as we were uncertain what answers to expect we wanted to provide the interviewees with the ability to tell the story as they saw it, and give their own ideas of how they thought the IR trade-off could be managed. According to Fisher (2010), a number of factors should be taken into account when deciding which interview methods to use. He says that an open unstructured approach should be taken when you:

- do not know what answers to expect;
- are looking for new ideas;
- do not seek to quantify the material, or
- you have a relatively small sample of interviewees

All of these aspects apply to our study, even though it can be discussed whether 16 in-depth interviews is a small sample. The reason for why we chose to make the interviews semi-structured, rather than unstructured, is because without any structure there can be a risk of missing important information as the interview spends too much time within less important areas (Fisher, 2010). However, we acknowledge that there can be vital information hidden in seemingly unimportant comments (Fisher, 2010).

The 16 interviews with employees were semi-structured, as discussed, thus following predesigned interview guides (see Appendix 1a and 1b). The two interview guides were developed for headquarter and regional employees respectively, in order to reflect operational differences in terms of tasks and responsibilities. However, it is important to emphasize that the guides were used as a checklist of areas to discuss rather than as a list of specific questions to ask.

The areas that we chose to discuss were the NPD processes, strategic focus, and communication means enabling knowledge transfer. These areas were chosen because of the link between these areas and the research focus on strategic and operational management of the IR trade-off. The discussion areas were given in an open manor and the interviewee was asked to in own words describe the aspects of it

that he or she viewed as important. This can be viewed as a demanding task for the interviewee, however it was simplified by the fact that the employees had strong opinions about these fields, as will be shown in the Empirical Findings. Because we perceived a difficulty in capturing the details of open discussions through notes, we chose to tape the interviews in line with Bell's (2005) opinion of this as an important tool when conducting a qualitative interview study.

There can be a risk of influencing the interviewees by for example use of terminology (Meredith, 1998). Through letting the employees of the case company give their own story we argue that we have kept this risk to a minimum. However, when necessary for the sake of understanding, certain definitions were explained to the interviewee. This might have impacted the results as this can lead the interviewee in a certain direction (Meredith, 1998). When it comes to the four interviews with the project sponsors, these were done in an even more open way where both their own opinions and their thoughts about the results from other parts of the study were discussed.

Another characteristic of the interviews were that they all were conducted with one of the interviewers taking notes and the other asking the questions, with the purpose of allowing for a more dynamic relationship between the one asking questions and the interviewee. The notes were filled on a printed copy of the interview guides that we previously described. Carlsson (1996) emphasizes that having one interviewer responsible for notes and the other for asking questions increases the likelihood that the interviewee will perceive the interviewer as more of a conversation partner. It is also important to emphasize that, prior to the interview, the interviewee was made aware of the fact that they were being recorded as well as their anonymity within the study.

3.2.2.2 Printed Material

The written data consisted of presentations and other internally developed material about the NPD process at the case-company. This material was used as support in preparing the interviews and in some occasions (when delivered by the interviewee during the interview) reviewed together with the interviewee. Further, the documents were used when mapping the current NPD process in order to understand the current strategy on the IR trade-off and its operational implications.

3.2.3 Data Analysis

As a first step of the analysis the notes and recordings from the interviews were codified. The interviewers did this separately in order to minimize the risk of making the same misinterpretations. A data analysis guideline was used for the purpose of codifying the data, seen in Appendix 2, where keywords and their frequency of occurrence were identified so common denominators could be recognized and subsequently codified. As Fisher (2010) mentions, when writing a Master's dissertation it is often not feasible to make full transcriptions of every interview because of time constraints. As this thesis was completed during a few months the lack of time enforced us to use pure codification without previous detailed transcription. However, as can be seen in the coming chapter presenting the empirical findings, we have still captured detailed in-depth information, which was enabled by the recordings and notes that were made during the interviews. The codifying of the interviews was done directly after each interview was finished and the taped recordings supported this process. According to Fisher (2010) it is preferable to analyze primary data from unstructured and semi-structured interviews through codifying of the gathered notes, something that reinforces our approach.

In the second step of the data analysis we wrote a short summary describing the main takeaways from what was said during the interviews. This generated a document with key takeaways from each interview that was used to compare views and analyze similarities and differences. Naturally, care had to be taken here as to not misinterpret the interviewees. This risk was partly mitigated through having two interviewers, recording the interviews, making detailed notes, and codifying the notes separately right after ending the interviews.

In the final step of the analysis the conceptual framework was synthesized with the empirical data in order to build theory and thereby answer the research question. In the next part of the Research Design we further discuss how we tried to ensure the reliability and validity of this study. However, we first discuss how we contrasted the hierarchal and geographical levels in the analysis through depicting these perspectives as well as how the conclusions were drawn.

3.2.3.1 Geographical and Hierarchal Level of Analysis

In this study, as mentioned, we talked with 18 people at the researched company. Of these, two were the project sponsors that we met with four times. There are multiple geographical and hierarchal dimensions between the 18 people we met that need to be addressed by the analysis in order to produce trustworthy conclusions (Avolio & Bass, 1995).

As can be seen in Figure 3.2, the geographical dimensions cover the headquarter in Stockholm, Sweden, the R&D department in Dublin, Ireland, and the three regions Asia, Latin America, and EMEA. As previously described, we have divided the empirical presentation of these into headquarter and regional employees. In the analysis these perspectives will be contrasted against each other.

In the empirical presentation we will further divide the interviewees into two other perspectives based on the hierarchal level that they have in this study. The first is the managerial perspective represented by the two project sponsors; the VP of NPD and the Manager of NPD Projects. Although these find themselves on the same level as some interviewees in terms of the organizational hierarchy, we argue that they have a different perspective in this study because they are responsible for this project, have initiated the same, and have decision power within NPD.

The non-project sponsor interviewees represent the second perspective. These have various backgrounds and come from different departments within the organization. Most likely, they do not have the overall view of the NPD process like the project sponsors, but more detailed experiences of everyday operational activities. We have not separated these into sub-perspectives, for example based on department, because of the promised anonymity. An aspect to consider, highlighted as important by Avolio and Bass (1995), is that the interviewees may have been affected by what they believe their superiors want to hear. It may therefore be the case that opinions stated by the interviewees in fact are opinions of the department as a whole or even on headquarter/regional level. Because the interviewees were told about their anonymity in the study prior to the interviews, we deem that this risk has been mitigated. The two hierarchal perspectives in terms of this project will be reviewed and compared in the analysis and discussion.

3.2.3.2 Inductive Approach

According to Fisher (2010), an inductive approach is when the researcher draws conclusions from past events to predict future happenings. In other words, inductive conclusions are drawn from experimentation or past experience about how the future will look (Meredith, 1998). Further, Fisher (2010) says that deductive reasoning is about certainties while inductive reasoning is about probabilities. Because our thesis is explorative and qualitative it is necessary to use an inductive approach since we have not tested any results on a larger sample (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Meredith, 1998). Our reasoning is inductive as we make conclusions about management issues based on the aspects and circumstances we interpret from our research object (Fisher, 2010).

3.2.4 Validity and Reliability

Validity and reliability are concepts often mentioned when discussing the relevance of research (Fisher, 2010; Meredith, 1998; Schiele & Krummacker, 2010; Voss et al., 2002). In this study we have strived to assure the greatest possible level of both, and this effort is described in this section. To be able to work with these concepts we first needed to adopt a definition of each to base our methodology decisions upon. We have chosen to use Fisher's (2010) definition of validity, which is that validity is the degree of truth of ones interpretations. When it comes to the definition of reliability we have embraced one that is founded upon Carlsson's (1996), Bell's (2005), and Berger and Patchner's (1988) definitions. The definition we use is thus that reliability is the degree to which a study can be redone with similar results.

According to Berger and Patchner (1988) and Schiele and Krummacker (2010) the validity of qualitative studies is more difficult to prove than for quantitative studies. However, there are a number of ways that can be used in order to strengthen the validity of qualitative research, such as structured interview questions and detailed description of the research methodology (Voss et al., 2002). Because our research, as described, have a goal that requires a semi-structured approach we decided to use the validity enhancing questions for this approach put forward by Fisher (2010):

- Do the concepts and terms we used to analyze and describe our research fairly represent our research material?
- Are the interpretations and conclusions we draw robustly and logically derived from the research findings?
- Have appropriate research techniques been competently used so that we can be reasonably sure that the findings reliably and fairly represent the topic being studied?
- Would it be safe to use conclusions from the research as a guide in our managerial, professional or organizational practice?

According to Fisher (2010), reflecting on these questions enable a deeper level of trustworthiness. Throughout this Research Design chapter we argue that we have shown this reflection by explaining how we conducted this study and motivating the choices made, in line with Yin (2009) and Voss et al. (2002).

Adopting a semi-structured interview approach has increased the reliability of our research, in comparison to an unstructured approach, as this enables a more detailed description of the interviews and the questions asked. In the appendix our interview guides can be found and in this chapter we describe how we conducted the study, enabling anyone to ask comparable questions and examine the answers in a similar manner. Reliability is also assured by a thorough explanation of the research method used in this chapter. According to Yin (2009) and Voss et al. (2002), constructing a detailed description of interview guidelines and the used method increases reliability in case research. Since the thesis is based on only one case a brief description of this company and the context within which it finds itself is provided in the introductory chapter in order to strengthen the reliability of this study. In the coming section we provide a review of case research.

3.3 Case Research

“You cart a pig into my living room and tell me that it can talk. I say, ‘Oh really? Show me.’ You snap with your fingers and the pig starts talking. I say, ‘Wow, you should write a paper about this.’ You write up your case report and send it to a journal. What will the reviewers say? Will the reviewers respond with ‘Interesting, but that’s just one pig. Show me a few more and then I might believe

you'? I think we would agree that that would be a silly response. A single case can be a very powerful example." (Siggelkow, 2007, p. 20)

The most common criticism against single case research is that it cannot be said to represent any general condition and therefore is unsuitable for theory building (Meredith, 1998; Schiele & Krummaker, 2010; Siggelkow, 2007). However, as the above quote illustrates, this is a highly simplified way of looking at reality (Meredith, 1998; Schiele & Krummaker, 2010; Siggelkow, 2007; Voss et al., 2002; Mintzberg, 1979; Eisenhardt, 1989; Eisenhardt & Graebner, 2007). Case studies provide important insights as it allows one to explore the 'hows' and 'whys' within a real practical example (Yin, 1994; Voss et al., 2002; Meredith, 1998; Schiele & Krummaker, 2010; Eisenhardt, 1989; Eisenhardt & Graebner, 2007). As we have previously mentioned, the interview guides we based the discussions with the employees on can be found in appendix 1a and 1b, which also shows what 'how' and 'why' questions we asked.

