

IKEA: A strategy for success

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Abstract

The way business is conducted has changed significantly over the years due to globalization and rapid advancements in technology. The economy is ridding itself of small family owned businesses and is replacing them with giant multinational corporations. These corporations are complex machines, which need highly skilled personnel to ensure their success. This paper examines how multinational corporations employ strategies and techniques that enable them to manage employees from varying diverse backgrounds. It focuses on IKEA and what they have done to transform a single store located in southern Sweden into the international powerhouse it has become today. The paper studies the underlying reasons for their success and how IKEA has spread its corporate culture through the utilization of its expatriates.

Introduction

The world has changed dramatically over the past fifty years. Consumerism, globalization and technology have transformed the way people do business. People used to purchase their goods from small, family run businesses, which never had any significant impact on the market that surrounded them. Times have since changed and the world is now filled with one-stop shop discount super store megaliths. Names like Wal-Mart, Costco, JC Penny and Target have now taken over and have turned the market place into an environment filled with fierce competition. Even though those companies compete with each other selling a wide variety of goods, there is only one name that stands out for home products, IKEA.

The question then arises “how did IKEA become so successful?” Sure people like their utilitarian modern designs coupled with low prices and, of course, who could forget those Swedish meatball lunches which are served everyday for only one dollar, but those are just the external benefits that IKEA patrons have come to love over the years. The underlying reason for IKEA’s multi national success lies in its corporate culture and its expatriates.

IKEA's History

Creating the "IKEAN" Culture

To truly understand IKEA culture, one must make the journey to Älmhult, Sweden. Essentially, Älmhult is the heart of IKEA and it is known as the "IKEA Village;" Here, everything is IKEA. Älmhult is the epicenter for all IKEA activity worldwide. New products, production schedules, catalogue planning and of course the IKEA philosophy are all produced out of this little village nestled in the forests of southern Sweden. Since the town is small, almost every household is in some way related to IKEA. There are jokes made amongst the locals with regards to how similar 'IKEAN's' really are. For example, when they receive bicycles as gifts on Christmas, it was said that "...and the day after you could see the whole village biking around on identical bikes" (Salzer, 1994). Over the years some of the functions that have traditionally taken place in Älmhult have since been moved to other locations, but it is still regarded as the centre of the IKEA group. The sense of family and belongingness that 'IKEAN's' share with one another helps stimulate their drive and sense of purpose within the IKEA organization. A corporate culture had been created that is unique but still in line with IKEA's philosophy and business strategy.

In order to better understand corporate culture at IKEA it is important to have sufficient knowledge about the company's history. The company's story has its roots dating back more than sixty years ago where a young boy named Ingvar Kamprad grew up in the southern area of Sweden known as Småland, in particular, a small village named Agunnaryd. There Kamprad began learning entrepreneurial skills and began his training in the business world. At a young age he began selling matches door to door to his neighbors and people living in the surrounding area. Soon he expanded his product line and was selling an array of goods from pencils and pens to fresh fish and watches (Salzer, 1994). His business was off

to a great start and at a tender age of 17 Ingvar Kamprad, with monetary aid by his father, decided to open the first store in Älmhult, Sweden. When coming up with a name for the store, Ingvar wanted something personal that he could relate to, something that would define his company. The name is derived from Ingvar Kamprad's initials followed by the farm, Elmtaryed, which he grew up on and finally ended with Agunnaryd, the village in which he lived. The end result was IKEA, a household name that today has operations in over 30 countries and has annual sales of over 17 billion euros.

Cultural Dimensions

Ingvar Kamprad has gone to great lengths to increase Swedish 'IKEAN' culture throughout all of his stores worldwide. So, what exactly is this culture that Ingvar Kamprad has masterminded over the years? Culture, according to Hofstede, is "the collective programming of the human mind that distinguishes the members of one human group from those of another. Culture in this sense is a system of collectively held values." (Hofstede, 1980, p.21) Hofstede has identified a number of cultural dimensions which exist in countries world wide. There is a high correlation between the cultural dimensions in Sweden and the corporate culture that exists in IKEA. One of the cultural dimensions Hofstede identified was power distance and it relates to the amount of equality seen in everyday lives. Sweden ranks high in equality and therefore, communication is very open. People, no matter what their rank or status, are encouraged to speak freely. This is also true of IKEA's corporate culture. Not only do the sales people on the show room floor have just as much of a right to speak out and voice their opinion as does a top level manager, but it is actually encouraged for them to do so.

