

## IKEA's Talent Management and Corporate Culture

*This case was written by Hadiya Faheem and Debapratim Purkayastha, IBS Hyderabad. It was compiled from published sources, and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.*

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*“When recruiting for IKEA, it is attractive to recognize that the applicant has read up about the company and managed to describe the connection i.e., what are the values they have as a person which makes them the perfect fit for working with the organization.”<sup>1</sup>*

– Anna-Carin Månsson, Country HR Manager for India, in 2018

*“Maintaining a strong IKEA culture is one of the most crucial factors behind the continued success of the IKEA Concept.”<sup>2</sup>*

– Ingvar Kamprad, founder of IKEA, in 2004

In February 2019, Swedish furniture retailer IKEA Group (IKEA) launched an interesting recruitment campaign for the job interview process. The campaign showed potential candidates entering a room for giving the interview only to be confronted with a board inside the room that read that they had to assemble the chair kept in the room before proceeding for the interview process! The campaign comprising a short video recognized the fact that interviews should be the right mix of credentials, attitude, and character. According to IKEA, a candidate's enthusiasm to get the job done was a fit for the company's culture. Commenting on the campaign, Vinod Jayan, Managing Director, IKEA UAE, Oman, and Egypt, said, *“At IKEA, we are known for holding a strong set of brand values that don't just apply to the workplace, but also to the everyday. We see and do things differently at IKEA, and it is important to us that we find a fitting match to our family by putting our values to the test in a fun and creative way. This video embodies the essence of IKEA and we hope it sparks curiosity and interest for potential candidates, while also giving them a flavour of who we are as a brand.”<sup>3</sup>*

Founded in the small town of Almhult, a province in Sweden, IKEA had always focused on providing employee friendly human resource policies backed by a strong corporate culture. The retailer called its staff co-workers and recruited them based on their values and beliefs rather than just on skills or experience. The company offered better employee policies such as day care facilities, mentoring, and pension plans, in order to have a healthy workforce. As part of its core values, it prioritized gender equality, pay parity, and human rights. IKEA was also open to recruiting professionals from the lesbian, gay, bisexual, and transgender (LGBT) communities. The company had an 'egalitarian culture' where all the employees were treated equally and were offered equal rights and opportunities while fostering a culture of innovation where employees were encouraged to be creative and come out with innovative furniture designs. They were expected to think every day on how they could improve the company and continuously innovate in customer service and products. In return, they were offered job security and a pleasant working environment. Due to its work culture, global research and consulting firm Great Place to Work and Fortune magazine listed IKEA US among its 2016 and 2017 Fortune 100 Best Companies to Work For.<sup>4</sup> IKEA's human resource policies and culture also led to the retailer having an employee turnover rate of 28% compared to the industry average of 49%.<sup>5</sup>

While IKEA was appreciated for its corporate culture and human resource practices that favored its employees, the retailer was hit with lawsuits over alleged age discrimination in 2018 and 2019. IKEA was alleged to have fostered a workplace culture of age discrimination wherein young

workers were recruited and promoted over workers who were 40 years and older in violation of the Age Discrimination in Employment Act<sup>a</sup>. In February 2019, IKEA was also accused of gender discrimination for excluding images of women or girls in a catalog meant for Israel's Haredi (ultra-orthodox) community.

## BACKGROUND NOTE

IKEA was a privately held company. It designed and sold ready-to-assemble furniture, home appliances, and accessories. From humble beginnings in 1943, the company went on to become the world's largest furniture retailer by the 2000s.<sup>6</sup> In the financial year 2001, it earned revenues of €10.4 billion (See *Exhibit I for IKEA's Growth in Revenue*). By 2018, the company's revenues had increased to €38.8 billion (See *Exhibit II for IKEA's Income Statement*). By August 31, 2018, the IKEA Group had a total of 422 stores in more than 50 markets with 957 million visitors.<sup>7</sup>

Ingvar Kamprad (Kamprad), founder of IKEA, started selling matches to neighbors on his bicycle as a young boy. He bought matches cheaply in bulk and sold them at low prices, making a tidy profit in the process. 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, Kamprad founded IKEA in Sweden. IKEA was an acronym for Ingvar Kamprad, Elmtaryd (the farm where he grew up) and Agunnaryd (his hometown in Småland, South Sweden). The company sold an assortment of goods from pens and pencils to watches, jewelry, picture frames, wallets, and stockings. By 1945, business had increased so much that it was no longer possible to make individual sales calls. Therefore, Kamprad set up a mail order catalog 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. By 1951, furniture sales had increased so much that Kamprad decided to discontinue all other products and specialize exclusively in low priced furniture. The same year, i.e. 1951, the first IKEA furniture catalog was published.

In 1953, IKEA opened its first furniture showroom that allowed customers to see, touch, and feel items they were buying in a bid to assure them of the quality of the IKEA products. In 1955, the company introduced its best and most successful innovation – furniture that could be dismantled. This concept had its origin in an observation by an IKEA employee that a table could easily fit into a car if its legs were removed. This would not only make transporting furniture easy, but also prevent damage due to bad transportation. Inspired by the idea, IKEA started designing its own furniture, featuring items that could be easily dismantled and packed into flat packages. This made it convenient for buyers to carry the furniture home. In addition to this, the overall cost of the furniture came down as buyers had to assemble the items themselves at home using the instructions provided by the company.