Quantitative testing of a large number of samples can often provide vital information on whether a formulated theory seems adequate, however statistical trials may not show where the existing theory is lacking (Meredith, 1998; Schiele & Krummaker, 2010; Voss et al., 2002; Eisenhardt, 1989; Eisenhardt & Graebner, 2007). Case research is the core of improving old theories or building new ones as it allows for innovative and interpretative thinking on the researchers behalf (Meredith, 1998; Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Voss et al., 2002; Schiele & Krummaker, 2010). Because case research is aimed at answering 'how' and 'why' questions as well as used to improve old theories, not test them, we have chosen to use single-case research to find the answer to our research question and fulfill the purpose of this thesis. As was described in the introduction, we will use a MNC for our study aiming at answering the question of how a consumer-oriented MNC strategically and operationally can manage the IR trade-off so as to benefit from integration and responsiveness simultaneously.

Meredith (1998) writes that case study is an example of interpretivism, an alternative research method where the researcher can use qualitative methodologies to understand a certain social phenomena. The goal, as Meredith (1998) explains (also

discussed by Voss et al., 2002) is not to describe the reality in an objective way, but to try to understand the phenomenon, and when doing so realizing that it is understood from one's subjective opinion and context dependent. Meredith (1998, p. 443) writes that "the understanding is not without bias or cultural taint", but also emphasizes that although a large and diverse set of cases can aid in generalization, "so can a depth of understanding of a single case" (Meredith, 1998, p. 451). As Meredith (1998) points out, our study is not without cultural exposure, but our in-depth research will provide generalizable results to a certain degree (Voss et al., 2002).

3.3.1 Alternative Research Methods

We have thus far described why we chose a qualitative, explorative study of one case-company. However, before selecting this method we considered other methods as well. In this section we contrast these different methods in a table that we based our choice of method upon. To end the chapter we discuss the limitations of the selected research method.

We saw three alternative methods as feasible for this study; a quantitative method, a single case method, and a multiple case method. In Table 3.1 we present an overview of the possible methods and their different characteristics. As we have previously described, this study is about closing a theoretical gap by refining old, and constructing new, theory. These reasons made us, as we have described, choose a qualitative approach through an exploratory study of the case object. An in-depth study with more companies would have taken too long time and we believe we can present a more valid theory by focusing on one case.

Method		Number of study objects	Purpose	Time required	Tools	Conclusions in analysis
Quantitative	Statistic	> 30	Test theory	Medium	Survey	Deductive
Qualitative	Single case	1	Develop and/or refine theory	Medium	Interviews Surveys	Inductive
	Multiple case	3 – 10		High	Panels Documentary Observation	Inductive

Table 3.1 – Possible research methods contrasted (based on Meredith, 1998; Schiele & Krummacker, 2010; Siggelkow, 2007; Voss et al., 2002; Eisenhardt, 1989)

The tool that we have based our research upon is as we have discussed interviews. Other possible tools, as shown in Table 3.1, would have been surveys, panel discussions, documentary, and observation studies (Fisher, 2010). Besides the previously discussed advantages with interviews, there are also other reasons for why the other tools were deemed unsuitable. Surveys would not have allowed for reaching the in-depth understanding that we seek as it means that it would have been impossible to extract the extensive answers to the 'how' and 'why' questions. Surveys are also commonly used to test theory, not build it, as we mentioned. Panel discussions and a deeper documentary were not an alternative because of constraints put forward by the case-company. Observations was discussed with the company but ruled out because of time constraints and geographical distances.

3.3.1.1 Limitations of Selected Research Method

Throughout this method chapter we have motivated the different choices we have made when writing this thesis and in researching the answer to our research question. But as we already have hinted our study and chosen method are not without limitations. In this last section we go more into detail on these imperfections and how we have worked with minimizing their effect.

Schiele and Krummaker (2010) describe the criticism against case research as having focused on three areas; (i) low validity, (ii) limited generalizability, and (iii) resulting in biased theory. As we have previously described, we have increased the level of validity through this detailed chapter about the research design that mirrors the validity enhancing questions Fisher (2010) suggests. However, reflecting on these questions in our own writing may have resulted in blindness for validity problems (Fisher, 2010). Since we also worked close together with our thesis supervisor in this research we hope to have assured a higher level of validity.

When it comes to the generalizability there are obvious limitations with our research as it is based on one, in some ways extreme, example (Meredith, 1998; Schiele & Krummaker, 2010; Siggelkow, 2007; Voss et al., 2002; Eisenhardt, 1989; Eisenhardt & Graebner, 2007). As the painting commencing quote of the talking pig shows, this is no reason for dismissing our research as faulty (Meredith, 1998; Schiele & Krummaker, 2010; Siggelkow, 2007; Voss et al., 2002; Eisenhardt, 1989; Eisenhardt & Graebner, 2007). Eisenhardt and Graebner (2007) argue that the idea of a good

sample as one being representative for many others is faulty. They emphasize that one must focus on the purpose of creating or refining theory, not test it, and say that theoretical sampling¹⁶ is appropriate, which we have done by selecting a somewhat special case. In the next chapter we discuss the empirical findings from this qualitative, explorative, and in-depth interview study.

¹⁶ Theoretical sampling means that the sample is chosen based on being disclosing, extreme examples, or opportunities for unusual research access (Yin, 2009).

Chapter 4 – Empirical Findings

In this fourth chapter we present the findings of the empirical study. This will be done through depicting the research in a narrative way where we tell the story about how we collected the empirical data.

4.1 The Story About the Empirical Study

The purpose of this chapter is to provide the reader with a deep level of understanding of the case-company in order to give way for the subsequent analysis. We will fulfill this by delineating the interviews in detail and describe the interviewees' thoughts and perspectives on strategic and operational IR trade-off management.

4.1.1 The Beginning – Meeting the Project Sponsors

When we first met with the two project sponsors, the Vice President (VP) of NPD and the Process Manager of Projects within NPD processes, they expressed a wish to better understand how regional input could be increased in the NPD process. Specifically they wanted to understand how this could be done for the so-called 'glocal' products (i.e. products developed to adapt to regional or local tastes), which were introduced two years ago and since then had gained support throughout the organization.

According to the project sponsors, the glocal products had been introduced because of requests from regional offices, particularly from Asia and Latin America but also Middle East and Africa. Because the company, as we have described, have most of their sales in one region, CIS¹⁷, 'global' products (i.e. products developed in headquarter to be sold on a global scale) tended to be tailored towards this region's needs, which creates a mismatch with other regions' consumer preferences¹⁸. This has led to the request for glocal products from other regions, which in turn requires

¹⁷ Commonwealth of Independent States, representing a region including for example Russia, Ukraine, Belarus, and Kazakhstan.

¹⁸ It is an important note to make that this affects the remainder of this chapter. When we refer to glocal products or products adapted to regional or local needs this relates to the regions excluding CIS because most global products are already adapted to CIS' needs.

an ability to extract regional product ideas to be developed centrally. Because this so far had received low priority at the company, and the two project sponsors in being responsible for the NPD process had experienced large pressure from regions such as Asia and Latin America, they wanted to understand how this could be done in a better way.

However, when describing the history of the NPD process they told us that three years ago the company in fact implemented a centralized NPD process, which purpose was to develop standardized products for all markets (so-called global products). This was in line with the strategy to focus on economies of scale and scope that was implemented at the time. The introduction of glocal products has been a step away from this strategic focus. According to the project sponsors, as described above, this happened because of the request from regions such as Asia and Latin America for products adapted to their needs. Therefore, today there can be said to be a dual focus on both global and glocal products, both developed centralized, the project sponsors state.

We were so forth brought into the company to in part help them with increasing regional responsiveness in their centralized glocal NPD process. Helping the company with this it enabled us to perform the study we wanted, and in this thesis we only present the analysis and discussion related to the thesis' research question.

Before the interview process started we had one additional meeting with the project sponsors. In this meeting they described how the company employs two distinct NPD processes, something that was introduced simultaneously with the glocal products. One of these processes so forth facilitates the development of the global products and the other process the glocal products that are to be sold on a regional level (a so-called 'Glocal NPD Process'). The project sponsors stressed that while subsidiary involvement during development of global products is minimal, the opposite is true for glocal product development. In this latter process product concept ideas are sourced regionally, which requires a higher degree of cooperation. The cooperation is required, according to the project sponsors, because it is important to understand the need in order for it to be reflected in the end product.

In this meeting we also received information on the number of products the company develops each year and how many of these that are glocal. From these figures we found out that today approximately 10% of the products are glocal, which is a significant shift from three years ago when almost no glocal products existed. Upon ending this second meeting we received a list of persons to interview, and short thereafter we begun our quest for the answer to our research question.

4.1.2 Meeting the Headquarter Employees

When interviewing the employees at the case-company headquarters many interesting discussions took place in connection to the areas that we wish to research in this thesis. The opinion, or perhaps more adequately, the concern, which was most often mentioned among headquarter employees was that there is a lack of strategic focus in the NPD process in terms of global and glocal products. One commonly expressed opinion connected to this was that there needs to be a strategic decision on how many glocal products to be developed and how the resource and responsibility allocation between glocal and global products ought to look in the future. This is illustrated by the quote below.

"It is crucial that everyone understands that glocals are important for the development of the entire business and is not just 'another request coming from the markets'. If we set a clear strategy that states the number of glocal products we should develop, we can communicate on the same level."

It was often emphasized that the relative low volumes experienced by glocal products in the beginning of the product-life-cycle is a hinder because it infers high costs at regional level. The strategic decision needs to be made with this in mind, and in particular decide which of these high costs should be allowed in order to enable future growth. Most in fact agreed that their needs to be a move towards developing more products tailored for regional needs, for example for the Asian market. The quote below shows one employee's opinion on the strategy.

