

Ikea management style flashcard



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Ikea has grown into a worldwide phenomenon with an almost like cult following and the world's largest furniture retailer due in large part to its founder Ingvar Kamprad's charismatic personality combined with his own philosophy of business management and the Scandinavian style of open management he has parlayed a fortune that will be left to one of his children who has proven their own business acumen by running one of his many companies profitably.

According to Kamprad himself in his July 23, 2008 Article published by *Stoked in Major Companies* Kamprad states; Ikea, the world's largest home furniture retailing company, was founded by Ingvar Kamprad. He built his business empire through developing a distinct corporate culture. The Ikean culture, which was directly linked to Scandinavian culture, valued simplicity and informality, frugality, humbleness, responsibility, and the constant will to renew. 1.

The Ikean Business Principles are founded on informal open and caring management style coupled with a heavy dose of Scandinavian culture and Kamprad's own personal and business philosophy where hierarchy is not emphasized: 3 levels of responsibility is all that is needed, this is considered a flat form of authority. With a pragmatic approach to problem solving, each and every employee is encouraged to put their input into each and every problem and project that is within their division.

The general consensus based decision making, discussion, explanation „ learning by doing, in the paper “ Building Piece by Piece;” it is stated that “ IKEA would run into trouble. Under pressure from its competitors, IKEA's

suppliers began to boycott the company. In response, Kamprad would make a decision that would forever change the company; from now on, IKEA was going to design its own furniture. When one IKEA employee decided to remove a table's legs so it would fit securely into a car, the company would again be revolutionized. After that point, IKEA began to orient itself towards design for flat packaging.

The result of this was both lower prices and easier transportation home. ” 3.

The other attribute: an acceptance of mistakes. In the 1970s, Ikea opened a bank in Denmark that nearly went under. When a local journalist asked Kamprad whether the employee running the bank would be fired, Kamprad said no, noting that the employee “ learned a lot during the process, so why should he go and practice what he learned somewhere else? ” 4. In the Ikean culture managers share information, knowledge and skills, coworkers are encouraged and made each other feel important.

The eliminating of status barriers fosters open and shared communication. Every now and again, usually at fairly long intervals, a new wonder-company is born. The wonder lies less in super-growth or astounding profitability (though these may exist) than in the revolutionary way in which the business is managed it is through this that the Ikean culture and management style are formed. Its founders brazenly challenge the norms of authority, hierarchy, manners, even ownership. Those norms are condemned, both explicitly and implicitly, as outmoded, restrictive and (the ultimate crime) ineffective.

IKEA, the world's largest home furnishings retailer started out as a small business that participated in annual trade fairs and took orders from local Swedish folk. The company's founder, Ingvar Kamprad encountered many difficulties in starting the business as Swedish manufacturers and retailers of furniture conspired to prevent him from penetrating the market. When the Swedish manufacturers cartel would not sell furniture to IKEA, Kamprad was able to establish sources in Poland that enabled him to offer furniture at a more competitive price.

In 1953, Kamprad opened IKEA's first warehouse in Almhult. By 1973, he had opened eight more warehouses and had a multi-million SKr business and the rest is history. IKEA has expanded globally reaching the whole of Europe, USA, and Australia. 1. To understand Kamprad and Ikea you need to understand the Scandinavian way. About Twenty years ago, the concept of Scandinavian management was created in this style, human resources are highly valued and the Scandinavian culture and life style are highly emphasized.

Founded on this and Kamprad's own views Ikea has grown exponentially and sits as a world leader in management. Scandinavian management were equality, communication, cooperation, trust and consensual decision making are vital elements in the concept. Managers are focused on their employees and feel that they need to satisfy them in order to motivate them. This motivation has proven to lead to better productivity and performance of the organization. Swedish managers are indeed focused on human resources and are practicing Scandinavian management. Scandinavian management is necessary on the Swedish market as it increases the chances for having a

productive company with satisfied employees and customers. Kamprad laid the foundation of his empire using his views on life. The “IKEAN Spirit” was founded on enthusiasm, a constant will to renew, cost consciousness, willingness to assume responsibility, and humbleness before the task. The organizational atmosphere was very informal, effort was made to veer away from status and convention. Simplicity was practiced at all levels but managers were expected to completely understand the store’s operations.

Having such a distinct corporate culture that had to be imposed, IKEA favored young employees. They did not hire people who had previously been in other corporate cultures nor did they favor people with high education, as this could be a barrier in absorbing and practicing the “IKEAN WAY”. 1. In understanding what makes Ikea Group tick and the company so successful, you need to understand the values and vision of its 79-year-old founder, Ingvar Kamprad. It’s a vision he’ll describe to anyone he meets.

