

Report on organisational change and multiculturalism in ikea



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The following is an integrative report on organisational change brought about by multiculturalism in organisations with specific emphasis on the concept of diversity management in relation to organisational culture. With the help of a study on IKEA, the international chain of home and office furniture stores, the report will attempt to analyse the challenges faced by international managers in the process of keeping up with the demands of multiculturalism, a direct consequence of globalisation. Although the values and practices of IKEA's corporate culture will be discussed in general, in order to narrow the geographic area of research, the report will focus more on IKEA's franchise in Dubai, UAE.

The report will make extensive use of relevant literature in order to understand the issues in question by applying the literature to the organisation and by doing so, will attempt to make further recommendations and meaningful conclusions.

I. 1 IKEA Background: IKEA prides itself to be the most successful and largest furniture retailer in the world, and boasts provision of everything and anything for a home, having products suited for people of all ages, and all this at low prices. The company promises excellent value for money spent with all of their products designed with an emphasis on natural colours to bring a light and airy atmosphere within a home. This concept is based purely on IKEA's Swedish origins, where people pride themselves in living in harmony with nature with simple home designs which offer maximum efficiency in all weathers (<http://www.iamaceo.com/marketing/ikea-brand-success-strategy/>). IKEA's vision, "to create a better everyday life for the many people" is reportedly largely aimed at the global middleclass which is <https://assignbuster.com/report-on-organisational-change-and-multiculturalism-in-ikea/>

also evident from their business idea, “ to offer a wide range of well designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them”

(http://www.ikea.com/ms/en_GB/about_ikea/press_room/student_info.html).

With 265 stores worldwide, where 235 are owned by the IKEA group while the remaining 30 by franchisees outside the group, the extent of IKEA’s expansion is obvious (IKEA, 2007).

IKEA’s corporate culture is based on the concept of shared values, some of which, as the organisation proclaims, are togetherness, cost-consciousness, respect, and simplicity. These values project a very democratic form of leadership where considerable freedom is given to employees to contribute to the company’s success. IKEA claims to treat all employees, no matter what rank they carry, as partners in the business. The company also boasts no restrictions upon employees in using their own initiatives and offers full support to meet each individual’s needs, ambitions and capabilities.

I. 2 IKEA Dubai and Al Futtaim Trading: The IKEA franchise in Dubai, United Arab Emirates (UAE) was first initiated in 1991 with the local Al Futtaim Trading Company taking ownership. This collaboration has been, since its inception, a major success story in the UAE and other parts of the Middle East, as many new IKEA outlets have been strategically opened over the years by the group and have achieved great competitive advantages and overall productivity. The Al Futtaim group was first established in the 1930s as a trading company. Headquartered in Dubai, the group has seen a rapid

progress in its operations not only within the UAE but in more than 65 countries across the Middle East, and in various sectors of business.

The group attributes its success to its ability to respond to the changing needs of customers and the societies in which it operates through an entrepreneurial and customer focused approach. Employees of the group enjoy a democratic culture made possible through clearly defined objectives and values, enabled through clear flow of information via a decentralised structure. Al Futtaim also prides itself for the ability to “ proactively manage change whilst upholding the values of integrity, service and social responsibility”. (<http://www.al-futtaim.ae/content/groupProfile.asp>; <http://www.ikeadubai.com/content/aboutUs.asp>)

Apart from managing many of IKEA’s retail operations in the UAE, the Al Futtaim group carry the sole responsibility of recruiting personnel for the franchise, and also providing valuable information about changes in the local political scene, culture, economy and other issues like new technologies, threats of competitors, legal issues etc, effectively conducting internal and external analyses (SWOT and PESTEL) for IKEA. This contribution has greatly helped the IKEA group over the years to align their regional operations according to changing environments, effectively creating a strategic fit between the organisation and the environment (<http://www.megaessays.com/viewpaper/16374.html>).

I. 3 The Culture Change Problem: For an organisation that boasted fairness in employment and empowerment to employees through a democratic leadership and structure, and flexible organisational culture, IKEA had

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initially employed an ethnocentric approach of management where only Swedes were recruited for management positions so as to ensure the original 'Swedishness' of the organisation. But this approach eventually met with criticism and a temporary setback in IKEA's overseas operations, where the organisation was faced with the task of revising its overseas recruitment policies in order to meet the demands of local cultures and employment laws (Kling and Goteman, 2003; Kochan et al, 2002). According to Bjork (1998), every time IKEA was faced with a struggle due to internationalisation, new cultural management policies would be implemented, the latest being Diversity Management.