"From an overall strategy point of view, there is not enough focus on glocals. They do not receive the proper level of priority."

However, a concern was also expressed that a regional focus on Asia could in fact be insufficient as there are vast differences between consumers within this region between countries. The common opinion was despite this that the extra resources required for local differentiation are too vast.

Today, regions do not provide input in the front-end of the NPD process (i.e. the initial stages of product development projects) and act reactively rather than proactively, which is something many headquarter employees think must change if one wants to move towards more regionally adapted products. The main issue identified to this end by the employees is the lack of resources needed to increase cooperation. However, some employees at headquarter describe that this could be solved through a formalized procedure in the front-end of the NPD process that extracts product adaptations needed¹⁹. Another point brought forward was the possibility for regions to utilize product ideas developed for other regions. In fact, this was something that had taken place several times before. An increased cooperation in the front-end with headquarter from each region was said to improve such cross-utilization as well.

The headquarter employees explained that product adaptations should not only concern product features such as packaging or formulation, but also new product concepts. While some adaptations can include more advanced features such as the formula for different cosmetics, other can be simpler like for example the size of shampoo-bottles. An example of the former is whitening cosmetic products that make the skin whiter, which is widely used in especially Asia. In the Western world, on the other hand, the products that sell are those who make the skin darker. When it comes to the size of bottles, the interviewees described that in Latin America people tend to like larger sizes, while they want smaller in Asia. The reason behind this, they explained, are that people tend to live together in large families in Latin America, while in Asia people are very cost-conscious and tend to look at the price for a unit, not per milliliter. Other examples of regional differences concern for example the formula of shampoos. In the Western world people have hot water to shower in,

¹⁹ Today, this is actually how glocal product requests are to be communicated, according to the regional employees. A form exists for glocal product requests (which we have reviewed), and the regional employees' view on this formalized request form is presented in the next section. However, as this form is seldom or never used, it is not strange that some of the headquarter employees are unaware of its existence, and actually express the idea that such a form should be introduced.

which is often not the case in poorer parts of the world. The shampoos we use have been developed for hot water and are very hard to wash off in cold water, the interviewees explained. That is why people in poorer countries tend to use soap instead; something that naturally has an impact on sales.

A common idea of how the NPD process for glocal products could be improved is to add some kind of regional expert function that could monitor regional developments and trends and communicate with global NPD. This regional expert function could consist of one or several persons, and be based at headquarter or regional level. A suggestion brought forward is to hire regional consumer insight managers in Latin America and Asia who conducts regional research and subsequently communicates this to headquarter. It is thought that having one or several responsible persons would improve communication as this regional expert function becomes involved and integrated in the NPD processes. Another problem that was described was the lack of benchmarking towards competitors in terms of glocal products. This is also a task that could be carried out by the expert function in each region, some interviewees argued.

Communication is an area of discussion that often came up, and it was commonly expressed that communication with regions needs to be improved. If the local expert function would be situated at the headquarter, many emphasize the need of frequent communication with regional offices in order to capture trends and market developments. Communication should happen first and foremost through Communicator²⁰, according to the majority of the headquarter employees. They motivate this by referring to the increased expenses caused by travel necessary to be able to communicate face-to-face. Also the suggestion of another type of online tool, working like an idea box with collaborative possibilities, was brought forward. The quote below is representative for how many headquarter employees felt about communication.

"We use Communicator now for a lot of things and it is a brilliant tool that we should use more."

²⁰ Communicator is an ICT-tool used at the case-company for internal communication purposes. It is a computer software program that enables videoconference calls with other users.

Related to the critique against the current communication system, the employees gave a description of the same. Today new product concepts are communicated and discussed at a Quarterly Marketing Meeting (QMM). The problem, as explained, is that all products are discussed at this meeting, both global and glocal. This in turn means that global products are given a much higher priority, partly because there are many more global products, but also because these are the products that CIS are interested in. As was discussed before, CIS is the largest market for the case-company, which according to the interviewees leads to this market having most power. Therefore, bringing up glocal product ideas can even be frowned upon at the QMMs, one interviewee explained. Many of the headquarter employees expressed an opinion in lines with implementing a separate QMM for only glocal products in order to escape this problem.

What further came up in the discussions is that there used to be a person responsible for glocal products, but that this person quit after just a few months at the job. This person acted somewhat like a regional expert (she had previous experience from the regional office in Asia) and was described like a spider in the web. Many liked the fact that they only had one person to direct questions to and to communicate with during this period, and expressed concern that when she left a lot of responsibilities fell on the floor. Some felt that this person was the wrong person at the job, partly because having worked at one of the regions and so forth was claimed to prioritize their ideas. The person left, according to one interviewee, because of being a too senior person for such a position. In general most felt that the good thing about the role was that there was an assigned responsible person for glocal products, something that is missing now. She left about ten months ago and in fact, one employee claimed that after this there have been no new glocal products initiated.

There was also concern expressed with regards to unclear roles that the different departments should play in the NPD process for glocal products. Who conducts research? Who explores shade ranges (range of colors for color cosmetics)? What is feasible to develop? It was said that the R&D department should play a greater role in the future and have larger influence in the glocal NPD process. The main difference between the glocal and global process was said to be the need of communication, and specifically the type of communication needed. In order to describe complex product

concepts it was generally understood that there is a need of more contact points, especially through advanced ICT tools such as communicator.

Another agenda that is apparent at headquarters is negativity towards the increase in products adapted to some of the regions' needs. One interviewee in fact expressed a very critical attitude towards glocal products, as exemplified by the quote below:

"I just count glocals as niche products and say no to such requests."

Interviewees adhering to this agenda argued that glocal products might not outweigh the additional costs incurred from the increased complexity. Because glocal products initially have relatively low volumes, they do not render efficient economies of scale and scope, they argued. The point brought forward by other employees of using product concepts initiated by one region in others, for example selling a product that was based on an Asian need in Latin America, was discussed as a potential important tool for decreasing cost per unit. So forth, these employees saw that glocal products could have a place, but they felt that there is a lack of knowledge on whether these products actually sell better. One employee was firm when he stated that it is the responsibility of the global category directors to identify the need with help from the regions and initiate product concepts for both global and glocal products. As of today, the person explained, the greatest obstacle for glocal products is the lack of coordination and strategic alignment with global marketing strategy. To this employee there was in fact a strategy in place and the problem lay more in people misinterpreting the same.

A second differing opinion expressed by some employees regarded the need of a separate process for glocal NPD. These employees emphasized the need for standardization and the same concern for extra costs incurred as was stated above. Some of these interviewees' reasoning was in line with the one of separate QMMs explained before, but in this case it was said that having some time reserved for glocal product discussion at QMMs would be sufficient. In all other aspects the process should be virtually the same. Some interviewees were also concerned that increasing the independence of the glocal product development process could lead to dangerous situations, which the company has experienced in the past. Before the step towards centralization, the case-company developed products in regions without central

coordination and control. When one of the regions developed products that contained hazardous ingredients, this led to a disaster that negatively affected the whole company. Because of this it was said “we need to establish an own internal process instead of us versus region, and build expertise globally”.

4.1.2.2 Meeting the Regional Employees

The major concern the regional employees from Asia, Latin America, and EMEA described was that glocal products are viewed by headquarter as small and unimportant niche products. To them they should be seen as being strategically important for regional growth. The regional employees emphasized that glocal products are vitally important in order to keep consumers and attract consultants to the independent salesforce in their regions, and they were strong advocators for an increased number of glocal products. Introducing glocal products had been an important step in the right direction, but it had required a lot of requests in order to be implemented. The global strategy focused on scale economies is a problem for these smaller regions as products tailored to their needs inevitably meant lower volumes. All the regional employees agreed that if one wants to enable future growth in these regions, then a strategic choice must be made to allow initial low volumes. Today the costs for these products are carried on a regional subsidiary level, which is a problem as it has a negative effect on the results of these subsidiaries.

Another problem they saw was the lack of assigned responsibility in terms of glocal products. In fact, all regional employees expressed a concern about the fact that when the person who was put in place as responsible (as previously described by the headquarter employees) left a lot of things feel on the floor. Now there is confusion about whom to contact at headquarter about glocal products, and different people are often involved simultaneously causing problems with coordination. Also, these people tend to prioritize global products because of their greater status.

Connected to the communication problem, the interviewees from regional offices described yet another problem they saw with glocal NPD. The procedure for requesting new glocal products requires too much of the regions. Today, one regional employee explained, we must fill out a detailed request form if we see a need for a glocal product. This form is very complex and requires a lot of research to be done on part of the regional office. The interviewee stated “in short, this is not possible for us

at our office to do by ourselves and therefore it does not happen". The lack of resources at the regional offices causes us to neglect needs of glocal products, the employee said. One more problem they saw with glocal NPD was the same as was identified by the headquarter employees; that the briefing of ideas and discussion on glocal products tended to be neglected at the QMMs because of the priority of the CIS region and the global products. There was also emphasis put on the need of early involvement in the glocal NPD process as illustrated by the quote below.

"Our role differ from project to project, but in general we need to be more involved early on in the process."

In terms of specific examples of product features that need to be adapted to regional needs, the same were given as were described by the headquarter employees. Some of these had been attended to, like different bottle-sizes for Asia and Latin America and whitening products for Asia, while others were pending. An example of a product that regional employees described to be necessary was for example a 'Splash-on bottle'²¹ for perfume for Latin America.

The interviewees from the three regions Asia, Latin America, and EMEA discussed many possibilities that would improve the glocal NPD process and solve the problems described above. There is a need to make a strategic decision about the importance of glocal products in order to guide allocation of resources and division of responsibilities, the employees said. If there is, which they all strongly agreed that there should be, a decision that products adapted to regional needs are a priority, then there must be a person or function assigned responsibility for glocal products. To improve communication there is a need for this person or persons to travel to the regions in order to understand them and capture what needs there are. Continuous communication can be through emails and conference calls, but to develop this understanding the person must also meet with regional people face-to-face, the interviewees explained. This opinion is also expressed in the quote below.

²¹ A perfume bottle with large opening that allows the consumer to 'splash' on the perfume.

