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Case update: Whirlpool Slovakia transformation from local manufacturer to a leader in the whirlpool worldwide network

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Abstract

The fall of the Berlin Wall, the Velvet Revolution, and many other similar events ultimately led to the breakup of the Soviet Union and the opening of Central and Eastern Europe (CEE) from a planned economy, modeled after the former Soviet Union, to a free market economy. This move provided investment opportunities for MNCs around the world. Around this same time, Whirlpool Corporation, one of the world's leading manufacturers and marketers of home appliances, made a strategic decision to globalize its production and market. In pursuit of this decision, Whirlpool entered Slovakia in the new CEE market. This paper provides an update on previous case studies which described transition of Whirlpool Slovakia from a sub-standard producer of washing machines in Czechoslovakia and Poland, to where Whirlpool Slovakia is not only one of the leading producers of white appliances in the Whirlpool global value chain, but one of the models of efficiency in the production of top loader washing machines.

Keywords: CEE; Emerging Nations; MNEs; Quality Transformation; Case Report

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INTRODUCTION

The fall of the Berlin Wall on November 9, 1989 is often credited as the event that led to the fall of Communism and the impending collapse of the former Soviet Union. With the fall of the former Soviet Union, new economies opened throughout the world, but most particularly in many countries in Central and Eastern Europe (CEE): Baltic, Caucasus, former Soviet, Central, and South East European nations. Many multi-national corporations (MNCs) saw opportunities in these new economies and very quickly moved new operations there.

As the new economies of the CEE opened up, Jeffery Sachs (1990) in an article in the *Economist*, described what he said were four basic steps that had to occur for the transformation of Eastern Europe's centrally planned economies: 1. Allow prices to find market-clearing levels. 2. Remove bureaucratic restrictions on the private sector. 3. Bring the state sector under control, and 4. Maintain overall macroeconomic stability through restrictive credit and balanced budgets.

He further said, that in order for this to occur, Eastern European nations, must accept a Western-style market economy. Similarly, the West must help Europe not only transition to understand this type of economic system, but also must assist with debt relief and financial restructuring to bring Eastern Europe reformed economies as part of a unified European Market.

In the 1990s, when Jeffery Sachs made his prescription for transition from a planned economy, Slovakia was part of Czechoslovakia. Czechoslovakia, like the other nations in the CEE, were emerging from the Velvet Revolution, and were positioning themselves to enact reform that would bring about democratic reforms and a free and open economy. Countries like Poland, Hungary, East Germany had already enacted democratic measures, and nations from the Baltic states showed an optimism about the future of their nations.

It was at this time that Whirlpool Corporation in the U.S. recognized that if it wanted to survive it must embrace a global strategy. David Whitham, former CEO of Whirlpool at this time said it best:

“The only way to gain lasting competitive advantage is to leverage your capabilities around the world so that the company as a whole is greater than the sum of its parts. Being an international company – selling globally, having global brands or operations in different countries isn’t enough” (Mauca, R.F., 1994, p.136).

In pursuit of this strategy, Whirlpool entered into a joint agreement with Tatramont in Poprad, Slovakia, to produce washing machines in Eastern Europe. Over the last 25 years the agreement changed with Whirlpool becoming sole owner of Tatramont, to becoming the primary producer of top-end loader washing machine in Whirlpool and the white appliance industry, to more recently entering into an agreement to merge its operation with Indesit Company in Italy. Today, Whirlpool Slovakia is regarded as a model of production for Whirlpool worldwide. It is the second biggest production site in EMEA (Europe, Middle East and Africa) region, and the most productive plant in Europe. In 2016, it became the pilot factory in the Whirlpool global network for WCM – World Class Manufacturing, and last year was regarded as the leader to launch Industry 4.0.

The lead author of this paper has followed the transition of Whirlpool Slovakia from when it was part of Tatramont in the early 1990s to today. This author has created two

previous case studies on Whirlpool transition (Ferencikova and Pucik, 1998; Ferencikova and Brechbuhl, 1999; Ferencikova, 2002, and Ferencikova, 2011). In 2017, accompanied by her co-author, a Visiting Fulbright Scholar, she updated her case study on Whirlpool. Where these earlier case studies by the lead author described the transition of Whirlpool Slovakia, this case study describes the transformation of Whirlpool Slovakia where it is one of the largest and most efficient production facilities in Whirlpools global network.

