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**IKEA: Leadership Leads to Product Innovation and Globalization**



Human Resource Management

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IKEA is a worldwide furniture retailer which sells ready-to-assemble furniture. The IKEA story started in 1926 by its founder ‘Ingvar Kamprad’ was born is Southern Sweden. He was raised on ‘Elmtaryd’, a farm near the small village of ‘Agunnaryd’ if we added all the quotes we can see how the IKEA name was created. The following time table shows how IKEA became an international retailer in 40 countries around the world.

Now IKEA is the world’s largest furniture retailer and seller of ready-to- assemble furniture, as we can see from the previous time table that IKEA is expanding globally in different regions all around the world, they has 338 stores in 40 different countries. And in 2012 IKEA achieved 8% growth in profit compared to the previous year, they reached $4.34 billion.

**Vision:** To create a better everyday life for the many people.

**Mission:** Offering 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.

With the set vision and mission they are focusing on three main business ideas:

* **Product Range and Innovation:** IKEA products are known for its quality and innovation, they try to create unique products that offer home furnishing solutions for every room in the home, making sure that these products meet daily wants and needs of the customers.
* **Offering Low Prices:** Focusing on cost control, operational management and product innovation allowed them to lower their prices by 2% or 3% over the last 10 years, keeping in mind that products are well-designed, efficient and cost effective.
* **A better everyday life:** IKEA Company has taken the straightforward approach to the furniture business, by starting with developing furniture with the price tag in mind. This is the IKEA way, to maximize the use of raw materials in order to fulfill people's needs and preferences by offering quality products at an affordable price. This can improve the life of the people.

Usually IKEA stores are large blue buildings with yellow accents. And they are designed in a “one-way” layout, which encourage the customers to visit all of the departments until they reach the check out. One of the most important parts of IKEA stores is the self-service restaurant offering customers range of foods from Swedish meat balls to cookies and crackers, “differ slightly from one country to another.”

The Executive Director of Human Resource in IKEA Alber Martens focuses on the importance of the HR and leadership functions, which are believed to be the main factors in the success of IKEA.

* Human Resource Function: HRM plays an important role in the design of a well-structured way of innovative working, mainly collaboration and innovation are the most important subjects that matters to them. Strategic HRM focuses on supporting and confirmation of an organizational culture, allowing co-workers to share ideas and have opinions because hierarchical differences are minimized.
* Leadership Function: The main focus is that IKEA managers should be leaders not just managers or bosses, and they are obligated to be transparent about what is going on within IKEA, which inspire workers to improve operations and develop new products and services.

**Leadership in IKEA:**

# Leadership is an important aspect that has been devoted by IKEA Management. Actually, the international statistics reveal that IKEA is among the [twenty best companies in leadership](http://images.businessweek.com/ss/10/02/0216_best_places_for_leadership/index.htm). According to (Testervn, 2011) IKEA was founded as a pure family business, till now its value is based on the concept of family business. Indeed, Ingvar Kamprad, the founder of IKEA, is one of the most successful leaders in the last century. IKEA’s effective leadership is one of the factors in the success of it, talent is the prosperity of the enterprise, and also is the enterprise’s greatest wealth. At IKEA, each function has its own co-workers that report back to the managing director of that function.

**Leadership Styles in IKEA:**

There are different leadership styles that have been adopted by IKEA:

1. **Leadership by Example Approach.**

Actually the leadership by example isn’t merely a style that is adopted by IKEA, but it considered as one of the IKEA’s core values. It means that the high managers try to set a good example, and expect the same of IKEA co-workers. ”. As Kamprad- the founder of IKEA- has publicly said, “If there is such a thing as good leadership, it is to give a good example” and “I have to do so for all the IKEA employees”. Kamprad soon realized that the best way to get the best out of his employees was to set an example by encouraging hard work mixed with strict business ethics. Some of Kamprad’s other important leadership characteristics such as humbleness, confidence to admit his weaknesses (“There are few people who have made so many fiascos in my life as I have”), his caring nature for all his employees (“Everyone at IKEA should have fun at work, otherwise it's a waste”) and his development10, simplicity, frugality, and the constant need to renew, have given IKEA a very distinctive organizational culture

1. **The Democracy Approach.**

It means to encourage employees to participate in democratic management style on behalf of the business decisions. Always consult with employees or ask their suggestions on the final decision and the managers must be able to clearly explain ideas and understand co-worker feedback. Therefore they will more likely to put more effort on their work. Kamprad has some of a democratic and paternalistic leadership style, where employees’ input is important not only because of getting specific feedback but also because it makes them feel needed in the organization. . This as a result can transform in a higher productivity rate.

1. **Laissez-faire Approach.**

 Laissez-faire type of leadership can helps employees to be relaxed and less stressful. Sometimes, over tension at work will contribute to the drop of productivity.

