

Thesis

**Localisation as the new globalisation strategy to
strengthen the North-American business of a
European manufacturer**

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**Localisation as the new globalisation strategy to strengthen the
North-American business of a European manufacturer**

Declarations

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree

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Acknowledgements

This dissertation is the last leg of my exciting MBA journey at the UWTSD. It allowed me to grow as a manager and leader to influence the fate of my imminent working environment and to direct my team to reach together higher grounds. I am very grateful to all the course tutors making this experience a success: Anthony Burns, Felicity Healey-Benson, Davina Wyn Evans, Glenn Behenna, Richard Dunstan, and Roisin Mullins, as well as the programme director Alex Bell. I owe special thanks to my supervisor Glenn Behenna who piloted me to the final port of destination. – It was ‘The pleasure of finding things out’¹ powering me full ahead!

¹ Feynman’s motto and book of the same title (1999).

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Summary

As pointed out in the *introduction*, the purpose of this dissertation is to find an answer to the question whether localisation could be a promising modification to the globalisation strategy of European manufacturers to strengthen their North-American business. To this end, the case of a German construction products manufacturer with subsidiaries in the USA and Canada is studied.

The *literature review* illuminates the history of globalisation as well as the meaning of localisation, reveals that localisation is driven by various factors, and lays out the contemporary context of localisation. The research hypothesis is formulated that localisation is a viable globalisation strategy for European manufacturers going for business opportunities in North America. The *methodology* to verify its validity is a mixed approach to allow a substantiated *data analysis*:

- Quantitative research on five business reports of German companies within the construction (products) industry published on the internet. To this end, local and global key performance indicators were analysed over the years 2007 to 2019.
- Qualitative research on eight interviews with representative US-American and Canadian business people. The interviews were loosely arranged around nine questions which answers were condensed as key sentences.

The successive *discussion* shows that the studied companies can be clustered into two groups, which there are very successful large companies paying attention to the North-American market and less successful smaller companies escaping from the

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North-American market. Moreover, the interviewees allow a very diverse and faceted view on how globalisation may get a new spin by localisation. The *conclusions* validate the research hypothesis. The final *recommendations* focus on three action points:

- Sourcing of semi-finished parts in the Rust Belt, situated in the north-east of the USA, with the support of the subsidiary in Canada nearby.
- Localising production at the subsidiaries in Canada and the USA, the latter may need substantial investments to serve the promising 'Buy American market'.
- North-America-wide rolling out the products of the newly merged European sister companies to attain more sales power.

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1 Introduction

The case of a German construction product manufacturer with subsidiaries in the USA and Canada is taken as an example to study European manufacturers recalibrating the North-American localisation strategy to adapt to a globalisation that is churned up due to the COVID-19 pandemic and trade war.

The *introduction* defines the aim as well as objectives of the research and provides the background of the example manufacturer to set out the macro environment, micro environment as well as its capacities and culture. The *literature review* in the section that follows allows the formulation of the research hypothesis. The *methodology* to verify the research hypothesis is presented in the succeeding section, pointing out the need to mine secondary data on the internet and to distil primary data from interviews. The examination of the collected secondary data and primary data is described in the section *data analysis*. Finally, *discussion* of the findings allows to draw *conclusions* and to formulate *recommendations* on how the German construction product manufacturer may adapt to the changing global business by utilising its subsidiaries in the USA and Canada. It provides valuable information for any global manufacturer from Europe to get the most out of their local business in North America.

For reasons of confidentiality and due to ethical considerations, the name of the German manufacturer is not disclosed. Only published data of the manufacturer has been used.

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1.1 Aim and objectives

Due to the ongoing COVID-19 pandemic and trade war, many companies have to re-evaluate and rethink their global strategy involving their local subsidiaries. The urgent case of a German manufacturer of construction products is taken as an example to analyse and to recommend how the subsidiaries of European companies in the USA and Canada could and should be repositioned to secure the revenue and increase the profit.

Giving substantiated recommendations is the aim of the research presented below. To this end, reviewing the literature to understand the rising localisation trend within the prevailing globalisation, carrying out quantitative and qualitative research to collect secondary and primary data, analysing the collected data to lay the foundations for the discussion, conclusions, and recommendations are the objectives.

Why does the localisation of the globalisation have relevance for European companies investing in North America – in general and in particular for the focussed German manufacturer of construction products?

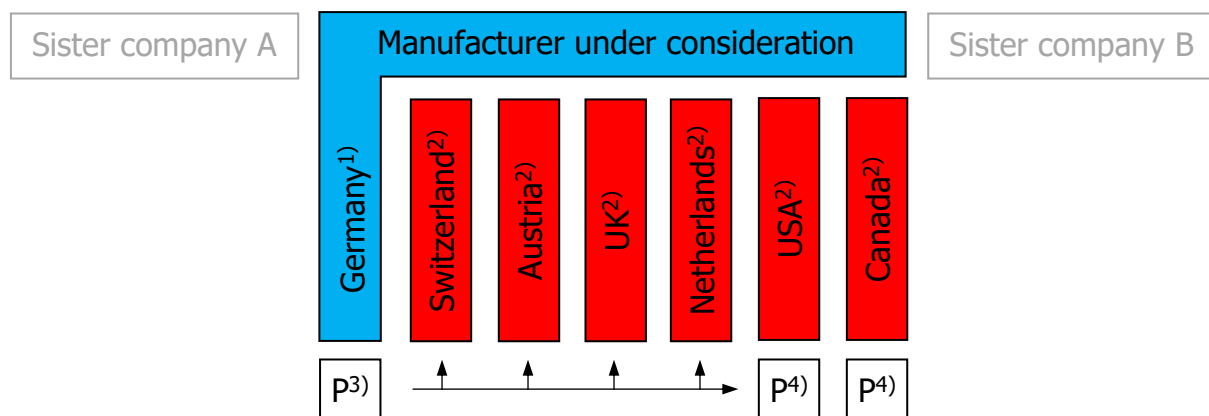
1.2 Background

The business world is permanently in a state of creative destruction (Schumpeter, 1912). Only the fittest companies survive. It is therefore important for companies to be agile and to adapt to the changing environment, for instance altering conditions of the international business. This holds for small and medium-sized enterprises (SME)

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as well as multi-national enterprises (MNE). While MNEs are internationally active by definition, SMEs became more international in recent decades, particularly European manufacturing companies (Flash Eurobarometer 421, 2015). Nowadays, internationalisation is equally important for both, MNEs and SMEs (Morais and Ferreira, 2020).

SMEs are typically defined as independent firms which employ fewer than 250 employees; they account for about 99% of all businesses and 55% of value added (OECD, 2019). The **German manufacturer under particular consideration** in this research has two sister companies (Figure 1.1). All three companies are SMEs in the construction product business owned by the same family. The manufacturer made efforts since about the turn of the millennium to internationalise its business and may therefore be viewed as a typical example and a suitable object of investigation. The story of its international business is outlined in the following.



¹⁾ Headquarter; ²⁾ subsidiary; ³⁾ production (i.a. cash cow); ⁴⁾ production (i.a. poor dog)

Figure 1.1: Current setup of the manufacturer

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The international target markets of the German manufacturer were the construction businesses of Central and East Europe, North America (USA and Canada) as well as Asia (mostly India and China). In 2013, the manufacturer, termed also 'headquarter' in the following, acquired a US-American/Canadian company group. The company group comprised two SMEs which had always a joint CEO and were managed as a single company. The subsidiaries in the USA and Canada manufacture construction products that are different from the products of the headquarter in Germany. The headquarter's core product is a cash cow particularly in Europe (high market share, generating cash; Henderson, 1970) and the only product traded inter-company. The subsidiaries' core product, in turn, is almost a poor dog (low market share, burning cash; Henderson, 1970) which is sold in North America only.

Though not explicitly addressed and discussed, the underlying global corporate strategy direction has been to penetrate with existing products new markets in North America and Asia as well as existing markets in Europe. The 'market penetration' approach (Ansoff, 1988) in Europe turned out to be difficult without any competitive advantage to counter the retaliation of competitors (Johnson et al., 2017). Over time, the international focus was concentrated on Central Europe, particularly the German-speaking region comprising Germany, Switzerland, and Austria (GSA), as well as North America with the only two remaining overseas subsidiaries nowadays (Figure 1.1). Between 2015 and 2020, all subsidiaries in Asia have been closed – despite the presence of strong developed and rapidly developing countries in the Asia-Pacific (APAC) region which recovered faster after the financial crisis (The World Factbook,

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2010) and the COVID-19 pandemic (Gunia, 2021) if compared with the rest of the world.

Today, only the headquarter of the manufacturer in Germany as well as the subsidiaries in the USA and Canada have their production facility. Notably, no indications exist that the international business has been coordinated between the manufacturer under particular consideration and its two German sister companies (Figure 1.1). Moreover, a streamlining of the international business has not been announced even after the merger of the three sister companies in early 2022.

Following the slump after the financial crisis in 2009, the recovery of the production in construction developed differently in North America² and Europe (Figure 1.2). The timing of the acquisition of the two subsidiaries in the USA and Canada turned out to be good because, during the last decade, the North-American construction business experienced a steady and steep recovery after the financial crisis: From 2013 to 2020, the production in construction grew by 40% to 1,195,000 million GBP (Canada (CON CA, 2021): +26%, 108,000 million GBP; USA (CON US, 2021): +61%, 1,087,000 million GBP). In contrast, the European construction business almost stagnated. Over the same period, the growth of the production in construction was a mere 6% in Europe (CON EU, 2021), reaching 1,353,000 million GBP in 2020 – a strong indication that internationalisation is a must for European companies.

² In the following, 'North America' refers to Canada and the USA only. The companies mentioned in this research aggregate Mexico under Latin America, not North America.

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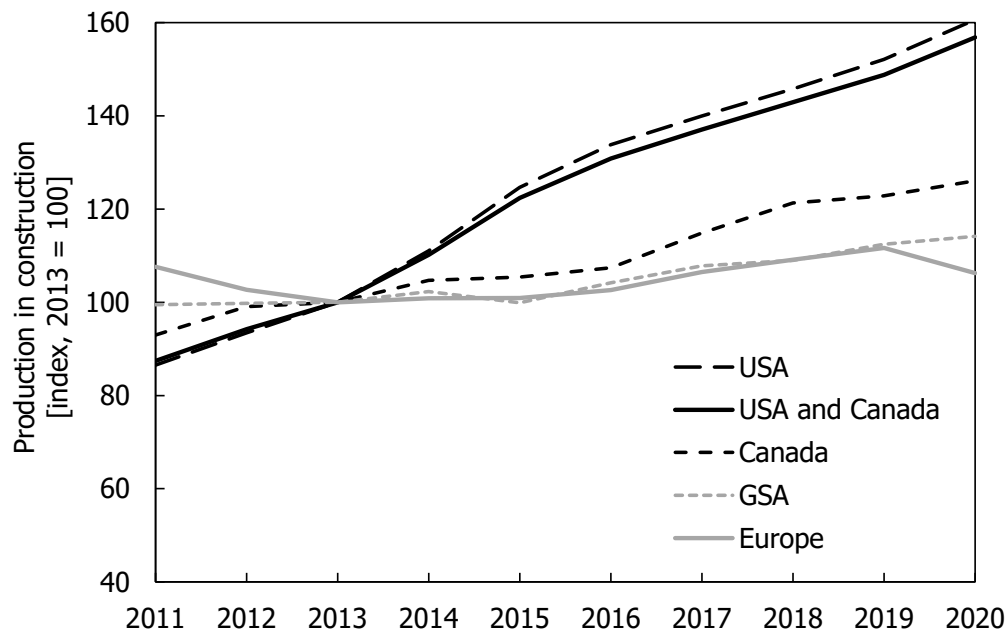


Figure 1.2: Development of production in construction from 2011 to 2020 (CON US, 2021; CON CA, 2021; CON EU, 2021; N.N., 2021a, 2021b)

Over time, the revenue of the manufacturer developed regionally very differently (Figure 1.3). Due to the focus on the more prospering GSA region, the company outperformed and increased the revenue in Europe by 27% from 2013 to 2019 (48.8 million GBP). During the same period, the business slumped in North America, reducing the revenue in the USA and Canada by 33% (11.2 million GBP). Note that since 2013, the revenue of the company generated in the rest of the world, basically in APAC, was more than halved (1.8 million GBP). Today, Europe accounts for about 79%, North America for 18%, and Asia for only 3% of the manufacturer's business.

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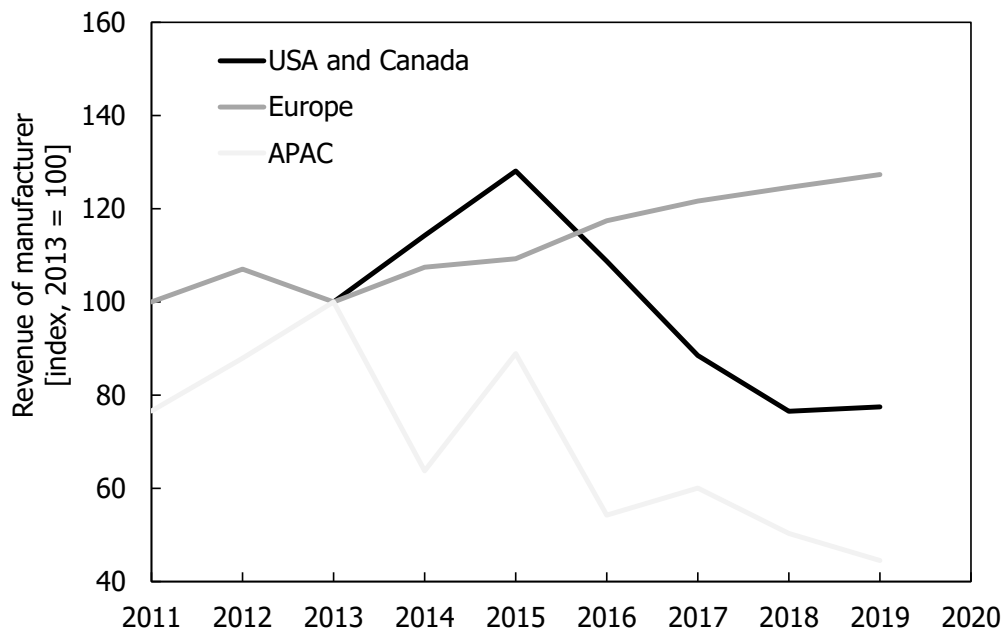


Figure 1.3: Development of regional revenue of the manufacturer from 2011 to 2020 (UREG, n.d.)

Since the subsidiaries in Europe are situated in neighbouring Central-European, mostly German-speaking countries (Figure 1.1), true globalisation of the company essentially concentrates on the subsidiaries in North America. Today, the two North-American subsidiaries combined generate about half of the revenue created by the headquarter in Germany (Table 1.1). The Canadian subsidiary, located in urban Ontario, the centre of Canada's economy, is about twice the size of the US-American subsidiary, located in rural California, the state with the largest economy in the USA.

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	Headquarter Germany	Subsidiary Canada, Ontario	Subsidiary USA, California
Founded	1907	1958	1989
Revenue [GBP]	25,000,000 ¹⁾	8,000,000	4,000,000
Number of employees	150	50	25

¹⁾ in Germany alone

Table 1.1: Current key data of the German headquarter and its US-American/Canadian subsidiaries (partly estimated)

Considering the figures of the North-American construction economy and company revenue combined alarms that the business of the manufacturer in North America crashed by minus 83% since 2013 ($33\% / 40\% = 0.83$). If the economy experiences a downswing in Central Europe, there is not much left to fall back on. The dwindling spiral of revenue in North America must be therefore urgently reversed.

The investment in the subsidiaries in North-America was not 'stupid German money'³ because a localisation strategy has the potential to revive the North-American business as will be shown in this research. Before potential strategic moves are evaluated, the current strategic position of the subsidiaries in the USA and Canada has to be reviewed. To this end, the *macro-environment* and *micro-environment* are outlined and the *capabilities* and *culture* are probed in the following.

³ A proverb adapted from the book 'The big short' (Lewis, 2010).

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Macro-environment

A **PESTLE** analysis, a concept that originates in a seminal work sketched in the 1960s (Aguilar, 1967), is used to analyse the framework of the macro-environment to understand the general position and trends in the US-American/Canadian market with a focus on the construction industry:

- **Political:** Though protectionism in the triangle USA–Canada–Europe⁴ grabbed a breather by signing the Comprehensive Economic and Trade Agreement (CETA, 2021, not yet ratified in all EU member states) and the United States–Mexico–Canada Agreement (USMCA, 2021, ratified in 2020) as well as suspending some punitive tariffs between the USA and the EU (e.g. in the context of the Airbus-Boeing dispute, Brunsden et al., 2021), the trend towards protectionism has been consolidated (Altenberg, 2021).
- **Economical:** As pointed out above, the production in construction has a strong upward trend in North America. This trend will continue or even accelerate, taking into account the 'leftover' of Infrastructure Canada's multiple programs in the order of 21,000 million GBP (Voorhis, 2021) as well as the 20,000 million GBP Investing In Canada Infrastructure Program (ICIP, 2021), and the 750,000 million GBP of the US-American Infrastructure Investment and Jobs Act (IIJY, 2021)⁵. The act will be discussed in more detail below.

⁴ Since only the manufacturer's headquarter in Germany exports to the USA and Canada, 'Europe' refers to the European Union (EU); the United Kingdom–United States free trade agreement (UKUSFTA) is not addressed here.

⁵ The fundings equal to about two-third of the annual construction revenue in the USA and in Canada.

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- **Social:** Aging workers and the skilled labour shortage in manufacturing and construction is an issue in the USA and Canada (Yurkevich, 2021; Edmiston and Hughes, 2021). However, no skilled labour is needed for manufacturing and installing the products of the manufacturer at the construction site. A permanent challenge for SMEs will be, to the contrary, the war for talents (Cousins, 2021), particularly needed in the field of science, technology, engineering, and mathematics (STEM) (Kennedy et al., 2021).
- **Technological:** The ongoing digitalisation of the construction industry (Evans-Greenwood et al., 2019) will favour the products manufactured at the headquarter in Germany because their embedment in the concrete structure can be progressively better co-ordinated on-site with Building Information Modelling (BIM)⁶. The cost-effective manufacturing of the products in North America should be supported by the long-lasting trend of mini steel mills (Thatcher, 2021), suitable for small lot sizes of long steel products.
- **Legal:** As will be discussed in more detail below, there is a clear trend in the USA that laws fostering US-made products are tightened in their requirements and expanded in their range of validity. A similar trend cannot be observed in Canada yet. Also important for construction product manufacturers are legislations mandating the use of BIM. To date, BIM became mandatory neither in the USA

⁶ Building Information Modelling (BIM): Design process involving the generation and management of buildings and components using digital representations, aka digital twins.

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nor in Canada. However, it may be anticipated that rather sooner than later BIM is required at least for public (funded) projects (McCabe et al., 2020).

