Electrolux

**Background:** Electrolux is a Swedish multinational household and professional appliances manufacturer. It is the world's second-largest household appliance maker by revenues. Electrolux products sell under a variety of brand names including its own and are primarily major appliances and vacuum cleaners intended for consumer use. The company also makes appliances for professional use. Electrolux has a primary listing on the Stockholm Stock Exchange and is a constituent of the OMX Stockholm 30 index. Consumers in 150 countries buy more than 50 million Electrolux products every year.

**Established:** 1910

**Operations:** Electrolux is present in more than 60 countries and sells in more than 150 markets with 55000 employees around the world.

**Supplier:** 3000 suppliers worldwide

www.electrolux.com

**BUSINESS CHALLENGE:** Electrolux Purchasing department’s mission is to be world class in managing external resources and engage pro-active suppliers. The company relies on cooperation with innovative and ambitious suppliers and are more and more striving for long-term supplier relationships where there is a partnership and an exchange of knowledge and common usage of capabilities. With the supplier network increasingly global, sourcing responsibly to ensure products are manufactured with respect for the environment and each individual is vital. All suppliers are expected to comply with the Electrolux Code of Conduct and Environmental Policy and drawing on the work of Transparency International, Amnesty International and in-house expertise, Electrolux annually map regions at risk of non-compliance and prioritize assessments for high- or medium-risk suppliers. It is clear that conducting more audits improves conditions, but auditing in itself doesn't manage to increase suppliers' ambitions beyond meeting minimum requirements.

**THE SOLUTION:** Electrolux Purchasing department decided in early 2013 that they wanted a carrot and not only a stick to engage and motivate suppliers further, and implemented 'The Electrolux Supplier Awards. The purpose is to award suppliers that show good performance within areas that are of importance to the company. The award recognizes the suppliers that best support Electrolux in achieving its business results, in three categories: Supplier Excellence, Supplier Innovation and Logistics Excellence.

The Supplier Awards is a signal that good behavior, performance and high ambitions pay off in terms of recognition from an important customer and a deepened partnership and 2013 was the first year Electrolux handed it out.

Awards will be given annually, and each winner walks away with a trophy. The winners get recognition on Electrolux websites and in Purchasing’s internal communication.
Selection criteria
The nominations are evaluated on the following criteria:

» Cost and quality improvement
» Innovation provided by suppliers
» Collaboration, communication and service provided
» Operational efficiency and performance
» Sustainable practices – CoC performance and environmental management maturity

Timeline
During the spring of 2013, the senior global Purchasing community defined the assessment criteria. The Responsible Sourcing function was invited to identify the Sustainability portion of the criteria.

Once the criteria were defined and approved by Electrolux CPO, each Purchasing geographical region as well as product category worked independently to pick out candidates from the over 3000 suppliers. 30 finalists were chosen in the early fall of 2013 and these finalists were invited to attend the Supplier Awards day in November 2013 in Stockholm. The event featured a supplier showcase on innovation and productivity and during the dinner the twelve winners were announced. It took eight months from start of the process with conceptualization until the Awards day.

LESSONS LEARNT
Stakeholders, reflecting upon this experience, had the following comments to add to this Case Study:

- It is of great importance to pick out a few critical parameters which are available for as many suppliers as possible as to give everyone a chance to compete;
- The parameters should be easy to measure and be well-known to the brand;
- We found it better to have a few more winners than too few to get buy in from the suppliers and for them to feel ownership in the process;
- Sustainability should be one parameter amongst several - but it can work as a "pass / fail" parameter to make sure it gets enough weight in the grading; and
- Don't be overambitious, the process should not be overwhelming and take too much effort and time, then there is a risk of it being a one-off event.