Background

Slovakia

The region of Slovakia has a rich and interesting history dating back to the 9th century and the state of greater Moravia. For most of its existence, Slovakia was part of the greater Hungarian empire. In 1867, it became part of the Austro-Hungarian monarchy. After the collapse of the Austro-Hungarian Empire at the end of World War I, Slovakia joined with the Czechs to form the country of Czechoslovakia. At the onset of World War II, Slovakia became an independent state allied with Nazi Germany. Following World War II, Czechoslovakia was reestablished as a country and within a few years became part of the Soviet-dominated countries of Eastern Europe. The relationship with the Soviets was not always a harmonious one and attempts were made in the late 1960s to liberalize their country. However, in 1968 with the invasion by Warsaw Pact troops (Prague Spring) ended any hope of liberalization and breaking away from the sphere of the Soviet Union. Thus Slovakia, as part of Czechoslovakia, remained a puppet state of the Eastern Bloc nations “planned economy” of the Soviet Union. Slovakia continued along this economic path where all the drawbacks of the planned economy were present until 1989, when several events led to the breakaway from the Soviet Union. Although, as discussed above the fall of the Berlin Wall is often regarded as the pivotal event that led to the fall of the Communist Soviet Union, for Czechoslovakia the most significant event was the “Velvet Revolution” (sometimes called the gentle revolution). The Velvet Revolution occurred from late November to the end of December 1989, led largely by Vaclav Havel where the Communist Party was removed from power. With this separation from the Communist Party and the Soviet Union, came an opening of the former eastern bloc nations to not only Western style democracy but also a western style market economy. For Slovakia, not totally unexpected, separated from the former Czechoslovakia, on January 1, 1993. Slovakia joined both NATO and the EU in the spring of 2004 and the euro zone on 1 January 2009.

Whirlpool in Central and Eastern Europe

It was also in the 1990s that Whirlpool entered into the eastern European market. With the fall of the Soviet Union, the managers of WEBV realized that the changes in CEE brought about new opportunities, as well as challenges for their company. They were attracted not only by the possibility of gaining new markets, as well as obtaining production facilities, but also a skilled labor force. Although, many CEE facilities were historically not efficient operations, they were generally low cost in comparison to Western Europe. In addition, given the structure of formerly planned economies, they were monopolies with almost 100% share of their local markets. Furthermore, this new privatization of previously state-owned factories opened the way for potential ownership and control. However, WEBV strategy to enter this new market, was not

driven only by external reasons, it was also forced as previously discussed to look at new opportunities because of its internal problems. Also, more limited success in Western Europe than expected, disappointing operating margins, and the need to decrease costs, were all drivers to explore opportunities in CEE.

On November 20, 1991, Whirlpool Europe BV (WEBV) signed an agreement to create a new joint venture company with Tatramat. The new company would manufacture washing machines in the existing Tatramat facilities in Poprad, Slovakia and serve as Whirlpool's exclusive sales representative on the Czechoslovak market.

Whirlpool Slovakia: Previous Studies:

The lead author of this study in 1997 went to the University of Michigan as a Fulbright Scholar. In her role as a Fulbright Scholar she worked with both faculty from the University of Michigan, as well as her home institution, University of Economics in Bratislava, Slovakia on chronicling and analyzing Whirlpool Corporation entry into the CEE. The cases served a model of a multinational entry into the CEE and transitioning from planned state run enterprise to a private corporation. Specifically, the cases followed the journey that Whirlpool took in Slovakia from their initial entry into the country to the path they followed through the 1990s into 2000s. This research has resulted in several published case studies as well a book chapter (Ferencikova, 1997; Ferencikova and Pucik, 1998; Ferencikova and Brechbuhl, 1999; Ferencikova, 2001a; Ferencikova, 2001b; Ferencikova, 2002; and Ferencikova, 2011). More recently the lead author, working with her co-author, a visiting Fulbright Scholar in Slovakia, conducted qualitative and quantitative research to update her previous cases and described Whirlpool Slovakia today.

Case Study Update

In November of 2017, the authors from the study visited the Whirlpool-Slovakia, Poprad plant. The site visit included a tour of the facility as well as interviews with a number of key individuals at the plant. The site visit to Poprad also included meeting with Whirlpool suppliers, and with former leaders of the company. Following this visit and initial data collection, the authors met with the Country Sales Manager at Whirlpool in Bratislava.