- **Environmental:** In contrast to integrated steel mills, mini steel mills are particularly suitable for the production of green steel because their process technologies always include electric arc furnaces which can be easily powered by wind or solar energy (Simon, 2020). Together with greener supply chains, greener process technologies are important to reaching climate goals (Bowcott et al., 2021). The supply chain would certainly become greener if the German core product for the North-American market would be manufactured in the USA and/or Canada instead of importing it from Europe.



Figure 1.4: PESTLE analysis (N.N., n.d.)

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The second most important outcome of the PESTLE analysis is that manufacturers of construction products should keep an eye on the accelerating digital transformation, probably the most significant impact of the COVID-19 pandemic on the construction industry. Most importantly, the trend with the strongest influence on strategic decisions is the hardening of protectionism which will be discussed in detail below. The local setup of the manufacturer's subsidiaries is analysed next.

Micro-environment

The construction product industry is very versatile, split into independent clusters. For this reason, the scanning of the micro-environment employing **Porter's five forces** analysis (Porter, 1979) concentrates solely on the business with concrete embeds in the USA and Canada, the market place of the two subsidiaries:

1. The **threat of entry** is high because most products of the subsidiaries are made of conventional steel which can be produced by many companies with relatively little investment. Expiring property rights and spreading know-how exacerbate the situation. This holds for both, the products made in North America and Europe.
2. The **threat of substitutes** is low because the products of the manufacturer are 'partnered' with reinforced concrete, a matured construction method without selection pressure. Even the emergence of innovations such as green concrete will not change the situation.

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3. The **power of buyers** is extremely high for the North-American core product which became a commodity after its patent expiration in 2015. On the contrary, the power of buyers is quite low for the European core product which is offered by only two competitors coming from Central Europe – and not from China.
4. The **power of suppliers** is weak for the North-American core product requiring only steel wires and slit strips. However, the bargaining power of suppliers is strong for the European core product which production needs special long steel products specified in the certificates, entailing unfavourable terms of delivery.
5. The **competitive rivalry** is fierce for the North-American core product, almost a poor dog being a commodity nowadays. In contrast, the European core product could become a cash cow also in North America as it is not yet a commodity in the USA and Canada, experiencing a limited rivalry with the two competitors only.

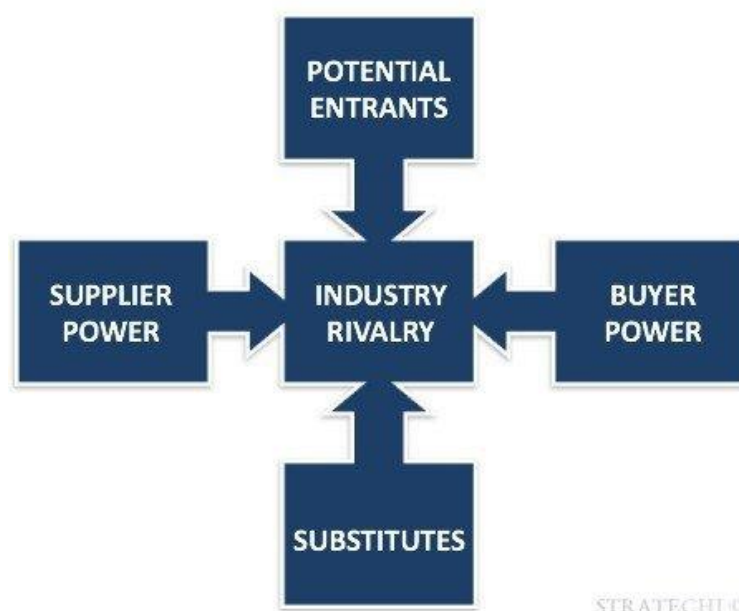


Figure 1.5: Porter's five forces analysis (N.N., n.d.)

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In sum, Porter's five forces analysis shows that the outlook for the core product of the subsidiaries in North America is bleak. The dependency on this prophesied poor dog must be immediately reduced. The headquarter's core product, to date even a cash cow in Europe despite its vivid competition, could become the lifeline of the two subsidiaries where the competition for this product is much lower. The following analysis of the manufacturer's capability underlines that overall, the company has the opportunity and aptitude to make the core product of the German headquarter more successful at the subsidiaries in the USA and Canada.

Capability

The lack of capabilities to cope with the international competition is a major stumbling block of internationalising SMEs (Ratten et al., 2007) and therefore needs careful attention. The application of the **VRIN** criteria (Barney, 1991) allows the identification of an existing or missing capability in one of four fields. In a nutshell, it shows that the only **V**aluable asset of the manufacturer is a small pool of valuable talents with in-depth knowledge of the cash cow product. The products of the manufacturer are neither **R**are nor **I**nimitable in Europe and North America. If the company would succeed to localise the production of the German core product in the USA, however, it would become **N**on-substitutable cash cow product as it would be the only of its kind 'Made in USA' and even fast followers would need years to reach the same position. To cope with challenges like this, however, requires European and North-American key

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personnel with an international mind-set (Laghzaoui, 2011). A supportive company culture of the manufacturer would be helpful which is briefly studied in the following passage.



Figure 1.6: Any strategy must be backed up by capabilities (Adams, 2007)

Culture

'Although we speak of a firm forming goals and carrying them out, it is actually the people running the firm who take the key decisions' (Morrison, 2011): It is of paramount importance that a company culture prevails where the middle management is sufficiently empowered to become leaders. Leadership is particularly important in VUCA⁷ times (Creighton, 2019). Decoding the manufacturer's culture according to the scheme of the cultural web (Johnson, 1987) reveals that this is the most important

⁷ The acronym VUCA was coined in 1987 by the U.S. Army War College based on a work written by Warren and Nanus (1985) to describe the volatility, uncertainty, complexity, and ambiguity of the environment new back then.

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cultural aspect to be improved at the manufacturer in Europe as well as in North America. However, the co-operation between Germany and the USA as well as Canada is harmonic – likely because these countries have a good match of the cultural dimensions (Hofstede et al., 2010). Nonetheless, cultural differences exist – probably the most critical is the direct communication style of Germans clashing with the indirect communication style of Canadians and US-Americans (Evason and Scroope, 2021). Cultural conflicts, however, are less important if compared with choosing the wrong office location and lacking product localisation (Perri and Kirstgen, 2020).



Figure 1.7: German directness, American euphemisms (Magee, 2018)

Résumé

The above analysis of the background shows that the acquired subsidiaries in the USA and Canada have a good match with the headquarter in Germany and that the takeover

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in 2013 had the right timing at the onset of an unprecedented boom cycle. The development of the North-American subsidiaries' revenue over the last decade, in contrast, was disappointing. Improving the business of the subsidiaries is urgently needed to have a fall-back if the European business of the headquarter is weakening. Can the subsidiaries in the USA and Canada tap the North-American infrastructure programs worth billions to change course if sourcing and production are localised?

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2 Literature review

In the economy, globalisation and localisation are not two clashing, but two complementary concepts within a large spectrum. Because 'naturally' economies always evolved within a localised geography, localisation was seldom a research topic in the past (even no Wikipedia entry exists). On the contrary, the international community developed a globalised perspective, and therefore, economic globalisation attracted attention (illustrated by several Wikipedia webpages). After decades of pronounced globalisation, however, localisation was brought back into focus again in recent years as will be laid out in this chapter.

2.1 History of globalisation and meaning of localisation

The exchange of ideas and goods was confined to local boundaries until the improvement of infrastructure and transportation allowed to trade on a global scale (Hopkins, 2003). After the Age of Discoveries, modern globalisation started in the early 19th century and is closely associated with colonisation and industrialisation. After World War II (1939 – 1945), the Bretton Wood System defined terms of finance and commerce in 1944 (Ghizoni, 2013). The invention of container shipment in 1956 (Levinson, 2013) and the discovery of conventional oilfields peaking in the 1960s (Logwell, 2002) further spurred globalisation. It was praised to be mutually beneficial (Blinder, 2019) and gained relevance parallel to the development and advancement of the General Agreement on Tariffs and Trade (GATT) between 1948 and 1994.

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As pointed out above, the MNEs have been the leaders in globalisation, while only a few SMEs could generate sufficient economies of scale to test new markets overseas and to customise products according to the needs of the consumers far away (Levitt, 1983). Weighting up new markets with substantial growth potential against mature markets with minimal growth potential was always the gist of the matter for companies considering to go global (Morrison, 2011). Over time, travelling, communication, and data exchange became increasingly inexpensive, allowing more SMEs to leave their local region and to join the MNEs in the global business (Cole and Denk, 2011).

After the end of the Cold War, liberal capitalism spread worldwide and the World Trade Organization (WTO) was founded in 1995. At the same time, the world became ever more VUCA, making considerate decisions to internationalise the business increasingly important. Today, the world trade to GDP ratio is about 60% (1970: 25%, Figure 2.1) and the annual world trade value accumulates to almost 20,000 billion USD (1970: 320 billion USD, Figure 2.2). Contrary to popular doctrine in the 1990s proclaiming the end of nation states due to 'hyperglobalisation' (Ohmae, 1993), the globalisation trend progressively flattened and the financial crisis in 2009 ended the 'golden age of globalisation' (Gunnella and Quaglietti, 2019). The COVID-19 pandemic, leading to iconic stuttering and choking supply chains expected to persist (Maihold and Mühlhöfer, 2022), did not trigger the turn of the globalisation era but accelerated its reversal.

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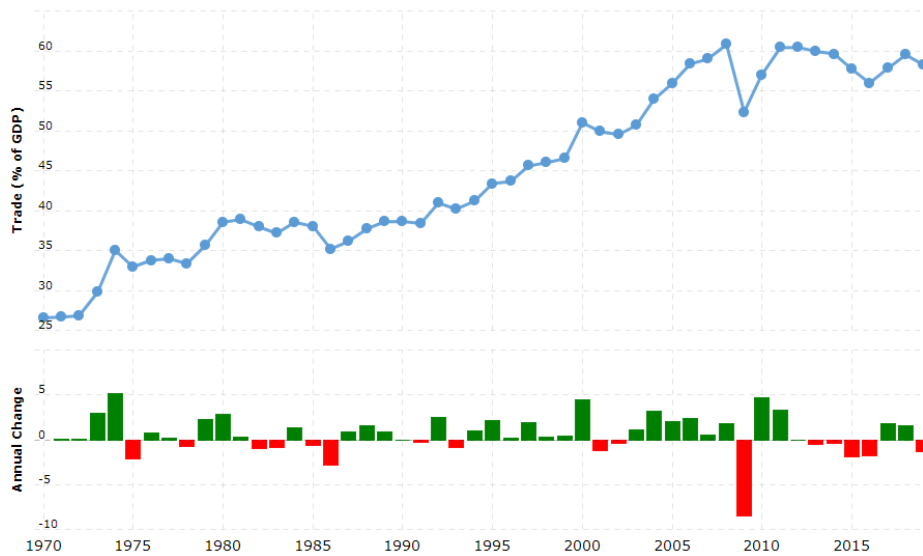


Figure 2.1: World trade to GDP ratio 1970 – 2021 (WTR, 2021)

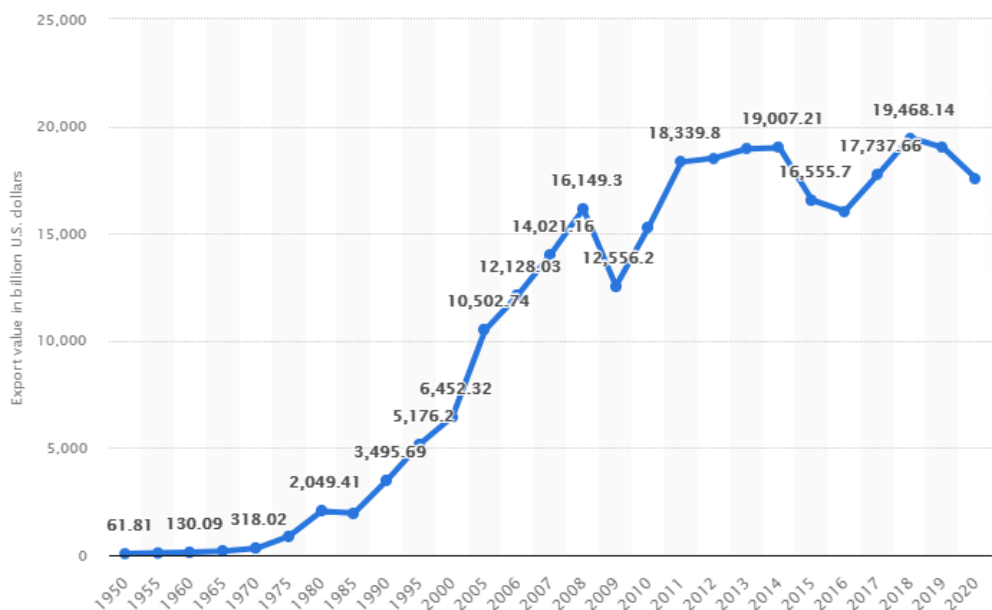


Figure 2.2: World trade value in billion USD 1950 – 2020 (WTV, 2021)

Did we already pass 'the limits to growth' as postulated by the Club of Rome in 1972 (Meadows et al., 1972)? Not yet, because the financial crisis and the following global

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trade slowdown in 2015, which context is discussed below, as well as the COVID-19 pandemic had only limited impact on the world gross domestic product (GDP) which is almost continuously rising (Figure 2.3). The recovery of the GDP is accompanied by calls for 'building back better'⁸, aiming for a business that is economically and environmentally more sustainable than before (Schwab and Zahidi, 2020). The global recovery is expected to gain momentum in the years to come, particularly in North America and Asia (AHK World Business Outlook, 2021).

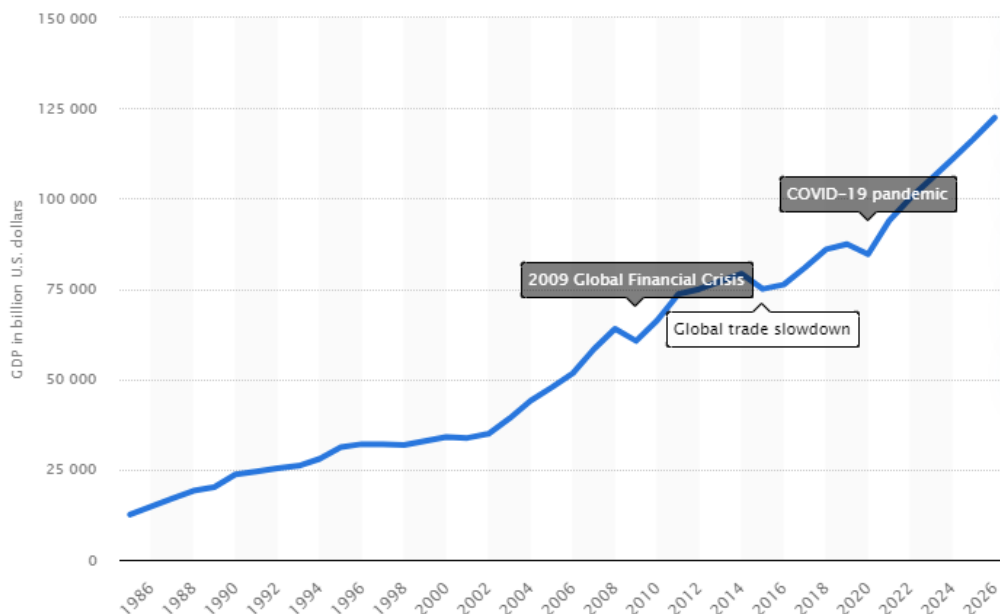


Figure 2.3: Global gross domestic product 1985 – 2026 at current prices (IMF, 2021)

⁸ A slogan initially coined 2015 by Shinzo Abe, Prime Minister of Japan, at the Third UN World Conference on Disaster Risk Reduction in the aftermath of the 2011 Tōhoku earthquake and tsunami (BBB, n.d.). The slogan resonates in the Build Back Better Plan for the 7 trillion USD COVID-19 relief, future economic, and infrastructure package proposed by Joe Biden, President of the United States (BBB Plan, n.d.) and the Build Back Better World, an initiative undertaken by G7 countries (B3W, n.d.) following the principles of the Blue Dot Network (BDN, n.d.) to counter China's strategic influence of the Belt and Road Initiative project (BRI, n.d.). After years of discussion, the EU followed with the launch of the 'Global Gateway' in December 2021 (Parrock, 2021).

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Contrary to the trajectory of the global GDP (Figure 2.3), however, the three events financial crisis, global trade slowdown, and COVID-19 pandemic considerably reversed globalisation (Figure 2.1 and Figure 2.2). The only conceivable conclusion of these two phenomena is the existence of a global and progressive localisation trend in production – a paradigm shift since the globalisation of production is seen as ‘one of the most highly developed, and beneficial, feature of globalisation’ (Morrison, 2011).

Localisation comes in various degrees. It starts with product adoptions to a particular country⁹ and ends with cutting the cords between the headquarter and subsidiary. In the following, localisation of the sourcing and production in the target market is focussed which leads to the decreasing world trade value. For foreign companies, localisation is offshoring (‘the practice of basing a business or part of a business in a different country’ N.N., 2021c), for domestic companies reshoring (‘the practice of moving a business or part of a business back to its original country’ N.N., 2021d) – the latter led to a dramatic drop in foreign direct investment (FDI) in some regions (WIR, 2021).

For foreign and domestic companies alike, localisation is the response to the changing business conditions. Localisation does not necessarily mean that manufacturing takes place anywhere within arm’s length. Research has shown that manufacturing strength is rather clustering around three local regions: Asia Pacific, Central Europe, and North

⁹ Some call the adjustment of globally distributed products to the local market ‘glocalisation’ (Hayes, 2020), which introduction may be deemed, however, to be a rather semantic discussion.

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America (Giffi et al., 2020) – the distance between production and customer has been reduced but not eliminated. For MNEs and SMEs alike, the location of manufacturing is not determined by the lowest production costs anymore (Hanspal, 2019; Dieter, 2021), but a mix of enacted *government policies*, shifting *customer preferences*, and emerging *technical developments* (Laudicina et al., 2018). These three fields are discussed in the following sections.

2.2 Localisation due to government policies

It appears that the globalisation success devours its children: Globalisation allowed leading developed countries to import goods and services which have been inexpensively produced first in reset post-war Central Europe, and later in developing countries in East Asia. The production of goods and services spurred the training of skilled blue collar and white collar works in these countries. Consequently, developed countries have ever fewer products which are in demand in the developing countries as these countries became self-sufficient. Therefore, many developed countries, particularly the USA, piled up massive trade imbalances (Figure 2.4), especially with Mexico, Japan, Germany, and China. The worldwide imbalances with China skyrocketed since its accession to the WTO on December 11, 2001 – a red-letter day overlooked by many because of the September 11 attacks. The accession was the trailblazer of the 'China shock' characterised by reduced manufacturing employment and wages in developed countries (Autor et al., 2016).

