

**CORK INSTITUTE OF TECHNOLOGY  
INSTITIÚID TEICNEOLAÍOCHTA CHORCAÍ**

**Semester 2 Examinations 2009**

**Module Title: Integrated Case Study**

**Module Code: MGMT7010**

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**Programme Title: BA Human Resource Management – Year 2**

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**External Examiner(s):**

**Internal Examiner(s): Ms. Deborah Harrington**

**Instructions: Answer ALL 4 questions**

**Duration: 3 Hours**

**Sitting: May 2009**

**Requirements for this examination:**

**Note to Candidates:** Please check the Programme Title and the Module Title to ensure that you have received the correct examination paper.  
If in doubt please contact an Invigilator.

**A case study is attached. You should read this in detail before attempting the questions below.**

- Q1. Conduct a PEST Analysis on IKEA.  
(25 marks)
- Q2. Conduct a SWOT Analysis on IKEA.  
(25 marks)
- Q3. Critically examine the key aspects of IKEA's human resource management policy and discuss the impact of this policy on the success of the organisation.  
(25 marks)
- Q4. Describe the work culture within IKEA using definitions and models of culture with which you are familiar.  
(25 marks)

## IKEA NORTH AMERICA



*'Maintaining a strong IKEA culture is one of the most crucial factors behind the continued success of the IKEA concept'.*

-Ingvar Kamprad, founder of IKEA.

*"IKEA values the individual. We make people comfortable here and enable people to grow."*

- Jaime Martinez, Head of Human Resources at IKEA North America, in 2003.

### **INTRODUCTION**

In January 2005, Fortune, published its annual list of the '*100 Best Companies to Work For*'. IKEA North America, a major furniture retailer and the American subsidiary of the Sweden-based IKEA Group, was 62nd on the list. IKEA won points for its innovative human resource management practices that emphasized flexibility and welfare while focusing on employee development. The company's unique work culture that supported coworkers (as employees are called at IKEA) and encouraged creativity and diversity was also applauded.

Pernille Spiers-Lopez, IKEA North American President, said the company was thrilled at being recognized as one of the best companies to work for. "We're delighted to be among Fortune's '*100 Best Companies to Work For*.' At IKEA, we live by the philosophy that when coworkers have the support and flexibility to make their personal lives a success, they thrive in the workplace, too," she said.

A few months earlier, in September 2004, IKEA was listed as one of the '*100 Best Companies for Working Mothers*', in a study conducted by Working Mother magazine. It was the second time that IKEA was so listed. Working Mother applauded IKEA's efforts at creating a workplace that accommodated the needs of mothers around the provision of flexible work scheduling, time off for new parents and childcare facilities.

IKEA's popularity as an employer is noteworthy because the retail sector, especially in the United States, is not known for being employee-friendly. Many large retailers pay low salaries and offer negligible benefits while expecting employees to work long hours. The retail industry traditionally has one of the highest turnover rates of all industries. It is subject to high human resource (HR) costs, as companies need to recruit and train replacements at frequent intervals.

IKEA is one of the largest furniture manufacturers and retailers in the world and is well known for its innovative furniture designs and low prices. Almost all IKEA's products can be dismantled and packed in flat packages, making it easy to transport them. In the early 2000s, IKEA was one of the largest privately held companies in the world. It was rumoured that Ingvar Kamprad, IKEA's founder, was the richest man in the world, beating even Bill Gates, the founder of Microsoft. However he is also widely known as having a tight fisted attitude towards spending

money. Kamprad articulates IKEA's business goals as 'offering a wide range of well designed functional home furnishing products priced low so that the largest numbers of people possible will be able to afford it.' IKEA has expanded to be a global company using the franchisee model.

## **COMPANY BACKGROUND**

Kamprad was a born businessman. As a young boy, he started a business selling matches to neighbours on his bicycle. He bought the matches cheaply in bulk and sold them at low prices, making a tidy profit. He reinvested his profit in the business and soon diversified into selling a variety of articles including Christmas decorations, stationery items, fish, and seeds. In 1943, when Kamprad was 17, he formed IKEA (an acronym made up of his initials and the first letters of Elmtaryd and Agunnaryd, the farm and village where he grew up), using the money he received as a gift from his father for doing well in school. The IKEA logo is blue and yellow because these are the colours of the Swedish flag. IKEA takes much of its culture and policies from the culture of Sweden which is well known for its strong welfare state.