From the site visit, in-depth interviews and data collection, the authors were able to develop an update of the Whirlpool Case study. In addition, the information provided insight into the challenges that Whirlpool and other MNCs face in operating in Slovakia or other CEE, as well as their prospects for the future.

Whirlpool: 2009-2016

The "great recession" impacted companies worldwide. Whirlpool, like many other companies throughout the world, were deeply affected by this economic crisis. Whirlpool saw losses in both its revenues and staffing decline during this period. In 2009, Whirlpool reported a reduction of € 1.5 million in revenues. Although Whirlpool posted a profit of € 0.4 million in 2010, sales of products (which accounted for 83% of total revenues) decreased by 5.9% year/year, while the sales of goods sank by 16.2% year/year (€ 43.4 million). In addition, Whirlpool saw reductions in its workforce: although the company employed 1,030 workers on average in 2010, this represented declines from previous years (Intellinews, 2011). See Figure 2 and 3 below:



Figure 1. Whirlpool Slovakia: Located in the High Tatras Mountains

Source: author's photo from site visit; November 20, 2017.

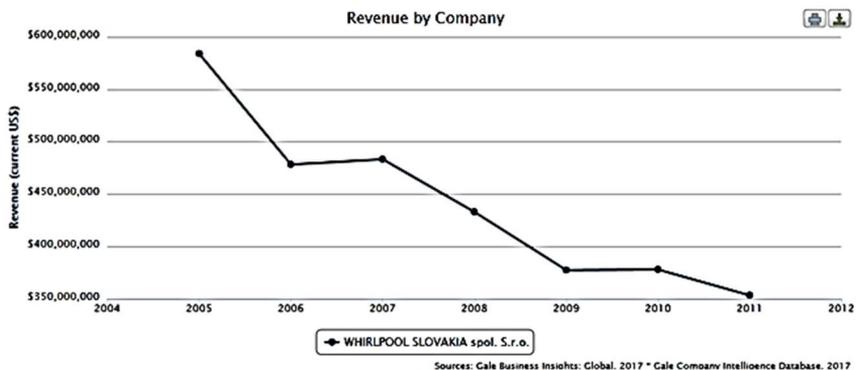


Figure 2. Whirlpool Slovakia Revenue 2004-2012

Source: own elaboration.

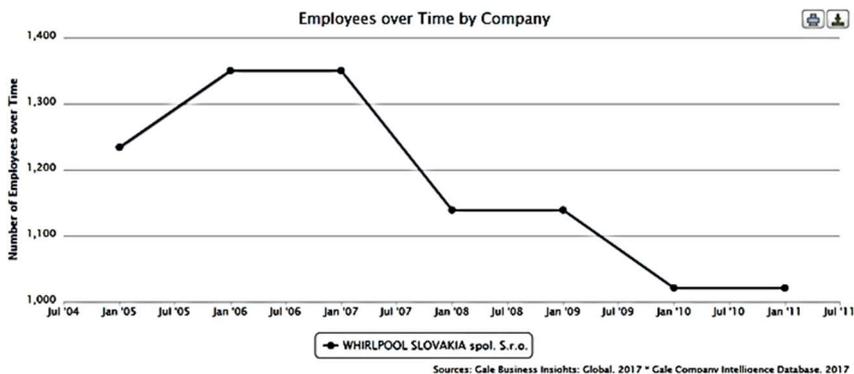


Figure 3. Whirlpool Slovakia: Employees – July 2004 – Jul 2011

Source: own elaboration.

In spite of these production and staffing decreases, Whirlpool Slovakia continued to operate and innovate with his designs. In 2009-2010 Whirlpool introduced a new design line of build-in ovens and microwave ovens CUBE. The ‘Glamor’ version, as it was called, is their first oven with full color display. Also, in the washing machine, refrigerators, and dishwasher segment, Whirlpool introduced it’s new ‘Carisma’ design, and once again, Whirlpool Slovakia was awarded the “Supplier of the Year” award by Euronics.

Following these new designs, Whirlpool Slovakia launched its new model of washing matching with the “Zen” Technology. This same year Whirlpool sold its 2 millionth appliances in Slovakia. The year 2012 was the 20th anniversary of Whirlpool Slovakia. This year saw the evolution of the “Zen” technology where it was applied to other models which gave Whirlpool washers the highest energy class (A+++). This same year Whirlpool was awarded the National Award of the Slovak Republic for Quality. The next year, in a response to consumer needs started production of the new front-loader “SLIM” washing machines.

