

# International business

Business



## International Business International Business IKEA-organizational strategy

IKEA is a well-established global brand with a hundred of stores worldwide. It supplies good quality furniture at a low cost, to many people. IKEA has built a strong relationship with their suppliers that has allowed them to become the cost leader in the furniture industry who also have a strong social and environmental policy. Their greatest assets are quality and affordability that has provided portability and a large storage capacity. The IKEA's suppliers are from low-cost countries where they are able to access raw-materials required for production at a low cost and are able to get them to the distribution channel. The strategy that keeps IKEA to its position is through refreshing and renewing their service model.

IKEA has a unique approach to deal with its customers as it employs a self-serving method. Customers make choices on the product, pick them from the shelves and assemble them at their home on their own. Self-service is a rare approach in the furniture businesses, but the customers choose to apply the approach due to the low prices offered.

IKEA is a corporation often described as the prototypical Teflon multinational. Some describe the company as quintessential global cult brand which has a democratic culture. For instance, at a company dinner employees take dinner first, followed by the managers, directors and lastly Ingvar Kamprad. Kamprad emphasized on a matrix form of organization which is an informal, nonhierarchical and team-based organization. This kind of an organization has an open flow of information and knowledge within all stages of management.

The current organizational structure can be described as highly functional, with an international market strategy. Therefore, IKEA maintains a

<https://assignbuster.com/international-business/>

centralized control over functional activities as well as taking advantage of low cost and good quality furniture from the international suppliers. In addition, control over strategic direction has been developed, and functional layoffs are minimized. To ensure the effectiveness of the logistics process, IKEA has integrated distribution and purchasing process under one umbrella function. The significance of centralized strategic direction will rise as IKEA continue to expand overseas (Capell, 2005).

Does IKEAs structure fit with its strategy? Would you suggest any changes to either the structure or strategy of IKEA? Why or why not?

IKEA has found its strength in providing highly functional and quality products at a low price. Moreover, the company has been able to establish a market brand name and a goodwill that is essentially instrumental to the performance of the organization. On top of that, the company has an efficient value chain system which is reviewed regularly to ensure that clients are provided with competitive services making IKEA have a competitive advantage in the industry (Capell, 2005).

However, IKEA's weakness is highlighted in its inadequate support policy and its limited visibility via marketing and promotions. Support is very crucial to every business unit . It ensures the customers are satisfactorily served and as a result building their loyal towards the company.

The technical nature of the packaged furniture requires assemblage through observing from detailed instructions. In many cases, a third party is employed and paid to assist in assembling of the purchased products. It is a weakness to the company to lack a detailed written instructions and video directions to be used in these products.

In addition, IKEA is a firm said to be Swedish, secretive by instinct and rigidly

<https://assignbuster.com/international-business/>

hierarchical. This hierarchical rigidity is clearly seen where all the six members' of supervisory board are Swedish. The company has also been accused of using child labor and purchasing feathers plucked from live geese (Capell, 2005).

In conclusion, IKEA has been proved to be a cost leader firm in the industry with quality products. It has established a good relationship with its suppliers. However, it is criticized for not providing detailed written instructions to the consumers to enable them assemble their furniture.

#### References

Capell, K. (2005). How The Swedish Retailer Became A Global Cult Brand. Stockholm: Business Week.