IKEA sold an assortment of goods from pens and pencils to watches, jewellery, picture frames, wallets, and stockings. By 1945, business had increased so much that it was no longer possible to make individual sales calls. Kamprad, therefore, set up a mail order catalogue and shipped orders using the local milk van. In 1947, furniture was introduced for the first time in IKEA's product line in the form of armchairs. Craftsmen from around Kamprad's village made the furniture using wood from a nearby forest.

IKEA's furniture became very popular and the line was extended to include more products. By 1951, furniture sales had increased so much that Kamprad decided to discontinue all other products and specialize exclusively in low priced furniture. In the same year, the first IKEA furniture catalogue was published. IKEA opened its first furniture showroom in 1953. The showroom allowed customers to see, touch, and feel the items they were buying, so that they could assure themselves of the quality of the items.

IKEA is now the world's largest furniture retailer, which specializes, in stylish but inexpensive designed furniture. At the end of 2002 the IKEA Group of Companies had a total of 175 stores in 31 countries. In addition, there were 19 IKEA stores owned and run by franchisees, outside the IKEA Group, in 12 countries. During the IKEA financial year 2003-2004, 323 million people visited IKEA. Their product range is child-friendly and aims to address the needs of the whole family. In general, IKEA does not manufacture its own products, but works through a complex network of suppliers around the world. However, in the past few years, IKEA has acquired a number of its own factories, some of which function as training units and set standards for other suppliers for production economy, quality, and environmental awareness. To secure supplies and help suppliers develop, IKEA has launched partnerships as joint owners or financiers in a number of countries including Poland, Slovakia, Russia, Romania, and China.

In addition to working with around 1,800 different suppliers across the world, IKEA produces many of its own products through sawmills and factories in the IKEA industrial group, Swedwood. Swedwood also has a duty to transfer knowledge to other suppliers, for example by educating them in issues such as efficiency, quality and environmental work. Swedwood has 35 industrial units in 11 countries.

IKEA has 42 trading service offices (TSO's) in 33 countries. Proximity to their suppliers (1,800 of them in 55 countries) is the key to rational, long-term co-operation. TSO co-workers visit suppliers regularly to monitor production, test new ideas, negotiate prices and carry out quality audits and inspections. TSO staffs are also responsible for developing and checking working and social conditions, and environmental work among IKEA suppliers.

IKEA strongly believe that the route from supplier to customer must be as direct, cost-effective

and environmentally friendly as possible. Flat packs are an important aspect of this work: eliminating wasted space means that goods can be transported and stored more efficiently. Since efficient distribution plays a key role in the work of creating the low price, goods routing and logistics are a focus for constant development. Now 25 regional distribution centres in 14 countries are responsible for supplying goods to IKEA stores

The IKEA ethos is to offer a wide range of home furnishings with good design and function at prices so low that as many people as possible will be able to afford them. The company targets the customer who is looking for value and is willing to do some work themselves for a better price, i.e. transporting the items home and assembling the furniture. The typical Ikea customer is young, and low to middle income family. IKEA's success in the retail industry is attributed to its vast experience in the retail market, product differentiation, and cost leadership. IKEA can be said to be differentiated from other furniture manufacturers because their products are different compared to the conventional ones already in the market. They are a cost leader in terms of the price of their products. This filters through to very aspect of organisational life - the company is cost conscious in everything that they do.

## **HUMAN RESOURCE MANAGEMENT PRACTICES**

IKEA's vision is "To create a better everyday life for the many people." 'People' included employees, customers, as well as the community. The company's human resource philosophy subscribes to the belief that employees are more productive and committed when the company takes their needs into account. IKEA adopts a paternalistic stance toward employees and their needs (as does many other Swedish companies) and promotes employee empowerment.