IKEA is well known for having a rapid internationalisation process from its Swedish origins as a result of globalisation and its rapid expansion into countries with cultures very different from its original Swedish national culture (Hollensen, 2007). Although owned by franchisees in some countries, like the UAE, the IKEA concept and trademark are solely owned by Inter IKEA Systems B. V in Netherlands, giving the group considerable authority over franchises. This means Inter IKEA Systems B. V is the franchiser for all IKEA stores within or outside of the IKEA group, ensuring uniformity of corporate values, and the IKEA concept of self assembled furniture right from the centre (IKEA, 2007).

IKEA has had to rapidly transform itself from an ethnocentric corporate culture to an organisation that embraces people of all backgrounds, and has in many communiqués expressed the importance of having a culturally diverse workforce in order to obtain competitive advantage on the global scene. This is evident from the organisation's recruitment websites in various <https://assignbuster.com/report-on-organisational-change-and-multiculturalism-in-ikea/>

countries, where emphasis is given for potential employees to 'be themselves', but at the same time adhere to shared corporate values such as 'simplicity', 'cost-consciousness', 'hard work' etc, but almost all of the websites show a picture of a man and woman of Scandinavian origin (Bjork, 1998). This has created a paradox within the IKEA Group's core values, where there is still a strong emphasis on the company's Scandinavian background.

Setting up operations in multicultural societies like Dubai meant the IKEA group has had to go through a rapid process of internal culture-change. This means a complete internationalisation of organisational culture, where key positions are not restricted to Swedish nationals, and communication systems had to be introduced to break geographical and cultural barriers. The partnership with Al Futtaim has played a major role for IKEA in achieving this change. In the following sections literature related to organisational culture-change, international recruitment processes and the inevitable resistance to culture will be studied and analysed.

II. LITERATURE REVIEW:

The purpose of this section is to acquire a deeper understanding of culture and its characteristics by means of metaphorical representation of organizations with the help of relevant literature. This may help us understand the significance of culture change, not just to gain competitive advantage, but for the very survival of an organization in an ever-changing environment.

II. 1. Organization and Society: Drawing the Parallels

Within the process of cultural evolution there is a significant amount of similarity in the manner in which culture is manifested in business organizations and in society in general (Rollinson, 2005; Morgan, 1998). To understand cultural diversity in organizations, it would be helpful to understand its roots at a sociological level. Cultural diversity at the workplace is a direct result of 'multiculturalism' in the society. A multicultural society simply denotes a society in which there exist several cultures (Watson, 2002). Culture is defined as,

“ A pattern of shared assumptions a group learned as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way you think, perceive, and feel in relation to those problems” (Schein, 2004).

The above definition suggests that culture is a shared activity of overcoming external and internal factors through methods that have been taught down to the group as acceptable and functional. A general view of cultural differences is that they affect intercultural encounters, usually by leading to misunderstanding or conflict, at both the individual and group levels (Larkey, 1996). Larkey explains that at the individual level, as different values, beliefs or worldviews are manifested in communication behaviours and as culture creates differing expectations and differing styles or patterns of speech, interpersonal misunderstanding and conflict can arise. At the group level, inter-group processes can be triggered by, for instance, an individual's non-verbal behaviour or ways of speaking which stereotypically represent a

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group (1996). It then becomes the responsibility of the leadership of the core society to introduce a culture and/or change its existing core culture to accommodate the various differences brought in by the subcultures in an integrated manner, where these differences are acknowledged and valued (Neuliep, 2008).

When the above sociological aspects of culture are compared to a business organization, the organization is the core society, and its culture, the core culture. We all refer to this as organizational culture. Analogically speaking, the organizational (core) culture should be designed in such a way that the employees of the company share a basic set of values and assumptions, which tie them to that particular organization. But, on the individual or group levels, each employee has his/her own cultural norms and practices beyond those they share with other members of the company, which can be safely termed as the subcultures within the organization (Bate, 1995).

II. 2 Cross-Cultural Communication:

“ We all have an internal list of those we still don’t understand, let alone appreciate. We all have biases, even prejudices, toward specific groups” (Lantieri & Patti, 1996).

The above phrase sums up the main challenge in cross-cultural communication, the fact that we still don’t understand the people we talk to on a daily basis. Communication is an intrinsic part of our daily lives, whether it is at our homes, at the workplace, in the groups we belong to, or in the community, and we can identify that it’s hard (DuPraw & Axner, 1997).

According to DuPraw and Axner (1997), ‘ culture’ is often at the root of

communication challenges, and our culture influences how we approach problems and participate in groups and in communities. Anthropologists Avruch and Black expand the above views and argue that “ One’s own culture provides the ‘ lens’ through which we view the world; the ‘ logic’ by which we order it; and the ‘ grammar’ by which it makes sense” (1993).