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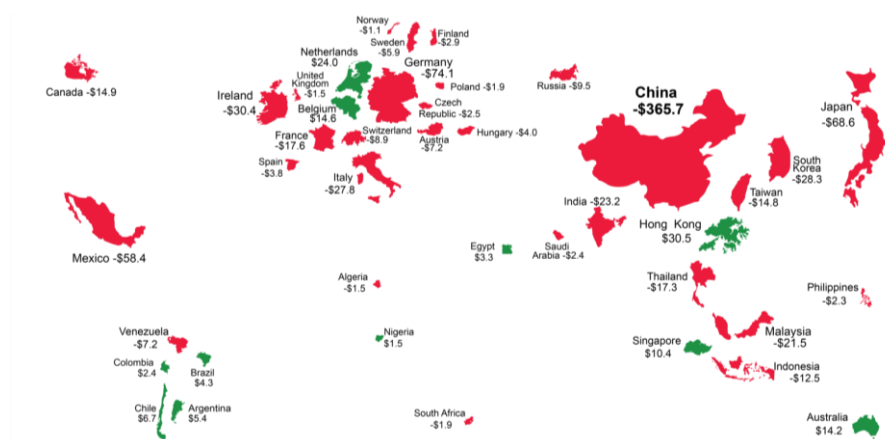


Figure 2.4: Trade imbalance of countries (in green) with the USA and of the USA with other countries (in red) (Desjardins, 2016)

In an attempt to prevent the trade imbalance from being further pumped up, protectionism became a trend at the onset of the 2nd millennium (GTA, 2021). Protectionist actions grew after the global financial crisis which ballooned trade imbalances (Pettis, 2013). In general, protectionism is the 'policy of protecting domestic industries against foreign competition by means of tariffs, subsidies, import quotas, or other restrictions or handicaps placed on the imports of foreign competitors' (Encyclopædia Britannica, 2018). Protectionist actions from one side trigger protectionist actions from the other side – a tit-for-tat game that easily becomes a trade war. Protectionism is on the rise, particularly since the financial crisis (Figure 2.5). The most prominent trade war is fought between the USA and China which some fear to develop into a World War III (Heydarian, 2020), heralded by the rising tensions in the South China Sea and along the First Island Chain.

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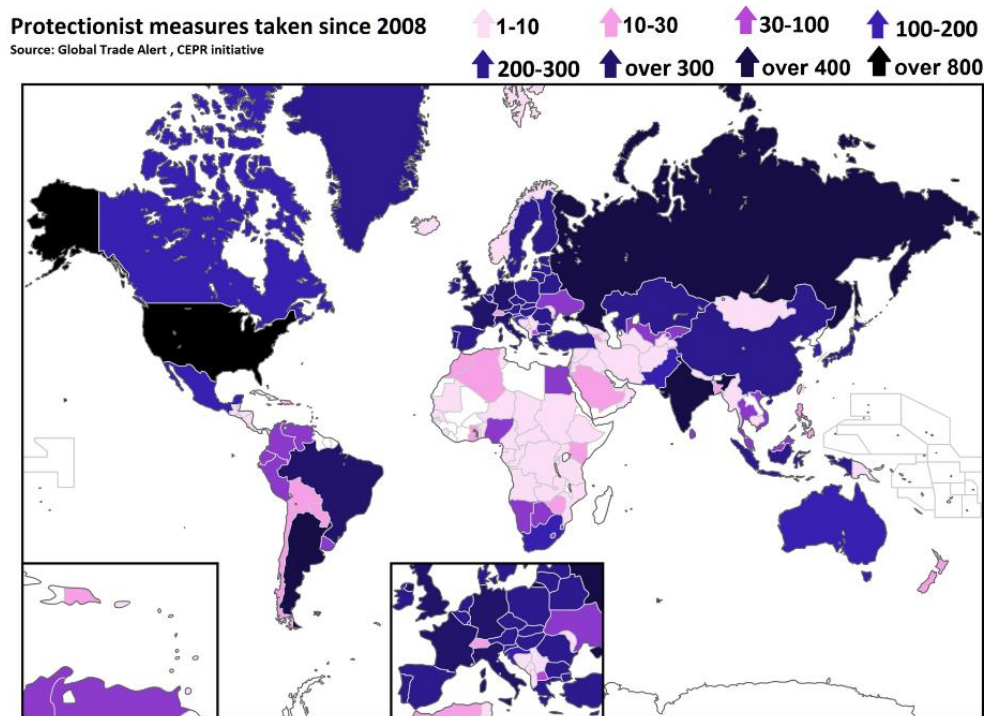


Figure 2.5: Protectionist measures taken since 2008 according to Global Trade Alert (Crosswords, 2015)

Protectionism experienced another booster in 2020 due to the COVID-19 pandemic. Governments imposed short-term export bans or restrictions in an attempt to keep as many pharmaceutical drugs and hygienic equipment in the country as possible (Piccarreta et al., 2020). Because products are typically manufactured 'just in time' nowadays, any slowdown in production abroad may affect consumers around the globe. Therefore, policies are likely to be strengthened to force the localisation of production as a precautionary measure to mitigate the impact of future shocks like pandemics (Howells, 2020).

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Trade agreements

Scientists and politicians of liberal trade believed that global trade agreements lead to 'change through trade'¹⁰, promoting worldwide peace and democracy¹¹. These hopes have been scattered at least in the case of China¹². Some argue that an 'alternative WTO' or a 'Club of Liberal Countries' has to be founded since the power of China will hinder a reformation or enforcement of the WTO rules (Dieter, 2021).

For the time being, whatsoever, the development of trade agreements with liberal countries is confusing, particularly in North America. While Canada agreed with the EU on the Comprehensive Economic and Trade Agreement (CETA) in 2016, the USA halted the negotiations of the global Transatlantic Trade and Investment Partnership (TTIP) with the EU in 2018. Instead, the USA prioritised the renewal of the more local North-American Free Trade Agreement (NAFTA) in the form of the United States–Mexico–Canada Agreement (USMCA) which was signed together with Mexico and Canada in 2018. Studies have shown that protectionist actions supported by rather local than global trade agreements are one reason for the partly reversed globalisation (Gregory et al., 2021), and these bilateral or multilateral free trade agreements are a continuing trend (Morrison, 2011).

¹⁰ The origins of this concept go back to the US president and political scientist Woodrow Wilson who assumed political convergence through economic cooperation (Mead, 2021). The 'Wandel durch Handel' concept is, however, very popular nowadays particularly at German politicians to justify trade with China despite its violations of trade agreements, international laws, and human rights.

¹¹ This perception was in line with the famously proclaimed 'end of history', supposing that there cannot be any further progression from liberal democracy to an alternative system (Fukuyama, 1992).

¹² The trade war is not purely economically driven – quite obviously, it is also a 'clash of civilisations' which is predicted to be strongest between the Western and Chinese culture (Huntington, 1996).

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Blocking globally produced goods

Also tariff barriers push localisation (Cheng, 2018). Already before becoming the president of the USA, Trump announced that he will reduce the trade deficit by imposing punitive tariffs which were initiated at the beginning of 2018 (Tankersley and Landler, 2018). Punitive tariffs on products made of steel (25%) and aluminium (10%) imported from any country were enacted (Lynch and Paletta, 2018). China, Canada, and the EU responded with the implementation of retaliatory tariffs.

By and large, the protective measurements remained unchanged under the Biden presidency. However, different trajectories can be observed for the EU and China. While the USA granted the EU a contingent for steel and aluminium products exempted from the punitive tariffs (25% and 10%) effective from 2022 (Swanson and Rogers, 2021), the USA and China have become entrenched in their positions. The exchange of sharp rebukes in high-level talks (Plett-Usher, 2021) was accompanied by the Chinese 'Unreliable Entity List' (UEL, 2020), 'Anti-Sanctions Law' (LCS, 2021), and 'Blocking Rules' (RCF, 2021) to counter US-American economic import sanctions (Mayger et al., 2021). In addition, China progressively controls the export to the USA by means of the 'Export Control Law' (ECL, 2020), which may be used to coerce companies serving 'China first' though it primarily aims to prevent the drain of critical know-how (Moore and Mich, 2020). Moreover, China uses trade embargoes to pursue political aims, be it the prevention to inquire the origin of COVID-19 (Hurst, 2020) or the deterrence to deepen relationships with Taiwan (Bermingham, 2022).

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Favouring locally produced goods

In the USA, the preference of local products is also enforced by two legislations promoting 'Made in USA' (aka 'Made in the USA')¹³: Firstly, the Buy American Act of 1933 (BAA, 1933), applying to all direct U.S. federal procurements and tightened by Trump's Executive Order 13881 (E.O. 13881, 2019) which lifted the minimum domestic content for end products to be considered as being US-made (Table 2.1). Secondly, the Buy American Act of 1982 (BAL, 1982), applying solely to grants issued by the U.S. Department of Transportation for mass-transit-related procurements to U.S. federal agencies (Table 2.2), for example stipulated for the projects funded by the Infrastructure for Rebuilding America grant program (INFRA) according to Biden's Executive Order 14005 (E.O. 14005, 2020). Some U.S. federal agencies define a very high contract value threshold, however, even if a federal agency funds only a small part of an infrastructure project, the requirements apply to the project as a whole.

Procuring entity	Contract value threshold	Impacted goods	Requirements
E.g. Department of Energy, Department of Defense, Office of Naval Research, NASA, Army Corps of Engineers	10,000 USD	E.g. steel products	95% made in the USA

Table 2.1: Buy American requirements

¹³ The Made in USA Standard (TA, 1930) regulates the labelling, enforced by the Federal Trade Commission.

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Federal agency	Contract value threshold	Impacted goods	Requirements
Federal Transit Administration (FTA), e.g. MRT, BRT	150,000 USD	Rolling stock Non-rolling stock	70% made in the USA 100% made in the USA
Federal Highway Administration (FHWA)	2,500 USD or 0.1% of the contract value	Iron, steel, and manufactured goods	100% made in the USA
Federal Railroad Administration (FRA)	100,000 USD	Iron, steel, and manufactured goods	100% made in the USA
Amtrak	1,000,000 USD	All manufactured and unmanufactured goods	50% made in the USA
Federal Aviation Administration (FAA)	0 USD	Steel and manufactured goods	60% made in the USA
Environmental Protection Agency (EPA), e.g. for Clean Water State Revolving Fund, Drinking Water State Revolving Fund, Water Resources Reform and Development Act, Water Infrastructure Finance and Innovation Act	0 USD	Iron, steel, and manufactured goods	100% made in the USA

Table 2.2: Buy America requirements

The Buy American and Buy America requirements may be waived, allowing the procurement of non-US-made products if

- the use of a US-made product is impractical or inconsistent with the public interest,
- the product is not mined, produced, or manufactured in the USA in sufficient and reasonably available commercial quantities of satisfactory quality, or

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- the use of a domestic product would lead to an unreasonable increase of the total cost of the project.

Though the massive and partly confusing programs undoubtedly force localisation, the beneficial effects of Buy America(n) are disputed (Dixon et al., 2018).

Contrary to the USA, the regulations regarding 'home-grown' products are very transparent in Canada: No requirement exists, at least to the knowledge of the author, to use Canada-made products for any public projects, for example the construction of infrastructure. However, products may be labelled as 'Made in Canada'¹⁴ if at least 51% of the total direct costs incurred in Canada, whereas this ratio must be at least 98% for a product labels 'Product of Canada'. It is questionable due to the lack of any enforcement, whether any of these labels bring sufficient advantages outweighing the disadvantages due to the supply chain restrictions (Ligaya, 2014).

With the USA and Canada being members of the USMCA (USMCA, 2021) and the Agreement on Government Procurement (GPA, 1979), 'Made in USA' and 'Made in Canada' may be deemed equivalent in exceptional cases, but this is not the rule.

2.3 Localisation due to customer preferences

Present-day customers expect quicker, more convenient, more cost-effective, and more personalised products (Emerson, 2017). This can be easier and cheaper realised

¹⁴ The Consumer Packaging and Labeling Act (CPLA, 1970) regulates the labelling, enforced by the Commission of Competition.

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with localised production closer to market (Brennan et al., 2015). Customised products are manufactured just-in-time or stored close to the customer and therefore resilient against supply chain interruptions (Stonnington, 2020; Aliche et al., 2020). In the end, customers value these benefits of a localised production more than the proliferation of stock-keeping units (SKU) typical for centralised production units (Shih, 2020).

Moreover, localisation may help to create trust in the manufacturer. This is important because customers increasingly distrust large brands and companies, particularly in the western world gradually dominated by the Gen Z and Millennials (Warschun et al., 2017). These generations expect a genuine relation to brands and the manufacturers standing behind, built up best by influencers via social media (Enskog, 2017). Working with local influencers is a good way to tell a remarkable story of a global company (Backaler, 2018).



Figure 2.6: Individualistic customers need to be addressed personalised; best communicated by influencers via social media (source of graphic: TopRankMarketing)

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It is blatant that the time of the once dominating global business strategy to achieve growth through economies of scale by centralised production is gone and the age of multi-localism has dawned which is characterised by the customer's preference of locally manufactured products – at least if not too expensive. Notwithstanding, some companies may stick to their previous centralised business model (Laudicina et al., 2018). Companies accepting the challenge of the new business environment with a customer focussed framework have to become locally integrated enterprises to succeed, focussing on the core markets with adapted value chains and having an ear to the ground to gain insights and to develop strategies.

2.4 Localisation due to technical developments

The term '4th industrial revolution' describes breakthrough technologies in fields such as robotics, artificial intelligence, and the internet of things (Schwab, 2016). Though these technologies will hardly play any significant role in the manufacturing of construction products any time soon, the digital transformation of the processes to control quoting, ordering, manufacturing, shipping, and invoicing have an impact on the construction product industry already now.

In the construction industry, digital production will be realised by BIM which allows digital communication along the complete supply chain. The process starts digitally with the customised design of the construction product, potentially creating an online value proposition (OVP) if organised web-based (Chaffey, 2015). Mass customised

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manufacturing (MCM)¹⁵ would allow the lot size 1 which is a typical feature of the 4th industrial revolution characterised by large customisation numbers but small lot sizes (Figure 2.7). Construction products not requiring special tooling could be manufactured and delivered by drop-shipping partners. The process ends digitally with the transformation of the data of the traceable and identifiable construction products into the digital twin of the building, the BIM model.

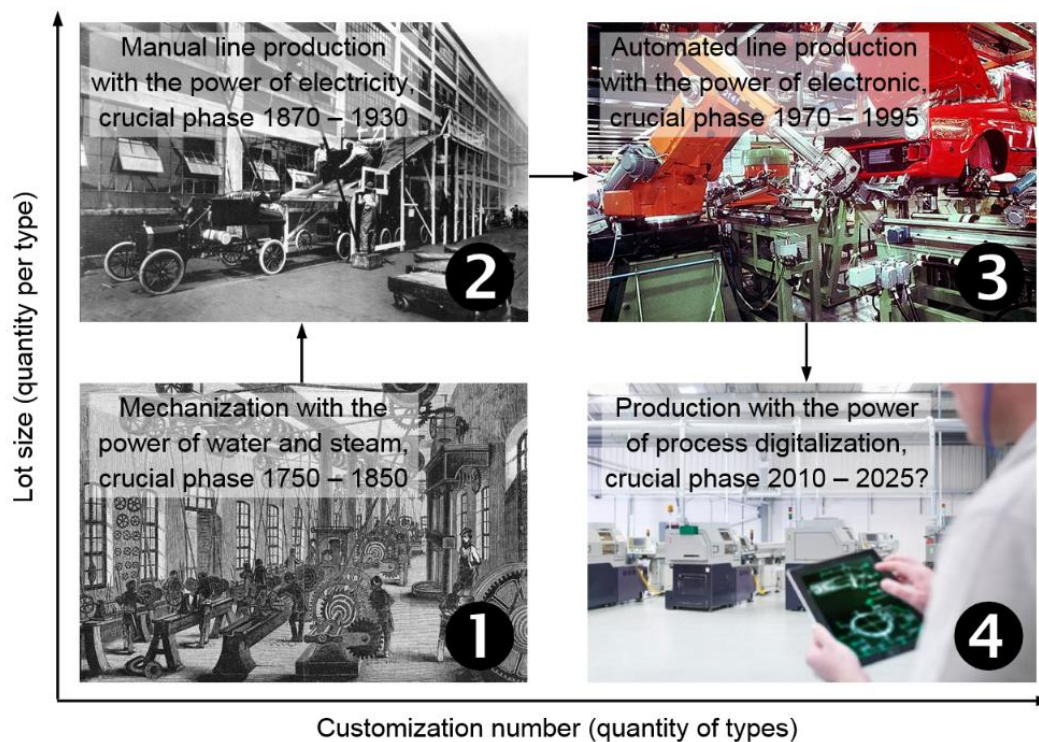


Figure 2.7: The four disruptive changes in the industry in relation to lot size and customisation number: (1) Mechanical production, (2) Mass production, (3) Automated production, (4) Digitalised production (source of photos: Wikipedia, Volkswagen, UL)

¹⁵ Mass customised manufacturing (MCM): Made-to-order process that allows the production according to the designs of customers at costs near mass production prices even for lot size 1.

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Digitalisation may gradually replace globally centralised manufacturing with locally distributed manufacturing. An extreme example of this approach is the employment of 3D printing technologies (ATK&HP, 2018). The effect of advanced 3D printing on the localisation of the manufacturing of simple construction products may be rather irrelevant, though. More important is the effect that generally, the reshuffle of the production location will affect high-tech industries (e.g. manufacture of electronic products) to a much lesser extent than low-tech industries (e.g. manufacture of construction products) which need little investment in the infrastructure (Simchi-Levi, 2015).

2.5 Contemporary context of localisation

To better evaluate the ongoing process of localisation, the contemporary context needs to be addressed. To this end, the trade balance, economic situation, climate change, and ethics are taken a look at in the following.

Trade balance

The analysis of the US-American and Canadian trade balances does not yet reveal a progressive trend of localisation (Figure 2.8): Canada has generally a more balanced trade, in 2021 even a trade surplus (Evans, 2021). In contrast, the imbalanced trade of the USA is rising again after it has been reduced in 2019 (Zambelli, 2021). The market appears to 'know' that customers lose more under protectionist actions than

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the protected producers gain (Dean et al., 2016) which may be explained by the Heckscher-Ohlin model¹⁶ (Kopp, 2020).