In the late 1990s, when Spiers-Lopez became the HR head at IKEA North America, she realized that employees were not able to derive the maximum benefit from IKEA's generous HR policies, as the policies did not always match individual needs and requirements. She felt that employees would benefit more if there were a greater amount of flexibility in benefits administration. With a view to developing a system that was more in keeping with employees requirements Spiers-Lopez conducted comprehensive employee surveys, asking them detailed questions about their needs, expectations and preferences. In the course of this activity, she concluded that while all of IKEA's employees believed in and were committed to the IKEA culture, each had different needs and expected different things from the company. To accommodate these different needs, Spiers Lopez created a range of initiatives that supported life balance and diversity.

Flexibility is the cornerstone of IKEA's human resource management philosophy. The company makes a conscious effort to accept and accommodate the different needs of its people. One instance of this was the flexible holiday schedule. IKEA traditionally observed six holidays every year. Initially, the company had a structured holiday schedule, with six standards holidays for all employees. However, in the late 1990s, IKEA implemented a flexible six day holiday schedule, which allowed employees to decide which six days they chose to observe as holidays every year. Flexibility extended to work design as well. The company made an effort to incorporate policies that would help employees achieve work life balance. IKEA introduced flexitime, which allowed employees to choose when they would start and end their workdays, subject to the requirements of the store or office where they worked

IKEA also introduced condensed workweeks, job sharing and telecommuting to allow employees to balance both their personal lives and careers. Lori Schilling, an employee from California said IKEA's flexibility policy was a major help to her when she adopted a child in 2003. Schilling wanted to spend more time at home and worked out an arrangement with her bosses and direct reports which allowed her to work alternative fortnights. She commented that this arrangement worked very well for her and she did not encounter a problem with her bosses. 'They rarely call me at home. At what other company could you that?' said Schilling. The company also adopted videoconferencing to help employees avoid excessive business travel at the cost of family time.

IKEA allowed employees to coordinate their schedules with their spouses work hours especially if they had small children and one of the parents were required to be home at all times. The company was also open to transferring employees between locations, provided there was a matching opening for the employee at the place he or she wanted to move to. This worked especially well in the case of younger workers who wanted to spend a year or two working at a different location, sometimes even abroad.

IKEAs flexibility policy ensured that employees did not have to sacrifice their careers due to personal commitments. *"If an IKEA co-worker needs to take time off to find a nursing home for an aging parent, be home to kiss their child before bed, or telecommute to better juggle caring for a newborn, they can actually do that without feeling guilty or worrying about risking their career aspirations"* said Spiers-Lopez. This policy had a positive impact on the company as well. As the company was open to accommodating their requirements, employees were motivated to contribute their best. It was estimated that by 2004 65% of IKEAs full-time employees and 10% of part-timers had availed of the flexible work policy.

Under the guidance of Spiers-Lopez, IKEA introduced several initiatives aimed at improving the quality of work life of the employees. The company invested substantially making its stores more comfortable for employees during nonworking times and breaks. Several IKEA stores had 'quiet rooms' where employees could go to pray or meditate. Lactation rooms were also built for the benefits of nursing mothers. Many stores had onsite childcare facilities managed by IKEA or outside contractors and entertaining rooms where employees could receive visiting friends and family members. Employees also received substantial discounts at IKEAs onsite restaurants for themselves and their families. Several IKEA stores set up resource rooms, where employees can access computers to browse IKEA approved websites containing health information and self improvement tips. They could also access employee websites which listed benefits information details of forthcoming training and development programmes and job vacancies within the IKEA system.

IKEA is well known and applauded for its benefits policy which is among the most generous in the retail industry. The company gives full medical and dental insurance to all employees working 20 hours or more per week. The company also gives substantial discounts for weight reduction and smoking cessation services, as well as free subscriptions to health and wellness magazines. IKEA offers significant parental benefits as well. Women are eligible for fully paid maternity leave, while men received one weeks full pay. In addition paid time off is allowed for family commitment such as marriages and deaths.

