

# Ikeas cultural web model



Organisational culture is built on the assumptions and beliefs that construct purpose, guidelines and collectivism. In effect strategy reflects the organisational culture in the sense that it represents the outcome of the ‘taken-for granted’ assumptions, behaviours and routines of the organisation (Johnson et. al., 2005).

IKEA is one of the leading furniture retailers of the world and its innovative organisational culture and values are pooled by all the staff members. In this report, the cultural web model of IKEA will be analysed to examine how it supports IKEA’s hybrid strategy of cost leadership and differentiation. This report will also aim to recommend cultural and corporate strategy changes for IKEA.

#### Ikea’s Cultural Web Model:

The cultural web model as illustrated in Johnson et al, 2005, p. 202 helps to break down an organisation’s complex culture into different segments to enhance further understanding of a company. Below is the analysed cultural web model for IKEA:

Routines emphasize on an organisation’s specific way of doing things and Ikea’s concept is reinforced in various routines. Kamprad’s shopping at local stores and travelling in the economy class, whilst his employees following the suit, are examples of their simplicity and cost conscious tradition.

Stickers such as “ turn off lights, taps and computers” can be found on the walls to promptly remind the employees to avoid wastage of electricity and other resources in an attempt to save cost. This cost effective initiative has also been perceived in IKEA’s production process by buying quality,

inexpensive and environmental friendly raw materials in bulk from the cheapest resources globally. Ikea's packaging and supplying methods also replicate its tradition. Their major breakthrough was flat packaging, which enabled easy transportation and storage. IKEA has also devised a cost-efficient global distribution network which supports IKEA's focussed low cost leadership strategy.

Members of staff are encouraged through induction, training and mentoring. All the new employees are educated towards the Ikea's philosophy by viewing presentations extolling 'Cost Awareness' and 'Humbleness and Will Power' amongst others. 'Partners for Growth,' program helps staff to establish important relationships. Efforts are also made by IKEA to enhance employee motivation by recognising good work and giving rewards which can be seen as a differentiation strategy.

Stories of Kamprad's entrepreneurial spirit and his involvement in the company, is seen as a commendable approach to support the culture. He had realised the importance of cost leadership right from the inception of IKEA. For example, he bought fabrics directly from textile mills and supplied them directly to his network of small furniture manufacturers. This deed displays effective use of differentiation as well as cost leadership strategy.

Symbols of IKEA include logos, titles, language used in an office layout and they often express simplicity. The Swedish heritage opposes the approach towards class diversification and hierarchal structure. IKEA's philosophy involves symbolic actions such as informal dressing, open-plan offices, and

so on. They hold Scandinavian tradition throughout as its ‘ way of life’ attitude, which conveys strong differentiation strategy.

IKEA’s power structure claims to adhere to “ no barriers between management and co-workers” (IKEA, 2005). Ikea maintains that leadership is based on an inverted organisational pyramid, where the customer is at the top followed by the staff, with top management at the bottom.

The control systems of measurements and rewards emphasise what needs to be monitored in an organisation (Johnson et. al., 2005). Ikea’s culture emphasises on appraisal and rewarding their employees. Some years ago Ikea organised the ‘ Big Thank You’ event whereby Ikea gave away a day’s total worldwide sales in the form of equal bonus to all employees within the organisation. The flat structure in an organisation encourages and motivates an employee who in result gives an outstanding performance and this collaborates in their differentiation strategy.

The Paradigm encapsulates all the elements in the cultural web culminating in a collective way of acting and thinking that gives substance to the culture of an organisation, according to Johnson et al., (2008) Ikea’s strong values and beliefs are rooted in its Swedish heritage and escort the organisation in its routine of business.

Hence, it can be derived from the above segments that IKEA’s cultural web model supports its current hybrid strategy.

Recommendations on IKEA’s corporate strategy:

**Sweden: Potential in inner cities to support sales growth**

In Sweden, Ikea may consider entering inner cities through smaller outlets focused on smaller home furnishings to support sales growth. (Eurmonitor International 2012)

**Emerging markets set to see outlet growth in medium term**

Brazil, for example would be an attractive growth market. The housing industry is booming and Brazilians are buying more properties, increasing demand for houses and apartments. (Eurmonitor International 2012)

**Internet retailing to support marketing and sales efforts**

The ageing population in Western Europe favours internet retailers, as a growing number of “ silver surfers” will seek the convenience of having bulky items delivered to the home. (Eurmonitor International 2012)

Recommendations on IKEA’s cultural strategy:

Encourage career opportunities for non- Swedish employees making corporate office more diverse to deal with customers globally.

Summary:

IKEA’s culture is strategically aligned with its competitive strategy, having the effect of a complementary relationship. Different segments have been outlined to show how IKEA’s culture directs its ‘ hybrid’ strategy and how the two combined, give a source of competitive advantage. IKEA’s culture is highly considered within the organisation and supports manufacturing, production and distribution decisions and they have effectively used their traditional components in focussing on their differentiation and low-cost

leadership strategy. It executes a strong and a very consistent culture which proves to be one of their key success factors.