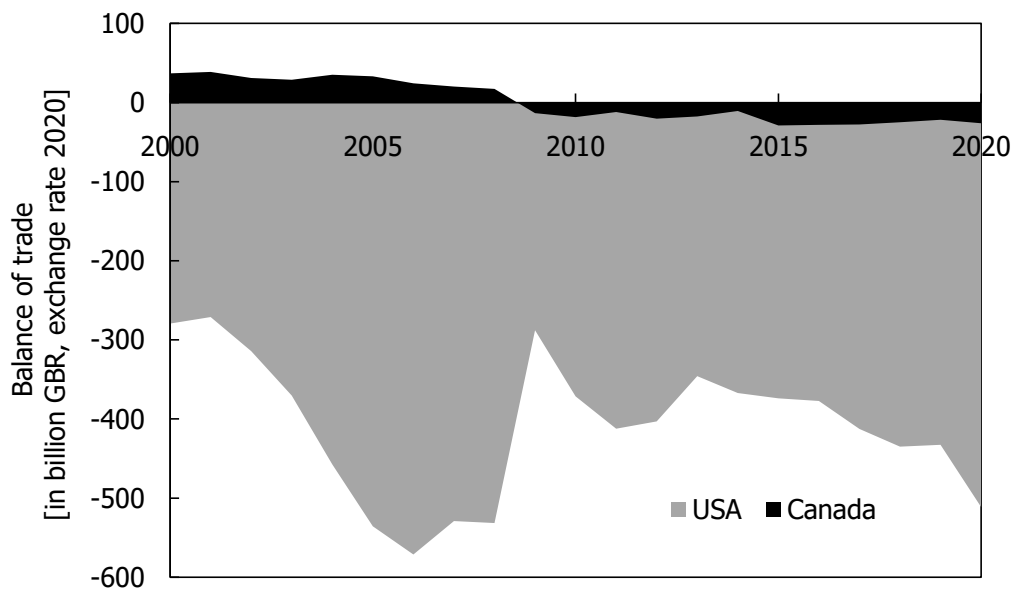


Figure 2.8: Trade imbalance of the USA and Canada from 2000 to 2020 (after BEA, 2020; SIM, 2020)

One must not jump to the false conclusion, however, and generalise that changing *government policies, customer preferences, and technical developments* have not yet a significant overall impact. The effects may vary from industry to industry and product to product, making a more differentiated look into the details necessary.

¹⁶ The Heckscher-Ohlin model is an economic model of international trade developed on the basis of the model of comparative advantage (Ricardo, 1817), in turn based on the model of absolute advantage (Smith, 1776).

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Economy

A worldwide survey among German companies in 2021 has shown (AHK, 2021) that the majority expects a positive development of the economy in the coming twelve months, reversing the negative judgement in 2020 (Figure 2.9). The biggest concern of the interviewed business experts was the lasting travel restrictions (expressed by 72% of the interviewees). The only worry that increased from 2020 to 2021 is the challenge of disrupted supply chains – not only a result of the developments addressed above but also due to problems in sea freight and a shortage of containers (expressed by 40% of the interviewees). Particularly industrial companies cited this problem (expressed by 55% of the interviewees). Furthermore, supply chain problems appear to be more pronounced in North America than in other regions, except Asia.



Figure 2.9: According to German companies abroad, the economic situation improved significantly since year one after the COVID-19 outbreak (AHK, 2021)

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Another survey revealed (Riehle and Glunz, 2021) that the vast majority of the German companies established in the USA intend to increase their investment (expressed by 82% of the interviewees) and, to a lesser extent, to reduce the dependency on single sourcing options (expressed by 38% of the interviewees). The latter together with accelerated digital transformation, for example in terms of process automation and digitalisation, will support future resilience. Technological innovation to stimulate economic growth is also a focus of German-Canadian collaboration (Bugdahn and Ratajczak, 2021). The aim of a designated innovation program is to lead technological innovation of SMEs to commercialisation.

Ecology

The developed countries are responsible for 63% of the current (and 79% of the historic) CO₂ emissions (Busch, 2015), the largest contributor to climate change (Reilly et al., 2003). During the phase of globalisation, the CO₂ emissions were partly 'exported' to developing countries, particularly China (Ma et al., 2019). If countries are ranked according to their CO₂ emissions, not their CO₂ *production* but their CO₂ *consumption* should be taken into account (Tippmann, 2014). This more correct approach worsens the standing of countries importing 'lots of stuff'¹⁷ (Figure 2.10).

¹⁷ In contrast to sustainable products, consumerist products may be pejoratively called 'stuff', for example in the animated documentary about the lifecycle of material goods 'The story of stuff' (Leonard, n.d.). The documentary also addresses cost externalising, for example of environmental damage. From a global perspective it is irrelevant where this takes place, however, it would not happen if locally manufactured in developed countries with stringent environment protection.

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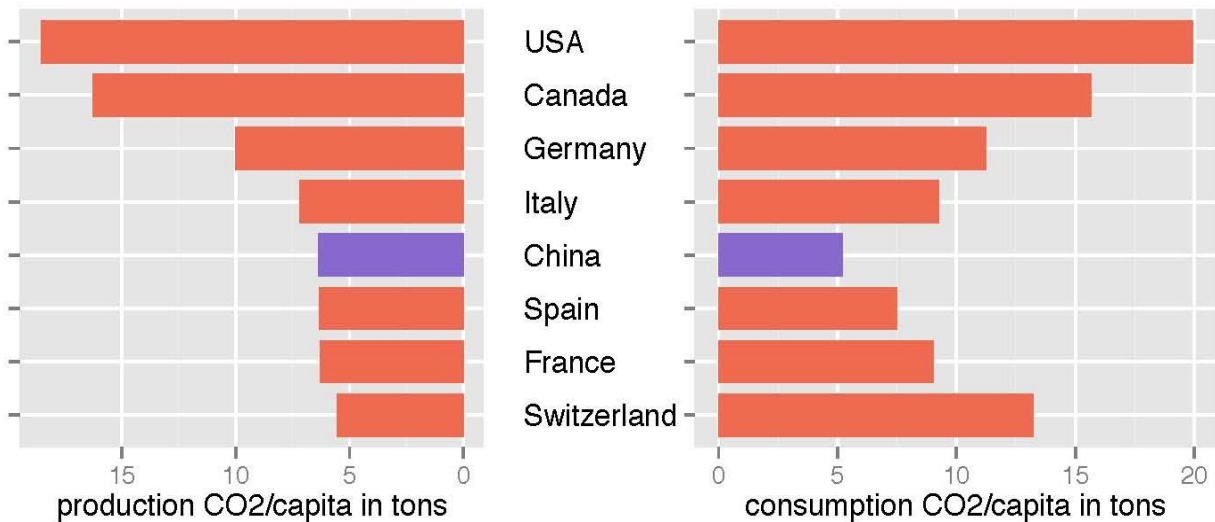


Figure 2.10: US-Americans, Canadians, and Germans are the highest CO₂ producers and – even more – consumers (Tippmann, 2014)

For climate change, the location of the CO₂ emission is irrelevant because the gas is distributed within the complete troposphere, causing the greenhouse effect. However, international shipping alone accounts for about 2% of all CO₂ emissions, roughly as much as Germany (Mandel, 2020). If localisation leads to a production closer to the customers, the complete supply chain is drastically reduced. Moreover, localisation in advanced countries will engage more sustainable, eco-friendly process technologies. Greener supply chains and greener process technologies are important building blocks of green manufacturing, which will gain financial and environmental importance in near future (Tricoire, 2019). Another side effect would be the creation of a favourable image as a supplier of eco-friendly products (Frans and Ruf, 2021).

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Ethics

Despite globalisation, inequality across all countries remained at a high level (Lakner and Milanovic, 2016). In industrialised countries like Canada and the USA, offshoring erased millions of manufacturing jobs – in North America about 5 million since the 1990s (Scott, 2020). Protectionism created new manufacturing jobs in North America during the past decade, however, about the same number were lost during the COVID-19 pandemic. Particularly women and minorities had to suffer the consequences (McGrath, 2021).

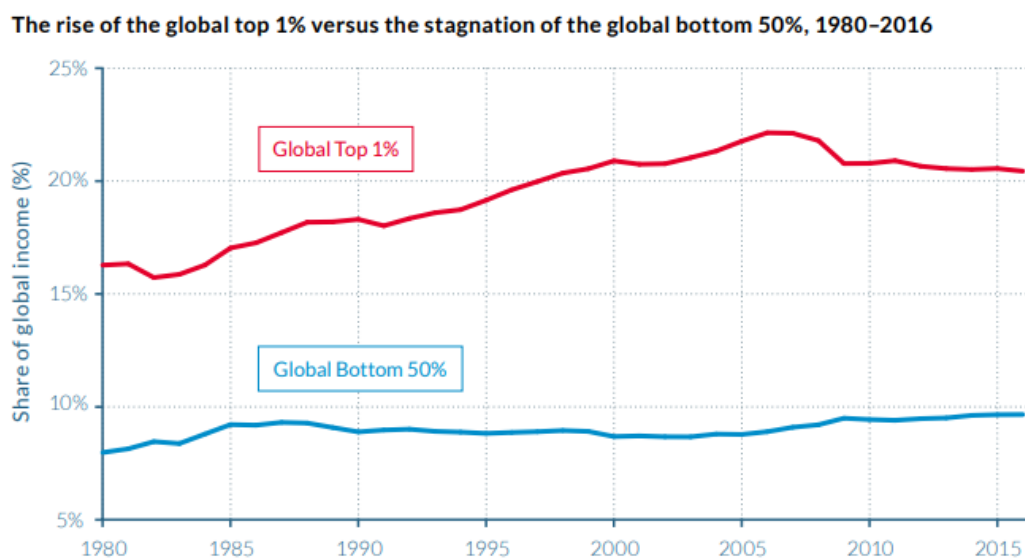


Figure 2.11: The riches become richer... (Alvaredo et al., 2018)

Though disputable, some research has shown 'that trade significantly contributed to the collapse of manufacturing employment in the 2000s, but finds little evidence of a causal link to automation'. The growing trade deficits could lead to a great rebalancing

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(Pettis, 2013), but could be counteracted by supporting the local economy and workforce (Scott, 2020). The reduction of the unemployment rate is a social responsibility and brings an ethical dimension to localisation.

2.6 Research hypothesis

In sum, Canadian government policies do not force European manufacturers of steel goods, for example construction products, to localise in Canada. On the contrary, business in the USA, by far the larger market, will become generally difficult – and in the context of investment programs impossible – without localisation. In addition, localisation is increasingly important to meet consumer preferences and goes hand in hand with the latest technical developments.

More localisation in Canada and the USA is zeitgeisty as it can help to re-balance their trade, can take advantage of the economic recovery from the COVID-19 pandemic, can help to pursue ecologic objectives, and would be an improvement also from the ethical standpoint of view. More local production would therefore be in line with the pressing global trends and targets. In other words, 'localisation is the new globalisation' (Seymour and Oldfield, 2021).

This saying leads to the **research hypothesis**: Localisation is a valid globalisation strategy for European manufacturers going for business opportunities in North America. In the following section, the methodology to verify the research hypothesis is described.

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3 Methodology

After the broad review of the literature led to the formulation of the research hypothesis, its validity is verified using applied research as laid out in the following. The focus is set on manufacturers of construction products, the industry of the manufacturer under particular consideration, which is deemed to be representative for manufacturing in general.

3.1 Research concept

The research process is conceptualised according to the 'onion' described by Saunders in 2007 (Saunders et al., 2019). It is a useful tool for designing holistically the methodology to verify research hypotheses. The onion is made up of six layers, which have to be peeled back when developing a research methodology: Philosophy, approach, strategy, choice, time horizon, techniques, and procedures (Figure 3.1).

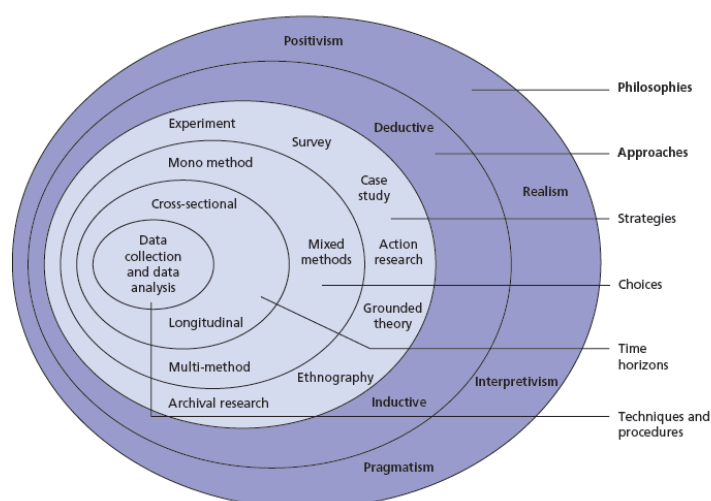


Figure 3.1: The research process 'onion' (Saunders et al., 2019)

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Philosophy

The philosophy of research may be grouped into four main types (Table 3.1), all of which play an important part in business research. These types may be mixed, for example, if facts and opinions are studied. The study presented below can be characterised best to have a pragmatic research philosophy as the two parts, consisting of quantitative and qualitative research, must assume objective, value-free as well as subjective, biased outcomes.

	Ontology¹⁸	Axiology¹⁹	Strategy
Positivism	Objective	Value-free	Quantitative
Interpretivism	Subjective	Biased	Qualitative
Realism	Objective	Value-free	Qualitative
Pragmatism	Objective or subjective	Value-free/biased	Qualitative and/or quantitative

Table 3.1: Main research philosophies (Saunders et al., 2019; Wilson, 2014)

Approach

The literature review (Chapter 2) may be viewed as an inductive research approach to develop the research hypothesis. The following data analysis (Chapter 4) has a deductive research approach to test the research hypothesis. Mixing the

¹⁸ Philosophy study dealing with nature of existence.

¹⁹ Philosophy study dealing with nature of value.

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complementary research approaches may substantiate conclusions (Creswell and Plano Clark, 2017).

Strategy

Two strategies are used to carry out the research, both of which are suitable for deductive research:

- Secondary research: mining secondary data on the internet.
- Action research: distilling primary data from interviews.

Choice

The onion layer 'choice' was later amended by Saunders to differentiate between three options, i.e. the mono, mixed, and multi-method. As the two parts of the research combining quantitative research and qualitative research, it would be a mixed approach, also known as the hybrid approach. It potentially leads to better answers to the research questions (Morgan, 2007).

Time horizon

Longitudinal research with prolonged time horizon better reveals trends, for example of localisation, as data would be collected over multiple points in time. The nature of

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this dissertation, however, allows the collection of data over a brief time horizon only, leading to a cross-sectional data set representing a snap-shot of a trend developing over time.

Techniques and procedures

The following techniques and procedures are used to carry out the two parts of the research:

- Secondary research: Published financial reports of five representative German companies doing international business in the construction product industry are analysed, visualised, and evaluated with regard to the share of business in North America.
- Action research: Eight interviews with business developers in the construction (products) industry, members of German business associations in North America, and investment specialists of the commercial department of North-American embassies in Germany, are carried out.

3.2 Reliability and validity

Due to the limitations, the sample size is small. The research will be reliable nonetheless since the threats to reliability (Robson, 2002) are deemed to be negligible: Because the companies and persons chosen for the first and second part represent a

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comprehensive cross section of entities and stakeholders, *participant error and bias* are assumed to be small. Because the researcher is experienced and does not have any conflicting interests, the *observer error and bias* may be taken to be small as well. Moreover, the research will be valid because the threats to validity (Robson, 2002) are believed to be non-existent: The research on the new trend of localisation cannot be 'spoiled' by *history*, the samples will not be influenced by the act of *testing*, and so forth. Furthermore, the research does not raise the claim to find the 'theory of everything' but to find answers to a specific question related to European manufacturers doing business in North America. Therefore, external validity is not put at risk due to unjustified generalisation.

3.3 Limitations and reflection

Given the limited available sources on the internet dealing with the new trend 'localisation of the globalisation' and the limited time to carry out the interviews, developing a general 'theory of everything' appears to be unrealistic. The outlined methodology, however, promises to provide a validated answer to the question of how the subsidiaries of European companies in the USA and Canada could and should be repositioned to secure the revenue and increase the profit.

It is essential for the validation, however, to avoid gross cognitive biases addressed above. The most critical cognitive biases in the context of hypothesis validation are the confirmation biases. The term confirmation bias was coined by English psychologist

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Peter Wason (1968) who showed a preference of participants (e.g. interviewees) for confirmation over falsification, known as the 'hypothesis-testing (falsification) explanation'. Even more important is the temptation that the investigator (e.g. researcher) prepares tests (e.g. questions) supporting the hypothesis to force its validation. The rationale of this type of confirmation bias is known as the 'hypothesis testing (positive test strategy) explanation' first described by the behaviour scientists Joshua Klayman and Young-Won Ha (1987). Being aware of the risk due to confirmation bias, the researcher was particularly careful in selecting the interviewees, formulating and conveying the questions, as well as accepting and interpreting the answers.

3.4 Ethical considerations

When conceptualising and conducting research, several ethic considerations have to be taken into account because its negligence 'can undermine scientific integrity and institutional credibility' (Bhandari, 2021) – and discredit the researcher. The most important ethical issues in the context of the research carried out are addressed as follows:

- The secondary data are taken exclusively from the internet and the manufacturer under particular consideration will be kept anonymous.
- The primary data are collected in interviews which will be carried out obeying the 'UWTSD Research Ethics & Integrity Code of Practice, 2017 – 2020'.

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Besides, the dissertation is the result of independent work and own investigation, unless otherwise stated.

3.5 Data collection and analysis method

As pointed out above, the research consists of two parts: quantitative research based on discrete data analysed on a numeric scale and represented by illustrative graphs, and qualitative research based on narrative data analysed for patterns and meanings.

Quantitative research

The first part is a quantitative research for which secondary data were mined on the internet. Because of the specificity and novelty of the research topic, no published statistics or studies were available. Therefore, the most meaningful source was the published business reports of the following German companies which play in the same field of construction products as the manufacturer under particular consideration:

- **Annahütte** is a global manufacturer of steel specialities for the construction and car industry with a worldwide network of subsidiaries. Annahütte was founded in 1537 and belongs nowadays to Verbundbau Mitterfelden/Max Aicher in Freilassing, Germany. The revenue of Annahütte is more than 1,000 million GBP.
- **Würth** is a worldwide wholesaler and producer of fasteners, screws, dowels, installation materials, and many other items. Würth was founded in 1945 by Adolf

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Würth in Künzelsau, Germany. Würth's revenue reached 12,000 million GBP as of 2020 (<https://en.wikipedia.org/wiki/Würth>).

- **Fischer** is a family-owned German manufacturer, best known for its fastening products for the construction industry. Fischer was founded in 1948 by Artur Fischer in Waldachtal, Germany. Fischer's revenue is approximately 700 million GBP (<https://en.wikipedia.org/wiki/Fischerwerke>).
- **Halfen** is a provider of concrete anchoring and reinforcement technology and a subsidiary of the Irish CRH Group. Halfen was founded in 1929 by Josef Halfen in Düsseldorf, Germany. The revenue of Halfen is around 110 million GBP (https://de.wikipedia.org/wiki/Halfen_GmbH).
- **Hilti** is a typical multi-national company manufacturing power tools, concrete fasteners, and firestop material. Hilti was founded in 1941 by Martin and Eugen Hilti in Schaan, Liechtenstein. Today, Hilti generates a turnover of about 4,300 million GBP (<https://en.wikipedia.org/wiki/Hilti>).

