

Structure and culture
ikea and lego
commerce essay



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In this assignment I am meant to be working for an organization holding a trainee management consultant and at the end of my training I have to submit a report. My report will be about two private organizations where I discuss their structure and culture, how it affects the business performance. I also need to research how each company deals with their employees and problems faced with employees. An important figure is picked for each company and have discussed the leadership style used by both. In addition I explore the classical approaches which are being used in the company's' and the different techniques to management used by each organization. In my PowerPoint presentation, I offer a consultation to my client organization on motivational theories and effective teamwork.

Acknowledgement

I Sayarah Saleem confirm and acknowledge the fact that this assignment was done by me alone. I have researched and studied the tasks given and have given the references from where I have obtained the information.

Executive Summary

The two private organizations that I have chosen are IKEA and LEGO in my report because I think it's they are good examples of describing the structure and culture of each organization. They are both different in their own way , with how they deal with employee issues and how the organization is run. One is family oriented and the other , which got an outsider as a CEO in 2004 in order to change the company around.

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Task 1

1. Report

1. 1 Analyze the structure and culture if the two organizations. In your analysis you have to engage in a comparison and contrasting of their structure and culture.

1. 2 Further clearly evaluate how the structure of each company supports its culture and how this relationship effects business performance.

1. 3 Explore and state what each company does in order to identify and solve employee behavioral problems.

2. Understand different approaches to management and leadership.

2. 1 Select a prominent figure one from each company and compare the effectiveness of their leadership styles.

2. 2 How to the two companies practice the classical approach to management.

2. 3 Evaluate the different approaches to management used by the two organizations. In discussing your answer you have to use your knowledge on contingency approach to management.

Task 2

Presentation

References & Bibliography

Task 1

Task 1: Report

Understand the relationship between organizational structure and culture

IKEA & LEGO

1. 1

Lego began in the early 1930's by a gentleman named Ole Kirk Kristiansen and till date kept with the family, passed on by generation to the next generation. Lego has been named twice the "toy of the century" and has maintained the toy, the building brick. The organizational structure that Lego uses which best suits them is the functional structure, this structure is most widely used by companies. Basically the company has different departments to which they have delegated people to, and heads of that department according to the function. Some of these departments are Sales, Accounts, product development etc. Using this structure allows them to show the pyramid of hierarchy. It gives a clear view of the organizational chart and who are at the highest rank. Lego being based in so many countries uses a divisional structure which consists of three segments, and these are market, product and geographical.

The other company which I have chosen to analyze is IKEA. IKEA was founded in 1943 by Ingvar Kamprad . IKEA is the world's biggest furniture company that concentrates on innovative, fashionable furniture at inexpensive prices. Mr. Kamprad didn't want any normal organizational

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structure for the company, instead he formed a complex system of foundations, holding companies and trusts. The company's structure then divided into three for each of his son. The reason he did this was to prevent tax's and also to make sure that the company would not be divided due to family dispute. In actual fact IKEA is being held by a foundation which has a group under them that controls the companies that runs IKEA's individual operations. Between the two companies it is evident that while one has a typical corporate structure , the other is so committed in creating equality amongst the family and a fool proof method to ensure that the company will not be divided in the future.

1.2

The same way that Ikea has created their organizational structure they have also supported the company culture by sharing that they not just want to hire people but have a chance of bringing in unique individuals to share the same values of the company. To make them feel as they are all associates in the company. Not only does IKEA evaluate the person based on skills' and expertise but also if they have the same culture as IKEA themselves. " The assumption is that skills are easier to develop than personality traits, attitudes and values " This in return promises happier employees who feel as if they are working for their own. Employees who like, themselves want to buy furniture, take it home and assemble at home will also make the customers feel the same. Lego on the other hand concentrated on their Danish values of hard work , modesty and teamwork. They look after their employee's with respect and high standards, also incorporating global principles for those working overseas. Lego has always been strict about

following all laws, rules and regulations in the countries they are in. Their employee's in return offer their company which is so largely respected , great service, hard work and offer nothing but the best to their customers.

1. 3 There are several different leadership methods which companies take on, IKEA however have not confined themselves to one particular method, instead taken the best parts of each method and combined their own. There is the Autocratic style, which is the basic team and supervisor style, Democratic , which allows the employee to think and make decisions on behalf of the company. Laissez Faire , where employees are given few guidelines and limits to carry out activities , which gives them freedom but may result in less productive work. Consultative is like the democratic style, very alike. Finally we have paternalistic where the manager , supervisor has tough ideas where he will require input and ideas for developing the business from the employees. By doing this IKEA has been able to avoid large scale employee behavioral problems. This is not to say that they don't have employees who have been disappointed either by not keeping their promise on pay raises and not even considering their opinions. IWAY which is IKEA's code of conduct, assures their employees the right to organize and order all overtime be voluntary. They also ensure wages are paid on time and not be withheld. Employees are entitled to medical, social insurance and pension. This way IKEA allows their co-workers their freedom and benefit all legal rights. IKEA hires a law firm called " Jackson Lewis" to encourage workers to attend meetings in order to discourage unions.

One of Lego's important rules was to maintain employee's safety, therefore they set a goal to reach the top ten safe places to work for employees by <https://assignbuster.com/structure-and-culture-ikea-and-lego-commerce-essay/>

2015. Their main concern was to improve and maintain the work-life balance; this is basically to retain the employee's motivation and satisfaction with their position at Lego.

