

Electrolux, the acquisition and integration of zanussi



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I. Introduction Electrolux is known to the worldwide community as a manufacturer of appliances, whether they are for home use or professional use, include refrigerators, dishwashers, washing machines, cookers, vacuum cleaners, etc. These products are sold under brands such as Zanussi, Electrolux, Eureka, AEG Electrolux and Frigidaire. The company is originated in Sweden but currently selling 40 million products to customers in 150 countries every year (' Annual Report 2007, 2008).

One of the most famous characteristics of the company is its capacity to grow from mergers and acquisitions. The company has made more than 200 acquisitions in 40 countries since the day it was discovered. One of the most interesting from those acquisitions is the integration of Zanussi in 1984, the Italian producer of home appliances. In this paper, I am discussing the economics of the acquisition, judging from the conditions of Electrolux and its business environment at the time (' Annual Report 2007, 2008).

II. Situation Analysis

In the time of the acquisition, which between the year of 1980-1985, the company was thriving within an industry of intense competition. Generally, Electrolux is still known as one of the largest manufacturers of household and professional-used appliances. However, the trend of the appliance industry itself was under a prolonged period of crisis. In addition, many new companies were growing and gradually taking the market share from Electrolux. Some of these companies were Philips and Siemens who introduced their complete new line of appliances brands.

Electrolux on the other hand, was still focusing on its core segment, the vacuum cleaners and absorption-type refrigerators. Competition is the push-
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factor that leads to the acquisition of Zanussi. The pull-factor, on the other hand, is the strategy of the company itself. Electrolux is a Swedish-based company which emphasizes in down-to earth management, but at the heart of the company is its strategy of aggressive expansion through acquisitions. Their first targets were companies in the Scandinavian area.

From then, they move-on until their presence was known practically worldwide. Unlike other companies however, Electrolux manage to maintain its financial health through most of its acquisition endeavors. Analysts believed that this is due to Electrolux's commitment to acquire only companies with viable financial conditions and bright prospect of growth in the future. Therefore, Zanussi was the perfect candidate for Electrolux's expansion plan. III. Problems and Opportunities The acquisition of Zanussi however (like most acquisitions), did not run as smooth as possible.

Some of the problems faced by Electrolux regarding its acquisition of Zanussi are as follow:

- Dependence to Corporate President Prior to the death of Zanussi's president, the company was a very centralized firm. Afterwards however, the company fell into a premature diversification process. The company ended-up investing into several unprofitable businesses and neglected its core business.
- Political issue Both the Sweden and the Italian government were on a situation of political unrest.

The Italian government did not like the idea that one of their respected well known corporations was acquired by a 'northern' company. Electrolux was also keeping an eye of the possible of power shift in the Swedish government which would bring unpredictable issues.

- Workforce Reduction In order to remain within their course of business plans, Electrolux thought that it would

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be necessary to perform workforce reduction. This was however, a very sensitive issue considering that the Italian government was not supportive of the acquisition at the first place.

- Organizational Structure and Management Another problem of the acquisition was Zanussi's organizational structure and managerial style. Electrolux was always known as a decentralized company and wanted the same structure for Zanussi. This structure however, was not in line with the current form of Zanussi's organizational structure. In addition to the problems that Electrolux faces, there are also some of the opportunities as following:

- Controlling Suppliers and Distribution Channels Due to Electrolux being a supplier as well as distributors, and the similar nature of Zanussi's business, the acquisition brought the opportunity to take control of suppliers and distribution channels.
- Expand product lines The acquisition also presented opportunities of expanding geographically, because Zanussi had a large market share in Spain, Italy and France
- Innovation Zanussi would make a suitable addition to the line of brands which were already owned by Electrolux because Zanussi itself has a strong culture of innovation.