All employees are eligible for between two and five weeks of annual paid vacation, depending on the length of service with the company. IKEA held an annual 'Co-worker Appreciation Day' when employees can get a discount of up to 40% on store purchases depending on the annual performance of their store. This discount is also extended to family members. Additional benefits include tuition reimbursement for graduate and undergraduate courses for all employees regardless of how many hours they work. Employees are encouraged to pursue courses that have potential application in the retail sector such as general management, accounting and interior design. Study of languages is also encouraged. IKEA pay 75% of the course fee upfront and remaining 25% after the course is completed. The company reimburse up to \$2,500 per year for undergraduate courses and up to \$5,000 a year for graduate courses. As an added benefit, IKEA give a special bonus of \$1,000 to employees who stay with the company for one year after completing the course. Part-time workers are also eligible for the company's benefits programme.

IKEA have put in place an extensive training and professional development programme to promote the advancement of employees. Employees can use several resources including books, classroom sessions, and online instruction to up-skill. The company also has specialized training programmes in diversity, health and safety and environmental consciousness. Mentoring forms

a strong part of IKEAs development programme. In 2001 IKEA launched a programme called 'Partners for Growth' which is a formal one year mentoring initiative that teamed junior managers with senior managers from different locations of IKEA. Another programme 'Paddle your own canoe' is a self assessment tool that trains employees to take responsibility for their own careers and gain the knowledge they require to move into higher positions within IKEA in the future. Employees sit down with their managers to discuss their career path within the company and to identify the additional skills and knowledge they require to progress on their chosen career path. Employees first conduct a self-assessment of their capabilities and then identify their training requirements with their managers. Employees can also access the staff intranet which provides full details on training and development programmes within the company. 'There are no limitations to what you can achieve by working with us', said Max Hedberg, IKEA Store Manager. 'Your career path is laid out'.

'I Want Your Job' an employee development programme, was launched in early 2003. This programme allowed employees to shadow the person whose job they would like to hold in the future. IKEA's employee development programmes are designed to provide a ready pool of qualified candidates for the company's future growth and expansion programmes. Typically between 10-15% of employees go on to manage their own stores. IKEA launched an initiative called 'Open IKEA' which is designed to update employees on new jobs within IKEA. Job vacancies are posted on the staff intranet and as well as that the company began posting catchy stickers and slogans where employees would see them. Mirrors often have stickers which read 'Find a job that really reflects your interest.' Those on soft drink machines would read 'Refreshing Opportunities' and so on.

In late 2003 IKEA Launched 'Enterprise', a global application tracking system. This is an e-recruiting systems designed to reduce the delays in the hiring process by facilitating faster communication with candidates around the world. Using Enterprise, employees can track openings in the locations of their choice and apply immediately online. It was also designed to put the responsibility for hiring in the hands of store managers rather than IKEAs Recruitment Division.

In terms of employee selection, IKEA focus on practical skills, and an ability to understand and engage with people (See Appendix 1 – Recruitment). Ability to communicate is also rated highly by the company as IKEA encourage employees to question the decisions of management and openly express their ideas and beliefs. In early 2000 IKEA launched a programme called 'Why Sayers' which encouraged employees to express their ideas and improve their stores. If the ideas worked they were made standard practice. Spiers-Lopez initiated a programme called 'Express Yourself', through which employees could share any concerns with her directly, either through email or postcards. IKEA insiders said that this programme greatly improved morale within the company, as employees felt important when the President herself personally sought and responded to their concerns.

In terms of employee communication the company relies on staff intranet, newsletters and brochures. In addition IKEA Radio is a short news programme which is aired over the public address system in the stores and provides general updates.

## WORK CULTURE

IKEA's positive HR policies were supported by a culture that promoted diversity and creativity. Spiers-Lopez said IKEA's culture was characterized by a family-like quality that made relationships between employees strong and open. "At IKEA, we think of ourselves as a family. Just as one would look after their parents, siblings or children, our co-worker family is encouraged to and excels at supporting and taking care of each other," she said.