Hilti is an MNE without the obligation to publish financial statements. Therefore, the published annual company reports have been retrieved instead (Hilti CR, 2021). The annual financial statement of the other four companies are published by the statistical business register of Germany (UREG, n.d.)²⁰. These companies belong to the 'German Mittelstand' which comprises not only SMEs but also corporations with over

²⁰ The preparation and publication of the financial statements typically lag one to two years behind. For this reason, the financial statements of 2020 could not be taken into account.

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1 billion EUR as long they are family owned (Venohr et al., 2015). They are, for this reason, similar to the manufacturer under particular consideration.

Annahütte is involved not only in the construction (products) industry but also in the car industry which recently suffered a slump due to the de-motorisation, ('Kuruma Banare'), vehicle transition (from combustion to electric motor), and chip crisis (Bradley, 2017; Alsford, 2021; Boston and Kostov, 2021). Hilti, Fisher, and Halfen are direct competitors of the manufacturer though having a much larger product portfolio. It is expected that Würth will add the core product of the manufacturer under particular consideration to their portfolio any time soon.

The quantifiable and discrete data extracted from the business reports were processed for the years 2007, 2010, and 2013 to 2019 using spreadsheet analysis software. The availability of spreadsheet analysis software since the 1980s made it 'not at all difficult to carry out an analysis which is simply wrong' and 'easier to generate elegantly presented rubbish' (Robson, 2002, cited in Saunders et al., 2019). It was paid heed, therefore, not to develop illusive graphs leading to wrong interpretations. This noble yet unchallengeable aim, however, limited the possible analyses.

Though each business report (Appendix, Figure A.1 to Figure A.5) provides thousands of data sets, the revenues are the only figures broken down by the larger business regions, i.a. North America and Europe. These figures do not indicate directly localisation strategies. Since all studied companies have production facilities in North America, it is reasonable to assume that the revenue is produced to a large extent

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locally. Up and downs of the revenue, therefore, indicate localisation tendencies. For a meaningful evaluation, the figures are set in proportion to the general economic development in terms of the GDP (TWB, 2021), production in construction (CON CA, 2021; CON US, 2021), and FDI in manufacturing (BEA, 2021; FDI CA, 2021).

Line graphs were chosen to represent the processed data as these are the most suitable graph type to explore a trend over time (Saunders et al., 2019). For a better comparison of the analysed companies, the line graphs were normalised with reference to a meaningful basis value. To this end, the absolute numbers were converted into relative numbers (percentages). The limited amount of data sets prohibited even the simplest statistical analysis, for example the calculation of mean values and standard deviations. To increase legibility if printed or copied, the line graphs were plotted in grey shades instead of colours.

Qualitative research

The second part is qualitative research for which primary data were distilled from interviews with business people involved in the business of German companies in Canada and the USA. The interviewees were business developers, business associates, as well as investment specialists in or for Canada (interviewees with codes CA-A to CA-D) and the USA (interviewees with codes US-A to US-D):

- **CA-A** is a member of the German Canadian Business Association (GCBA).

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- **CA-B** used to work as a business developer for Canada at a German company with partly localised manufacturing of steel parts for the construction business.
- **CA-C** is an investment specialist at the Chamber of Commerce (AHK) of Germany in Canada.
- **CA-D** is an investment specialist at the investment promotion agency of the embassy of Canada in Germany.
- **US-A** is a member of the German American Business Council (GABC).
- **US-B** used to work as a business developer for the USA at a German company with partly localised manufacturing of steel parts for the construction business.
- **US-C** is an investment specialist at the Chamber of Commerce (AHK) of Germany in the USA.
- **US-D** is an investment specialist at the investment promotion agency of the embassy of the USA in Germany.

The entities the interviewees work for are deemed to be a representative selection, as these belong to various stakeholders with different standpoints of view and economic or personal aims:

- CA-A and US-A: The focus of a business association is to foster the collaboration between the companies being a member of the non-profit organisation. Business associations are often heavily criticised for unintentionally or even intentionally crossing the thin line from lobbying to price-rigging typical for cartels (Levine et al., 2020), however, are a valuable source of insider information.

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- CA-B and US-B: The target of business development is to generate growth in terms of business expansion by 'building strategic partnerships and making strategic business decisions' (Seth, 2020). This may be anything from ideation, planning, implementing, and execution of business development concepts. Being knowledgeable and experienced in the field is essential for sustainable success.
- CA-C and US-C: The goal of chambers of commerce²¹ is to represent the interests of traders and industrialists, often forming a link between commerce and politics (ICC, n.d.). Chambers of commerce in overseas often consult companies from their fellow country: For example the German chambers of commerce in Canada and in the USA help German companies to invest in Canada and in the USA.
- CA-D and US-D: The role of an investment promotion agency (IPA) is to promote FDI for the country representing (IDB, 2018). IPAs are either adjunct to the embassy in the country where the investment is targeted or a service agency owned by the government or its entities. Since the sole purpose of IPAs is to attract investment, their advice has to be treated with care.

The interviewees were either known to the researcher or were identified by internet research. All interviewees were experienced (age range above 40), seven of which were male and one female. Appointments were agreed on by email to make sure that the interviewees allocate sufficient time for the interviews which were arranged either

²¹ The German chambers of commerce in overseas are also termed as '*Foreign Chambers of Commerce*' or '*Chambers of Commerce Abroad*' (AHK) for better differentiation of global German chambers of commerce and local German chambers of commerce set-up in Germany.

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as a web conference or as a telephone call. In total nine questions were asked during the interviews lasting between 1 h and 2 h. The interviews took place between December 17, 2021 and January 17, 2022.

The interviews were announced as discussions on doing business in the USA/Canada since the relationships between interviewees and researcher just did not allow to 'interrogate using a questionnaire'. Besides, the personal atmosphere of discussions will make the interviewees more responsive, relaxed, and honest if compared with the dullness of going through questionnaires. The interviews had an exploratory character 'in order to conduct discussions not only to reveal and understand the 'what' and the 'how' but also [...] the 'why' (Saunders et al., 2019). To this end, semi-structured interviews were prepared with a list of the nine questions.

As an opening, the background of the manufacturer under particular consideration was outlined. Putting the general consideration of the manufacturer to foster localisation as a response to the upheavals in globalisation led over to the questions. The remark that the researcher has to make some notes for better memorisation informed the interviewee that his answers are noted down. The order of the questions varied depending on the flow of conversation. The final question was always whether the interviewee is aware of any themes evolving in general with regard to doing business in the USA/Canada or in particular with regard localisation of globalisation.

During the interviews, the attention of the researcher was paid to take an open, neutral standpoint and at the same time, to convey the enjoyment and enthusiasm of having

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the opportunity to talk to the interviewees. It is generally wise to listen more and to talk less – this holds particularly for interviews to pump out information as much as possible instead of mirroring the thoughts of the researcher (Saunders et al., 2019). The answers were explored and probed, providing the interviewee with sufficient time to develop their response. In the aftermath, the notes were converted and condensed by the researcher into key sentences (Appendix, Table B.1 to Table B.9) to reflect the answers of the interviewees concisely yet truthfully. Though the interviews were carried out with mostly open questions, the answers were binned, for example into replies rather approving or disapproving localisation, for a more succinct analysis and the possibility to prepare illustrative bar charts. Also the bar charts were plotted in grey shades instead of colours to increase legibility if printed or copied.

It's all in the mix

Did the research mix of quantitative research and qualitative research work out to prove the validity of the research hypothesis? As expected, the mix did not allow proofing of the research hypothesis in an absolute scientific sense, however, the multifaceted view provided some strong arguments in favour as will be shown next.

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4 Data analysis

The research data were analysed in view of a potential recommendation for subsidiaries of European companies to foster localisation in the USA and Canada for securing the revenue and increasing the profit. The data analysis was carried out for the two parts separately: Part 1, the examination of business reports published on the internet, is the quantitative research based on secondary data. Part 2, the examination of interviews carried out with business people, is the qualitative research based on primary data.

4.1 Examination of business reports published on the internet

In a first step, the North-American revenue share of the examined European companies is analysed to judge the importance of this foreign market. In a second step, the revenue brought in by the examined companies in North America is studied to get an idea of whether a localisation trend can be inferred. In a third and final step, the profit margins of the examined companies are evaluated and compared to figure out whether the companies are successful with their business strategy.

North-American revenue share of companies

The importance of the North-American market for the companies is represented by the revenue share, i.e. the percentage of the revenue generated in North America with regard to the total revenue (Figure 4.1). The regional share of a truly internationalised

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company would be equivalent to the GDP created in that region – that is for North America approximately 25% of the global GDP, drawn as a dotted curve.

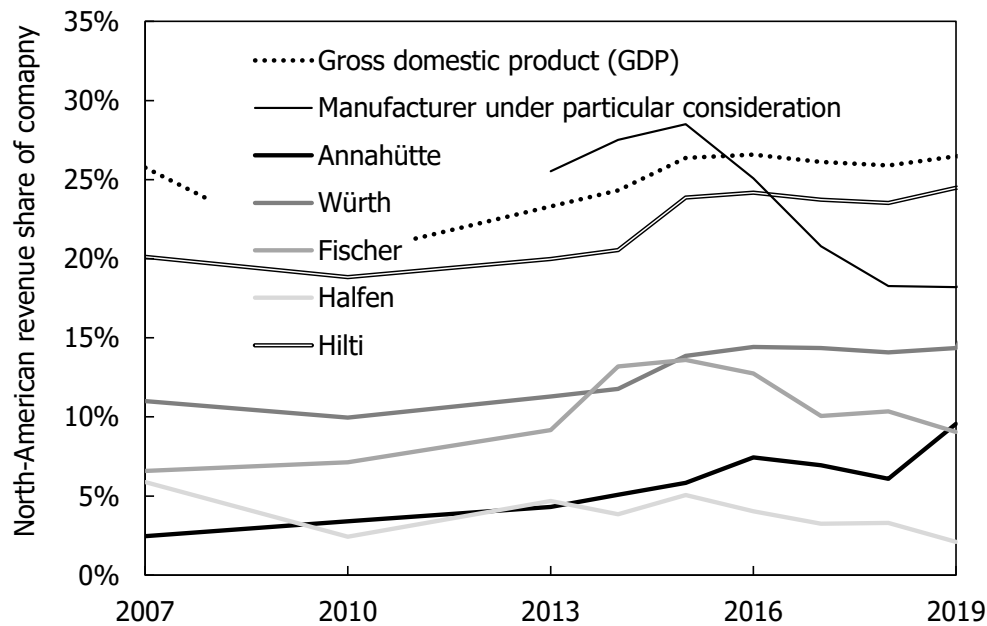


Figure 4.1: North-American revenue share of the analysed companies

The trajectory of Hilti's North-American revenue share closely follows the curve of the GDP generated in North America. Hilti narrowed the gap between their revenue share and the GDP in North America from six percentage points in 2007 to two percentage points in 2019. This trend indicates that Hilti attaches appropriate value to the economic power of North America, pursuing the ultimate goal of total internationalisation to make a boundaryless 'mark on the world' (Hilti CPV, n.d.).

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The North-American revenue share of Annahütte and, even more pronounced, Würth also mirrors the ups and downs of the GDP proportionally, though at a much lower level. Both companies also reduced the distance between their North-American revenue share and the GDP over time. It may be assumed that this trend will continue since 'Würth invests in the USA after [Trump] is gone' (Rei, 2018 quoting the company patriarch) and the curve of Annahütte indicates that the start-up difficulties of the acquired steel mill in Canada have been overcome which will be supported by new business activities (Fenn, 2020).

In contrast, the North-American revenue share of Halfen and Fischer does not reflect the importance of the North-American market. According to an unconfirmed statement of a senior manager, the board of the group to which Halfen belongs (CRH) decided that the North-American business of the group is focussing on other subsidiaries of the group (H., 2021), essentially turning Halfen into a pure European company where already 95% of the revenue is capitalised. This explains why the market share of Halfen meanders on a downward trend. As for Fischer, it is an open secret, confirmed by a business partner (S., 2022), that the board decided to 'be cautious' in North America because of the horrendous liabilities risks. Note that Fischer makes 70% of the revenue in Europe.

The revenue share of the manufacturer under particular consideration, at last, started at a high level when the North-American subsidiaries have been acquired in 2013. The North-American revenue share is progressively nosediving for reasons discussed above

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(Section 1.2). This, together with the shutdown of the other overseas businesses discussed above, indicates the concentration on the Central European markets and thus a strong deglobalisation of the manufacturer under particular consideration.

In summary, some of the analysed European companies (Hilti, Würth, Annahütte) have a strong position in North America being close or coming closer to the GDP share generated in North America. Other companies (Fischer, Halfen) deliberately leave or neglect the North-American market. The manufacturer under particular consideration came to North America to stay, however, loses ground and effectively rewinds its internationalisation.

Revenue of companies in North America

The different business performances of the European companies are also illustrated by the development of their revenues generated in North America (Figure 4.2). For better comparability, the evolvement over time is 'normalised' as percentages referring to the revenues in 2013 (reference index of 100%). Furthermore, the European investment in North-American manufacturing as well as the production in construction of the total industry are plotted normalised as dashed lines.

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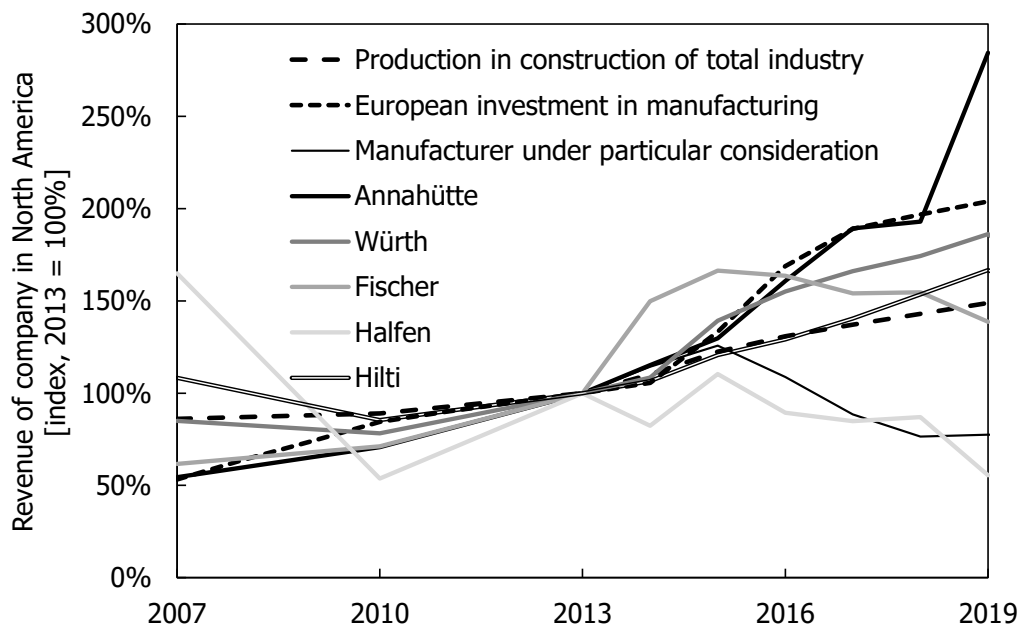


Figure 4.2: Revenue of the analysed companies in North America

With regard to the North-American revenue, Annahütte outperformed, even topping the curve representing the development of European investment in North-American manufacturing in 2018. It is interesting to note the time lag between the acquisition of the Canadian steel mill in 2010 and the revenue take-off. In 2019, Annahütte's revenue was more than five times the revenue in 2007.

The revenue of the two giants Hilti and Würth also made progress in North America. After a dip during the financial crisis, their revenue steadily increased. Before 2013, Hilti showed a better performance than Würth, after 2013 vice versa. Both companies roughly doubled their revenue in North America from 2007 to 2019. Recently, the curve

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of Hilti is steeper than the curve of Würth, which reacted with skepticism towards Trump's USA, though both were above the curve representing the development of the production in construction of the total industry in North America.

The partly retreat of Halfen and Fischer from the North-American market is mirrored also in the development of their revenue in North America. In 2019, Fischer's revenue is still twice as much as during the financial crisis, however, on a steep descending path. Halfen's revenue is at an all-time low in 2019, a mere third of the revenue generated in 2007 without an end of the downward trend in sight.

As already discussed in Chapter 2, the North-American revenue of the manufacturer under particular consideration has been halved from 2015 to 2018. Though being on a par with the most similar direct competitor Halfen, the manufacturer clearly underperforms if compared with the other companies and develops in a direction opposite to the production in construction of the total industry in North America as well as the European investment in North-American manufacturing.

Finally, it is noteworthy that the curves reflect to some extent the financial crisis in 2009 and the global trade slowdown in 2015 (Figure 2.3), however, the available business reports do not yet allow a comprehensive evaluation of the impact of the COVID-19 pandemic on the revenues of the companies.

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Profit margin of companies

One should not jump to the conclusion that increased revenues automatically mean outstanding performance (revenue hike may have come at a price) or reduced revenues stand for failure (revenue erosion could be the result of slimming capacities in an oversaturated market for profit margin improvement). Therefore, the profit margins were analysed (Figure 4.3) to judge whether the performance of the company changes for the better or worse. All business reports lacked a regional break down of the profit. For this reason, only the overall profit margins of the companies could be inferred.

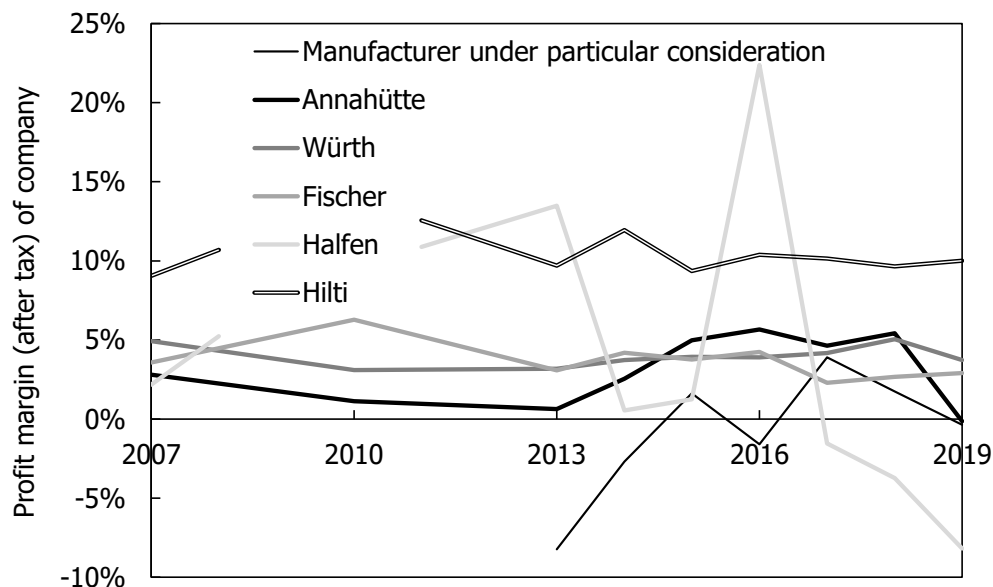


Figure 4.3: Profit margin (after tax) of the analysed companies

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The data of Hilti revealed a steady and high profit margin of around 10% over the complete period between 2007 and 2019. Also the profit margin of Fischer and Würth has been quite steady over the analysed period, albeit with 3% to 5% considerably lower.