“People who develop the glocals have to come and visit the regions several times a year to truly understand the local needs and to cooperate together during the NPD process. By meeting the actual consumers the knowledge is captured in the head.”

A difference in opinions was expressed in that one region thought that this central function or person should be responsible for coming up with product concepts, while another argued that this was the responsibility of the regional office, and that the central function or person should handle coordination and communication of these ideas. It was also discussed that it would be preferable to divide the QMM for global and glocal products in order to avoid the glocal product issues drowning in the global product discussions.

4.1.3 The Closure – Discussion With the Project Sponsors

After meeting the headquarter and regional employees we once again sat down in two meetings with the project sponsors to discuss what we had seen at the company. We described the employees’ view of the company as moving towards more glocal products and that this was experienced as a move based on need rather than strategic choice. As was discussed in the beginning, the project sponsors themselves also saw the new strategic focus as being based on changing consumer needs.

We also talked about the raised concern among some headquarter employees about whether the cost inferred by such products is worthwhile (mostly dependent on the low initial sales volumes these products have). The project sponsors viewed this opinion as coming from the lack of communication of a clear strategy in terms of glocal products. According to the interviewees, a clarified strategic focus would help in organizing glocal NPD efforts, as this would guide decisions on which products to allow low initial sales volumes for because they are potential growth products. The project sponsors agreed with this, although they were surprised to see that so many identified the lack of strategic focus as an issue and that glocal products were viewed as strategically crucial. Furthermore, we discussed that the opinions on glocal products were linked to the interviewees’ specific position and people from same or close organizational departments tended to express similar ideas, however we did not say anything about what different departments thought, as this would have interfered with the promised anonymity.

Next, there was a discussion on the glocal NPD process. From what we had understood from the interviewees, their opinions about the extent of needed subsidiary involvement differ, partly based on whether they are employed at regional or headquarter level but mainly based on the type of product being developed. For smaller adaptations, a lower degree of involvement is required whereas bigger adaptations or completely new product concepts calls for a substantially higher degree of subsidiary involvement. Their opinions on the needed degree of involvement in turn affected what means of communication they thought necessary. The project sponsors in particular liked the idea expressed by both headquarter and regional employees of having a separate discussion on glocal products at the QMMs.

These discussions ended the involvement with the case-company as far as this thesis is concerned.

Chapter 5 – Analysis and Discussion

In this chapter the theoretical and empirical findings will be synthesized and contrasted in order to develop new theory on how a consumer-oriented MNC strategically and operationally can manage the IR trade-off so as to benefit from integration and responsiveness simultaneously. In a concluding discussion section, discrepancies between the developed theory and empirical findings are reviewed.

5.1 Analysis

We have reviewed theory on IR trade-off management on both a strategic and operational level, which enabled us to create a conceptual framework showing the interconnectedness between strategy and operations. Further, in the preceding chapter, we have recognized the reality at the case-company with regards to how they manage the IR trade-off. As is apparent, there are common denominators but also discrepancies between the management approach brought forth by theory and the empirical reality. In the subsequent analysis section theoretical and empirical findings will be intertwined and synthesized, resulting in a refined theory on strategic IR trade-off management and a new theory on operational IR trade-off management. The analysis will not be divided into subsections, as the relatedness between strategy and operations is vast. A section discussing identified discrepancies between the developed theory and empirical data will conclude the chapter before the conclusions are outlined in the next chapter.

As shown by the empirical findings, all interviewees except top management explained that a clearly articulated strategic focus was lacking. However, by inferring the strategy from the operations, the interviewees nonetheless explained the strategic focus as emphasizing both international integration and local responsiveness. The notion that the company pursued such a dual focus is supported by the fact that the company developed both standardized products sold globally and adapted products to regional needs.

In terms of the two MNC types that were put forth in the conceptual framework, we can conclude that both pursue a dual focus just as the case-company in an attempt to

reap benefits from integration and responsiveness simultaneously. However, the multifocal MNC's dual strategic focus is pursued homogeneously across markets. This means that a multifocal MNC employs the same approach to NPD on all markets (Prahalad & Doz, 1987). This homogeneous approach differs from the case-company's. As the interviewees explained, glocal product development (i.e. efforts aimed at increasing local responsiveness) was conducted specifically for three regions. This means that the case-company deploys its strategic focus heterogeneously across markets, as NPD is not approached in the same way across markets. Thus, we can eliminate the multifocal MNC type as representing the case-company because the fundamental approach to obtain simultaneous benefits from integration and responsiveness differ between the two.

We have concluded that the case-company heterogeneously pursues a dual strategic focus. The only MNC type brought forth by theory that pursues a dual strategic focus in a heterogeneous way across markets is the transnational (Bartlett & Ghoshal, 2002). It is therefore tempting to classify the case-company as a transnational. However, we argue otherwise. Undoubtedly, the case-company is similar to the transnational in the way that it adopts a dual strategic focus facilitated through a heterogeneous perspective on how to manage different subsidiaries. Just like the transnational, the case-company recognizes that by differentiating roles and responsibilities among its subsidiaries it can enjoy a high degree of benefits from both integration and responsiveness. Thus, the case-company is comparable to the transnational in terms of strategic characteristics and mindset towards differentiation (a mindset shared by a clear majority of the interviewees).

However, unlike the transnational, the case-company does not utilize all four different NPD processes outlined in the conceptual framework in their attempt to do so. The two NPD processes employed by the case-company were described by the interviewees as either sourcing and developing ideas globally or sourcing ideas regionally and developing them cooperatively. These descriptions are identical to those for the two NPD processes centre-for-global and globally-linked, respectively. These two NPD processes are explained as being centralized since control and coordination of them are the headquarters' responsibility (Bartlett & Ghoshal, 2002; Bartlett et al., 1990). Nonetheless, the two processes differ in that the globally-linked NPD process is cooperative where headquarter and subsidiary employees work

together to develop products. Thus, the case-company employs centralized NPD processes (of which one is a cooperative process) whereas the transnational employs both centralized and decentralized NPD processes simultaneously (of which two are cooperative processes).

Furthermore, the case-company does not differentiate roles and responsibilities to the same degree as the transnational. Whereas the transnational makes this differentiation down to the level of nations, tasks, and decisions (Bartlett & Ghoshal, 2002), the case-company merely differentiates at a regional level. The interviewees explained that the glocal products were developed for, and sold in, specific regions rather than developed and sold for nations. They argued that the rationale behind this was that the low volumes that products developed for specific nations would incur, does not render sufficient scale in operations. Such reasoning is in line with Egelhoff's (2010) argument that scale advantages are core to modern MNCs. Also, the extra resources required for differentiation on a national level was argued to be too great. In addition, the case-company's previous bad experience with local production and differentiation was used as an argument to reinforce the rationale behind regional differentiation as this entails more centralized control and coordination.

Because of these reasons we argue that the case-company cannot be classified as any of the MNC types brought forth by theory. This properly illustrates the essence of our research gap, where we state that there are no theoretical models mirroring the reality faced by contemporary consumer-oriented MNCs. The purpose of this thesis is to attempt to close this gap by coining a refined concept outlining a new approach to strategic IR trade-off management. We argue that the case-company pursues a strategic focus much like a transnational, but with a regional dimension. This approach to strategic IR trade-off management result in the coining of what we choose to call a 'Regional Transnational MNC'²².

Refining the transnational MNC type is in line with the critique put forth by many scholars who emphasize that the concept of the transnational implies excessive

²² We do not state that the case-company is a mirrored view of what we would like to call a regional transnational MNC. However, the case-company does pursue a similar strategic focus and employs the same NPD processes as a regional transnational MNC. The discrepancies between the two will be reviewed in the discussion section following the analysis. For now, let us see the case-company as exemplifying the concept of the regional transnational MNC.

organizational complexity and has low usefulness as it only is valid for firms with globally dispersed assets and sales (Rugman & Verbeke, 2004; 2008; Lehrer & Asakawa, 1999; Ghemawat, 2005; 2007). The regional transnational MNC on the other hand, exemplified by the case-company, has a lower degree of complexity as its strategy emphasizes differentiation on a regional level rather than at levels as deep as nations, tasks, and decisions. Additionally, as the regional transnational MNC displays less variety in terms of number of NPD processes employed, complexity is further reduced.

In terms of usefulness, the regional transnational MNC represents a more usable concept, as it is a viable strategic focus for the majority of MNCs who, just like the case-company, has a geographically concentrated distribution of assets and sales (Rugman & Verbeke, 2004). Distribution such as this supports the choice to only employ centralized NPD processes, as resources tend to be concentrated together with assets and sales (Rugman & Verbeke, 2004; 2008). Thus, to utilize both centralized and decentralized NPD processes simultaneously puts requirements on having not only geographically dispersed distribution of assets and sales, but also dispersed resources. Such dispersion is, as Rugman and Verbeke (2004) point out, only displayed in what is considered to be undoubtedly global firms who represent 1-2% of all MNCs. Therefore, the centralization of NPD processes displayed, and lesser degree of differentiation employed, by the regional transnational MNC is seen to lower the degree of organizational complexity and increase the degree of usefulness of the concept in comparison to the transnational.

In terms of the location on the IR trade-off grid, the regional transnational MNC displays a higher degree of international integration and a lower degree of local responsiveness than the transnational. The lower degree of responsiveness is due to the less excessive level of differentiation that the regional transnational MNC employs. The higher degree of integration is due to the fact that only centralized NPD processes are employed by such a MNC. Figure 5.1 illustrates this point visually.