Kamprad had once written in a manifesto that "the true IKEA spirit is still founded on our enthusiasm, on our constant will to renew, on our cost consciousness, on our willingness to assume responsibility and to help, on our humbleness before the task and on the simplicity in our behaviour. We must take care of each other, inspire each other.". These values became the core of IKEA's culture and were regularly reiterated in training programs and staff meetings (See Appendix 2)

Openness and equality are important values at IKEA, hence the use of the term 'co-workers'. 'We're all co-workers because we all make a difference, whether in an office or on the sales floor. We all affect the customer in different ways, and all our efforts are appreciated' said Hope Bear, a deputy HR Manager at IKEA.

IKEA adopted a flat structure with no hierarchical distinctions. IKEA favours an open plan office structure where managers and employees share the same facilities. Managers and employees all wear the IKEA uniform of yellow shirts and blue trousers and address each other on a first name basis. Employees are encouraged to express their opinions and ideas directly to top management. In addition, IKEA has developed policies on employee empowerment. They do not give employees detailed instruction about their job and the behaviours they want from them. Instead, they provide general job descriptions and outline what they are expected to achieve and allow the employee to choose their own methods of achieving those outcomes, within reasonable limits of cost and ethical behaviour.

Cost consciousness is a value that is deeply embedded in IKEA's culture. All executives fly economy class and commute by public transport on their trips. Kamprad himself has a relatively frugal lifestyle for a person rumoured to be one of the richest men in the world. Cost is the basis of many decisions at IKEA. Product development is done on the basis of the expected price of the product. Before any new plans are implemented, the costs are weighted carefully. IKEA sells its goods at prices between 30-50% lower than those of its competitors. Therefore, it is imperative to have a cost structure that supports its pricing strategies.

Diversity is important to IKEA and the company believes in respecting employees' personal beliefs and choices. In the early 2000s, IKEA instituted several diversity-focused programmes. Managers with responsibility for recruitment were trained to be aware of possible cultural biases that they may bring to the selection processes. An IKEA spokesperson stated that 'our goal is to hire the right people for the job, not those who click with the hiring manager'. The company instituted a diversity drive, in which it trained HR personnel and store managers in diversity-related issues. Managers were evaluated annually on the amount of ethnic diversity levels within their workforce. In 2004, nearly 50% of IKEA's employees were women while minorities constituted 50% of the total workforce.

IKEA is an extremely competitive company and keeps pace with all developments within competitors' products and strategies. Despite being an aggressive competitor, IKEA is 'humble' towards its competitors and 'respects their proficiency'.

IKEA stresses the importance of openness to change and adaptability. IKEA's commitment to change is strongly related to the fact that many of its successful innovations stemmed from

experimentation. Employees are individually credited for furniture designs which made it to the production stage and then on to the shop floor.

The company maintains an obvious Swedish atmosphere and celebrates 'Culture Day' when it familiarises employees with Swedish culture and traditions. All IKEA products have Scandinavian names. Managers are required to attend a week long orientation programme on 'The IKEA Way' which is often attended by Kampard himself. All employees are given a copy of 'The Testament of a Furniture Dealer', a book written by Kampard describing IKEA's business philosophy. The book outlines the basic tenets on which IKEA's culture is built – such as *'waste of resources is a mortal sin at IKEA'* and *'only while sleeping one makes no mistakes'*, *'mistakes are the privilege of the active person who can start over and put things straight'* and *'Happiness is not to reach ones goals but to be on the way'*.

IKEA's employee turnover has fallen drastically, from 76 percent in 2001, to 56 percent in 2002 and 35 percent in 2003. The company's turnover was also almost half the average industry rate, which hovered around 60 percent. IKEA's profit margin in 2004 stood at 6%, almost double the margin of competitors.

## **APPENDIX 1 – RECRUITMENT**

### **What IKEA looks for in a potential co-worker?**

The ability to do the job is always the starting point. But beyond that, we look for personal qualities such as a strong desire to learn, the motivation to continually do things better, a straight-forward approach and common sense, the ability to lead by example, efficiency and cost consciousness. These values are important to us.