In 1959, Gillis Lundgren (Lundgren), one of IKEA's earliest employees, designed home storage systems, which were named '*Tore*' (IKEA traditionally gave a name to each of its products). Lundgren had got his inspiration from kitchen storage systems and applied the same concept to the rest of the house. *Tore* became one of IKEA's biggest successes ever. Over the years, several other innovative ideas from IKEA's employees were converted into products. Notable among these were the MTP bookcase, the *Olga* chair, and the *Privat* sofa. Kamprad believed that companies existed not only to improve people's lives, but also to improve themselves. Therefore, he encouraged employees to be creative and independent.

<sup>a</sup> The Age Discrimination in Employment Act of 1967 is a US labor law that prohibits employment discrimination against anyone who is above 40 years of age in the US.

IKEA began its overseas expansion in 1963, opening its first store in Norway. This was followed by another store in Australia. In 1984, IKEA introduced a range of furnishings called *Stockholm*. This range featured high quality furnishings at low prices. *Stockholm* won the 'Excellent Swedish Design' award the same year, i.e. in 1984.

In the late 1990s, the company introduced 'Children's IKEA', a range of children-focused furniture. The company worked extensively with child psychology specialists as well as children themselves to make the range completely suitable for the target market. Extensive testing was done before this range of furniture was commercialized.

The company's products were well known for their modern architecture and eco-friendly designs. In addition, the firm paid attention to cost control, operational details, and continuous product development, which allowed it to lower its prices. Instead of selling pre-assembled products, the company designed furniture that could be self assembled. This helped it cut down on costs and the use of packaging. The company's website featured around 12,000 products – which represented its entire range.

## CORPORATE STRUCTURE

IKEA was structured in such a way as to prevent any kind of takeover of the company and to protect the Kamprad family from taxes. Though Kamprad was the founder, he did not technically own IKEA. He wanted an ownership structure that stood for independence, a long-term approach, and continuity. Therefore, in 1982, he created Stichting INGKA Foundation, a non-profit organization registered in Leiden in the Netherlands. In 1984, Kamprad transferred 100% of IKEA equity as an irrevocable gift to the Foundation. IKEA was privately held by this Foundation. Its purpose was to hold shares, reinvest in the IKEA Group, and fund charity through it. It also protected IKEA from family squabbles and its inheritance in whole or in part by the Kamprad family. Kamprad said, "*My family will never have the chance to sell or destroy the company.*"<sup>8</sup> The Foundation was controlled by a five-member executive committee that was chaired by Kamprad and included his wife and attorney. The Foundation was only controlled (not owned) by the Kamprad family. The Foundation, however, owned INGKA Holding BV, a private, for-profit, Dutch company that controlled IKEA's operations.

IKEA's structure was a complicated array of not-for-profit and for-profit organizations. It had two main components – operations and franchising. Operations included the management of its stores, the design and manufacture of its furniture, and purchasing and supply functions which were overseen by INGKA Holding. As of November 2018, INGKA Holding, IKEA's parent group, had 367 stores in 30 countries while the remaining stores were owned by IKEA's franchisees.<sup>9</sup>

The franchising part (trademark and concept) was owned by a separate Dutch company called Inter IKEA Systems. All IKEA stores (franchised and those run by INGKA Holding) shared 3% of their revenue with Inter IKEA Systems as a franchise fee. Inter IKEA Systems was owned by Inter IKEA Holding of Luxembourg, which in turn belonged to Interogo Foundation in Liechtenstein. This foundation was also controlled by the Kamprad family. Apart from these holdings, the food joints that operated in IKEA stores were directly owned by the Kamprad family and represented a major part of the family income. This corporate structure allowed Kamprad to maintain tight control over the operations of INGKA Holding and the IKEA stores (*See Exhibit III for IKEA's Corporate Structure*).

## TALENT MANAGEMENT INITIATIVES

### Recruitment and Selection

IKEA believed that to grow its business, the retailer had to have the best talents. Hence, its talent management was defined both in recruiting and developing its new employees as well as its existing employees.

IKEA selected applicants using tools that focused on values and cultural fit. The standard questionnaire at the company ignored academic credentials, experience, and skills and instead explored the beliefs and values of the candidates, which became the basis for screening, interviewing, and learning and development.

IKEA recruited employees who shared similar values and beliefs and who could fit into its corporate culture. According to Lars-Erik Fridolfsson, Talent Manager, IKEA Sweden Retail, *“Values and attitude are more important than the CV. One of the advantages we have in seeking out recruits who share our ideas is that most people can relate to the importance of a good home in creating a better life. As part of our selection process, we encourage candidates come to the interview with a photo of their living room and what inspires them. From there [their], conversations we can quickly identify people who have a real passion for home furnishing and good design and how they can make a difference to our customers’ lives – those are the co-workers we want and the co-workers that we can grow together with.”*<sup>10</sup>

The company looked for people with persistence and humbleness, enthusiasm and togetherness, those who were ready to take responsibility and accept challenges from day one. The co-workers at IKEA were expected to demonstrate that they were creative, ethical, encouraged diversity, and were willing to collaborate to overcome day to day challenges and problems.