Another example of the minimal power distance relationship that exists in IKEA is the way people dress. "There has always been a special IKEA-dress; in the beginning it was

the jeans, t-shirts and wooden shoes, you know. Ingvar himself followed that style. The dress code has merely been refined over the years..." (Salzer, 1994, p. 125) Having IKEA's employees dress like this makes them different from most of the other large organizations where people are required to dress in a suit and tie. It's seen as a way of "being different" and "unconventional solutions." Of course, the people on the floor are supposed to dress in the store provided red and blue uniform so they can be identified by customers, but even some store employees don't follow the dress code; they simply wear their own red sweaters or dress in civilian clothes. (Salzer, 1994) Usually, in most multi-national organizations, the 'floor' staff are all required to wear matching uniforms, while the 'big wigs' always dress in formal business attire, but not in IKEA. The ability for lower level employees to dress the same as the owner and CEO shows a minimal power distance relationship. Dressing in such a manner further promotes the fact that everyone who is part of the IKEA team should and will be treated like equals. The fact that everyone is viewed as equals, with regards to communication and dress code, is a key success factor that has helped create the family oriented style of corporate culture that exists in IKEA today.

The other cultural dimension, which correlates highly with IKEA, is what Hofstede has labeled masculinity vs. femininity, which plays a huge role in Swedish culture and has since found its way into IKEA's as well. Masculinity vs. femininity is the degree to which formal and informal roles are carried out by the two genders. Sweden is ranked the most feminine country in the world. (Hofstede, 1980) This is apparent, not only in everyday tasks such as domestic duties but in the workforce as well. In Sweden, women are as highly educated as men, if not educated even higher. Women in Sweden are coming closer to breaking the "glass ceiling" than any other society in the world and are becoming more involved in traditionally male dominated positions such as CEO's and top level managers. Again,

this type of equality as viewed in Swedish culture has filtered its way into the IKEA philosophy. Due to this highly ranked feminine culture, the exchanges that take place between lower level employees and higher-level managers in IKEA are different compared to that of larger organizations. As the Leader-Member Exchange theory suggests, the roles carried out by employees move from scripted to negotiated, and the influence co-workers have on each other from one way to reciprocal. This IKEA philosophy contradicts the traditional hierarchical form of management. This approach can also be seen in the way IKEA handles conflict. Instead of a boss deciding on what strict rules should be implemented and followed to solve a problem, conflicts are instead solved through compromises and negotiations. (Backbro, Schmidt and Stener, 2004) In North America conflicts and disputes amongst employees are dealt with in a rather aggressive and intimidating boardroom style manner. However, at IKEA, things are handled different. Employees are more open about how they feel and will work with one another to help solve the problem at hand. This type of team oriented approach to problem solving leads to a less informal way of finding solutions and thus reduces the anxiety and pressure employees feel when management is introduced into problematic situations.

Ingvar's Culture

It is apparent that Swedish society and cultural values have been embedded into IKEA and its philosophy. Ingvar Kamprad believes that:

The true IKEA spirit is still built on our enthusiasm, from our constant striving for renewal, from our cost-consciousness, from our readiness to take responsibility and help out, from our humbleness in approaching our task and from the simplicity of our way of doing things. We must look after each other and inspire each other. Those who cannot or will not join us are to be pitied." (Kamprad, 1998, p.5)

By this Kamprad identifies that everyone within the IKEA organization or 'family' all share these similar beliefs. Kamprad believes that just like a true family, everybody within it should help each other out and push each other to achieve great things. In most multi-national companies employees are given certain job titles and are expected to carry out their required duties in an individualistic type manner. Perhaps they know how they are contributing to the organization, but at the end of the day feel like they have just performed the day's work to collect a pay check. IKEA, on the other hand, is completely different. The reason they are expanding so quickly and are experiencing such high levels of success is because of the way the company is designed. Kamprad has created a culture where everybody feels like they are a part of the IKEA 'family'. Therefore, they will work together to achieve organizationally desired goals opposed to working individually to complete assigned tasks. Creating and implementing this type of culture in one store is a difficult task, but how do you implement such an environment across all of your stores in over 40 countries?