Expousing the Ikean gospel of simplicity and Scandinavian culture of shared decision making “ Kamprad has long been a cultural icon and the chief spreader of the Ikea gospel, and he believes it’s best spread from mouth to ear,” says Harvard Business School professor Christopher Bartlett. “ When he speaks, whether it’s to customers or employees, people are electrified. ” Charismatic, down-to-earth, and a serious tightwad, Kamprad also has an amazing story. A dyslexic farm boy becomes retail genius that most of Ikea’s 90, 000 (at last count) employees seem to know by heart.

That’s not surprising, considering that Kamprad’s saga and the subsequent rise of the Ikea empire are enshrined in a small museum in the basement of

Ikea's offices in Almhult, the site of the first store. Although Kamprad gave up day-to-day management of the company in 1986, he remains involved, popping up at store openings to greet customers or showing up unannounced at sales-training meetings, shaking hands, and making small talk with staff. " He's an entrepreneur, and he will never fully let go of the business before he dies," says Ikea CEO Anders Dahlvig. Ikea is hyuiop[his life. " IKEA was driven by the vision and legacy of its founder, Ingvar Kamprad, who was motivated by practical business concerns combined with social values. Kamprad once wrote, To be on the side of the majority of people is a social ambition on which our business is based. The IKEA vision is to contribute to a better way of life for the majority of people. We do this by offering a wide range of home furnishings of good design and function, at prices so low that the majority of people can afford to buy them. That is our business idea.

We know that in the future we may make a valuable contribution to the democratization process at home and abroad. 2. It was this simplistic vision combined with the Scandinavian culture that began to get Ikea in trouble when it began to enter the western culture dominated world. Culture and the Scandinavian way of life mixed with Ikean management style that worked so well in the European and Asian markets were not necessarily the best for the western culture. Ikea had grown so big in Sweden that to expand any further, it had to go international.

Ikea expanded to the different European countries, the US, and Canada. This expansion program triggered some problems in the organization. The biggest of these problems is best summarized in the question " Should Ikea's

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culture run the business or should its business run the culture? ” Due to the strict implementation of the Ikean culture that was Scandinavian in nature, the company had grown insensitive to the culture and demands of the local markets that they had expanded to. 1. The company had operated very informally.

It was reflected in the neat but casual dress of the employees (jeans and sweaters were the norm), in the relaxed office atmosphere with practically everyone sitting in an open-plan office landscape, and in the familiar and personal way the employees addressed each other. Kamprad noted, “ A better everyday life means getting away from status and conventions – being freer and more at ease as human beings. ” But a senior executive had another view: “ This environment actually puts pressure on management to perform. There is no security available behind status or closed doors. The IKEAN management process also stressed simplicity and attention to detail. An oft-repeated IKEA saying was “ Retail is detail. ” The company organized “ antibureaucrat weeks” that required all managers to work in store showrooms and warehouses for at least a week every year. The work pace was such that executives joked that IKEA believed in “ management by running around”. The search for creative solutions was highly prized within IKEA. Kamprad had written, “ The fear of making mistakes is the root of bureaucracy and the enemy of all evolution. ” 1. Though planning for the future was encouraged, overanalysis was not. Exaggerated planning can be fatal! ” 1. Kamprad advised his executives. He had created company legends out of stories where creative common sense experiments had changed the way the company did business, On opening day of the original Stockholm

store, for example, the warehouse could not cope with the rush of customers. The store manager suggested that they be allowed to go into the warehouse to pick up their purchases. The result was so successful that future warehouses were designed to allow self-selection by customers, resulting in cost savings and faster service.

In 1976, Kamprad wrote his thesis, Testament of a Furniture Dealer, which became an important means for spreading the IKEA philosophy during a period of rapid international expansion. Now specially trained “ IKEA ambassadors” were assigned to key positions in all units to spread the company’s philosophy and values by educating their subordinates and by acting as role models. By 1989, about 300 such cultural agents had been trained in a special week-long seminar which covered not only the company’s history and culture (presented personally by Kamprad), but also detailed training on how to spread the message.

Failure in USA and Japan. As the Swedish market matured, IKEA had to go international to expand. They brought their company to neighboring European countries with core groups carrying out the expansion practicing the distinct company culture that was directly linked to the Scandinavian culture. Non- Scandinavians were encouraged to immerse themselves into everything that was Scandinavian in order to go places in the company that gave such high premium in implementing its culture in all aspects of the business. This posed problems for the company.

The great question “ Does the culture drive the business or does the business drive the culture” was asked. Non-Scandinavian employees felt that

they were not favored and that their future was limited in the company. In imposing the IKEAN culture, the company had become insensitive to cultural differences such as different consumer needs and product design preferences 1. Moving into USA would prove to be a very tough time for the organisation because they have adapted the wrong tactic when entering this market as IKEA only entered a market after extensive research.