In addition to recruiting new co-workers, IKEA believed that it could find a co-worker within the organization and develop this person into a new role instead of recruiting new talent. Hence, the company launched an initiative called ‘Open IKEA’, which was designed to update employees on new job openings within IKEA. Job openings were posted on the employee website as well as the company intranet. One innovative method of advertising jobs was by putting up catchy stickers and slogans where employees could see them. IKEA put stickers on mirrors that read: ‘Find a job that really reflects your interests.’ On soft drink machines, they read: ‘Refreshing Opportunities’.

In 2003, IKEA developed a global application tracking system called ‘Enterprise’ which was aimed at hiring new employees. Enterprise was an e-recruiting system designed to reduce the delays in the hiring process by facilitating faster communication with candidates around the world, thus taking the IKEA recruitment system to a global level. Using Enterprise, employees could track openings in the places of their choice and apply immediately online. Enterprise was also designed to put the responsibility for hiring in the hands of store managers rather than IKEA’s HR recruiters.

IKEA took care to ensure that it recruited the right kind of people. The company focused on practical skills and the ability to understand and get along with people in its recruitment activities. Another important attribute in future employees was the ability to ask questions and give input. Communications played an important role at IKEA. The company encouraged employees to question the decisions of the management and to openly express their ideas and beliefs.

In the early 2000s, IKEA initiated a program called ‘Why Sayers’, which encouraged employees to express their ideas to improve their stores. These ideas were generally channeled through supervisors and tested in some stores. If they worked, they were made standard practices. The company gave so much importance to this practice that it placed an advertisement inviting ‘Why Sayers’ to join the company.

IKEA had a comprehensive communications system in place for employee communications. IKEA Radio was a short news program that was aired over public address systems in the stores. This usually broadcast communications of a general nature. The company intranet was another effective tool for communication. IKEA also reached out to employees through printed material like newsletters and brochures.

### **Employee-Friendly Policies**

IKEA had generous employee-friendly policies that sought to create a nurturing environment for employees at the workplace. However, in 1997, when an IKEA employee Pernille Spiers-Lopez (Spiers-Lopez) was asked by the then president of IKEA North America, Jan Kjellman (Kjellman)

to attend a women's leadership conference in New York City, she realized that employees were not able to derive the maximum benefit from IKEA's generous HR policies as the policies did not match individual needs and requirements. She felt that employees would benefit more if there was more flexibility in the administration of benefits.

After attending the leadership conference, Spiers-Lopez told the leaders at IKEA North America, "*I don't live the life you live. I don't have a wife at home, somebody taking care of my dry cleaning and making me dinner.*"<sup>11</sup> The top leaders responded and in 1999, Spiers-Lopez created IKEA's work/life balance task force. Soon after, Spiers-Lopez was made the Human Resources (HR) head at IKEA North America. In a bid to develop a system to keep up with the requirements of the employees, she conducted comprehensive employee surveys, asking them detailed questions about their needs, expectations, and preferences. Having completed the survey, Spiers-Lopez concluded that while all IKEA employees believed in and were committed to the IKEA culture, each had different needs and expected different things from the company. To accommodate these diverse sets of needs, Spiers-Lopez created a set of initiatives supporting "life balance and diversity."

Spiers-Lopez also challenged the status quo in the retail industry by offering full benefits such as full medical and dental insurance to employees who worked for 20 hours a week. Earlier, part-timers were eligible for benefits at IKEA only if they worked for 32 hours a week. This initiative led to a decline in IKEA's sales staff turnover from 76% in 2001 to 56% in 2003.<sup>12</sup> In contrast, according to analysts in 2004, only 15% of the workers employed in the retailing industry were able to avail of such benefits from their employers as most of the retailers excluded part-time workers from their employee benefits policies.

IKEA had a strong culture of caring for its employees. Spiers-Lopez expected employees at IKEA to make their families the number one priority in their lives, and she set an example at the company by working for regular hours and avoiding business travel on weekends.

In 2004, the Working Mother magazine awarded Spiers-Lopez the Family Champion Award in recognition of her family-friendly initiatives for the employees at IKEA.

Some of the employee friendly policies initiated by Spiers-Lopez were day care facilities, transport policy, parental leave policy, flexi timings, mentoring, job-sharing, and telecommuting programs. She also started an Express Yourself program where employees expressed their concerns by filling out postcards addressed to her, which she personally answered. IKEA insiders said this program greatly improved morale within IKEA, as employees felt important when Spiers-Lopez herself personally sought and responded to their concerns.

### **Mentoring**

IKEA had an extensive training and development program for promoting the advancement of employees. Employees could use several resources including books, online instruction, and classroom sessions to enhance their skills or acquire advanced knowledge. The company had specialized training programs in areas such as environmental consciousness, health and safety, and diversity.

One of the key techniques used by IKEA for identifying the individual training and development requirements of its employees was mentoring. Through mentoring, the company trained junior managers to take up greater responsibilities in the future. According to Spiers-Lopez, mentoring made employees feel supported and enabled them to grow within the company. In addition to this, IKEA believed that ongoing training and development initiatives helped employees to keep up with the latest developments and techniques in the industry.