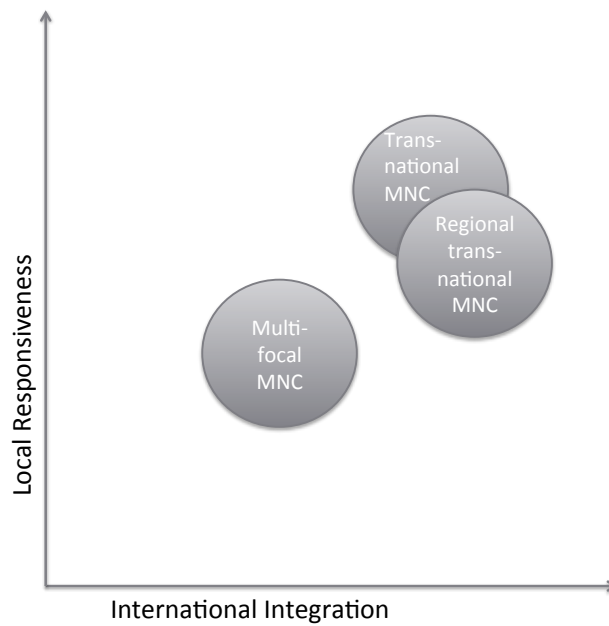


Figure 5.1 – Regional transnational MNC mapped on the IR trade-off grid

In terms of operational IR trade-off management, the regional transnational MNC employs, as recently described, a centralized NPD process by utilizing both a centre-for-global and globally-linked NPD process. With regards to the former process, the headquarter developed both the ideas for product concepts and the physical products themselves, awarding subsidiaries the responsibility to implement these concepts. The conceptual framework explained that in such a process there is no need for tacit knowledge transfer between subsidiaries.

In the other NPD process the regional transnational MNC utilizes, namely globally-linked, ideas are sourced regionally but developed cooperatively. Theory suggests that the high degree of cooperation between headquarters and subsidiary puts requirements on substantial levels of tacit knowledge transfer between the two, as knowledge about local consumer tastes is tacit (Subramaniam et al., 1998). Scholars argue that this tacit knowledge is ideally transferred through processes of socialization and externalization between individuals, facilitated by means of face-to-face communication aiming to integrate the knowledge and embody it in developed products (Nonaka & Takeuchi, 1995; Doz et al., 2001). This is supposedly superior to ICT-aided communication means as these are more suitable for explicit knowledge transfer (Lagerström & Andersson, 2003).

We argue that theory fails to take into account the often wide spectra of products and product adaptations that are developed in a globally-linked NPD process. This has led to the development of a generic understanding of the topic where the dynamism of product development is not given enough room. The notion that a globally-linked NPD process requires a high level of tacit knowledge transfer, facilitated through face-to-face communication, is driven by the belief that products developed through this process is homogeneous with regards to their level of 'newness'²³.

If all products developed through a globally-linked process were completely new product concepts rooted in unique local or regional tastes, we support the above arguments put forth by scholars. However, as was evident from the empirical findings, there is significant variation in terms of the degree of newness that products developed in the globally-linked process represent. This calls for the development of new theory within operational IR trade-off management on how to manage a globally-linked NPD process. Such a theoretical contribution is key as it facilitates successful implementation of the strategic focus adopted by the regional transnational MNC. Let us turn to the empirical findings in order to develop such a theory.

Interviewees from both regional subsidiaries and headquarter explained that while some ideas sourced from subsidiaries entailed simple repackaging due to requirements on smaller or larger product sizes, some represented completely new product concepts. Quite naturally, and also emphasized by the interviewees, the level of product newness has an affect on the degree of involvement required on behalf of the subsidiaries. Whereas a smaller adaptation requires a low degree of subsidiary involvement, a new product concept requires substantially higher involvement.

The level of subsidiary involvement, in turn, has an affect on the type of knowledge that needs to be transferred, and thereby also on suitable transfer methods and means of communication facilitating this transfer. As an example, to change the size of an existing product represents a low degree of product newness and we argue that

²³ Goffin and Mitchell (2005) explain that a NPD process generates products that differ in terms of their degree of newness. Some products might be completely new-to-the-world products, while some could simply represent small improvements or changes. Moreover, in between the two there is a range of products whose degree of newness differ from one another.

this does not require transfer of tacit knowledge. In essence, the subsidiary involvement in such a globally-linked NPD process could be limited to the communication of a new sized product to the headquarter who then develops the product. Knowledge about product sizes represents explicit knowledge as it is easily codified (Polanyi, 1967). Transfer of such knowledge is facilitated by much simpler means than transfer of tacit knowledge. Combination and internalization transfer methods are suitable means to this end and are facilitated through simple ICT-solutions such as emails rather than face-to-face communication, which often require expensive travel (Nonaka & Takeuchi, 1995; von Zedtwitz et al., 2004). However, a regionally sourced new product concept idea that is to be developed cooperatively in a globally-linked NPD process does require tacit knowledge transfer as it represents a high level of newness. This tacit knowledge is transferred through processes of socialization and externalization, facilitated through means of direct face-to-face communication.

In short, we disagree with the notion put forth by theory arguing that a globally-linked NPD process solely requires tacit knowledge transfer facilitated through socialization and externalization methods by communicating face-to-face. Such an argument does not incorporate the heterogeneity observed in the level of product newness in the NPD process. Instead, we argue that the level of newness has operational affects on the level of subsidiary involvement, type of knowledge transfer required, applicable knowledge transfer methods, as well as means of communication facilitating the transfer. We contend that the level of newness represents a continuum with adhering affects on these aspects. Table 5.1 shows this continuum and represents new theory on operational IR trade-off management, taking into account the reality of heterogeneous levels of product newness in the process. Previous theory on management of a globally-linked NPD process has only advocated the usage of direct communication means. This has resulted in scholars seeing excessive coordination costs as the main risk and drawback of this process (Bartlett & Ghoshal, 2002). As the theory developed here support the usage of both direct and indirect communication means, depending on product newness, this risk is partly mitigated.






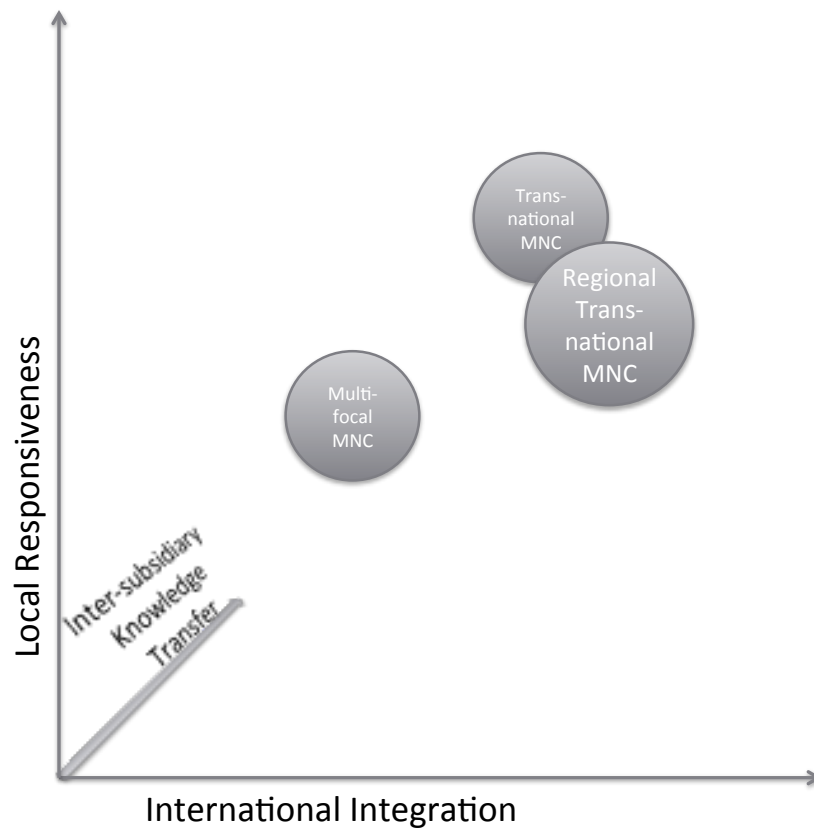
	Continuum for Globally-linked Product Development	
Level of newness	Small (e.g. new size) 	Large (e.g. new concept)
Level of subsidiary involvement	Low (early involvement) 	High (longer involvement)
Type of internal knowledge transfer required	Explicit 	Tacit
Knowledge transfer method applicable	Combination & internalization 	Socialization & externalization
Means of communication facilitating transfer	ICT-solutions 	Face-to-face

Table 5.1 – Continuum for globally-linked NPD process

To summarize, this analysis has rendered the coining of a new strategic focus represented by the regional transnational MNC. This MNC enables benefits from integration and responsiveness simultaneously. Operationally, the regional transnational MNC employs the NPD processes centre-for-global and globally-linked. Exhibit 5.1 serves to compare the regional transnational MNC with the multifocal and transnational MNC in terms of strategic and operational IR trade-off management. The model in this exhibit, which is composed by the authors, can be described as a modified version of the IR trade-off grid where the relation between the strategic focuses and their required level of inter-subsidary knowledge transfer is illustrated by adding a third axis, thereby creating a three-dimensional model. The table below the grid serves to relate the MNC types with the various NPD processes adopted. In the three-dimensional model, the multifocal is placed in the deepest level as this MNC employs either a locally-leveraged or globally-linked NPD process, which both put

requirements on a high level of inter-subsidary knowledge transfer. The transnational MNC is placed on the same level as it also employs both of these NPD processes. The regional transnational MNC, on the other hand, only utilizes one of these processes and is therefore located on a shallower level.



MNC type	NPD process adopted
Multifocal	Either locally-leveraged or globally-linked
Transnational	Centre-for-global, local-for-local, locally-leveraged, globally-linked
Regional transnational	Centre-for-global, globally-linked

Exhibit 5.1 – Self-composed modified IR trade-off grid with belonging table

5.2 Discussion

The preceding section synthesized the theoretical and empirical findings and refined theory on strategic IR trade-off management as well as developed theory on operational IR trade-off management. The results are theoretical contributions anchored in the reality of regional concentration of assets and sales, in which most MNCs find themselves (Rugman & Verbeke, 2004). Strategically, the coining of a new

MNC type, the regional transnational MNC, represents an extension of the criticized concept of the transnational. With regards to operational management, which essentially serves to implement the strategy, a continuum-model was developed incorporating the variety of product newness observed in a globally-linked NPD process. This model explains how these variations can be managed through different means of communication.