The Ikea Way

With IKEA rapidly expanding into foreign territory in the 1970's it was important for Ingvar that every IKEA store, no matter where they were located, would all possess that same Ikean culture that exists in Sweden. Ingvar came up with an inventive solution. In the 1980's he introduced a special training program called the "IKEA Way." The purpose of this program was to train managers from across the world to promote correct Ikean culture to their employees within their respective stores. The program is held in Älmhult a couple of times a year and its duration is one week. Here, participating managers are given lectures on IKEA's history, their product range, the distribution systems along with group sessions regarding different projects and outings in to the surrounding areas of Älmhult. (Salzer, 1994) This first hand introduction of Swedish culture

to managers from varying stores is a crucial step in linking IKEA culture to the rest of the stores around the world. Not everybody within the IKEA organization has the same view of IKEA culture and that is why the managers come to Älmhult to train. On the last day of each "IKEA Way" training week, managers participate in a ceremony where they receive special pins which are of miniature IKEA key inserts. These keys are to signify that the participating manager is now an official "IKEA ambassador" and that he or she has a "license" to spread IKEA culture at "Mini Ikea Way" seminars held at their own stores. (Salzer, 1994)

The culture that exists within IKEA is a valuable asset. It is the cornerstone to IKEA's success. Due to its significance to the organization, it is crucial that managers across all stores share the same values and preach the same IKEA culture to their employees. Creating this "IKEA Way" is one safeguard that will help to ensure that IKEA's traditions remain true long after Ingvar Kamprad has passed. The "IKEA Way" will act as a stepping stone for future generations of managers, so that when they are out conquering and spreading IKEA throughout the world that they will always remember what type of culture was created years ago in that small town of Älmhult.

Spreading Culture amongst Expatriates

Globalization has changed the way people do business and as a result IKEA's production takes place all over the world, most of which in lower-cost countries. 20 percent is manufactured in China and 12 percent in Poland. Only 8 percent of IKEA's products are manufactured in Sweden. Germany and Italy together account for a further 13 percent of production and the remainder is produced throughout the rest of the world. (Konzelmann, et al., 2005) Along with stores in over 40 countries from Canada to Russia and from Ireland to Japan, employing 118,000 people from varying cultural

backgrounds can be a gargantuan disaster, but only if you let it.

IKEA is so big that they have expanded into almost every geographic region in the world. Having such a diverse company will mean that managers will have to interact with one another from different parts of the world, and if necessary, they will be required to move to a completely different country. As with many multi-national companies, IKEA wants the best person for the job, no matter where they come from. Whether it is a head designer from Japan needed in Mexico or a production manager from Canada needed in Sweden, they all have to be fully integrated into the "IKEA Way" but first they will need to become accustomed to local culture.

It is apparent that IKEA goes through great lengths to spread IKEA culture throughout all of its stores, but it must prepare its expatriates so that they are able to successfully complete their jobs in other countries. According to Backbro, "The main transfer of knowledge comes from a few experienced IKEA Transferred Employees, (TE) who have experience from other IKEA Countries." (Backbro, Schmidt and Stener, 2004 p. 32) These expatriates are a vital key to IKEA's success. The problem is that these expatriates can and will most likely face problems with regards to cross cultural issues including, but not limited to: language barriers, training, and the over all adjustment process known as the 'honey moon' period.

To make this 'honey moon' period easier for expatriates, it is important that they participate in pre-departure training. The knowledge the expatriate will gain will not only help them become accustomed to local cultures and traditions, but will help them integrate into the company's corporate culture. Learning different approaches to problem solving or knowing different methods of completing tasks can be a huge asset for the expatriate. If the expatriate is able to work in a manner that is more suitable to their new environment, they will be better prepared for

their job at hand and will be less likely to make mistakes at the work place.

Selmer (2002, p 37) argues that "there are various kinds of pre-departure training and on-spot support available [to IKEA employees] in order to make expatriates adapt more quickly, and become more successful in their foreign assignment." There are a number of programs which IKEA has developed and implemented over the years that better enable their expatriate employees to adapt to their new working environment. However, the pre-departure training is not a specific course or set of rules to follow. Every country and every employee is different and thus will require a different pre-departure training experience. Evans et al. (2002) believes that pre-departure training and on-spot support will be universally appropriate. Given the unique social and cultural barriers that exist, it is important that every employee is given sufficient training to overcome the obstacles that lay before them.

Pre-departure Training

So what exactly does this pre-departure training consist of? To have a better understanding of what pre-departure training entails, we will examine the process of a Canadian expatriate and what factors led to his success. Dave Keith, a University of Victoria BCom graduate, decided that he wanted a career that would enable him to fully utilize his skills as a business graduate while at the same time providing him with the flexibility and opportunity for the traveling that he desired. Dave had lived in Sweden for a period of one year beginning in May of 2004. He appreciated the Swedish way of life and the similarities it shared with his home country of Canada; Before long, Dave decided that IKEA would be the perfect fit.