In 2001, IKEA launched a program called 'Partners for Growth', a formal one-year mentoring initiative wherein junior managers teamed up with senior managers from IKEA at different locations. The initiative aimed to cultivate organizational leadership, support career development, strengthen the IKEA culture, and support diversity within the organization. The retailer used a

matrix for collecting demographic information and other data of each employee participating in the program. It tracked each of its measures of success in a bid to compare both pre-program and post-program figures. IKEA wanted to ensure that it was meeting its own criteria for success. For example, one of the success factors was mentees requesting to become mentors. Another was completing the entire mentoring program cycle successfully.

To keep the management positions within the 'IKEA family', IKEA launched a professional development program known as 'Paddle Your Own Canoe', a self-assessment tool that encouraged employees to take responsibility for their own careers within the company. Employees discussed their career paths with their managers within the company to identify the additional skills and knowledge they would require to progress on their chosen career path. The employees conducted a self-assessment of their capabilities and then identified their training requirements in coordination with their managers. They could also access the employee website, which listed all the development tools offered by IKEA, and choose the one most suited to their needs. According to Max Hedberg, IKEA store manager, *"There are no limitations on what you achieve by working with us. Your career path is laid out."*<sup>13</sup>

Another employee development program launched by the company in 2003 to train its employees was 'I Want your Job' wherein employees were allowed to actively get trained with a person whose job they would like to take up in the future. All of IKEA's employee development programs were designed to provide a ready pool of qualified candidates for IKEA's future growth and expansion programs. Around 10% to 15% of IKEA's employees managed stores on their own.

IKEA believed that all employees must be given a chance to advance within the company. Therefore, all training and development programs were two-way activities, where managers and subordinates worked together. The idea behind this was to ensure that managers did not exercise arbitrariness in deciding which of their subordinates would get training or be promoted.

### **Flexible Working Hours**

IKEA made efforts to accept and accommodate the different needs of its people. For instance, it made changes to its flexible holiday schedule. Traditionally, the company offered six holidays every year. However, in the late 1990s, IKEA implemented a flexible six-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. IKEA believed that employees had a life beyond work. Therefore, it made an effort to incorporate policies that would help them achieve life balance. IKEA introduced flexitimings, which allowed the employees to choose when they would start and end their workdays, subject to the requirements of the store or office in which they worked. IKEA also provided flexible work hours to its co-workers, especially to women co-workers in different life situations and those who wished to rejoin after a sabbatical, so that women co-workers could balance their responsibilities at home and work.

IKEA also introduced condensed work-weeks, job sharing, and telecommuting to allow employees to do justice to both their personal lives as well as careers. Nursing mothers could take advantage of IKEA's telecommuting program and work from home a couple of days every week. The retailer even adopted videoconferencing in a big way to help employees avoid excessive business travel at the cost of family time. For instance, in 2003, when Lori Schilling (Schilling), head of human resources at the IKEA store in Covina, California, adopted a 3-year-old girl with her husband, she wanted to spend more time at home taking care of her daughter while doing her job. She then communicated with her supervisors and direct reports and planned to work seven days a week every two-week period. Stating that her supervisors understood her priorities, Schilling, said, *"They rarely call me at home. At what other company could you do that?"*<sup>14</sup>

IKEA also allowed its employees to coordinate their schedules with their spouses' work hours, especially if they had small children and one of the parents was required to be home at all times. Besides, the company was open to transferring employees between locations, provided there was a

matching opening for the employee at the place to which he or she wanted to move. This especially worked in the case of young employees who wanted to spend a year or two working at a different location, sometimes even abroad.

IKEA's flexibility policy ensured that employees did not have to sacrifice their careers due to personal commitments. According to Spiers-Lopez, *"We realize that if an employee's personal life is in disarray, it can affect their productivity at work. We created a flexible workplace environment that emphasizes a work/life balance and provides professional opportunities without any gender or life situation limitations. 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."*<sup>15</sup> This had a positive impact on the company as well. The fact that IKEA went out of its way to be accommodating motivated the employees to contribute their best.

### **Leave Benefits**

The retailer had a parental leave policy under which all co-workers – men and women – were eligible for six months of parental paid leave. Women were eligible for seven weeks' maternity leave with full pay, while men and adoptive parents received one week with full pay. In addition to this, they could take paid time off for family commitments such as marriages and deaths.

Some additional benefits were offered to its women co-workers such as reduced working hours if they were nursing mothers and leave with full pay and benefits for a month if the women co-workers faced any illness due to pregnancy, delivery, and premature child birth. They were offered additional leave of two weeks with full pay in case of a tubectomy operation.

All employees at IKEA were eligible for annual paid vacation of between two and five weeks, depending on the length of their service at the company. Unlike many other companies, leave accruals began on the first working day and employees could carry vacation time over to the next year.

### **Daycare Facilities**

IKEA offered day-care facilities to its co-workers so that they could be productive without worrying about their child.