According to the business report of Annahütte, the profit margins, which recovered after the financial crisis substantially, were slashed because the demand decreased due to the COVID-19 pandemic and simultaneously, the supply increased because China failed to reduce overcapacities. This refers particularly to the steel specialties for the car industry but not so for the construction industry.

The profit margin of Halfen improved breathtakingly between 2007 (2%) and 2013 (13%), however, was almost completely eliminated in 2014. Following a spike in 2016 due to the profitable sale of a European subsidiary, Halfen's profit margin turned negative with a devastating result in 2019 (-8%).

The manufacturer under particular consideration had to digest the purchase of the North-American subsidiaries in 2013, leading to a profit margin of minus 8% in 2013. The following two years were promising, becoming positive in 2015. The dip in 2016 was mainly because of a massive write-off of inventories in Germany. The profit margins reached an acceptable 4% in 2017, however, were back to zero in 2019. The reason was not only the sluggish business in North America but also the pay-out of a company owner.

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The above evaluation of the profit margins demonstrates nicely that this key performance indicator is highly susceptible to technical or political one-off effects, impeding generalisations and making interpretations difficult.

4.2 Examination of interviews carried out with business people

To break the ice, the interviews started with simple issues. As the interviews evolved, more complex topics were touched. The interviews concluded with inviting the interviewee to address evolving themes they came across recently. The results of the loosely organised interviews are presented in a structured manner in the following.

'Buy American'/'Buy Canadian' and 'Made in USA'/'Made in Canada'

The interviews confirmed the heterogeneous meaning of 'Buy American'/'Buy Canadian' and 'Made in USA'/'Made in Canada' in the USA and Canada now and in the future (Figure 4.4).

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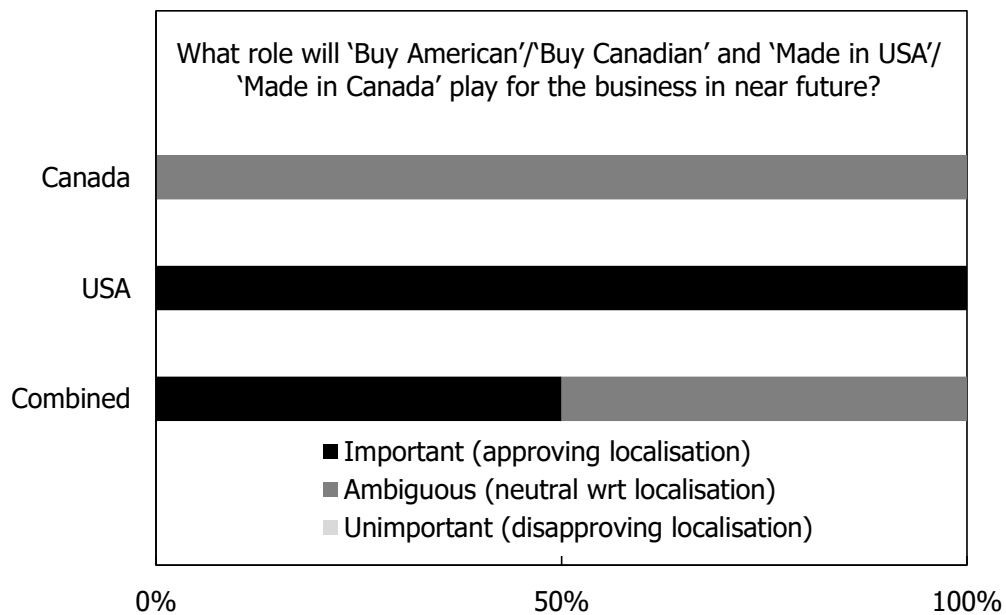


Figure 4.4: 'Buy American'/'Buy Canadian' and 'Made in USA'/'Made in Canada' play and will play different roles in the USA and Canada

In fact, the characteristic and relevance of these terms are very different. In Canada, 'Buy Canadian' and 'Made in Canada' are not meaningless but, apart from military and nuclear power plants, unimportant. It therefore cannot be decisive for any business strategy with regard to localisation in Canada. On the contrary, 'Buy American' and 'Made in USA' are important in the USA where it 'almost became a must-have to make business' as one interviewee exclaimed it (though probably resonating also some self-interest). Thus, it is a meaningful cornerstone for any strategic consideration to localise the business rather in the USA than in Canada.

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Buzzword 'localisation' and prominent examples

Contrary to the expectation, the term 'localisation' is not yet a buzzword resounding throughout the complete North-American business community (Figure 4.5).



Figure 4.5: Buzzword 'localisation' did not yet completely trickle through the North-American business community

It is not astonishing, however, that the term 'localisation' is slightly more common for people dealing with business in the USA than for those involved in business in Canada. Some interviewees are aware of localisation though the expression is not being part of their everyday terminology. The majority pointed out that localisation became an issue in parallel to the looming trade war, a minority that localisation intensified due to the

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COVID-19 pandemic. Annahütte, Schoeck, BMW, Max Bögl, SW, and Schubert & Salzer were quoted as prominent examples for manufacturers initiating or expanding localisation in North America recently.

Companies changing the business strategy from global to local manufacturing

It was predictable that fewer business people were actively involved in localisation (than those having heard about it) and that more business people do so in the USA than in Canada (Figure 4.6).



Figure 4.6: Localisation is a current issue

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Three interviewees expressed a neutral standpoint, either because of lacking personal experience or because of representing companies founding (but not localising) in North America. The four investment specialists emphasised very positively that they consult numerous companies localising in Canada or the USA – but one has to bear in mind that this attitude is part of their business model. One interviewee gave negatively cause for serious concern that 'localisation is clearly a trend for the top 5% of the businesses, however, it needs sufficient economies of scale which 95% of the businesses do not have' – a point which will be picked up below when shedding light on the differences between MNEs and SMEs with regard to localisation.

Important factors driving localisation

Localisation drivers may be classified in 'government policies', 'customer preferences', and 'technical developments'. Multiple answers to the question which factors are important were allowed (Figure 4.7).

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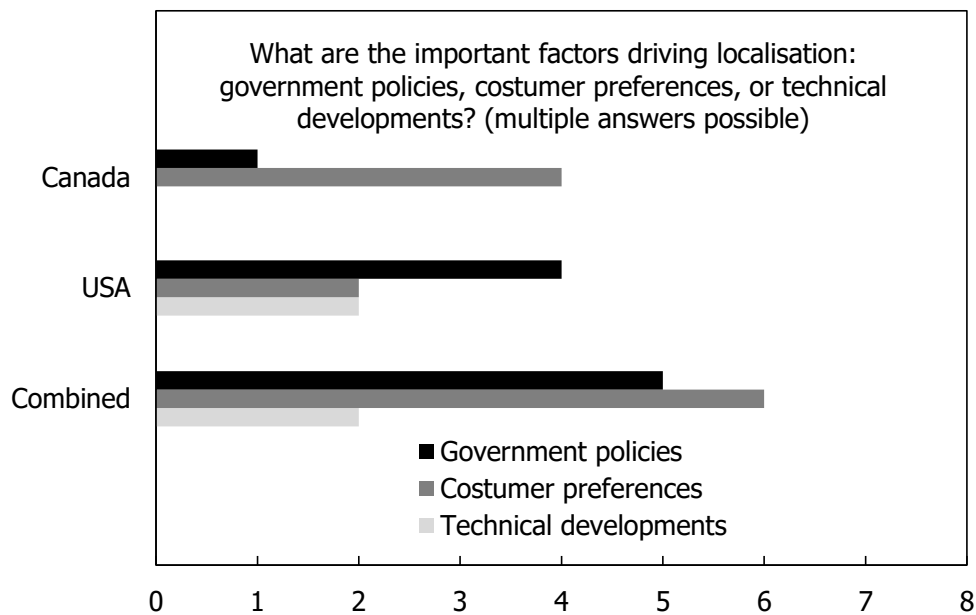


Figure 4.7: Important factors driving localisation

Predictably, 'government policies' were less frequently quoted by Canadian than by US-American business people as an important factor driving localisation (and if so, then as a result of a tit-for-tat policy): Nationalism forces localisation. Vice versa, 'customer preferences' were nominated as an important factor by all Canadian but only two US-American business people (probably only dwarfed by 'government policies'): Customers trust only local companies. 'Technical developments' were named as an important factor only once, pointing out that its role is rather irrelevant if compared with the other two localisation drivers.

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Basic products manufactured locally competing with products manufactured globally

Many publications focus intentionally or unintentionally on niche businesses. For this reason, it was expressively asked whether *basic products* manufactured locally can compete with those manufactured globally (Figure 4.8).

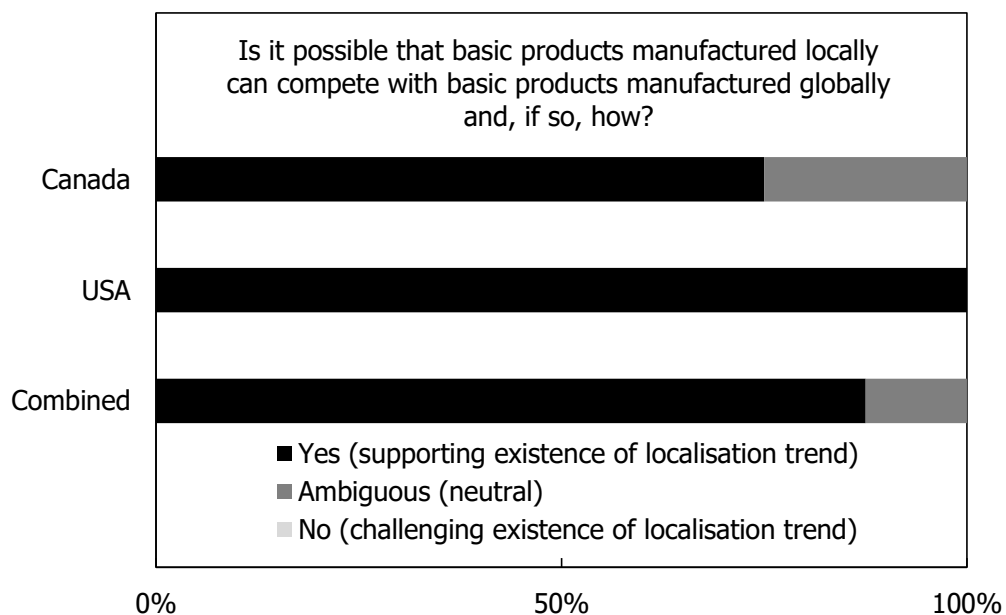


Figure 4.8: Basic products can be manufactured locally yet can compete globally

First things first: Yes, the overwhelming majority is sure that also basic products can be manufactured locally and nonetheless can successfully compete with those manufactured globally, for example in low-cost countries under questionable circumstances. The reasoning ranged from a dry 'Why not?' to a lofty 'localised products will be bought, whatever they cost'. While the justification of Canadian

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business people is rather rooted in the trust in a local brand, US-American business people tend to fall back on the 'Made in USA' credo.

Timing to start localisation

In business, timing is often everything. If ahead of time, the company may burn energy and cash, if too late, the company misses the boat. What was the response of those involved in North-American business to the question of what the right timing is for localising manufacture (Figure 4.9)?

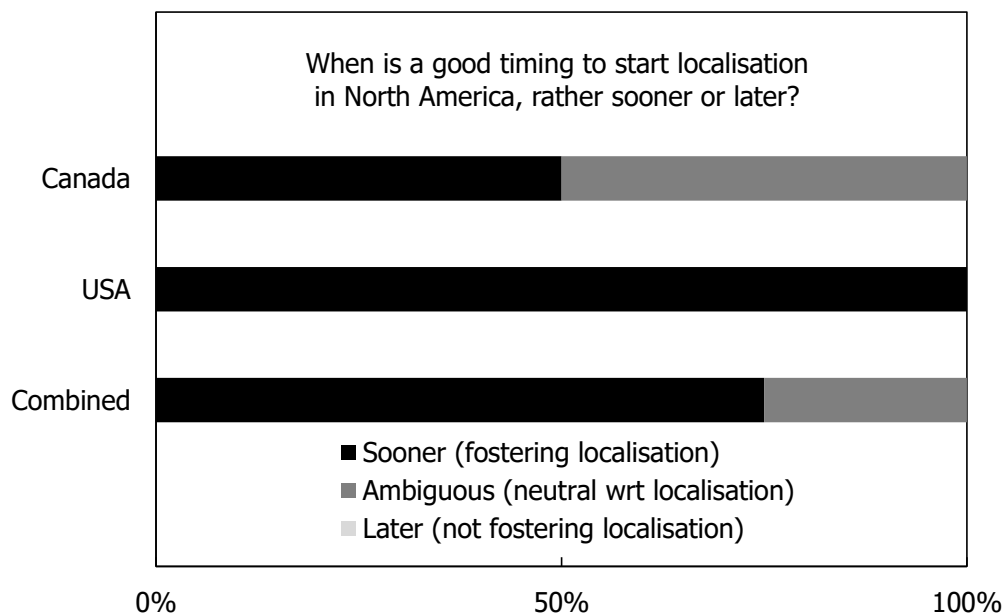


Figure 4.9: Now is the time to start localisation

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In the USA, the enforcement of localisation due to government policies is already in full swing. Therefore, it is not surprising that all US-Americans replied that localisation must start rather sooner than later. And if your product is the first 'Made in USA' stamped, you have a unique selling proposition (USP, aka unique selling point). The reply of the Canadians was more ambivalent. One half also argued that localisation is a matter to be dealt with rather sooner, the other half was more cautious, pointing out that localisation must fit the situation of the company: Though not insisting on a rather later timing, 'haste makes waste' and should be avoided.

Localisation trend: an unexpected opportunity, not an unavoidable challenge

Some may fearfully realise that the trade war and the COVID-19 pandemic rapidly change the business world and view this as a menacing challenge they have to accept as they cannot escape it. Others will accept it as a great opportunity to reshuffle the cards which they could not dream of five years back. What did the interviewees express (Figure 4.10)?

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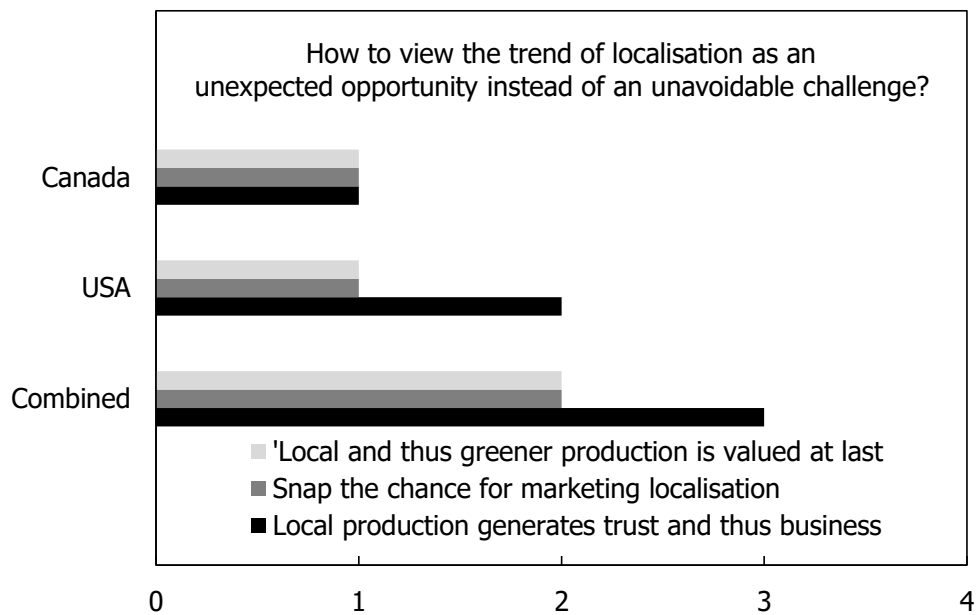


Figure 4.10: How to take localisation as an unexpected opportunity instead of an unavoidable challenge

The answers to the question how to take localisation as an unexpected opportunity instead of an unavoidable challenge may be headlined as follows:

- Local and thus greener production is valued at last
- Snap the chance for marketing localisation
- Local production generates trust and thus business

The latter was quoted more often by interviewees involved in US-American business although this topic was previously addressed more by interviewees involved in Canadian business. This phenomenon, however, can be attributed to the limited

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sharpness and the somewhat arbitrariness of grouping. Moreover, the answers were partly overlapping and already touched in one way or the other at the previous question.

Differences between SME and MNE with regard to globalisation and localisation

If compared with MNEs, SMEs are disadvantaged in many ways, for example in terms of raising capital, utilising economies of scale, negotiation power, war for talents, and name recognition (Silver et al., 2018). Is this also the case with regard to globalisation and localisation (Figure 4.11)?

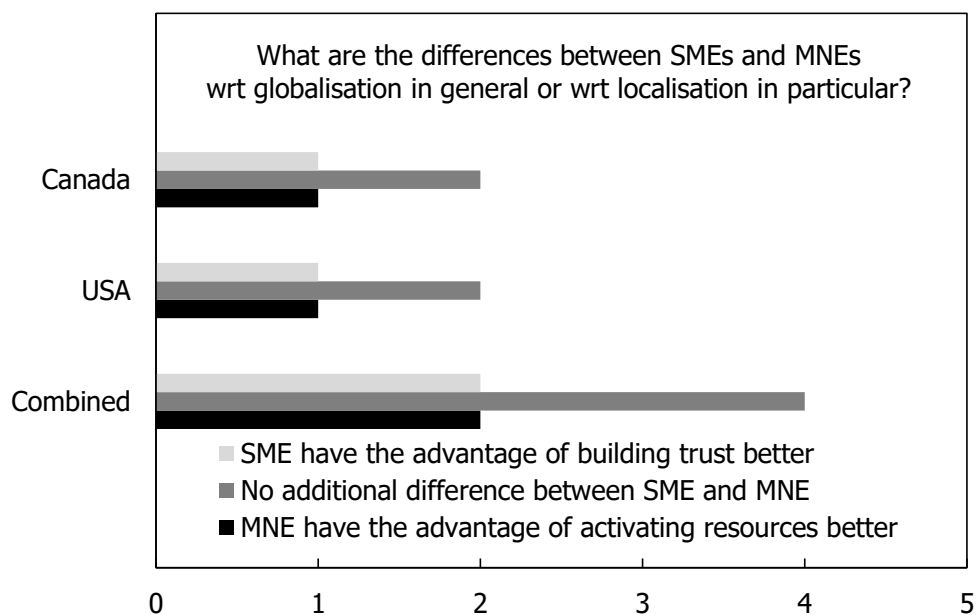


Figure 4.11: MNEs are one step ahead of SMEs also in terms of localisation

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The outcome of the interviews is quite balanced: The following statements could be the headline of the interviewees' responses:

- SMEs have the advantage of building trust better
- No additional difference between SMEs and MNEs wrt localisation/globalisation
- MNEs have the advantage of activating resources better

The situation can also be described as follows: The above mentioned advantages of MNEs if compared with SMEs come into full play when globalising their business, which is the reason why SMEs entered the global stage considerably later than MNEs. When it comes to a local level, however, the disadvantages are scaled down. In addition, it is generally easier for personal SMEs than for anonymous MNEs to build up trust with the customer – a key driver for localisation.