From 2014-2016, Whirlpool Slovakia continued to grow staff and produce more appliances with most appliances being of these appliances being earmarked for exports. In 2015, Whirlpool reaching the historic level of producing more than 2.3 million washing machines per year. The company also started a new era of production by introducing World Class Manufacturing (WCM) into all production procedures and processes.

Whirlpool has focused its production on both front and top loader washing machines. The most popular top loader brands are: Whirlpool, Bauknecht, Hotpoint, Indesit, and Privileg, while the front loaders are primarily: Whirlpool and Indesit, Innex brand. Figure 4 below, shows Whirlpool Front and Top Loaders Washing Machines.



Figure 4. Whirlpool Slovakia, Poprad Plant: Front and top loader washing machines

Source: company presentation: How much productivity is enough; Poprad story.

Whirlpool Today: 2017

On June 3, 2017 Whirlpool Slovakia celebrated its 25th year anniversary since joining the Czechoslovak Tatramat production Company in Poprad. Although recognition and events went on throughout 2017, June, 2017 was the day of the official celebration in Poprad at the Whirlpool’s Poprad plant. Employees, families, partners, visitors, and community members were in attendance and hosted to a day of interactive activities, music and

food. It was also a time to showcase, not only the many accomplishments of Whirlpool over the last 25 years in Slovakia, but who they are today with its products and people.

Whirlpool Slovakia plant is located on the eastern side of the city of Poprad, which is located in the eastern region of the Slovak Republic. The city of Poprad is the jumping off point to many hiking trails and ski resorts located in the beautiful High Tatras Mountains. Poprad is a small city with a population of approximately 55,000 people. Geographically it is located 10 kilometers south of the Polish border and 150 kilometers west of the border with Ukraine.

The Whirlpool Poprad plant covers approximately 70,000 sq.meters and directly employs between 1400-1450 people over three shifts (based on interview with Whirlpool HR they currently employ 1,453 employees). Specifically, for production of Whirlpool's top-loader, it runs 3 shifts for 2 assembly lines, and 3 shifts of primary processes. For its front-loader, similarly it has 2 assembly lines of 3 shifts and 4 shifts with primary processes. Coupled with the fact that many of its suppliers are local (located in and around Poprad), related jobs of Whirlpool total another 7,500 people.

The Whirlpool Plant maximum capacity is 2.6 million units per year, with sales of \$392, 265, 359.00 in annual sales in 2016 (Mergent, 2017). Twenty-five years ago when the Poprad plant was Tatramat almost all of its units were sold domestically in Czechoslovakia. Today, Whirlpool ships more than 10,000 units of automatic washing machines daily with 98% being directed to export and 2% for the domestic market. Everyday over 42 trucks and containers are loaded with Whirlpool products. Approximately, 12% of Whirlpool products are transported by trains which leave from inside the Poprad facility. The 70,000 Square meter facility can house up to 25,000 pieces of factory finished goods (this represents approximately 2 days of production).

Figure 5 below shows the export distribution of Whirlpool units today:



Figure 5. Whirlpool Slovakia: Export Locations

Source: Whirlpool corporation: 25 years in Slovakia.

The Whirlpool Slovakia, Poprad plant is unique on several levels in the Whirlpool Value Chain of manufacturers. First and foremost, the Poprad plant is the only Whirlpool plant in Europe that produces “top-loaders”. Second, it is recognized as the top producers of Whirlpool products, not only in Europe, but throughout the EMEA (Europe, Middle East and Africa) region. Third, and very important it is not only regarded as a model of

efficient, quality production in the Whirlpool chain of manufacturers, it had been targeted as the pilot to introduce World Class Manufacturing (WCM) production program.

This latter point is quite significant and should not be quickly passed over. In the 1990s Tatramat and Whirlpool-Slovakia had just come out of over 50 years of Soviet planned economy. In those early years, Whirlpool/Tatramat was producing sub-quality machine, at low capacity primarily for their home market. At that time, they had very limited experience with foreign operations, building new operations and greenfield ventures, nor did they venture far from a small venture in Italy. Overall, they had lower market share than expected, lower profitability, and generally higher costs for operations. Adding to this the competition in Europe was much more intense than they had expected. From this, in 25 years Whirlpool-Slovakia became a model for quality. Although other quality measures were used, WCM was their path to quality.