### **A corporate culture based on shared values**

At IKEA, we don't just want to fill vacant jobs, we want to partner with people. We want to recruit unique individuals who share our values. Co-workers are not so restricted at IKEA; we listen and support each individual to identify his or her needs, ambitions and capabilities. Here are a few examples of our shared values:

- Togetherness
- Cost consciousness
- Respect
- Simplicity

### **What would you be doing if you worked for IKEA?**

Now, it's time to get down to the detail. If you want to work at IKEA - which we sincerely hope you do by now - you will be wondering what kind of jobs we can offer. The variety of roles may surprise. Positions involve everything imaginable, from working in a store selling home furnishing solutions, to less obvious jobs behind the scenes in transport, IT and communications.

#### **stores/retail**



Our stores are where our visitors meet IKEA face to face and it is where we try to inspire, provide solutions and ideas. However, it is also where we inform, help and make suggestions to our customers if they need assistance.

#### **product development**



IKEA of Sweden develops and makes the IKEA range of well-designed, functional home furnishing products that IKEA stores then sell to customers all over the world.

#### **purchasing**



Co-workers in purchasing are responsible for ensuring that IKEA has agreements with the best suppliers possible, that can ensure supply of quality products to be sold on the shelves at IKEA stores.

### **distribution/warehouse**



Being a global company, we need to store and then distribute products quickly and efficiently to all IKEA stores. These activities are co-ordinated by our co-workers in distribution and warehousing.

### **support functions**



IKEA co-workers in support functions ensure that the work of purchasing, distribution, product development and sales is possible. These support functions include IT, IKEA Communications, IKEA Indirect Materials & Service, public relations and legal - to name a few.

IKEA co-workers enjoy many advantages and opportunities from working in a free and open environment. But all freedoms come with expectations, such as the expectation that each co-worker will assume responsibility for his or her own actions. It is evident that we have a lot of fun working together at IKEA, but at the same time everyone is expected to be hardworking and conscientious.

### **What do we expect from you?**

- You have the ambition to do a good job and a desire to take on responsibility and all this entails.
- You do your best with your abilities and experience.
- You are service-oriented and have the customers' best interests at heart.
- You are open to improvements, with a will to continually develop.
- You challenge established patterns when you have a better suggestion of your own.
- You are not status minded but open and straightforward in your approach to others.
- You are cost conscious and understand that everything has a price tag.
- You are open and willing to move for a new challenge.

### **What do we offer you?**

- The chance to work in a growing company with a viable business idea.
- The opportunity to further develop your professional skills in your daily work.
- The possibility to choose from many different jobs within the company.
- An environment where team spirit is a core value.
- A job with fair and reasonable conditions.
- The chance to take greater responsibility following recognised good results, regardless of age.

## **APPENDIX 2 – VALUES**

### **Work hard, be yourself**

#### **What do we look for in a job candidate?**

An ability to do the job is obviously the starting point. But beyond that we look for many other personal qualities such as a strong desire to learn, the motivation to continually do things better, simplicity and common sense, the ability to lead by example, efficiency and cost-consciousness. These values are important to us because our way of working is less structured than that of many other organizations.

#### **A corporate culture based on shared values.**

At IKEA, we don't just want to fill jobs; we want to partner with people. We want to recruit unique individuals who share our values. Co-workers are not restricted at IKEA; we listen and support each individual to identify his or her needs, ambitions and capabilities.

Here are a few examples of our shared values:

**TOGETHERNESS**  
**COST-CONSCIOUSNESS**  
**RESPECT**  
**SIMPLICITY**

You can take IKEA out of Småland, but you can't take Småland out of IKEA

Småland, where the company's founder was born and raised, can be easily identified as the source of our shared values. Simplicity, humility, thrift and responsibility are all evident in the lifestyle, attitudes and customs of the place where IKEA began. An example of the Smålanders' way of doing things is not to ask others what you should be doing, but to ask yourself and then get on with it!

It was among the small, hardworking communities of Småland that Ingvar Kamprad started his first mail order company at 17, and registered the name IKEA which is based on his own initials. Ten years later, the first IKEA showroom was opened nearby in Älmhult. 50 years on, Älmhult is still at the heart of our enterprise. Amazing as it may seem, from this tiny dot on the map, we continue to develop solutions that will influence the future of millions.