Themes evolving with regard to doing business in Canada/the USA

The incumbent Tibetan leader Dalai Lama XIV once said: 'When you talk, you are only repeating what you already know. But if you listen, you may learn something new.' In the same vein, the opportunity was taken to ask the interviewees what comes into their minds when thinking about doing business in the USA/Canada (Figure 4.12).

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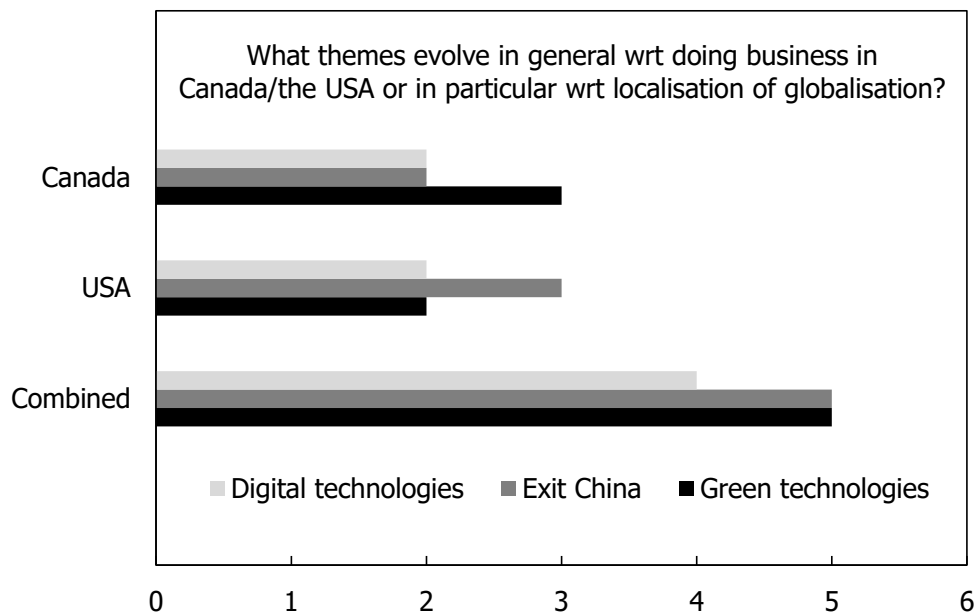


Figure 4.12: New themes evolving partly linked to localisation

The answers of the interviewees can be clustered as follows:

- Exit China: Partly echoing the preceding interview, decoupling America from China (including the pursuit of 'Not made in China') raises concerns over the global supply chains, therefore trusting local supply chains will gain relevance. Note that decoupling was kind of the starting point of the interview and, moreover, may not be an evolving theme but an evolved theme. Notwithstanding, it was often quoted and therefore cited here.
- Green technologies: Ecologic topics are on the rise, particularly the reduction of the CO₂ footprint. In view of the construction (products) industry, this could be

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Green steel produced with H₂ generated by renewables, energy saving products such as thermal insulations, or sustainable building materials, for example wood and carbon.

- Digital technologies: Business dealing with the digital infrastructure, Industry 4.0, internet of things, artificial intelligence/deep learning, and social media influencers is on the rise, rippling through the various industries. Noteworthy, BIM, the initial nucleus of digitalisation within the construction industry, was not mentioned.

4.3 So much for localisation of today's globalisation. So what?

The examination of business reports and interviews shed some light on the rejuvenated localisation at the onset of a new globalisation era. To answer the question 'So what?', the gist of the research is pinpointed and evaluated in the next chapter.

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5 Discussion, conclusions, and recommendations

In this final chapter the findings are discussed, it is concluded whether the data analysis proved the research hypothesis to be wrong or right, and actions to be taken by the European manufacturer under particular consideration to strengthen the North-American business are recommended – a potential blueprint for other companies.

5.1 Discussion

The examination of business reports published on the internet showed that the analysed companies can be clustered into two groups. The differentiation is particularly pronounced if the period since 2014, the year after which significant global trade slowdown engaged (Figure 2.1ff), is focused (Table 5.1):

- The heavy weights Würth and Hilti as well as the emergent Annahütte with a long-standing or increasing relative revenue *share* and absolute *revenue* generated in North America belong to the first group. The overall *profit margin* of Würth and Hilti is continuously acceptable or good. This is not the case for Annahütte, though this may be attributed to their business with the car industry which is, contrary to the construction and most other industries, progressively in a crisis mode²² since 2017.
- The hesitating Fischer as well as the faltering Halfen and the manufacturer under particular consideration form the second group, characterised by decreasing

²² Worldwide car production peaked in 2017 and declined more than 20% by 2020 (OICA, 2021).

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relative revenue *share* and absolute *revenue* created in North America. The overall *profit margin* of Halfen and the manufacturer is struggling below and at zero percent, respectively, whereas Fischer performed worldwide stable.

Company	Revenue [million GBP]	North-American share		North-American revenue		Overall profit margin	
		Trend	Ranking	Trend	Ranking	Trend	Ranking
Würth	12,000	▲	3	▲	2	►	2
Hilti	4,300	▲	1	▲	3	►	1
Annahütte	1,000	▲	4	▲	1	▼	4
Fischer	750	▼	5	▼	4	►	3
Halfen	110	▼	6	▼	6	▼	6
Manufacturer ¹⁾	65	▼	2	▼	5	▼	5

¹⁾ under particular consideration

Table 5.1: Trend over the years 2014 to 2019 and ranking in 2019 of North-American revenue share, North-American revenue normalised with reference to 2013, and overall profit margin of the analysed companies

For the analysed European manufacturers, the correlation between a focus on North-American business and the success of a company is obvious. Furthermore, the analysed European manufacturers being unsuccessful do not have a chicken and egg situation as newcomers do since these companies started profoundly involved in North

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America but lost the focus – either deliberately or, in the case of the manufacturer under particular consideration, unintentionally.

Another observable correlation is that big and more globalised companies perform better than small and less globalised companies. This rule would be even more blatant if Würth would outperform Hilti. This exception, however, can be explained by their different business setups and concepts: While Würth is a conglomerate of many small subsidiaries with a hawker's tray of products, partly commodities, Hilti is one big company striving to be the top dog with premium products for profitable applications.

The biggest astonishment during the examination of the interviews carried out with business people was the very different roles 'Buy American'/'Buy Canadian' and 'Made in USA'/'Made in Canada' play in the USA and Canada. Though the literature review revealed already that the 'Buy American' policy in the USA is not paralleled by any 'Buy Canadian' requirement in Canada, some relevance of 'Made in Canada' has been expected – and if only as a tit-for-tat response on 'Made in USA': Canadians may smile at the national pride of US-Americans in bewilderment, however, it first and foremost curtails their business opportunities.

This observation ties in nicely with the different awareness level of the buzzword 'localisation' in Canada and the USA, which can be explained by the fact that *government policies* such as investment bills (most important in the USA) are more acute than *customer preferences* such as trustworthy brands (most important in Canada) and *technical developments* such as MCM (overall least relevant).

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All interviewed US-American business people deal in one way or the other with companies currently changing the business strategy from global to local manufacturing. It is therefore not surprising that all US-American interviewees suggested to speed up localisation. On the contrary, some interviewed Canadian business people never came in touch with such companies. These statements blend nicely with the laid-back view of the Canadian interviewees not to rush with localisation.

It is interesting to note that technical developments drive the localisation trend least compared to other factors. Simple low-tech solutions require less investment in complex production processes, need fewer specialists with compartmentalised knowledge, and can thus be better localised than high-tech solutions (Bernigaud, 2018). This together with the finding that there is no correlation between GDP per capita and value chain position index, indicators for the wage level and the tech level (Ignatenko et al., 2019), supports the impression of the interviewees that basic products manufactured locally can compete with basic products manufactured globally.

Because Made **in** America is so important in the USA and a prerequisite not to miss the once-in-a-lifetime opportunity to benefit from the infrastructure investment programs, it is not astonishing that all interviewed US-American business people urged to localise rather sooner than later. In contrast, Canadian business people are more relaxed in this regard as only half of them suggested to hurry with the localisation in Canada – from the economic standpoint of view, customers may wait patiently for the CO₂ footprint to be reduced and trust to be built.

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The common denominator of the answers of US-American and Canadian business people to the question 'How to view the trend of localisation as an unexpected opportunity instead of an unavoidable challenge?' is to differentiate by localisation. Differentiation is vital (Trout and Rivkin, 2008) and, moreover, only those products ranked first or second are profitable (Johnson et al., 2017). And the quintessence of the answers to the question 'What are the differences between SMEs and MNEs wrt globalisation in general or wrt localisation in particular?' is identical for the USA and Canada: Advantages and disadvantages of SMEs and MNEs are approximately in balance, however, the advantage of SMEs to build trust better may weight less than the advantage MNE to activate resources better.

The quoted new themes evolving did not cause a light bulb moment, however, the real economy indeed experiences disruptions due to the trade war, COVID-19 pandemic, and digital transformation, which fuel digital technologies, 'exit China' dreams, and green technologies. The latter is partly a reaction to climate change, which disruptive effect on the economy is only just beginning (Webber, 2019), urging also North-American business leaders to respond strategically (Sullivan et al., 2021).

5.2 Conclusions

In essence, the research hypothesis that localisation is a robust globalisation strategy for European manufacturers going for business opportunities in North America was validated for the manufacturer under particular consideration. The analysed reports

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and interviews provided a consistent overall picture, allowing to draw the conclusions as follows:

- For companies with local production facilities in North America, an ascending revenue may not prove, yet indicate a stronger localisation. Together with the findings discussed above (Table 5.1), it can be concluded that more overall localisation in North America is a viable globalisation strategy for European manufacturers to improve the profit margin.
- The comparison of Hilti and Würth further shows that 'less is more': Instead of offering a plethora of medium profitable products like Würth, focusing on promising products with high margins could be the better approach as Hilti demonstrates. It appears, moreover, that a single, uniform, and strong company can be led better to economic and technical success than a fragmented company.
- The nearly irrelevance of 'Buy Canadian'/'Made in Canada' and the paramount importance of 'Buy American'/'Made in USA' allows only one conclusion: Localising production in Canada would not improve the business of the manufacturer in the USA substantially, whereas the business of the manufacturer in Canada would benefit even if production is localised in the USA.
- Moreover, the localisation trend is already more progressed in the USA than in Canada. Notwithstanding, localisation is a hot topic in both countries – at least in theory. In practice, there may be more talking than doing regarding localisation. This may be understood as a warning not to follow over-optimistically a global hype and to jump headlessly into a localisation adventure.

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- Technical developments drive the localisation trend considerably less than government policies and customer preferences. This could also be a hint that not every challenge, such as the need to localise, can be tackled best with high-tech. Simple low-tech may be the better approach.
- It is possible to produce low-tech products, for example for the construction industry, in high-wage countries like Canada and the USA.
- If you want to catch the wave, no matter if it is just a surge or evolves into a tsunami, it is better to do so rather sooner than later: If you are ahead of the wave you just have to wait for the propulsion but if you missed the wave, it is gone forever.
- The localisation trend is a great opportunity to differentiate from competitors with the first products of its kind fitted with trust and being green due to local production. Localisation itself may be used for marketing purposes.
- It is ambiguous whether SMEs or MNEs benefit more from localisation.
- The direct and indirect impact of climate change on the economy will increase. Green construction products, being eco-friendly and sustainable themselves and/or supporting construction and constructions to be eco-friendly and sustainable, must become part of the business strategy, also in North America.

The conclusions drawn are deemed to be sufficiently substantiated despite the limited number of analysed business reports of relevant yet partly quite different companies and interviews carried out with business people which were impartially selected according to their function but are, in the end, human beings with partial experience.

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The conclusions may also inspire other European manufacturers to spur the localisation of their business in North-America to cope with the changing appearance of globalisation. The tangible implications on the manufacturer under particular consideration are formulated as recommendations in the following.

5.3 Recommendations

Strategic moves succeed best if focussed on the most essential measures. Otherwise, strategies run the risk to get bogged down. The following strategic steps are recommended for the European manufacturer under particular consideration to strengthen the business in North-America (Figure 5.1):

- Sourcing of semi-finished parts in the Rust Belt²³ which is the predestined supply base for half-finished steel products in the USA close to Canada. Scouting, negotiating, contracting, quality checking could be managed by the close subsidiary in Ontario, Canada.
- Localising fabrication of the German cash cow product in Canada for the Canadian market and in the USA for the US-American market. Significant investments in the existing subsidiary in California, USA, will be needed to materialise the local opportunities.

²³ The Rust Belt stretches from Chicago over Detroit, Cleveland, and Pittsburgh to Buffalo. The previously worldwide largest industrial area was referred to as the Manufacturing Belt, which production peaked in 1953. With the offshoring of the heavy industry in the 1970s, the Manufacturing Belt turned into the Rust Belt, a reminiscence of the decaying factories. Recently, efforts were increased to transform the region, focussing not only the service but also the manufacture sector. It was no coincidence that Biden announced his 2 trillion USD plan in Pittsburgh.

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- Following the merging of the sister companies (refer to Section 1.2), the complete product portfolio should be marketed in North America. To overcome the critical mass and to maintain a denser network of local sales staff, meaningful mergers or acquisitions should be looked at on a global scale.



Figure 5.1: Think global, make local: Sourcing for and manufacturing of the European cash cow in North America (map courtesy of WOM, 2014)

The cards are currently reshuffled but only the active can benefit from the great rebalancing of globalisation. European manufacturers hesitating with the localisation in North America may find the doors closed later – ‘He who moves not forward, goes backward’ (Goethe, 1797)!

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North-American business of a European manufacturer**

Yurkevich, V. (2021) 'America desperately needs 1 million more construction workers', CNN [Online]. Available at <https://edition.cnn.com/2021/07/08/economy/construction-worker-shortage/index.html> (Accessed 14 November 2021).

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Appendix

A Quantitative research: Mining secondary data on the internet



WÜRTH GROUP

Adolf Würth GmbH & Co. KG

Künzelsau

Konzernabschluss zum Geschäftsjahr vom 01.01.2019 bis zum 31.12.2019

KONZERNLAGEBERICHT

Das Unternehmen
Konjunkturelles Umfeld
Geschäftsverlauf
Umsatz nach Regionen
Die Geschäftsbereiche der Würth-Gruppe
Vermögens-, Finanz- und Ertragslage
Forschung und Entwicklung
Risiko- und Chancenbericht
Mitarbeiterinnen und Mitarbeiter
Corporate Governance Bericht
Prognosebericht

KONZERNLAGEBERICHT DER WÜRTH-GRUPPE

Das Unternehmen

Das Kerngeschäft der Würth-Gruppe ist der Vertrieb von Montage- und Befestigungsmaterial. In diesem Bereich der Würth-Linie sind heute über 140 Gesellschaften tätig.

„Wenn man Schrauben verkauft, sollte man auch etwas über die Herstellung wissen“, sagte Reinhold Würth und gründete Anfang der 1960er-Jahre die SWG Schraubenwerk Gaisbach GmbH. Damit bereitete er den Boden für das zweite wichtige Standbein des Konzerns: die Allied Companies. Sie sind als Handels- oder Produktionsunternehmen in angrenzenden Geschäftsfeldern tätig. Zu diesem Bereich zählen auch Finanzdienstleistungen sowie Hotels und Gastronomiebetriebe. Die Allied Companies erwirtschafteten 2019 über 43 Prozent des Konzernumsatzes.

– Seite 1 von 135 –
Tag der Erstellung: 15.06.2020
Auszug aus dem Unternehmensregister

Figure A.1: Annual financial statement of Würth for the year 2019, first page

Localisation as the new globalisation strategy to strengthen the North-American business of a European manufacturer



UNTERNEHMENSREGISTER

fischer holding GmbH & Co. KG

Waldachtal

Konzernabschluss zum Geschäftsjahr vom 01.01.2019 bis zum 31.12.2019

Konzernlagebericht für das Geschäftsjahr 2019

I. Grundlagen des Konzerns

1. Geschäftsmodell

Das operative Geschäft der Unternehmensgruppe fischer (UG) gliedert sich in die Unternehmensbereiche Befestigungssysteme mit den Produktsortimenten Kunststoff, Metall und Chemie, den Unternehmensbereich automotive systems mit Systemkomponenten für den Fahrzeuginnenraum, den Unternehmensbereich fischertechnik mit technischen Spielwaren und die Unternehmensbereiche Consulting mit Prozessberatung sowie LNT Automation mit Elektronik.

Die Produktionsstandorte des Unternehmensbereichs Befestigungssysteme befinden sich in Deutschland, Italien, der Tschechischen Republik, Argentinien, Brasilien und China. Die Automotive-Sparte hat Produktionswerke in Deutschland, der Tschechischen Republik, den USA und China, die Erstausrüster (OEMs) und First Tier Supplier beliefern.

Der weltweite Vertrieb des Unternehmensbereichs Befestigungssysteme erfolgt überwiegend durch eigene, internationale Vertriebsgesellschaften vor Ort. In Ländern, in denen die UG nicht vertreten ist, erfolgt der Vertrieb über Importeure.

2. Forschung und Entwicklung

Die Forschungsaktivitäten im Bereich Befestigungssysteme wurden durch Promotionen und den Aufbau eines zentralen Trendscoutings intensiviert. Daneben wurden im Rahmen internationaler Kooperationen außerhalb Europas Verbindungen zu Zulassungsinstituten und Universitäten weiter gestärkt, um die technische Positionierung von fischer im lokalen Markt zu stärken. Im neuen Bereich Cast-in lag der Schwerpunkt auf der Entwicklung eines Portfolios für Ankerschienen speziell für Anforderungen im Fassadenbau, Bahnbau und Aufzugsbau. Die Fertigung der Cast-in Schienen wurde auf modernen Maschinen und Anlagen im Herbst 2019 am Standort Taicang in China in Betrieb genommen.