In 2018, IKEA opened its day care center 'DAGIS' (Swedish for day care centers) in India for children of all IKEA co-workers. Commenting on its day care program, Anna-Carin Mansson (Mansson), IKEA India's people and culture manager, said, *"I am very happy to share that today we are announcing day care benefit for our co-workers, both women and men. By this we will enable co-workers to be more productive and be assured that their children are in safe hands while they are at work. This will empower women to return to work as well as help men to support their wives / partners to resume work. We believe that equality works better."*<sup>16</sup>

### **Pay and Bonus**

IKEA had a market-based approach to base pay. The retailer gave performance-based annual bonus to its co-workers which were linked to its sales. In 2013, IKEA launched its performance-based bonus scheme in the UK by paying 10% bonus to its entire staff after the retailer reported an increase of 11% in sales in its UK stores in 2012. In addition to the bonus, IKEA offered 'Tacki' (Thank You in Swedish), a loyalty program wherein if IKEA met its pre-agreed sales targets, it would reward staff who had been working with the company for over 5 years with an annual contribution to their retirement plans. This recognition was given to both permanent and part-time employees. Permanent employees got the same amount, regardless of their department, their rank, or salary whereas part-time workers got an amount proportional to the hours they worked. IKEA also had the IKEA One Bonus Program, which was a performance driven bonus system based on the individual salary level, and the employees got a yearly bonus if local targets were met.

In 2015, IKEA became the first company in the UK retail sector to adopt 'living wage' from April 2016. This meant that more than 50% of its employees in the UK received a pay rise.

In 2015, IKEA increased the wages of its employees, with the total amount going up from US\$10.76 billion to US\$11.87 billion.<sup>17</sup> Commenting on IKEA increasing the wages of its co-workers, IKEA's US president Lars Petersson (Pettersson) said, *"This is not only the right thing to do for our co-workers, it's also good for business."*<sup>18</sup> Petersson added that staff turnover rates had decreased by 5% since the company increased the wages.

In 2016, the company's US division expanded its paid leave benefits to new parents in a bid to attract and retain talent in a tight labor market. Starting January 1, 2017, IKEA's 14,000 salaried and hourly workers in the US received up to four months of paid parental leave.<sup>19</sup>

### **Other Facilities**

Under the guidance of Spiers-Lopez, IKEA introduced several initiatives that improved work life quality of the employees. The company invested substantially in 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 benefit of nursing mothers. Many stores had onsite children facilities managed by IKEA or outside contractors and entertaining rooms where employees could receive visiting friends and family members.

The retailer also had resource rooms where employees could access computers for browsing websites approved by IKEA containing health information and tips on self improvement.

Employees also received substantial discounts at IKEA's onsite restaurants for themselves and their families. The co-workers were offered a 15% discount on all IKEA merchandise and could purchase anything at IKEA's restaurants at subsidized rates. The retailer had an annual "Coworker Appreciation Day" where employees got a discount of up to 40% on store purchases depending on the annual performance of their store. This discount was extended to the employees' family members. Co-workers also received a credit card with no interest for a period of 90 days.

IKEA was also applauded for its benefits policy, which was among the most generous in the retail industry. The company gave full medical and dental insurance to all employees working 20 hours or more per week. The company also gave its employees substantial discounts for weight reduction and smoking cessation services, as well as free subscriptions to health and wellness magazines.

Other benefits included tuition reimbursement for graduate and undergraduate courses for all employees regardless of how many hours they worked. Employees were encouraged to take up courses that had application in the retail sector, such as accounting, interior designing, and general management. Employees were also encouraged to study new languages. IKEA paid 75% of the course fee upfront and the remaining 25% after the course was completed. The company reimbursed nearly US\$2500 per year for undergraduate courses and US\$5000 a year for graduate courses. In addition to this benefit, the retailer gave a special bonus of US\$1,000 to employees who stayed with the company for one year after the completion of the course.

According to analysts, IKEA's tuition reimbursement policy was the most generous in the industry and reflected the company's commitment to contributing to the continuous development of its employees. This policy offered huge benefits to the company as well, as skilled candidates were considered for future promotions.

### **CORPORATE CULTURE**

IKEA's positive HR policies were supported by a strong and nurturing 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. According to her, *"At IKEA, we think of ourselves as a family. Just as one would look after their parents, siblings or children, our coworker family is encouraged to and excels at supporting and taking care of each other."*<sup>20</sup>

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 behavior. We must take care of each other, inspire each other.*” These values of togetherness, cost-consciousness, respect, and simplicity became the core of IKEA’s culture and were regularly reiterated in training programs and staff meetings (See **Exhibit IV** for IKEA’s values).

Openness and equality were important values at IKEA. To emphasize equality, IKEA called all its employees – regardless of rank – co-workers. Equality was important as it helped create an informal atmosphere at the company and promoted communication between employees.

With a view to promoting open communication, IKEA adopted a flat organization structure with no hierarchical distinctions. At most of the IKEA stores, there was an open plan office structure where managers and employees sat together and shared the same facilities. They also dressed alike in yellow shirts and blue trousers (IKEA’s uniform) and usually addressed each other by their first names.

IKEA’s employees were encouraged to express their opinions and ideas directly to the top management. Another feature that made employees feel rewarded was the high level of empowerment at IKEA. The company never gave its employees detailed instructions about their job activities and behaviors. It gave them general instructions on what they were expected to achieve, and allowed them to choose their own methods in achieving that, within reasonable limits of cost and ethical behavior.