1. **The Paternalistic Leadership Style.**

Paternalistic managers give more attention to the social needs and points of views of the employees. Actually, one of the advantages of family business is that employees at all levels feel that they are part of the family, which help boosts their dedication and performance. Kamprad used to trait all employees in the company as they’re part of his family. Thus, the managers are take care of their employees, seek to satisfy them and offer a comfortable work environment that make the employees feel that they are treated by a father rather than a manager (pater means father in Latin). They consult employees over issues and listen to their feedback or opinions. However, the manager will make the actual decisions (in a way that can maximize employees satisfaction) as they believe the staff still needs direction and in this way it is still somewhat of an autocratic approach. The style is closely linked with Mayo’s Human Relation view of motivation and also the social needs of Maslow’s Hierarchy theory.

1. **Autocracy Leadership Style:**

Kamprad also has some features that belong to a more autocratic leadership style where the ultimate decision belongs to him following his vision, probably because this is a family business with a strong entrepreneurial character. An autocratic management style is where the manager sets objectives, distributes the tasks among the staff.

**Q1: What kind of developmental activities should IKEA consider for its leadership developmental programs?**

There are many different types of leadership development programs which can be adopted by the company to come out with the best leaders who enhance the company’s general performance. Programs range from company-sponsored programs to hands-on outdoor experiential programs. In addition, various universities offer leadership development training, including Stanford, Harvard, Yale and Columbia. However, the best developmental programs are action-oriented, rather than focused solely on theory. While explanations are helpful, those programs that give employees a chance to react to real-life leadership challenges and make decisions are the ones that help inspire leaders to grow.

1. **Outdoor Experiential Programs:**

It is a leadership program which takes place in specific period which is usually about six to seven days. It is a self-discovery and learning which expand participants’ understanding of leadership while building practical abilities, such as, decision making, communication, leadership, and interpersonal relationship skills. It is an intensive experience that is mentally and physically challenged and thoroughly enjoyable which obtain the participant both an increased understanding of leadership theories and their own personal capabilities.

1. **Rotational Program.**

One way to improve leadership skills is via a rotational program that provides potential leaders with targeted cross-training in various departments with the idea that they will be better able to lead when they're well-versed on all aspects of the company and its inner working.

1. **Ongoing Mentorship.**

Another key aspect of leadership development training is to use ongoing mentorships with current company leaders. The potential leader should be paired with a current company’s leaders, though some programs match employees (potential leaders) with mentors at other firms. Clear guidelines have to be created for the relationship. When partners meet for the first time, they should determine the mechanics of their relationship — when will they meet, how often, and how will they communicate outside those meetings. Partners should get to know each other before tackling specific issues. Spending time discussing work styles, personalities and backgrounds builds trust that will pay off later.

1. **Tap veterans’ advice.**

The older workers’ knowledge shouldn’t have to walk out the door when they retire. The company can set up mentoring programs between veterans and high-potential future leaders, and consider ways to keep older workers on tap even after they’ve retired, through contracting or part-time arrangements.

1. **Challenge Employees with Unfamiliar Jobs.**

Stretch assignments are growth-oriented exercises with some inherent risk. They’re designed to push participants past their skill level. Even failure offers valuable lessons that can add new skills, improve confidence and solidify employee commitment.

**Q2. What managerial skills and competencies should an IKEA manager have to run the IKEA business successfully?**

There are three main skills that any manager should have to run the business succefully:

1. **Technical skills:**

Knowledge and competence in a particular specialty, such as engineering, computers, accounting, or manufacturing. These skills are more important at the lower levels of the administration.

IKEA manager must have the technical skill to understand the nature of the job and how the staff performance. The manager must know the person who performs work and efficiency needed by this task or work. For example in the production department, this means that the IKEA manager must understand the technical aspects of the production process. This type of skill and efficiency are important in all lower and upper levels of management.

1. **Human skills:**

Means the ability of IKEA manager to interact effectively with people. To have success in the organization managers it must they have interact and cooperate with the staff. Because managers have direct influence with the people, and this skill is crucial. Director has a good Attribute to get the best results from employees through the recognition of the feelings, the emotions of staff and the development of more useful skills for them. A successful IKEA manager knows how to communicate, motivate and lead the enthusiasm and confidence of the staff. These skills have the ability to interact effectively with employees at all job levels. For example the manager has to invite, listen to his staff and solve their problems that will help to gain their trust, and influence them in the future.

1. **Conceptual skills:**

Are the formulation of ideas and concepts about abstract and complex situation. IKEA managers must understand abstract relations, and develop ideas and solve problems effectively. Using these skills, it should be able to see the organization as whole managers. Manager has to understand the relationships between the various units Minor, and a vision for how to fit in environment organization boundaries. These skills are the most important in the upper levels of management. Also it refers to the ability of the manager to look wide and far-sighted of the organization and its future, and its ability to think, analyze, evaluate the environment and the changes that occur in it conducive to creativity and innovation.