Bei den Kunststoffprodukten wurde die DUO-Line nach Einführung der drei DUOPOWER Inch Größen mit dem DUOTEC 10 in der Inch-Version erweitert. Der Gipskartendübel fischer DUO-BLADE, der im Januar eingeführt wurde und im Bereich Hohlraumbefestigungen eingesetzt wird, erhielt im Juli den renommierten Red Dot Design Award. Das Sortiment des SWL-Befestigers für Flachblechdämmungen wurde um zwei weitere Größen erweitert. Der Dämmstoffbefestiger für Holzanstriche termo 6H wurde serienfähig entwickelt und für die Anwendung in Holzwerkstoffplatten zugelassen. Das Produkt wurde insbesondere für die Fertigungsproduktion entwickelt.

Im Entwicklungsbereich Befestigungssysteme Stahl lag der Schwerpunkt in 2019 bei Zulassungsbesserungen und Neuproduktentwicklungen innerhalb der Produktgruppen Bolzenanker und Hinterschnittanker. Dazu gehören Zulassungen für dynamische Lasten, Eignung für die Anwendung in weiteren Baustoffen, Verbesserungen bei Brandlasten und Eignungen für die Anwendungen mit Erdbeinwirkungen bei verschiedenen Produkten. Im Entwicklungsbereich Chemie wurde der fischer Injektionsmörtel FIS EM Plus für eine Nutzungsdauer von 100 Jahren qualifiziert und zugelassen.

Entwicklungsschwerpunkte des Geschäftsbereichs automotive systems waren in 2019 die Entwicklung von Düsen für Elektrofahrzeuge, die Entwicklung eines Flach- und Designausströmers und die Weiterentwicklung von dekorativen und funktionalen Oberflächen sowie Aktuatoren für den Antrieb der kinematischen Teile. Ziel im Jahr 2020 und den Folgejahren ist neben der Serienentwicklung und der Weiterentwicklung von aktuatorischen Düsen die Weiterentwicklung von Luftausströmern und kinematischen Lösungen für Anwendungsfelder in elektrischen und selbstfahrenden Fahrzeugen gemeinsam mit den Entwicklungsabteilungen der Kunden.

Die Aufwendungen für Forschung und Entwicklung an unseren Hauptstandorten in Waldachtal, Herb a. N. und Denzlingen betrugen im Berichtsjahr EUR 16,5 Mio. (i. V. EUR 15,2 Mio.).

Am 31.12.2019 waren an diesen Standorten 134 Personen in den Bereichen Forschung und Entwicklung beschäftigt.

II. Wirtschaftsbericht

1. Gesamtwirtschaftliche und branchenbezogene Rahmenbedingungen

– Seite 1 von 34 –
Tag der Erstellung: 26.01.2021
Auszug aus dem Unternehmensregister

Figure A.2: Annual financial statement of Fischer for the year 2019, first page



UNTERNEHMENSREGISTER

HALFEN GmbH

Langenfeld

Jahresabschluss zum Geschäftsjahr vom 01.01.2019 bis zum 31.12.2019

Bestätigungsvermerk des unabhängigen Abschlussprüfers

An die HALFEN GmbH

Prüfungsurteile

Wir haben den Jahresabschluss der HALFEN GmbH, Langenfeld – bestehend aus der Bilanz zum 31. Dezember 2019 und der Gewinn- und Verlustrechnung für das Geschäftsjahr vom 1. Januar 2019 bis zum 31. Dezember 2019 sowie dem Anhang, einschließlich der Darstellung der Bilanzierungs- und Bewertungsmethoden – geprüft. Darüber hinaus haben wir den Lagebericht der HALFEN GmbH für das Geschäftsjahr vom 1. Januar 2019 bis zum 31. Dezember 2019 geprüft.

Nach unserer Beurteilung aufgrund der bei der Prüfung gewonnenen Erkenntnisse

entspricht der beprüfte Jahresabschluss in allen wesentlichen Belangen den deutschen, für Kapitalgesellschaften geltenden handelsrechtlichen Vorschriften und vermittelt unter Beachtung der deutschen Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens- und Finanzlage der Gesellschaft zum 31. Dezember 2019 sowie ihrer Ertragslage für das Geschäftsjahr vom 1. Januar 2019 bis zum 31. Dezember 2019 und

vermittelt der beprüfte Lagebericht insgesamt ein zutreffendes Bild von der Lage der Gesellschaft. In allen wesentlichen Belangen steht dieser Lagebericht in Einklang mit dem Jahresabschluss, entspricht den deutschen gesetzlichen Vorschriften und stellt die Chancen und Risiken der zukünftigen Entwicklung zutreffend dar.

Gemäß § 322 Abs. 3 Satz 1 HGB erklären wir, dass unsere Prüfung zu keinen Einwendungen gegen die Ordnungsmäßigkeit des Jahresabschlusses und des Lageberichts geführt hat.

Grundlage für die Prüfungsurteile

Wir haben unsere Prüfung des Jahresabschlusses und des Lageberichts in Übereinstimmung mit § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung durchgeführt. Unsere Verantwortung nach diesen Vorschriften und Grundsätzen ist im Abschnitt "Verantwortung des Abschlussprüfers für die Prüfung des Jahresabschlusses und des Lageberichts" unseres Bestätigungsvermerks weitergehend beschrieben. Wir sind von dem Unternehmen unabhängig in Übereinstimmung mit den deutschen handelsrechtlichen und berufsrechtlichen Vorschriften und haben unsere sonstigen deutschen Berufspflichten in Übereinstimmung mit diesen Anforderungen erfüllt. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als Grundlage für unsere Prüfungsurteile zum Jahresabschluss und zum Lagebericht zu dienen.

Verantwortung der gesetzlichen Vertreter für den Jahresabschluss und den Lagebericht

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Jahresabschlusses, der den deutschen, für Kapitalgesellschaften geltenden handelsrechtlichen Vorschriften in allen wesentlichen Belangen entspricht, und dafür, dass der Jahresabschluss unter Beachtung der deutschen Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt. Ferner sind die gesetzlichen Vertreter verantwortlich für die internen Kontrollen, die sie in Übereinstimmung mit den deutschen Grundsätzen ordnungsmäßiger Buchführung als notwendig bestimmt haben, um die Aufstellung eines Jahresabschlusses zu ermöglichen, der frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist.

Bei der Aufstellung des Jahresabschlusses sind die gesetzlichen Vertreter dafür verantwortlich, die Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit zu beurteilen. Des Weiteren haben sie die Verantwortung, Sachverhalte in Zusammenhang mit der Fortführung der Unternehmenstätigkeit, sofern einschlägig, anzugeben. Darüber hinaus sind sie dafür verantwortlich, auf der Grundlage des Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit zu bilanzieren, sofern dem nicht tatsächliche oder rechtliche Gegebenheiten entgegenstehen.

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Tag der Erstellung: 02.03.2021
Auszug aus dem Unternehmensregister

Figure A.3: Annual financial statement of Halfen for the year 2019, first page

Localisation as the new globalisation strategy to strengthen the North-American business of a European manufacturer



Verbundbau Mitterfelden Gesellschaft mit beschränkter Haftung

Mitterfelden, Gde. Ainning

Konzernabschluss zum Stichtag: 31.12.2019

Unterlagen für die Offenlegung des Konzernabschlusses zum 31. Dezember 2019

Konzernbilanz zum 31. Dezember 2019

Aktiva	€	€	€	Vorjahr T€
A. Anlagevermögen				
I. Immaterielle Vermögensgegenstände				
1. Entgeltlich erworbene Konzessionen, gewerbliche Schutzrechte und ähnliche Rechte und Werte sowie Lizenzen an solchen Rechten und Werten	4.249.356			2.751
2. Geschäfts- oder Firmenwert	1.505.334			2.009
3. Geleistete Anzahlungen	844.216	6.598.906		1.460
II. Sachanlagen				
1. Grundstücke, grundstücksgleiche Rechte und Bauten einschließlich der Bauten auf fremden Grundstücken	263.998.977			209.987
2. Technische Anlagen und Maschinen	77.632.884			71.417
3. Andere Anlagen, Betriebs- und Geschäftsausstattung	41.037.163			30.743
4. Geleistete Anzahlungen und Anlagen im Bau	65.907.090			125.993
5. Mineralvorkommen	-	448.576.114		14
III. Finanzanlagen				
1. Anteile an verbundenen Unternehmen	27.710.994			1.596
2. Beteiligungen an assoziierten Unternehmen	11.108.060			10.388
3. Beteiligungen	3.957.122			3.047
4. GmbH-Anteile, Ausleihungen und Ansprüche aus Rückdeckungsversicherungen	186.893			185
5. Geleistete Anzahlungen	99.533	43.062.602	498.237.622	-

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Tag der Erstellung: 13.04.2021
Auszug aus dem Unternehmensregister

Figure A.4: Annual financial statement of Annahütte for the year 2019, first page

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COMPANY / CAREERS / PRODUCTS / SERVICES / SUSTAINABILITY

THE 2019 COMPANY REPORT

Mexico, China, USA, The Netherlands, Liechtenstein, France and many other market organizations are united by an idea that connects all stories: Hilti's success is based on a strong caring and performance-oriented culture as well as the core purpose "We passionately create enthusiastic customers and build a better future."

DIGITAL VERSION

Sustainability issues are becoming important on jobsites for the clients.

2019 BUSINESS RESULT

Hilti Group remains on course

- increased sales by 4.3 percent
- substantial ongoing investments
- profitability continues at a high level

5,900 CHF MILLION

783 CHF MILLION

19.8 %

367 CHF MILLION

Figure A.5: Company report of Hilti for the year 2019, first page

Localisation as the new globalisation strategy to strengthen the North-American business of a European manufacturer

B Qualitative research: Distilling primary data from interviews

	What roll will 'Buy American'/'Buy Canadian' and 'Made in USA'/'Made in Canada' play for the business in near future?	+ / o / -
CA-A	'Buy Canadian' and 'Made in Canada' is secondary, more important is good value for money.	o
CA-B	'Buy Canadian' and 'Made in Canada' is not an issue in Canada, but is a sales plus in the USA.	o
CA-C	Never heard about 'Buy Canadian' and 'Made in Canada'.	o
CA-D	'Buy Canadian' and 'Made in Canada' are important only for the military and nuclear power plants.	o
US-A	'Buy American' and 'Made in USA' are absolutely essential to be in the business.	+
US-B	'Buy American' and 'Made in USA' would be a USP.	+
US-C	'Buy American' and 'Made in USA' almost became a must-have to make business in the US.	+
US-D	'Buy American' and 'Made in USA' are very relevant; producing in Europe and shipping to the USA does not make sense these days; no exceptions for manufacturing in Canada.	+

Table B.1: Question 1 and answers

Localisation as the new globalisation strategy to strengthen the North-American business of a European manufacturer

How often do you come across the buzzword 'localisation' and do you know a prominent example of a European company localising business in America? +/o/-		
CA-A	Once in a while 'localisation' is an issue – prominent example: Schoeck	o
CA-B	'Localisation' is often discussed and made sense for a long time already but became more urgent now – prominent example: BMW	+
CA-C	I just started working for the chamber of commerce but came to know that already quite some companies wishing to produce in Canada, however, did not know the expression 'localisation' – prominent example: Max Bögl	o
CA-D	'Localisation' is a hot topic and became more important already before the COVID-19 pandemic because of the trade war – prominent example: Annahütte	+
US-A	Trade war and COVID-19 pandemic led to a spike of European companies locating their business in this region – prominent example: SW	+
US-B	Heard about increased localisation, however, neither knew the expression nor experienced any – prominent example: none	o
US-C	'Localisation' became a buzzword particularly since 2021 and localisation is amplified because of postponed investments originally scheduled for 2020 – prominent example: Schubert & Salzer	+
US-D	'Localisation' becomes hotter and hotter because of MAGA [Trump's 'Make America Great Again' slogan]/exit China strategy and Corona – prominent example: 10 companies each week but names cannot be disclosed	+

Table B.2: Question 2 and answers

Localisation as the new globalisation strategy to strengthen the North-American business of a European manufacturer

	Do you deal with companies changing the business strategy from global to local manufacturing or vice versa?	+ / o / -
CA-A	No such experience.	o
CA-B	Localisation is clearly a trend for the top 5% of the businesses, however, it needs sufficient economies of scale which 95% of the business do not have.	-
CA-C	In fact, our most important job is to consult German companies founding their Canadian business – mostly to produce for Canada.	+
CA-D	Yes, many companies, mostly under the umbrella 'Invest in Canada'.	+
US-A	We have an increasing stream of German companies starting small and scale fast.	+
US-B	No such experience.	o
US-C	Consulting lots of companies moving parts of their production from Germany to the US.	+
US-D	Yes, many companies, often involved in the investment scheme 'Select USA'.	+

Table B.3: Question 3 and answers

Localisation as the new globalisation strategy to strengthen the North-American business of a European manufacturer

What are the important factors driving localisation: 1 government policies, 2 customer preferences, or 3 technical developments? (multiple answers possible)		1/2/3
CA-A	Reduced CO ₂ emission gains importance.	2
CA-B	Customers trust only local companies.	2
CA-C	People realised that consuming cheap things from China is not sustainable.	2
CA-D	The resilience of supply chains is most important and put in jeopardy because of tit-for-tat policies between the Canadian and US-American government.	1, 2
US-A	Federal investment acts and communal monetary incentives.	1
US-B	Nationalism forces localisation.	1
US-C	Besides compliance with 'Made in the USA', shorter and faster supply chains are drivers.	1, 2
US-D	All three reasons – no matter what is the reason, the crucial point is: the market size is just huge.	1, 2, 3

Table B.4: Question 4 and answers

Localisation as the new globalisation strategy to strengthen the North-American business of a European manufacturer

	Is it possible that basic products manufactured locally can compete with manufactured globally and, if so, how?	+ / o / -
CA-A	Why not?	+
CA-B	It just needs sufficient economies of scale to break even.	o
CA-C	Production costs in Canada are very competitive which is therefore the extended workbench for USA.	+
CA-D	Locally manufactured, green products certainly can compete with globally manufactured products with low reputation.	+
US-A	Today, salaries in Michigan are lower than in Zhejiang!	+
US-B	Nothing to worry about if you have 'Made in the US'.	+
US-C	Even if 'Made in the USA' is not mandatory, clients are willing to pay extra for it.	+
US-D	Trend of globalisation scepticism intensified, more and more companies realised that localisation of production makes sense and is competitive.	+

Table B.5: Question 5 and answers

Localisation as the new globalisation strategy to strengthen the North-American business of a European manufacturer

When is a good timing to start localisation in North America, rather sooner soon/late or later?		
CA-A	It is difficult to establish or expand business in Canada no matter when.	o
CA-B	Probably now is a good time to achieve a break even in reasonable time.	sooner
CA-C	The right timing must be well-thought-out – haste makes waste.	o
CA-D	Having a second market in times of decoupling is more important now than ever.	sooner
US-A	Don't miss the train, board now!	sooner
US-B	Be the first to have a USP [unique selling proposition]!	sooner
US-C	Join the rust belt resurrection now although finding qualified staff may be a challenge.	sooner
US-D	Maybe it is not a tsunami but there is a wave, and it is better to ride the wave at the front.	sooner

Table B.6: Question 6 and answers

Localisation as the new globalisation strategy to strengthen the North-American business of a European manufacturer

How to view the trend of localisation as an unexpected opportunity instead of an unavoidable challenge?		
CA-A	Localisation could be used to be remarkable and to have a story to tell.	M ²⁾
CA-B	The 'localisation' trend is nothing really new – it is neither unexpected nor unavoidable.	
CA-C	Currently, Canadian economy is converted to better serve ecologic needs, localisation should be eased if you swim with this tide.	G ¹⁾
CA-D	In times of uncertainty, trust by presence is of paramount importance.	T ³⁾
US-A	You can't develop a modern, eco-friendly brand image and then ship it from Europe to North America.	G ¹⁾
US-B	Since trust became more important recently, go for localisation!	T ³⁾
US-C	Get the localisation done and get rewarded for your higher CSR [corporate social responsibility].	T ³⁾
US-D	If you are fast, you can be the winner of the rebalancing – who dares wins and who wins is attractive!	M ²⁾

¹⁾ 'Local and thus **G**reener production is valued at last'

²⁾ 'Snap the chance for **M**arketing localisation'

³⁾ 'Local production generates **T**rust and thus business'

Table B.7: Question 7 and answers

Localisation as the new globalisation strategy to strengthen the North-American business of a European manufacturer

What are the differences between SME and MNE wrt globalisation in general or wrt localisation in particular?

CA-A	Not aware of any difference.	
CA-B	No matter whether SME or MNE, globalisation and localisation: the figures must be right; however, this may be easier achievable for smaller than for larger companies.	
CA-C	MNEs have more power because they have the better people (war for talents) than SMEs (resources).	R ²⁾
CA-D	Since trust is important, family-owned SMEs may have advantages over MNEs.	T ¹⁾
US-A	SMEs are disadvantaged in many ways – both, globalisation and localisation are good examples: MNEs have more economies of scale, more budget, more capabilities to make it work (resources).	R ²⁾
US-B	SMEs are much closer to the market if compared with MNEs and can better react to the needs of the markets (e.g. building trust).	T ¹⁾
US-C	In principle, SMEs and MNEs have to follow the same rules and therefore are equal. However, MNEs are more equal than SMEs.	
US-D	MNEs feel the same pains and can win the same gains as the SME which are the focus of the consulting.	

¹⁾ 'SME have the advantage of building **Trust** better'

²⁾ 'MNE have the advantage of activating **Resources** better'

Table B.8: Question 8 and answers

Localisation as the new globalisation strategy to strengthen the North-American business of a European manufacturer

What themes evolve in general wrt doing business in Canada/the USA or in particular wrt localisation of globalisation?		
CA-A	- Big investors mostly from China and India bring along products from home - Passive house is a new trend - Must be present in social media, if possible with influencers	D ¹⁾ , G ³⁾
CA-B	- Green steel - Environmental footprint - Mutual trust through personal contact	G ³⁾
CA-C	- Electrical and self-driving vehicles - Internet of things, - Decoupling from China	D ¹⁾ , E ²⁾
CA-D	- Sustainable, ecological construction, e.g. high-rise, wooden structures - Urbanisation of downtown for living and business - Anti-China attitude	E ²⁾ , G ³⁾
US-A	- Industry 4.0 - Electrical vehicle - 'Not made in China'	D ¹⁾ , E ²⁾
US-B	- Customised products - Personalised services - Decoupling from China	E ²⁾
US-C	- Energy efficiency of buildings, depending on state - Hydrogen (H₂), e.g. for furnaces and cars - Green building materials like wood, carbon fibre	G ³⁾
US-D	- Digital infrastructure, artificial intelligence/deep learning, self-driving cars - Any technology to achieve climate goals, for example thermal breaks, insulation - Decoupling from China	D ¹⁾ , E ²⁾ , G ³⁾

¹⁾ 'Digital technologies'

²⁾ 'Exit China'

³⁾ 'Green technologies'

Table B.9: Question 9 and answers