We would like to emphasize that we do not state that the case-company is a mirrored view of the concept of the regional transnational MNC. For example, the case-company does not employ a clearly articulated strategic focus putting implications on operations management. Further, we do not see the culture at the case-company as similar to the culture we believe a regional transnational MNC may display in order to properly facilitate its strategy and operations. Thus, there exist discrepancies between the concept of the regional transnational MNC, as developed by the authors, and the empirical findings drawn from the study at the case-company. In this section we will address these discrepancies in terms of the geographical and hierarchal perspectives that were present in the research object and discuss why they might exist.

5.2.1 Which Came First, the Strategy or the Operations?

As we have seen, the employees at the case-company seem to be somewhat confused about what the strategy is on IR trade-off management. Three years ago there was a clear strategy to focus on economies of scale and scope and the company employed a centralized NPD process for global products. However, external pressures, in particular deviating consumer needs, led to an increase in requests for products adapted to the regional needs of especially Asia and Latin America. The global products were mostly focused on the regional needs of CIS, which had rendered a mismatch with consumer preferences in these regions.

The strategy was sidestepped when the glocal products were introduced. This in turn required the operational implementation of a glocal NPD process facilitating the development of products adapted to the needs of different regions. In order for products to be targeted at a certain market, an understanding of the requirements had to be developed on regional level and then communicated to headquarters for central development. Thus, today, three years after the strategic focus on

international integration was communicated, external pressures causing operations to change have rendered a different strategic focus, that of the regional transnational. However, numerous questions remain, as such a strategy has not been set and communicated.

Both employees at the headquarter and in the regions express the unclear strategy as the main problem in relation to glocal NPD. The questions that remain are for example:

- How many glocal products should be developed?
- Who is responsible for developing and approving the business case²⁴ for glocal products?
- Is a regional focus enough or does there need to be a local focus?
- How can local responsiveness be better facilitated in the glocal NPD process?

One can clearly see the battle between glocal and global products in these remaining questions at the case-company. There seem to be a lack of decision on the priority between glocal and global products, or maybe more correctly, there are differing views on what the division between them should be. It is clear in the comments by the interviewees that global products receive far more attention than glocal products (can for example be seen in the stories about the QMMs). However, the question about how much priority glocal products should be awarded remains.

From the above discussion we conclude that the ambiguous strategic focus caused by the changes in operations in turn has further operational implications (this logic can be followed in Figure 5.2 where the chain of events leading to the current stage is illustrated). Specifically, this has led to questions about how to allocate resources and how to divide responsibilities. The allocation of resources is clearly linked to the priority problem between glocal and global products outlined above, as no one knows exactly how to divide resources among these NPD efforts. When it comes to the unclear responsibilities, specifically for the glocal NPD process, the problem takes its form in the statements made by both headquarter and regional employees about the

²⁴ Described by the interviewees as a decision-making tool used to determine profitability over a period of time. As glocal products tend to have low volumes initially (incurs larger cost per unit than global products) it is important to determine volumes to be allowed because of future predicted growth in sales, according to the interviewees.

need of a responsible function or person. What this problem has led to is a communication issue between regional offices and headquarters. Today, uncertainty remains about how this communication should take place, as the formalized procedure put in place does not work. In fact, not even all of the employees are aware of its existence.

So what came first, the strategy or the operations? In this instance operations came before strategy. Because of this, a number of problems arise. In Figure 5.2 an overview of the course of events over the last three years within the case company is presented, together with the identified problems.

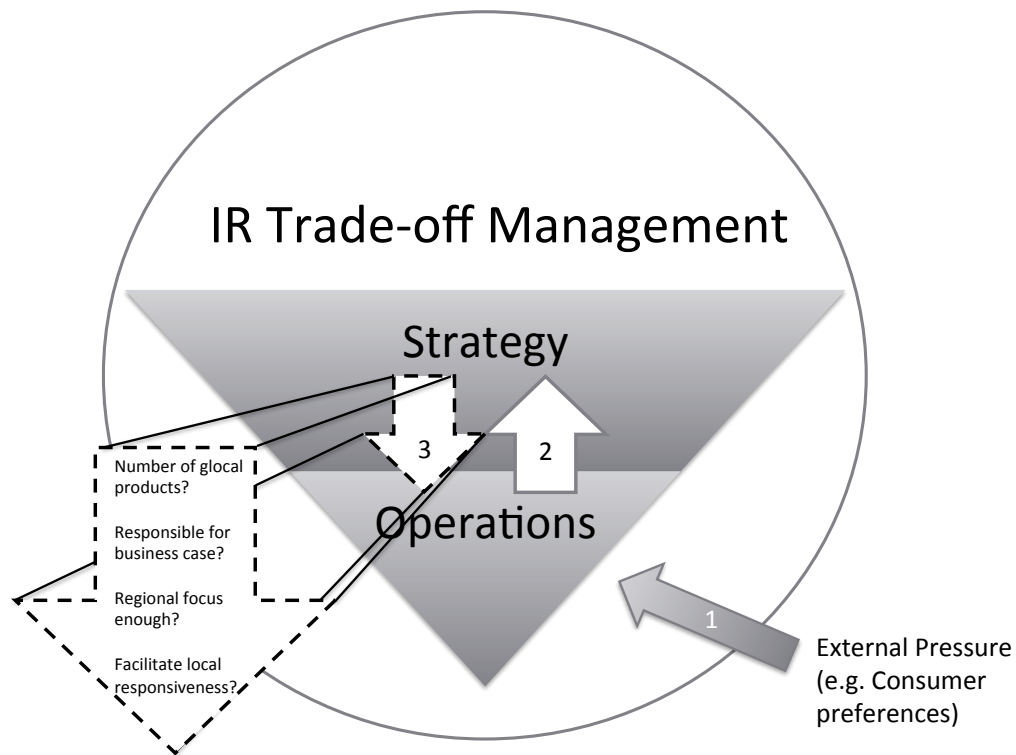


Figure 5.2 – Illustration of chain of events leading to current stage at the case-company

5.2.2 Cultural Tensions and Differences in Views

As have been described in the story outlined in the empirical findings and discussed above, the opinions on glocal products and how they should be developed differ among the interviewees. Like we discussed with the project sponsors, the employees tend to have similar opinions if they find themselves close organizationally. The clearest example of this is the difference between regional and headquarter

employees that we followed in the empirical story. As we discussed in the chapter outlining the thesis' research design, we view this as the geographical dimension of the perspectives. There is also a hierarchical difference between the managerial perspective represented by the project sponsors, who have decision power in the NPD process, and the interviewees' perspective.

However, there is more to these differences in opinions than was conveyed before. In this section we first discuss three cultural tensions we observed in the empirical data between regions and headquarter. Thereafter we review the differences in views between the project sponsors and the other interviewees. This is done in order to give way for a discussion about the mentality at the case company and the link between this and the developed concept of the regional transnational MNC.

5.2.2.1 Cultural Tensions in the Geographical Dimension

The first of the tensions observed is between people at headquarter who thinks that glocal products are unnecessary and that the company should focus its resources on global products, and the people who argue for an increased number of glocal products. According to the advocates of the former point of view, this is the strategic choice that has been made and that should be followed. They argue that the cost is very high for glocal products because of the relatively low volumes and the increased complexity they bring. These opinions are often put in strong words, as the following quote from a headquarter employee illustrates (repeated from the empirical presentation).

"I just count glocals as niche products and say no to such requests."

This agenda is seen as a problem for the regional employees who strongly emphasize the need for glocal products. Encountering this mindset at headquarter is described as leading to a feeling of helplessness. However, it is important to remember that many interviewees from headquarter are positive towards glocal products. These also use fairly strong language when they describe what they think about the opposite agenda.

The second tension is between people who think that glocal products should be the responsibility of regional subsidiaries and those who argue that it should be the

responsibility of headquarters. Those advocating centralized responsibility argue that decentralization of responsibility would lead to disaster because the lack of control would have a profound negative impact on the brand. The opinions also go apart between regions, as some feel that it would be impossible for them to come up with, and possibly develop, product concepts themselves. Others argue that it is difficult to develop the required understanding of the regions centrally and that some parts of concept development therefore must be conducted on regional level. Also the discussions on this subject raise agitation among interviewees, no matter which of the two agendas the employee belongs to.

The third and last cultural tension observed lay between employees who argue for the need of face-to-face communication in the glocal NPD process and those who think that this is unnecessary and costly. Proponents for the latter strongly stated that ICT is sufficient and that travelling back and forth between offices is a waste of time and money. The interviewees who argue for more face-to-face communication, specifically in connection to more complex product developments, say that without this it is impossible to develop products that fully fit the need that they are supposed to satisfy.

5.2.2.2 Differences in Views in the Hierarchal Dimension

As earlier described, we have acknowledged two hierarchal dimensions in this study; the managerial perspective and the interviewees' perspective. The managerial perspective belongs to the two project sponsors and the interviewees' perspective represents the views of the 16 employees interviewed. As explained, we have not contrasted the views of different departments, as this would interfere with the promised anonymity.

The main difference between the managerial perspective and the interviewees' perspective is the view on the degree to which a strategy is lacking. According to the project sponsors, there is a strategy that emphasizes a dual strategic focus on international integration and local responsiveness simultaneously. They are surprised to hear the view of the employees, stating that they do not know what the strategy is and that they feel that operations have been adapted to a perceived need without connection to a strategy.

This difference in opinions is vital because it is this lack of strategy that causes ambiguity about allocation of resources and assignment of responsibilities in regards to the glocal NPD process. The case company has, as we have explained, a dual strategic focus in place. However, as some interviewees put it, they need to firmly state and communicate the same in order to resolve the remaining questions, as outlined in Figure 5.2.

5.2.3 Source of Discrepancies

So far this section has discussed the discrepancies between the research object and the theory formulated in the preceding analysis. The main discussions concerned the fact that the strategy was inferred by the operations in this particular case and the different views expressed by the geographical and hierarchal perspectives. In this final section we review possible reasons for these discrepancies, and what this means for the developed concept of the regional transnational MNC.

The fact that the strategy is inferred by the operations in this instance, rather than the other way around, is not viewed to impact the refined theory on strategic IR trade-off management because the case-company is not seen as a mirrored view of the regional transnational MNC. Instead, it is seen to represent a similar strategic focus. The process leading to this strategic focus is seen as trivial for the development of the theory, but essential for successful implementation of such a strategy.