Whirlpool, WCM and Path to Quality

The WCM is a process-driven approach that establishes the highest global manufacturing industry standards for integrated management of manufacturing plants and processes. Briefly, it is a pillar-structured system based on continuous improvement with a goal to eliminate waste and loss from the production process. This is done by identifying varied objectives; e.g., zero injuries, zero defects, zero breakdowns and zero waste. The main parameters for determining world-class manufacturers are quality, cost-effectiveness, flexibility and innovation. Audits are used to certify improvements and to evaluate selections of the WCM pillars. From this an overall score or level of excellence for each plant is calculated: Gold (80 points), Silver (60 points) and Bronze (50 points).

In May 2017, Whirlpool Slovakia received 18 points in its initial Audit. It should be noted that 18 points is well above the plants that have done this audit in the last 10 years. This is a great achievement for a first-time audit, considering that the most proficient (fast moving) plants entering WCM for the first time on average score 17 points (Whirlpool 2017). The auditor further highlighted the fact that, “coming from our previous Lean Program, the industrial site in Poprad has a very good basic WCM knowledge and mindset, and that the Bronze level can be achieved by 2019”. (Whirlpool, 2017).

During the authors site visit, evidence of the WCM system, as well as ‘innovation 4.0’ could be seen throughout the plant - every doorway, every wall, every room, had instructions on the WCM process and what was being done by the various team in pursuit of it (See Figure 6). The authors were also shown the ongoing ‘real time’ monitoring that was implemented at the Poprad plant: almost every aspect of the production process was being monitored by blue tooth technology in order to improve the manufacturing processes from filling an order to driving a forklift.

The authors’ interviews with key stakeholders highlighted numerous qualities that made Whirlpool Slovakia unique and special, however, an overriding response, whether you spoke with a director or one of the line staff was its “people”. Several of the interviewees stressed the values of the individuals working at Whirlpool and their sense of being part of a larger family. This is demonstrated in not only their sense of volunteerism and devotion to the company, but also the community. Also, this sense of volunteerism and giving back to the community is not only encouraged and supported, but there is an additional benefit – Whirlpool employees are given ‘tax breaks’ based on the volunteer hour served.



Figure 6. Quality is everywhere in Whirlpool Slovakia, Poprad

Source: author's photo from site visit; November 20, 2017.

In previous research, the authors have examined Italian Industrial Districts (ID). Although Whirlpool and their facility in Poprad are not part of a designated industrial zone, nor are they composed of small to medium size enterprises (SMEs) working together, similar to Italy's ID, there is an overriding concern and commitment to the welfare of the community. This is not only demonstrated in the values of the people who work there, but also in the many local suppliers who provide and support Whirlpool's mission. Almost all these suppliers were former Whirlpool employees who spun off to form their own enterprises and either were a sole supplier to Whirlpool and/or Whirlpool was their primary customer. Items such as washing machine cabinets, iron drum, painting, stabilizer, rubber, plastic and aluminum parts, and packaging were all supplied by varied suppliers to Whirlpool that were once working for the company.

Although Whirlpool Slovakia has over 158 suppliers, most (69%) come from eastern Europe with 40 percent from a co-location supply base. This is significant in creating the vertical integration that allows for local control over its supply chain, which ultimately translates to competitive advantage for Whirlpool Slovakia. Below, Figure 7 shows Whirlpool Slovakia Supply Base.

It is also important to note that beyond the production of Whirlpool brands; e.g., Whirlpool, Kitchen Aid, Hotpoint, Indesit, etc., the Whirlpool Slovakia Poprad plant produces many of its "competitors' products" (e.g., Kenmore, GE, Bosch, etc.). The production process of Whirlpool brands and its competitors is done, side-side-side with the production of their own products. Like the Whirlpool products, the competitors' products are shipped daily from the Poprad plant headed to different markets throughout Europe.



Figure 7. Whirlpool Slovakia Poprad supply base

Source: company presentation: How much productivity is enough; Poprad story.