Lego has their system of flexible work hours, work from home option which are all ideal mainly for a working mother has made themselves enter "Working Mother Magazine 100 best companies list". Lego involve themselves in providing wellness programs and leave entitlement for the mother up to 26 weeks of leave with their job assured of. Families looking to adopt are entitled to \$5000 and fertility treatments are fully covered.

Task 2

2. 1

Lego

Jorgen Vig Knudstorp is a leading and most prominent figure at lego, he has had the most challenging role of having revive Lego as the company had taken a turn for the worst. Mr. Knudstorp knew that in order to change things around he needed to be trusted and relied on. Doing so Mr. Knudstorp would be able to incorporate new methods to revive Lego from its low. He was an intelligent man to believe that for things to be done he needed to 'managing at eye level' which meant liaising with the production workers, engineers, discussing to reduce sales declining with the sales and marketing department. Jorgen Vig Knudstorp reminded the management that they were there to maximize the firm's value, this would be identifying why till date the lego group exists. He wanted their to be a less strict structure and a more free management style from the bottom to the top, empowering

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employees to make decisions at all levels. Jorgen Vig Knudstorp used the strategic leadership style, this which made employees share values, visions and goals, strengthening them to make decisions with minimum monitoring. It is defined that a strategic leader persuades for change and looks for new ways ideas, and improvement to better the company in order to allow the company to move onward.

IKEA

Ingvar Kamprad the founder of ikea, being a school dropout and began making furniture at the age of 17 uses the democratic style of leadership to run his company. Mr. Kamprad encouraged parallel management so that each can manage their purpose effectively. The reason for this same level management was so that employees opinion and feedback will help them feel like they are required in the company. This in return makes the employees want to work harder and feel as if they are working for their own. Mr. Kamprad however did have many things under his control like the financial details and of the company's structure. He encouraged his employees to work hard with stern business beliefs however to still have fun whilst working for IKEA, he preferred giving guidelines, showing methods of how things should be done instead of revealing authority and giving out orders.

2. 2

Since the classical approach is purely based on acknowledging the idea that only the economical and physical needs of the employee are important and that their personal life and job satisfaction are irrelevant, Lego however <https://assignbuster.com/structure-and-culture-ikea-and-lego-commerce-essay/>

believes strongly in allowing their employees to work freely within the organization. It is a place where all share the same value, of empowering children to learn. Lego wanted to strive to be the best toy company instead of being the biggest. The classical approach includes scientific, administrative and bureaucratic management. The scientific management theory was developed by Frederik Taylor (1856-1915). This theory had 4 steps, firstly by sorting the job into smaller pieces, then to pick the most capable employees to perform the job and train them, finally supervisors are used to monitor them. This theory came about at the time that organizations were large and industrialized to increase productivity to its maximum.

Henri Fayol (1841-1925) developed a fourteen principles of management.

These principles were:

Division of Labor: to increase production and quality through specialization

Authority and Responsibility: Where authority is shown, responsibility must be given and this works both ways.

Discipline; Respect and order for the agreements between the company and their workers.

Line of Authority: Clear view of the company hierarchy

Centralization: Authority is given only to the highest in command.

Unity of Direction: All are on the same track to lead the organization.

Unity of command: Employee receives instructions from only one supervisor/manager.

Order: Every employee is placed where they would contribute the most.

Initiative: Creating action plans and carrying it out.

Equity: Take care of all employees fairly with respect.

Remuneration of personnel: Payment of salaries to employees accordingly.

Stability of Tenure: to provide long term employment.

General interest over individual interest: the company's priority will be before the employees.

Esprit de corps: Harmony of the employees brings a strong union.

Mr. Kamprad of IKEA believed that the workplace should be like everyday life, being free and at ease, instead wearing formal work attire, addressing colleagues in a personal manner. The company arranges once a year for at least week for the managers to work in the showrooms and warehouses. New ideas and innovations were always welcome at IKEA, the employees were always encouraged to come up with creative solutions. How did the concept of customers picking up their purchases arise? This is when they realized in order to cost cut and provide quick service, to engage in customers in self-selection. The customers choose their items, write them down and go down to the warehouse to collect their items.

IKEA has a mission of spreading the companies philosophies and practices throughout the organization by assigning “IKEA ambassadors” that had been specifically trained and placed strategically within the company. They would in turn train their subordinates and act as role models.

In my report it is evident that both IKEA and Lego do not have a strict list of management procedures which have brought them to where they are today. Bearing in mind that in 2004, when Lego CEO Jorgen Vig Knudstorp joined the organization he needed to save the company from the dire state that it was in. This required that whichever practices that were taking place needed to be evaluated and changed in order to revive the company.

IKEA being a family oriented company, is not particularly head by the founder’s sons. Instead created a holdings company that managed the IKEA organization which was run by Mr. Kamprad’s sons. By studying and researching both companies it is safe to say that there is no exact approach to management followed by each. The contingency approach also known as situational approach supports the thought that there is no one best way to management. Each organization just like humans and conditions can change and differ from time to time. Therefore by studying the current situation of the organization, will the management of the company know what practices to enforce. Management had to think of environmental factors, for example weather, technology that could alter the organizations productivity.