The team at IKEA suggested that the main problem when entering the US market was the creation of a stable supply chain, where they took an incremental approach, starting with a few stores and gradually increasing. Other problems which IKEA had were the failure to adapt to the American culture, where it is much more different than Europe. IKEA did not reconfigure its bedroom furniture to suite a different dimension used in America, as beds in Europe had a different length. IKEA imported more than half of its furniture from Europe and it was very costly.

IKEA's failure in Japan occurred in the 70's. IKEA went through a very rough period and eventually they pulled out of Japan in 1986 (Lane, 2007). The problems which IKEA encountered during their time in Japan was the fact that the store was too small and only a handful of customers are willing to assemble the furniture themselves let alone put it in their car. During that period IKEA faced competitors, where they had operated more than hundreds of shops. Like IKEA the competitors capture the demand for... 4. Perhaps the bigger issue is what happens inside Ikea. The great challenge of any organization as it becomes larger and more diverse is how to keep the core founding values alive," says Harvard Business School Professor Christopher A. Bartlett, author of a 1996 case study. Ikea is still run by

managers who were trained and groomed by Kamprad himself — and who are personally devoted to the founder. In the 1980's IKEA went through rapid expansion to the point where they were overextended. In expanding to Russia, many risks were taken. One of these was the large capital investment (SKr 500 million) that was made despite unstable political and economic factors.

They also encountered difficulty in retaining the company's cultural values especially since there is a great difference in attitudes between Americans and Scandinavians. 1. As the company expanded, Kamprad appointed Anders Moberg as president. His leadership style was more formalized and systemized, he delegated duties much more than Kamprad did. With Moberg came changes in the company's management style. Formal processes were introduced. Cost-consciousness gave way to cost-benefit studies. Moberg and Kamprad had different management styles, whose management style to follow is also a problem. 1.

As the company expanded into foreign markets and grown outside its roots in Sweden the company sought executives outside the company in CEO Anders Moberg As president of IKEA Group from 1986 to 1999 Swedish-born Anders C. Moberg played a key role in the company's global expansion. After nearly 30 years of working under IKEA's autocratic founder, Ingvar Kamprad, Moberg left the furniture retailer to become president of the international division of Home Depot In 1970, at the age of 19, Moberg dropped out of college and went to work for IKEA in the mail-order department in what he intended to be a temporary position.

He was quickly taken by the spirit of the company, became an enthusiastic employee, and caught the eye of Kamprad, who took on the young man as his protege. Moberg was shuffled among departments to gain a fuller understanding of how IKEA worked. In 1974, in his first trip outside of Sweden, Moberg was dispatched to Zurich, Switzerland, to open an IKEA store, the first outside of Scandinavia. In a June 5, 1997, profile in *The European*, Moberg recalled, "But Moberg proved no different from his mentor, having absorbed IKEA's culture and rivaling Kamprad as its embodiment."

Talking about the self-reliance of IKEA employees, Moberg explained to *The European*, "We like to give our coworkers a lot of responsibility and a chance to fulfill individual potential. Personalities and talents flower within our group" (June 5, 1997). He could have easily been talking about himself, a college dropout who rose through the ranks to a position of prominence just short of that held by the company's founder. A paradigm shift; Moberg faced a number of challenges at IKEA.

Soon before Moberg was named president the company entered the U. S. market and proceeded to expand confidently. IKEA faced stiff competition in the United States from big-box rivals such as Wal-Mart and Target and from Ethan Allen Interiors and Pier 1 Imports. In 1990, immediately before the U. S. economy lapsed into recession, IKEA became overly ambitious, acquiring five California stores owned by STOR Furnishings International. The stores proved unprofitable, an experience that sobered Moberg and the rest of IKEA's management.

Not only in America but also in Europe, IKEA found business becoming increasingly competitive. Moreover, IKEA failed to successfully adapt its furnishings to conform to American tastes. The situation grew bad enough that in 1995 Moberg warned that IKEA was in a state of crisis. Under his leadership the company rebounded. Over the next two years IKEA closed two of its 21 North American stores and cut office staff. It also placed a greater emphasis on designing products more suited to the U.

S. market. Conclusion: Cultural diversity became the issue in the expansion of IKEA into non-Scandinavian countries. At the heart of the matter was the way in which we perceive management. Americans prefer a more structured organization where the employee can see a direct chain of command and a definite path to advancement and pay while the Scandinavian countries favor the open and flat plan where advancement and pay are not at issue but the individual and the idea is celebrated.

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