For the regional transnational MNC type, a set strategy is supposed to guide operations management, rather than the other way around as was the case in the company we researched. The problem we identify with having the process reversed as in the case-company, is that divergent opinions with regards to prioritizations and operations management arise. This was clearly shown in the presentation of the empirical findings where a shared mentality facilitating agreement and conformity with regards to these matters was absent.

For a transnational MNC, Bartlett and Ghoshal's (2002) developed the concept of the transnational mentality and described it as a prerequisite for the transnational strategy to be successfully operationalized. This organizational mentality is a belief that diversity and international differences are imperative, and it facilitates differentiated roles and responsibilities throughout the company. Such a mentality

can only be developed if there is a strategic choice to acknowledge local differences, because the absence of such a decision signals that management are uncertain about whether local responsiveness is important (Bartlett & Ghoshal, 2002). For successful implementation of a regional transnational strategic focus, we argue that the creation and maintenance of a 'Regional Transnational Mentality' is just as imperative as in the case for the transnational. This mentality views diversity and regional differences as imperative and that this is best leveraged through centralized coordination and control.

We argue that the case-company lacks a shared regional transnational mentality. The lack of this mentality is exemplified by the fact that some still argue for a sole focus on global products, and that roles and responsibilities remain unclear for glocal products. A potential reason for why the case-company does not display a regional transnational mentality could be the company's failure to set and communicate a clear strategic focus. If this were to be resolved, the employees would most likely be more aligned in terms of these matters, both on a geographical and hierarchal dimension.

As apparent from the geographical dimension, regions and headquarter view the importance of glocal products differently. This is in line with Prahalad and Doz (1987) who argue that it is common for regional subsidiaries to advocate responsiveness and headquarter to focus on economies of scale. If a regional transnational mentality were present, these differences would not be as apparent because the strategic importance of responsiveness would be communicated. Another example of the lack of this mentality, derived from the regional dimension, is the differing views with regards to preferred means of communication in the NPD process. In this instance, a shared mentality, enabled by the setting and communicating of a clear strategic focus, can serve to facilitate what Cohen and Levinthal (1990) call an absorptive capacity. As they explain, this capacity enables a shared commitment to internal knowledge transfer and means facilitating this transfer.

Another reason for the case-company's absence of a regional transnational mentality could be rooted in what Bartlett and Ghoshal (1987; 1989; 2002) call the administrative heritage. They acknowledge that the administrative heritage can be

seen as one of the core reasons for why a shared mentality cannot be created. The entrepreneurial way of doing things at the company is, as we described in the introductory chapter, one of their distinguishing characteristics. Therefore, this can be seen as an important part of the administrative heritage. We argue that this heritage does not go hand-in-hand with the regional transnational mentality because the core of this mentality is that everyone acts according to a shared belief. An entrepreneurial way of doing things is on the contrary based on employees taking own action according to the best of their knowledge, no matter if this goes against this belief. If there were such a mentality in place from the beginning, this would underlie and guide the employees' entrepreneurial decisions. If one wanted to introduce such a mentality in hindsight, this would be difficult because of the administrative heritage.

Thus, we have identified the absence of a regional transnational mentality at the case-company to be the source of the discrepancies between the empirical findings and the concept of the regional transnational MNC. In turn, the reason for the absence of such a shared mentality is most likely rooted in the fact that the company has not been able to set and communicate a clear strategic focus, or that the administrative heritage of the company is hindering the creation of this mentality.

Chapter 6 – Conclusion

In this penultimate chapter of the thesis conclusions are drawn and presented based on the analysis conducted in the previous chapter. Potential generalizations of the conclusions are discussed in the last section.

This section will outline the conclusions of the thesis. As such, it sets out to answer the study's previously stipulated research question, which is shown below.

How can a consumer-oriented MNC strategically and operationally manage the IR trade-off so as to benefit from integration and responsiveness simultaneously?

For the sake of delivering a coherent conclusion we will break down the research question and start by answering how a consumer-oriented MNC strategically can manage the IR trade-off. The conceptual framework outlined two MNC types with different strategic focuses on how to manage the IR trade-off, namely the multifocal and transnational MNC. The strategic focus adopted by the multifocal MNC is pursued in a homogeneous manner (Prahalad & Doz, 1987). This means that the multifocal strategy advocates the installation of processes and structures that are alike and symmetric in all operations worldwide. While such an approach does enable benefits from integration and responsiveness simultaneously, it fails to facilitate a high degree of benefits as it simply balances the two in a homogeneous way. Thus, the multifocal is seen as an undesirable approach to strategic IR trade-off management for a consumer-oriented MNC.

The concept of the transnational, on the other hand, does enable a high degree of benefits from integration and responsiveness simultaneously. It does so by pursuing its strategy heterogeneously across markets through differentiation of roles and responsibilities, as well as processes and structures, among its subsidiaries (Bartlett & Ghoshal, 2002). As such, it represents a desirable approach to strategic IR trade-off management for consumer-oriented MNCs. However, as the transnational is based upon research of undoubtedly global firms (i.e. firms with a globally dispersed distribution of assets and sales), it fails to provide a useful strategic focus for the majority of MNCs (98-99% according to Rugman and Verbeke, (2004)) who does not

employ sufficient resources or dispersion of assets and sales to make the excessive differentiation of a transnational approach feasible. Therefore, it can be seen as an unattainable strategic focus for most consumer-oriented MNCs.

Through the analysis of the conceptual framework and the empirical findings, we have developed a new MNC type that enables a high degree of benefits from integration and responsiveness simultaneously. The regional transnational MNC can be seen as an extension of the transnational concept that includes a regional component. This component regards the degree of differentiation that the MNC is to pursue. By advocating differentiation on a regional rather than national level, the reality of concentrated distribution of assets and sales displayed by contemporary MNCs is acknowledged, and a strategic approach to IR trade-off management that is desirable and attainable for the majority of consumer-oriented MNCs is born. For this strategic focus to be successfully implemented, a shared regional transnational mentality throughout the company is imperative. Such a mentality emphasizes diversity and regional differences but acknowledges that this is best leveraged through centralized coordination and control.

The next part of the research question regards how a consumer-oriented MNC operationally can manage the IR trade-off. As emphasized before, the operational setup is inferred by the strategic focus, and as the latter has been explained to be the strategy pursued by a regional transnational MNC, let us see how such a MNC manages its operations. As previously explained, the regional transnational MNC differentiates processes and subsidiary roles on a regional level. It employs two different NPD processes. A centre-for-global NPD process serves to develop standardized products that are developed centrally and sold in regions around the world. Through a globally-linked NPD process, regional subsidiaries cooperate with headquarters who centrally develops products catered to serve regional needs (Bartlett & Ghoshal, 2002; Bartlett et al., 1990).

As the globally-linked NPD process is cooperative, it is of key importance to facilitate knowledge transfer between subsidiaries and headquarters for the process to be successfully executed (Subramaniam et al., 1998). Scholars argue that such knowledge conversion should facilitate transfer of tacit knowledge through processes of socialization and externalization emphasizing the usage of direct (face-to-face)

social interaction (Nonaka & Takeuchi, 1995; Doz et al., 2001). We refute this argument and state that such reasoning does not take into account the different degrees of newness displayed by products developed in a globally-linked NPD process. This in turn has consequences on the necessary level of subsidiary involvement. While the development of a completely new product concept requires substantial subsidiary involvement and facilitation of tacit knowledge transfer through direct communication means, the development of a product with a low degree of newness does not. The development of a simple repackaged product to cater regional preferences with regards to pack size does not require substantial subsidiary involvement. In addition, knowledge about such consumer needs is not tacit but explicit. This in turn has effect on the suitable knowledge transfer methods and communication means facilitating the transfer. Transfer of explicit knowledge does not require face-to-face communication, but is satisfactory facilitated by combination and internalization methods emphasizing usage of ICT-aided communication means (Nonaka & Takeuchi, 1995; Lagerström & Andersson, 2003).

We argue that the level of newness of the product being developed in a globally-linked NPD process affects the level of subsidiary involvement, type of knowledge transfer required, applicable knowledge transfer methods, as well as means of communication facilitating the transfer. These affects can be understood as a continuum that was shown in the previous chapter and is once again depicted in Table 6.1.

6 Conclusion






	Continuum for Globally-linked Product Development	
Level of newness	Small (e.g. new size) 	Large (e.g. new concept)
Level of subsidiary involvement	Low (early involvement) 	High (longer involvement)
Type of internal knowledge transfer required	Explicit 	Tacit
Knowledge transfer method applicable	Combination & internalization 	Socialization & externalization
Means of communication facilitating transfer	ICT-solutions 	Face-to-face

Table 6.1 – Continuum for globally-linked NPD process

Thus, a consumer-oriented MNC can operationally manage the IR trade-off by employing the NPD processes centre-for-global and globally-linked. When managing the latter process, facilitation of knowledge transfer is imperative (Subramaniam et al., 1998). The developed continuum-model represents new theory on operational IR trade-off management. This model emphasizes that it is the degree of product newness displayed in a globally-linked NPD process that should guide the decision of which knowledge transfer method and means of communication to be utilized.

In total, we have contributed to the theoretical field of IR trade-off management on both a strategic and operational level. In terms of strategic IR trade-off management, the regional transnational MNC represents a theoretical extension of the transnational concept that acknowledges the fact that most MNCs display a concentrated distribution of assets and sales. On an operational level, the

development of the continuum-model represents new theory on how a globally-linked NPD process can be managed in a way that acknowledges the variety displayed in terms of product newness. As such, it provides insights into how the strategy pursued by a regional transnational MNC can be operationalized. Before we move on to the section explaining the generalizability of the conclusions, we will below provide a short answer to the research question.

A consumer-oriented MNC can manage the IR trade-off strategically by adopting the focus pursued by the regional transnational MNC. On an operational level, this entails differentiation among regional subsidiaries that can utilize centre-for-global and/or globally-linked NPD processes. For the latter process, varying degrees of inter-subsidiary knowledge transfer is required. The level of product newness guides the decision of which knowledge transfer method and means of communication to be utilized in order to facilitate this transfer.