Cost consciousness was a value that was deeply embedded in IKEA’s culture. This supposedly stemmed from Kamprad, who was notorious for being tight-fisted. According to Kamprad, IKEA’s business goal was to ‘*offer a wide range of well-designed functional home furnishing products priced low so that the largest number of people possible will be able to afford it.*’ Hence, economy was ingrained in every action of the company. All executives flew economy class or on low cost airlines for business trips. They also stayed in budget hotels and commuted by public transport on their trips. Kamprad himself had a frugal lifestyle for a person rumored to be the richest man in the world.

Cost was the basis of all decisions. Product development was done on the basis of the expected price of the product. Before any new plan was implemented, the costs were weighed carefully. IKEA sold furniture at prices that were 30% to 50% lower than those of its competitors. Therefore, it was imperative for the company to have a cost structure that supported its pricing strategies.

IKEA’s culture promoted diversity. The company believed in respecting employees’ personal beliefs and choices and benefiting from cultural diversity. In the early 2000s, IKEA instituted several diversity-focused programs, which helped employees accept and promote diversity at the workplace. In one of the programs, its hiring managers were trained to be aware of the possible cultural biases that they may have and to avoid bringing these biases into the hiring process.

IKEA instituted a diversity drive, in which it trained HR personnel and individual store managers intensively in diversity related issues. Trainees were given extensive information about which organizations to contact to find qualified minority candidates and how to adjust interviewing techniques to make the interviewing process more comfortable for minority applicants, among others. Managers were evaluated annually on the amount of ethnic diversity they managed to incorporate in their workforce.

IKEA’s culture also placed emphasis on gender diversity. The retailer had a 50/50 rule i.e. employing an equal percentage of men and women on its management team. As of 2016, around 48% of managers at IKEA managers and 33% of Group Management team were women. Women also represented around 54% of all employees at the company.<sup>21</sup>

IKEA culture discouraged workaholics. After a coworker completed a year on the job, full-time employees got 24 days of paid leave in addition to five-six days off. The retailer was averse to people working long hours. According to Nabeela Ixtabalan, head of human resources for the US business, “*My boss would say, ‘Go home, you’ve been here too long’.*”<sup>22</sup>

Simplicity was another value at IKEA. The retailer expected its co-workers to be humble in approaching tasks and to follow simplicity in the way of doing things.

Openness to change and adaptability were stressed at IKEA. The company understood that change was the key to continuous success and therefore encouraged employees to keep coming up with newer ideas and methods to do things. Analysts said IKEA's commitment to change was probably rooted in the fact that many of its successful innovations were a result of experimentation. The natural consequence of being open to change was the enhancement of employee creativity. The value placed on employee creativity was reflected in the fact that the company usually credited individual employees for furniture designs.

IKEA created a sense of belonging among its employees by establishing a set of distinct values and norms they could identify as IKEA standards. The company maintained an obvious Swedish atmosphere, so that people did not lose touch with the roots of its culture. It even celebrated a Culture Day when it familiarized employees with Swedish customs and traditions. Another innovative practice at IKEA was to give all the products Scandinavian names. This created a strong sense of identity and association among employees.

All managers were required to attend a week-long orientation program in Sweden on the 'IKEA WAY', which was generally attended by Kamprad himself. All employees were also given "The Testament of a Furniture Dealer", a book written by Kamprad describing IKEA's business philosophy. The book outlined the basic tenets on which IKEA's culture was built. Some of them were: 'Waste of resources is a mortal sin at IKEA', '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 one's goal but to be on the way'.

## CHALLENGES

While IKEA received appreciation from several quarters for its talent management initiatives and corporate culture, the retailer was accused of discriminating against workers on the basis of age by promoting younger workers to higher positions than workers who were 40 years or older.

In February 2018, Frank Donofrio (Donofrio), an employee at IKEA, filed a lawsuit against the retailer alleging age discrimination. Donofrio stated that IKEA favored younger workers for training and promotional opportunities. Donofrio, who had been working at the IKEA store in Conshohocken since February 2011, said IKEA had stated that he had "fully met" expectations during the course of his employment. He claimed that in 2013 and in 2014, IKEA had given him the highest overall rating – Exceptional Contributor – and that he had also been praised by his manager for his 'energy and enthusiasm' in his daily activities. However, he stated that his performance was apparently not enough as IKEA assessed him as 'lacking in potential.' In 2015, Donofrio's then manager evaluated his 'identified potential' as 'same level' i.e. the lowest among the three categories (high potential, good potential, and same level).

Donofrio also alleged that IKEA discriminated against its co-workers on the basis of age in its Aspire Leadership Development Program, a training tool that aimed to support high potential co-workers. He stated that the retailer never indicated how it identified a worker's potential for promotion. He also claimed that he had applied for the Aspire program and was twice denied entry into the program. Donofrio believed that IKEA nurtured a culture where age discrimination had an effect right from recruitment to employee evaluation, development, and promotion.