Within the Whirlpool models of Kitchen Aid, Hotpoint, Bauknecht, and Indesit, they are addressing the varied price points of their consumers: high, middle, and low. However, the new focus, in conjunction with its WCM program, is to raise the quality of ‘all’ of its brands to achieve competitive advantage. For example, where their Indesit model has been primarily directed to lower price consumers, Whirlpool Slovakia are working to raise the standards and in time the cost of providing higher end models with this design.

Another example of the Whirlpool Slovakia plant in investing in its workforce, was the HR process to hire within for promotion, and their overriding commitment to training. Whirlpool Slovakia, like other similar facilities uses professional development plans for employee assessment. However, this plan is strategically focused as part of the individual’s career compass. By the way, these career plans and extensive focus on training applies to all levels of the organization – from top to bottom! Also, having mentors/coaches is part of not only the orientation period, but well beyond.

With all of this said, it should also be noted that where ‘people’ are one of the leading forces that have made Whirlpool Slovakia different, it is also a growing concern, or more specifically, keeping this asset. In interviews we learned that although Whirlpool employees are paid the going rate for new employees in the region (somewhere € 425 - 480/monthly), with the coming of new automotive plants, there are promises of higher wages. Thus, there is a fear that their valued employees will leave. One of the attractive features of the CEE, and in particular Slovakia, is the cost of labor. However, with increased industries moving into the region, salaries become a competitive tool used by companies to hire employees away from Whirlpool and other similar companies.

Closely related to this is the importance of having trained employees for their varied positions. Although Whirlpool has their own training program for employees, many employees have only a basic education and lack the knowledge and skills to do many of computerized jobs that are required in the highly technologized Poprad plant. In several interviews, the interviewee voiced that the “schools in Slovakia are not preparing the workforce” for the jobs for tomorrow.

An irony that is found at Whirlpool Slovakia, that can also be found in other long-standing companies in other countries, is the Government offers incentives to attract new businesses and organizations; however, established companies that have been contributing to the economy over many years receive no special treatment or benefits.

In addition to these challenges, the most daunting is adapting to their new ownership structure under the Indesit corporation. We were told when negotiation for this merger was initiated it was thought that the companies would quickly and easily merge together. However, two-years out with final negotiations in sight, it has been anything but easy. With mergers, you not only must assimilate the practices and policies of the buying company, but often their culture. Although Whirlpool Slovakia has a long history working with Italy, it brings different values and different goals to the Slovakian plant. Also, with mergers there always is a sense of uneasiness until the merger is fully implemented.

Whirlpool Slovakia has been in operation for 25 years. In this time, we have seen a transition from a planned, state-owned enterprise to a private, for profit multi-national venture. Although there has been both up and downs economically, as the case study illustrates, the future appears bright: revenues, staffing, production is all up. The Whirlpool Slovakia plant has demonstrated a successful model for other MNC in Slovakia and throughout the CEE. This is especially important as members of the CEE break away from the strong force of the European Market.

SUMMARY

Events over the last decade has challenged the growth of the CEE countries: the deep worldwide economic recession in 2008-2009, lingering recovery from the great recession, uneasiness that there will be further economic downturns, etc. More recently we have seen dramatic shifts in economic and political policies in both Western and Eastern Europe, and the U.S. Beginning with the passage of Brexit in the U.K., to the election of Donald Trump in the U.S. to the rise of nationalistic parties throughout Europe and many countries in the CEE. Steadfast CEE members of the European Union (EU) such as Poland, Czech Republic, Hungary, have elected right wing governments and have moved away from Brussels and the E.U. Several countries, especially in some of the former Soviet nations, have elected autocratic leaders, and countries such as the Ukraine finds itself in a state of war with the cession of Crimea as part of Russia.

It appears that some of the hope and dreams of a market economy and free trade a quarter of century ago are being interrupted by concern over globalization and its effect on workers in the CEE, and the rise of refugees migrating to the Euro and Eastern European nations from conflict-ridden regions in the world. Although there are these fissure for many CEE nations with Brussels and the European Community, some of the CEE countries such as Slovakia have continued to embrace their membership in the EU and economic reform.

In order to better understand Whirlpool Slovakia's growth, and transition from a production facility in the new markets of the CEE, to being not only a major production facility in their global value chain, but a model for Whirlpool's other facilities on production and quality, the author's conducted a brief review of the literature.