Dave currently works in Älmhult and lives in an IKEA owned and furnished apartment. He works with 800 other IKEA employees in the international design office. Dave's job title is "Supply Planner." At his office there are different departments for the entirety of the

IKEA product range. There exists what IKEA call their different “rooms.” They are essentially mock up rooms where new product lines are designed and built. There are rooms dedicated to kitchens, bathrooms, living areas, etc. Dave works in what is called the “Green Room;” this is where all the plants, furniture and outdoor equipment are designed. His job is to forecast the world wide demand for “Green Room” products and to order enough of them to satisfy the demand for all of Europe, Asia and North America.

Though his success is great, he did not get to where he is over night. Dave is on the path to becoming an IKEA manager. It is a five year program that he started at the Vancouver store. He said that the purpose of his first year of training was to “learn every aspect of the store, from the store’s perspective.” (Keith, 2007) He was rotated around various jobs from cashier to on floor sales support staff. Having potential managers become familiar with all aspects of the store is crucial, not only will they have expert knowledge in almost every area of the business, but during the process the employees are being integrated into the IKEA family. For Dave to be properly trained, the Vancouver store manager attended the “IKEA Way” seminar in Älmhult. According to Dave, the corporate culture that exists in Vancouver is very similar to that in Älmhult. He said that the Vancouver store even took part in the Lucia day, which is a major celebration in Sweden. They had little girls in white dresses come in to sing traditional Lucia day songs for half an hour. This is a perfect example of how IKEA spreads the same Swedish IKEA culture throughout their stores world wide. IKEA employees are very proud of their traditional Swedish culture which IKEA has its roots in; Dave mentioned that “we want to seem Swedish.” (Keith, 2007) Having been taught the “IKEA Way” from certified individuals in Vancouver, it helped to ease Dave’s transfer to the IKEA he worked at in Stockholm and to his current location in Älmhult.

Bridging the Gap

Apart from the pre-departure training Dave received before leaving, IKEA also provided support for the physical move and his arrival. Before Dave moved to Sweden he was put in touch with IKEA’s mobility department based in Holland, which sent him a package containing information about what to expect as an expatriate, booklets about the town he was moving to and other pieces of pertinent information. Upon Dave’s arrival in Älmhult, he was given a tour of the city. His tour guide showed him the locations of the shopping malls, hockey arenas, car washes and anything else he needed to make the move go as smoothly as possible. IKEA also paid for all the expenses incurred during the move as well as provided Dave with money for him to furnish his apartment. All of the steps taken on IKEA’s behalf made the transition for Dave a lot easier. This extra care taken to ensure that Dave’s transition went well exemplifies how IKEA employees really are treated like family.

Perhaps the largest hurdle Dave encountered and had to overcome was the language barrier. Even though Dave had spent one year in Sweden prior to moving there as an expatriate, he had no previous Swedish language training. As a result, IKEA paid for Dave to have 40 hours of one-on-one language training. This was crucial for Dave to perform his work. In the Stockholm store everybody speaks Swedish and thus it took Dave a while to get used to. When there was a meeting, his fellow employees would ask him if he would prefer the meeting to be done in English or Swedish. Due to the fact that Swedes have nearly impeccable English really played to Dave’s advantage within the IKEA business environment. He also noted how his fellow co-workers went out of their way to help him become familiar with his job and the new office. They would come by his desk several times a day to chat and answer any questions he might have had. Again, this type of behaviour exhibited by his fellow employees show how good relationships are formed and fostered within the IKEA family.

Even though IKEA and its employees were doing everything in their power to help Dave through his transition, there were times when Dave said he felt “de-motivated” and felt “a sense of being overwhelmed.” Apart from IKEA, and all they have done, Dave believes that an equally important factor to his success as an expatriate was his fiancée and her family who reside in Sweden. Those rare days when Dave said “he just felt like giving up” he was able to turn to his family, just like the IKEA family he had become apart of. They provided additional moral support and helped him become accustomed to Swedish culture and their way of life.

The “Check-Out”

Ingvar Kamprad created more than a successful multi-billion dollar empire; he has created a family of over 118,000 people. The IKEA family exhibits a corporate culture that truly unifies employees from around the world. Ingvar has created clever and effective systems for spreading the IKEA culture throughout his stores. From the way IKEA employees dress and communicate to the “IKEA Way” and the expatriate pre-departure training process, the ability to create a culture where everybody feels like a member of a family is an outstanding achievement. The reason for IKEA’s overwhelming success is the sense of unity and belongings achieved through their corporate culture, which is transferred and carried out by their expatriates.

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