In August 2018, another lawsuit was filed for alleged age and gender discrimination. Joseph Parker (Parker), a 60-year-old employee, alleged that IKEA had discriminated against him based on his age by denying him (and other older employees like him) development and advancement opportunities. He alleged that IKEA had policies favoring young employees. These included its Global Young Potentials Program and Young Talent Program. Parker alleged that he had been denied promotions because of his age and asserted claims for disparate treatment. In another instance, the plaintiff, Laurie Gorbeck (Gorbeck) alleged that IKEA not only discriminated on age

but also on gender. Gorbeck also stated that the retailer violated the Equal Pay Act i.e. there was pay disparity at IKEA. She alleged that though she was at the senior level position in human resources, IKEA paid women less and favored employees who were under 40. According to Gorbeck, IKEA did not respond to her concerns and did not promote her. In fact, the retailer demoted her for a period and then terminated her, violating the Age Discrimination in Employment Act and the Equal Pay Act, she claimed. Gorbeck like other plaintiffs complained that IKEA favored employees in their twenties and thirties for management positions.

In response to these claims, IKEA entered the summary judgment<sup>b</sup> stating that Donofrio's claims were false as there was no evidence that 'age' was the reason for his failure to receive a promotion. In response to Gorbeck's claims, IKEA filed a partial motion to dismiss<sup>c</sup>, arguing that her claims that IKEA was discriminating against employees based on age, was violating the Equal Pay Act, and discriminating based on gender should be dismissed as she had failed to prove them. On December 28, 2018, the briefing on IKEA's motion to dismiss was completed and the parties were awaiting the Court's ruling.

In February 2019, another lawsuit alleging age discrimination was filed by Brandon Paine (Paine), an employee at IKEA. According to Paine, IKEA allegedly demoted him and did not promote him due to his age.

In response to Paine's allegations, IKEA issued the following statement, *"At IKEA Group, we have an unwavering commitment to inclusion. Equality is a human right, and it is embedded in our core values. We believe everyone has the right to be treated fairly and be given equal opportunities – regardless of age, gender identity, sexual orientation, physical ability, ethnicity, race, nationality, religion, or any other dimension of their identity. A diverse and inclusive work environment improves our business, strengthens our competitiveness and contributes to IKEA being a unique, meaningful and trusted brand, company, and employer. IKEA Group takes accusations of any form of discrimination very seriously, and we were disappointed to learn of the lawsuit filed by Mr. Paine. As this is pending litigation regarding a co-worker, it would be inappropriate for us to comment further. We will remain committed to creating an inclusive work environment that is free of discrimination."*<sup>23</sup>

To add to its troubles, in February 2019, IKEA faced a backlash for publishing a catalog for Israel's Haredi (ultra-orthodox) community that featured photos of Haredi men and boys while excluding images of women or girls. Hannah Katsman (Katsman), a modern Orthodox woman, filed a lawsuit demanding US\$4 million compensation from IKEA for the damage caused to Haredi women. According to Katsman, *"The total exclusion of women and girls from the catalogue sends a serious and difficult message that women have no value and there is something wrong with their presence, even in the family-home space depicted in the catalogue."*<sup>24</sup> Following an uproar, IKEA issued an apology stating, *"The Ikea brand stands for equality and respect for differences. It is very important for Inter Ikea Systems, owner of the IKEA brand, that all trademark users act in a way that reflects the Ikea values."*<sup>25</sup>

## LOOKING AHEAD

Analysts opined that IKEA's generous HR policies had led to reduced absenteeism, increased employee retention, reduced costs of employing new co-workers, enhanced employee performance, and improved commitment from its co-workers. Most of the employees had high morale and were looking for long term engagement with the company. However, some critics

<sup>b</sup> In legal proceedings, a summary judgment is a judgment entered by a court for one party against another party without a full trial.

<sup>c</sup> In a civil case there could be more than one claim by a plaintiff. The defendant has counterclaims against the plaintiff. When some of the claims in the case are dismissed by the judge, it is known as partial motion to dismiss.

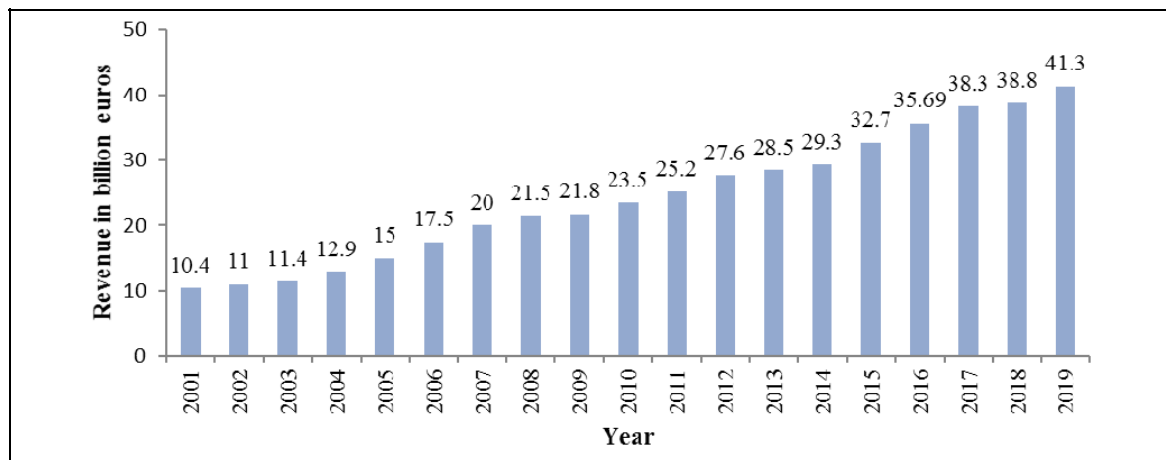
opined that IKEA as a company which claimed to value equality should not pave the way for employee discrimination. Rather, the retailer should be working toward an equitable society where women were viewed as equal members of society. Going forward, IKEA planned to focus on 'equal pay' regardless of age, gender, race, or other situations. The retailer planned to secure equal pay for jobs of equal value by 2020.