6.1 Generalizability

In this section we describe the degree of generalizability of our findings. The main theoretical contributions of this thesis are (i) the regional transnational MNC type and (ii) the continuum for globally-linked product development. We will start this section by discussing the overall applicability of the findings, which to some parts has been mentioned before. Thereafter we discuss the generalizability of the theory specifically in terms of other business models, other industries, other sizes, other cultural and geographical settings, and for service focused MNCs.

Generally speaking, the regional transnational strategic focus can be pursued by any consumer-oriented MNC that wishes to utilize both advantages of scale and scope as well as regionally adapted products. The regional transnational MNC type is deemed more applicable for the majority of MNCs than the transnational MNC type as only undoubtedly global firms can utilize this approach (Rugman & Verbeke, 2008). The continuum-model is deemed applicable for any firm wanting to pursue a globally-linked NPD process, not dependent on whether it is a multifocal, a transnational or a regional transnational MNC.

Still, it is important to acknowledge that the developed theory is based upon the findings in a Swedish direct-selling consumer goods MNC. This has important

6 Conclusion

implications for the generalizability of the findings in terms of the specific business model, industry, size, product focus, as well as cultural and geographical setting, because differences in any of these aspects may affect how well the theory fits a particular MNC. An overview of the effects that these aspects can have on the general applicability of the theory is presented in table 6.2.

Company specifics	Implications	Effect on generalizability
Direct-selling business model	Increased importance of local responsiveness because of need to appeal both to consumers and consultants in the independent salesforce.	A company with less need of local responsiveness might not fit the theory since this affect strategic importance and subsidiary roles and responsibilities.
Size and geographical spread	The case-company is a fairly large MNC with operations in over 60 countries. The size implies a certain level of access to resources and cost of responsiveness.	Different geographical presence and/or different size affect the applicability of the findings. For example, as we have seen it may be more feasible for a larger organization to pursue a fully transnational approach.
Consumer goods industry	Large amount of new products lead to increased importance of efficient and fast NPD, which in turn affects knowledge transfer. Large product diversity leads to complex NPD.	In a different industry the need of tacit knowledge transfer can be affected, as products might be less complex. If the importance of the NPD process is lesser, this could influence priority and means of communication.
Swedish headquarter	Being a Western-European company influence everything from people to available transportation.	A MNC situated in a different part of the world may find the theory inappropriate because of cultural and geographical differences.

Table 6.2 – Implications of company specifics on generalizability of theory

In short, we argue that the findings are generalizable for consumer-oriented MNCs situated in a similar cultural setting to the case-company operating in the consumer goods industry. Also, similarities with the case-company regarding size and geographical presence are believed to increase the possibilities of generalizability as it affects the type of strategic focus feasible to pursue (as we learned from the literature review, several scholars argue that undoubtedly global firms with globally

dispersed assets and sales benefit from pursuing a transnational strategic focus). Even if the characteristics of the case-company are not identical for every consumer-oriented MNC there are reasons to believe that our theory will be applicable for them, as we discussed in the Research Design chapter. In the next chapter we provide some suggestions on future research that can be done to further test and expand the theory we have created.

Chapter 7 – Managerial Implications and Future Research

In this last chapter we first discuss potential managerial implications that can be drawn from the findings of the thesis. The concluding section will discuss future research necessary in order to evaluate, test, and expand the findings.

7.1 Managerial Implications

This master thesis has outlined how a consumer-oriented MNC can benefit from both integration and responsiveness by employing a regional transnational strategic focus. Thus, managerial implications can be drawn with regards to strategic IR trade-off management. These implications are mainly relevant for managers active in consumer-oriented MNCs, as these firms can benefit from displaying both international integration and local responsiveness.

Managerial implications can also be drawn from the problems that were experienced by the interviewees at the case-company. They explained that the lack of a clearly articulated strategic focus led to unclear prioritization between glocal and global products that complicated operations and communication. Thus, communication of a clear strategic focus is important in order to enable employees to operationalize a certain strategy.

Another interesting aspect identified at the case company was that operational adaptations to external pressures happened without, or perhaps even against, a strategic decision. This has implications for managers in that it is important to understand the complexity of the course of events between strategy and operations. If operations change, as in the case company, this may infer a different strategic focus. However, without making a strategic decision, vital questions regarding for example allocation of resources and assignment of responsibilities may remain unresolved. For managers it is therefore crucial to make sure strategy and operations are continuously aligned, acknowledging the fact that the latter may change before the former.

A continuum-model was developed that shows how a MNC can tackle the operational challenges related to the aforementioned strategic focus in terms of a globally-linked NPD process. Thus, managerial implications can also be drawn with regards to operational IR trade-off management. By acknowledging heterogeneity in product offerings and adaptations, communication within the NPD process can be improved. Naturally, this continuum has implications predominantly for MNCs with a broad product line as these most likely experiences a higher degree of heterogeneity. However, it is fair to assume that consumer-oriented MNCs usually has a larger variety within their product line as this will enable catering of diverse needs. Therefore, the continuum-model presents operational implications for managers in consumer-oriented MNCs.

In short, the thesis' findings have managerial implications on both a strategic and operational level, mainly for managers active in consumer-oriented MNCs. As the implications on a strategic and operational level are clearly related, they offer a complete approach to IR trade-off management.

7.2 Future Research

In this final section of the final chapter we give suggestions on future research connected to our findings. We will discuss the necessary steps to be taken in terms of evaluating and testing the findings as well as related exploratory research confirming and expanding their generalizability.

7.2.1 Evaluate and Test Findings

As this study is based on one case this implies the necessity of future researchers to confirm the findings. This could be done in a number of different ways. One alternative would be to perform a similar case study at a different company to see if similar conclusions can be drawn there. The problem with such a study is that it would only partially increase the trustworthiness of the findings, as the organization could be too alike our case-company in determinant aspects. Therefore, a better suggestion might be to research several companies through a multiple case study. This would show whether the findings hold for a larger sample of organizations. Another possibility would be to conduct a quantitative study through surveys among a larger population of companies. Such a study could efficiently try the level of significance of the results and test for correlation with other parameters. As we

discussed in the chapter outlining the thesis' research design, such a study is good for validating theory, and could be used to provide evidence for the results that we present in this thesis.

7.2.2 Additional Exploratory Research

There are many other interesting questions that arise related to our research. Questions regarding the generalizability of the findings in this research call for additional theory building studies. We explained that the findings cannot, as of now, be generalized for industries other than the consumer goods industry, and dissimilar cultural settings. Thus, additional exploratory research with regards to these aspects could serve to either confirm or disclaim the generalizability of the research findings. Further research can also serve to expand the theory and explore previously unknown territory. For example, operational IR trade-off management with regards to other operational fields, such as R&D and marketing, are unexplored and represent possible future research topics. Researching the above areas would provide important insights to the generalizability and expansion of this study's findings.

To write this thesis has been interesting and challenging. By researching both strategic and operational IR trade-off management, we feel that a more complete understanding of the multifaceted IR trade-off has been reached. It is our hope that future research will shed more light on IR trade-off management, both on a strategic and operational level.

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Appendix

Appendix 1 – Interview Guides

a) Headquarter Employee

A – INTRODUCTION	B – GENERAL INTERVIEWEE INFORMATION
1 <i>Us</i> – name and background	1 <i>Background</i> – previous companies/positions
2 <i>Study</i> – background, objectives, why here, why you?	2 <i>Current position</i> – core tasks, supporting tasks
3 <i>Confidentiality & structure of interview</i> – Emphasize anonymity and ask for permission to record	
1 – STRATEGY AND THE IR TRADE-OFF ²⁵	
1. How would you describe the overall strategy concerning glocal products at the company?	
2. How do you feel about this strategy?	
3. Where would you place the company on the IR trade-off? Is this based on an articulated strategic focus or a perceived need? Why?	
2 – NPD PROCESSES	
1. How would you describe the NPD process at the company? Can you describe the design of this process?	
2. How are subsidiaries in local markets involved?	
3. How would you describe the ideal NPD process for glocal products?	
4. Would this process require a change of strategic focus? If yes, please describe.	
3 – KNOWLEDGE TRANSFER	
1. Why do you transfer knowledge?	
2. What type of knowledge do you need to be able to develop product concepts?	
3. How do you transfer knowledge?	
4. Does large geographical distances affect knowledge transfer? If yes, how?	

²⁵ Make sure interviewee understands concept.

b) Regional Employee

A – INTRODUCTION	B – GENERAL INTERVIEWEE INFORMATION
1 <i>Us</i> – name and background	1 <i>Background</i> – previous companies/positions
2 <i>Study</i> – background, objectives, why here, why you?	2 <i>Current position</i> – core tasks, supporting tasks
3 <i>Confidentiality & structure of interview</i> – Emphasize anonymity and ask for permission to record	
1 – STRATEGY AND THE IR TRADE-OFF²⁶	
1. How would you describe the overall strategy concerning glocal products at the company?	
2. How do you feel about this strategy?	
3. Where would you place the company on the IR trade-off? Is this based on an articulated strategic focus or a perceived need? Why?	
2 – NPD PROCESSES	
1. How are you (your subsidiary) involved in the NPD process?	
2. How would you describe the ideal NPD process for glocal products?	
3. Would this process require a change of strategic focus? If yes, please describe.	
3 – KNOWLEDGE TRANSFER	
1. Why do you transfer knowledge?	
2. What type of knowledge ³ does HQ need to be able to develop products for your market?	
3. How do you transfer knowledge?	
4. Does large geographical distances affect knowledge transfer? If yes, how?	

²⁶ Make sure interviewee understands concept.

Appendix 2 – Data Analysis Guideline

Areas	Opinion	Frequency	
Strategic focus		HQ	Regional
	Need of focus on glocal products	12	3
	Need of strategic focus	8	3
	Influenced by perceived need	13	3
	Need of decision on responsibilities	6	2
	Need of decision on resource allocation	4	
	Minimum required volumes	3	
NPD processes			
	Local input in front-end	9	3
Knowledge transfer			
	Need of improvement	6	1
	Face-to-face	3	2
	ICT	3	
	Both	2	

Total interviewees: 16

Total headquarter interviewees: 13

Total regional interviewees: 3

Project sponsors²⁷: 2

²⁷ The project sponsors' views are not incorporated in the table because they were not interviewed in the same manner.