The early literature on MNCs and their subsidiaries, spoke about the 'parent-subsidiary' relationship and the fit between an organization's structural form and corpo-

rate strategy. However, most of this literature review primarily focused on the corporate structure and less the subsidiary (Chandler, 1962; Daniels, Pitts & Tretter, 1984; and Egelhoff, 1982). This way of thinking would be consistent with the process school (Bower, 1970; and Prahalad, 1976) where the parent corporation largely defines the structural context for the subsidiary. However, the parent corporation does not always determine the subsidiary structure, and in fact, actions of the subsidiary, as well as external events, can also greatly influence, if not determine the shape of the subsidiary structure (Burgelman, 1983). This is especially true in the case of the global industry where you might expect to see differentiation of structural context and in some cases of relatively autonomous subsidiaries (Ghoshal, 1986). Whirlpool Slovakia evolution from early 1991 and the multiple events leading to and following Whirlpool entry in Slovakia to the present, is a prime example of this differentiation with an MNC subsidiary.

In pursuit of better understanding Whirlpool evolution in the context of the literature, Birkinshaw and Morrison (1995) conducted a study on the configuration of structure and strategy in regard to MNC subsidiaries. From their literature review and empirical study, in which they examined how structural context varied across subsidiary role type, they proposed a three-fold typology for MNC subsidiary (Birkinshaw and Morrison, 1995). The three-fold typology were: a) local innovator; b) specialized contributor; and c) World Brand.

Figure 8 below displays this three-item typology of subsidiary roles and shows some of the prior typologies from the literature related to it.

Table 8. MNC subsidiary strategy typologies

	<i>Local Implementer</i>	<i>Specialized Contributor</i>	<i>World Mandate</i>
White & Poynter (1984)	Miniature Replica	Rationalized Manufacturer Product Specialist	Global Mandate
D'Cruz (1986)	Branch Plant	Globally Rationalized	World Product Mandate
Barlett & Ghoshal (1986)	Implementer	Contributor	Strategic Leader
Jarillo & Martinez (1990)	Autonomous	Receptive	Active
Gupta & Govindarajan (1991)	Local innovator Implementor	Global Innovator	Integrated Player
Roth & Morrison (1992)		Integrated	Global Subsidiary Mandate

Source: Adapted from: Birkinshaw, & Morrison. (1995) Configurations of Strategy and Structure, *Journal of International Business Studies*, Fourth Quarter, 26 (4); p 733.

The Local Innovator

The local innovators or implementers subsidiaries are described as having limited geographic scope and a severely constrained product or value-added scope where the range of valued adding activities was in that country. Their strategy has little functional scope (they implement) and their primary role is to adapt the global products to the needs of the local market.

When we look at the early years of Tatramat and later Whirlpool, we find a company that had limited market (mostly its home country of Czechoslovakia, and some of

Poland, and Italy), and limited products. The MINI, the top loading washing machine, which represented over half of all the washing machines produced at the plant almost exclusively were sold in Czechoslovakia (95%). Also, it had questionable value-added scope, especially as it expanded to other markets (it was too small, lacked in quality, etc.). In addition, their capacity was limited and even after the Philips white appliance division acquisition in Europe, the results were not all what was expected: they had lower market share, lower profitability margins, production capacity was not sufficient, and overall higher costs for production. Moreover, they found that that competition in Europe was much more intense than expected.

These local innovators or implementers subsidiaries can often be ethnocentric in their approach, thus appealing to their own market and not others. In the case of the Whirlpool Slovakia facility, this ethnocentric approach could be seen not only in its market approach, but also in the focus on the production of a single model for many years. In addition, Whirlpool in the early years was not acquainted and skilled with the Western way of business.

The Specialized Contributor

The specialized contributor subsidiary over the years has developed considerable expertise in specific functions or activities. According to Roth & Morrison (1992), it is characterized by a narrow set of value activities and high levels of interdependence with affiliated subsidiaries. In these subsidiaries you will find high integration and low local responsiveness (Jarillo & Martinez, 1990). They, the subsidiary, becomes 'product specialists'.

In applying this to Whirlpool Slovakia, we saw an evolution both in products and its facility over the years. In the early years, the plant's strategy was to produce products for their local markets. Over the next few years their strategy moved to producing front loaders for Western Europe in Poprad. However, beyond developing the structural facility, it took some time until they learn how to operate in the new market environment that was the CEE and Slovakia.