DuPraw and Axner (1997) suggest that, becoming more aware of our cultural differences, as well as, exploring our similarities, can help us communicate with each other more effectively, and that cultural differences do not necessarily have to divide us from each other (1997). In an organisational context, the similarities lie in the core organisational culture that is common at the group level.

Morgan (1998) explains the significance of effective communication and concludes that every organization is composed of individuals with different cultural traits and individual personalities, and these people are ‘ organised’ in some way or the other through these traits in order to achieve set objectives. Thus individuals are the basic building blocks around which an organization functions, and communication is the effective cement which holds the organization together. This puts forward the importance of an organisational culture that employs clear communication channels to all levels of its structure.

II. 3 Organization as a Living Being: Adapting to Change, by Aligning with the Environment

It can be inferred from the preceding sections that change is necessary in order to promote peaceful existence between different culture groups, in the

societal realm. Considering this, it may be safe to assume that similar changes need to be implemented in the organizational realm as well (Robbins and Judge, 2009; Pettinger, 1996). The question that may arise, however, is whether changing the existing culture means changing the entire organization. Culture is such an intrinsic quality of a human being at the individual level, and of a group at the societal level, that even though it may take time to change, it may end up changing more than just a few characteristics (Bate, 1995; Hofstede, 1997). This means that changing an organization's culture implies changing the very behaviour in which it expresses itself.

Morgan (1998) interestingly likens an organization to an organism, and explains that,

“ The image of an organism seeking to adapt and survive in a changing environment offers a powerful perspective for managers who want to help their organizations flow with change.” (Pg 35)

He argues that this analogy encourages us to learn the ‘ art of corporate survival’ by developing active ‘ organic systems’ that remain open to new challenges. In other words, as Brooks (2003) says, it helps us form a more ‘ proactive’ organization with a ‘ prospector’ philosophy of operation.

Prospectors, he explains, see their environment as ever changing and seek continual strategic and structural adjustments to cope with those changes. These organizations are continually searching for new opportunities and in the process they may create change and uncertainty for others in their competitive environment. The opposite of prospectors, known as ‘

defenders', are more 'reactive' in nature, as they act only when environmental changes force them to do so. This kind always sees stability and continuity all around (2003). Research shows that reactors are more prone to misperceptions of their environment than are prospectors. According to Morgan (1998), this is because different environments favour different 'species' of organisations based on different methods of organising and that congruence with the environment is the key to success. So it is evident that organisations are facing the enormous challenge of changing their internal environments in accordance with the external.

II. 4 The International Human Resources Function:

"...the International Organisation will be called on to operate across a wide variety of competitive environments and yet somehow balance these diverse social, political and economic contexts with the requirements of the original home context." (Dowling et al, 2008, pg25)

The above statement re-iterates all the topics discussed in this report so far, namely, the task of the organisation to be able to operate in different environments whilst staying true to its original corporate objectives. The international human resources management (IHRM) function, a recent extension to the normal HRM function in an organisation, aims to achieve this global competitive advantage by employing innovative recruitment strategies.

The three main issues for IHRM are: the management and development of expatriates; the internationalisation of management throughout the organisation; and, creating a new corporate culture that would reflect on

internationalising the whole organisation, by focusing on increasing the international experience of staff, to be able to effectively counter the frequency of cross-cultural interactions as a result of investing abroad (Hendry, 1994). As a result, IHRM covers a much wider spectrum of worldwide management of people (Dowling et al, 1999, 2008), and is concerned with how MNC's manage their ' geographically dispersed' workforce by being able to dispose their resources to obtain and maintain ' local' and ' global' competitive advantage (Schuler et al, 2002).

This clearly indicates IHRM as a means of strategic importance for MNC's, as it is a key element in achieving a balance between " the need for control and coordination of foreign subsidiaries, and the need to adapt to local environments" (Adler and Ghadar, 1990 & Milliman et al., 1991, cited in Scullion, 2001, pg5). In other words, the need is for the organisation to implement common practices, like structure and technology that transcend national differences and form a commonality as to how the business operates across cultures (Kerr et al, 1973 & Hickson et al, 1979 cited in Mullins, 1999), whilst not ignoring the essential differences in how these practices are communicated and applied to the local workforce of a given foreign subsidiary (Hofstede, 1997; Keeley, 2003).