In becoming a specialized contributor, they started to move away from the front-end loaders, exclusively, and started to focus their production and rework their strategy towards "top-end" loaders. By creating this specialty system for the production of top-end loader, they were able to perfect this production and enhance it with front-end loaders.

Bartlett and Ghoshal (1986) and Gupta and Govindarajan's (1991) spoke to the nature of subsidiary and predominately the approach they take: ethnocentric or 'polycentric' in order to implement their strategy. As Whirlpool Slovakia started to expand its strategy and production beyond its local region, it broke away from this more ethnocentric approach. They geographically and strategically created a hub for washing machines throughout Europe from their Poprad subsidiary.

The World Mandate

According to Roth and Morrison [1992] the World Mandate, MNC Subsidiary type (the third, of the three-fold typology for MNC subsidiary), "works with headquarters to develop and implement strategy" (1992: 716). For this subsidiary type, according to Roth and Morrison (1992) it has worldwide or regional responsibility for a product line or entire business. Also, it has a decentralized centralization and is managed from the subsidiary and not the corporate office. Bartlett and Ghoshal's (1986) termed this entity as a strategic leader.

In looking at Whirlpool Slovakia in 2017, although it works with corporate, primarily Whirlpool Europe B.V., it has its own centralized manager of its products and production. In addition, over the last decade, Whirlpool Slovakia strategy has increasingly been one of independence. Although, as previously noted, it continues to work with corporate (WEBV) on specific programs, it has become a 'strategic leader' among Whirlpool global network.

Barlett and Ghoshal (1986) go on to state that the strategic leader operates in a strategically important market and has high levels of resources and expertise. As we look at Whirlpool Slovakia they have become the designated leader to pilot the implementation of Corporate Whirlpool WCM Quality program and Industry 4.0. In addition, they are the second biggest plant in Europe, Middle East and Africa (EMEA), and the most 'productive' in Whirlpool global network. In pursuit of ensuring its own independence, Whirlpool Slovakia, has taken the lead to ensure that its community members are trained and have set up their own training facilities. In addition, they have localized many of its' suppliers, thus adding further to the path of being an autonomous entity.

Birkinshaw and Morrison (1995) says: "World mandate subsidiaries appear to be highly autonomous in terms of product flows but configured internationally; specialized contributors are integrated in terms of both product flows and configuration of value-adding activities; and local implementers are integrated in terms of product flows but configured domestically." (1992: 747).

As we look at Whirlpools transition over the last 25 plus year we can see how it has progressed from the role of a local innovator and implementer of washing machines for Czechoslovakia and Poland to its current operation of being a leader among Whirlpool producers worldwide.

In closing, the case of Whirlpool Slovakia illustrates how a MNC in 25 plus years has created not only a profitable, productive company in the former East, but a model of excellence for other Whirlpool manufacturing centers worldwide. In the past quality, was something that was associated with only developed nations; today, it is something that can be found in the developing nations of the East, and in particular Slovakia. However, for this trend to continue the government needs to take a proactive strategy to keep its workers and its most talented individuals home. In addition, the recent tariffs implemented by the U.S. (and countered by the E.U.) pose a great risk to Whirlpool and Slovakia. Although some of these tariffs (U.S. tariffs on washing machines) were initially applauded by Whirlpool Corporate HQ, subsequent tariffs on aluminum and steel by the U.S., has been met with shock by a host of industries and have resulted in decreased quarterly earnings for Whirlpool Corporate. There is talk that these tariffs could spread to other goods such as automobiles. With Slovakia being a leader in the production of automobiles, tariffs such as this poses a tremendous risk for the country's economy, as well as economies throughout Europe and beyond.

Therefore, this movement away from free trade, as well as the introduction of artificial intelligence, nationalistic endeavors, and potential election of autocratic regimes not only threaten the economic reforms that have transformed the former planned economies of the East to progressive economies of the future, but the world economic order that was created post WWII.

RESEARCH QUESTIONS

1. What are the greatest challenges for Whirlpool Slovakia in the near future? List both internal and external challenges and their potential impact?
2. How can Whirlpool Slovakia continue its rise to being a leader in the worldwide Whirlpool network?
3. What makes Slovakia a better place to invest and bring in a MNC than some of the other CEE nations?
4. Discuss what you feel Slovakia and Whirlpool Slovakia needs to do to ensure its future success?

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