II. 5 Resistance to Change: When a group seeks change in the way they do things, as with culture, there is the inevitability of resistance to this change. Researchers like have identified a few reasons for such resistance: fear of the unknown, referring to people's natural tendency to keep away from uncertainty that creates anxiety. Resisting change is one way to reduce the anxiety; fear of failure, referring to people's fear of whether or not they are <https://assignbuster.com/report-on-organisational-change-and-multiculturalism-in-ikea/>

up to the challenges being brought in by the change; disagreement with the need for change, where people genuinely believe that change is not necessary; losing something of value, where people fear either losing their dominant positions and/or jobs as a result of the change; leaving a comfort zone, in that people are happy where they are and would not want unnecessary disruption of current state; false beliefs, where people unrealistically believe change is not needed and everything will turn out fine; misunderstanding and lack of trust, where people do not understand the changes being made and/or do not trust the person(s) initiating the changes; and the fact that change may require more time and energy from individuals (Robbins, 1999; Mullins, 2003).

Many ways to overcome resistance have been suggested, which include: effective communication and education including training programmes for staff to make them understand the need for change, and its implications; getting people to get involved in implementing the change process, where they can not oppose it later as they were partly responsible for it; negotiating with people certain requirements they may have to get the change underway; and in many cases imposing the change by force whether the people like it or not, as resistance may mean loss of positions/ jobs etc (Robbins, 2009; Mullins, 2003).

III. APPLICATION TO IKEA

In light of the above discussions, the company headed in the right direction in terms of its emphasis on multiculturalism at the workplace, especially amongst its independent franchisees. IKEA in Dubai working along with Al Futtaim has been successful in achieving this objective by recruiting local, <https://assignbuster.com/report-on-organisational-change-and-multiculturalism-in-ikea/>

talented individuals reflecting the diverse cultural demographics of the United Arab Emirates. This is in line with earlier literature discussion of societal and organisational cultures where the core culture needs to be designed to accommodate individual personal differences, but should also give employees a common framework.

III. 1 Changing the Organisational Culture, a Project: IKEA's efforts to change its internal culture to align with external factors in Dubai have been a major project management undertaking. This is because the company has had to effectively integrate its centralised and extremely complex organisational structure (although argued otherwise by the group) with the more decentralised and flexible structure of Al Futtaim. This required giving considerable power to the latter group in making decisions regarding changes to the way IKEA operated in the Middle East. Reduction of organisational levels to form a flatter structure itself is a project with time constraints. Due to the ever changing nature of external cultural factors, and due to the fact that internal cultural change is a slow and gradual process, the project management methodology that IKEA and Al Futtaim may have employed would have been the Adaptive Project Framework.

The adaptive project framework works on the basis that the scope for change is variable, but within specified cost and time constraints. This gives the company significant flexibility by setting up periodic milestones, where progress is reviewed at each milestone until the ultimate objective is met.

The company has full authority in deciding best business value and has the opportunity to change directions at any milestone if it thinks objectives are

not being met by the project. The adaptive framework also works because it <https://assignbuster.com/report-on-organisational-change-and-multiculturalism-in-ikea/>

is based on the assumption that change is inevitable, and is designed to allow for changes accordingly. This is especially vital when seeking culture change (Billingham, 2008).

III. 2 Resistance within IKEA: The initial resistance to the changes in IKEA's culture may have come mainly from the fact that the company has had to tone down its emphasis on Swedish culture at the operational level in Dubai. Changing the organisational structure would have meant losing some key positions along the structure to enable integration with Al Futtaim's structure. Focusing on recruiting local personnel would have meant redundancy and/or repatriation for existing Swedish international managers. This would have also meant that existing personnel would have had to adapt to working alongside with local personnel, which may have caused communication problems, friction between personnel etc.

The best methods used for overcoming above problems would have been to educate existing IKEA personnel regarding local issues like culture, governance etc, educate and train local personnel in return about IKEA's core values and its Swedish roots, and the importance the company places in carrying out the legacy of its founder, provide clear communication between levels, and reducing barriers through effective information infrastructure.

IV. CONCLUSIONS

In conclusion, change management can now be safely coined as a field in itself in modern businesses, especially in multinational organisations.

Considering the study, more and more organisations would benefit from being prospectors rather than defenders, as this would prepare them to stay

in tune with their market environments. It seems the group has lived up to their own professed comments when they say, “ We see the diversity issue as a matter of creating a more challenging business atmosphere and of course expanding the recruitment base – including everyone and not just Swedish men. It also gives us a diverse workforce with a lot of positive business possibilities” (Kling and Goteman, 2003).

As far as the project of changing IKEA’s culture is concerned, the company has successfully reached its goal of ‘ reaching the global middle class’ with its products. Whether it is through the IKEA group directly, or through franchises like Al Futtaim, IKEA has realised the importance of culture change and has subsequently implemented this change within its infrastructure. The company’s extraordinary success, even with a narrow product range, but a range that has been constantly diversified according to the demands of the regions of operation, is testament to the success of the project. Through Al Futtaim, IKEA is now a household name all over the Middle East, thus expanding the range of its brand through undertaking a change in organisational culture.