The company entered India in August 2018 by launching its first store in Hyderabad, capital city of the southern Indian state of Telangana. In 2019, IKEA planned to launch another store in Maharashtra, a state in the western part of India. For this store, the company planned to hire 10,000 workers, 50% of them women. According to Mansson, IKEA India's people and culture manager, "*We believe in equality and providing a balanced, safe and secure work environment for all employees. We are also open for recruiting from the lesbian, gay, bisexual and trans (LGBT) communities.*"<sup>26</sup> Mansson added, "*With our employee-friendly policies, we are expecting to keep the attrition levels very low. We believe in value-based recruitment, where the core values of an individual is considered and not what is said in the CV. We provide equal opportunities to all our co-workers, help them grow and enable them to follow their passion.*"<sup>27</sup>

Some analysts felt that IKEA's success in international markets was attributable to its culture. But some critics raised doubts on whether the retailer could keep its culture intact since it was entering more international markets. Some analysts pointed out that adapting the company's culture to the national norms of different countries was a huge challenge. Some critics also pointed out that IKEA had to tackle the challenge of putting in place an effective global talent management system to acquire and retain talent in other international markets.

**Exhibit I:  
IKEA's Revenue Growth (2001–2019)**

*Total Revenue in Billion €*



Source: "IKEA's Revenue Worldwide from 2001 to 2019 (in billion euros)\*," [www.statista.com](http://www.statista.com), 2019.

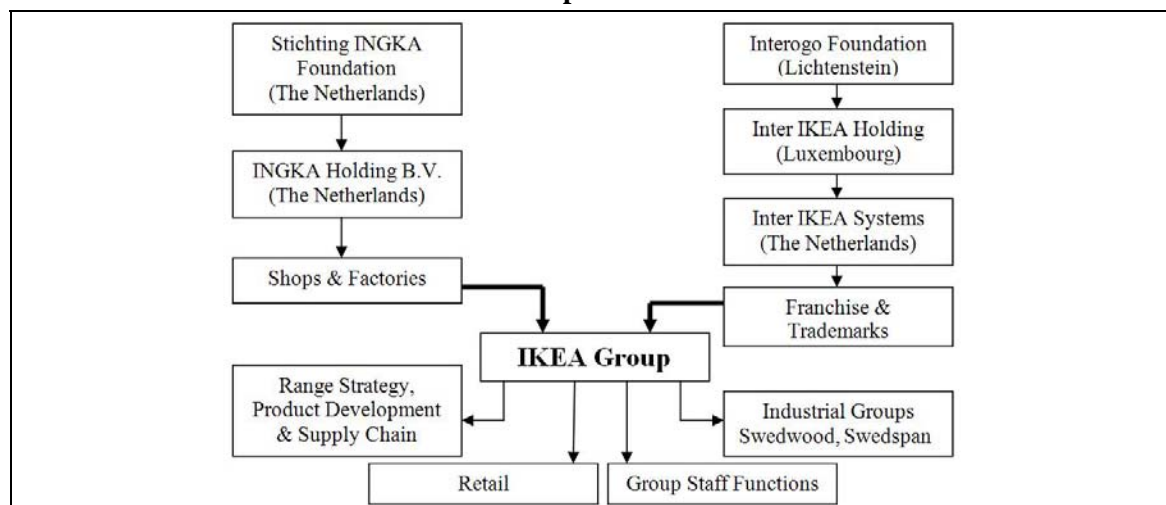
**Exhibit II:  
IKEA's Consolidated Income Statement (2015-2019)**

*In million € (for September 1–August 31 of)*

	FY19	FY18	FY17	FY16	FY15
Revenue	25,254	24,919	36,925	35,691	32,658
Cost of sales	20,703	20,228	23,730	20,260	18,221
Gross profit	4,551	4,691	12,565	15,431	14,437
Operating cost	2,695	2,729	9,534	10,932	10,388
Operating income	1,856	1,962	3,031	4,499	4,049
Net income	1,485	1,449	2,473	4,200	3,512

Adapted from [www.ikea.com](http://www.ikea.com) and IKEA Annual Reports.

**Exhibit III:  
IKEA's Corporate Structure**



Adapted from "Welcome Inside – Yearly Summary FY09", and other sources.

**Exhibit IV:  
IKEA's Values**

Together ness and enthusiasm	This means we respect our colleagues and help each other in difficult times. We look for people who are supportive, work well in teams and are open with each other in the way they talk, interact, and connect. IKEA supports this attitude with open plan offices and by laying out clear goals that co-workers can stand behind.
Constant desire for renewal	We expect people to look for new, better ways of doing things in every aspect of their work. We like change and encourage people to look for constant improvement. People in the IKEA Group are often more stimulated by finding ways to achieving your goals, than by the goal itself. They take inspiration from discovery and are constantly 'on the way' to the next challenge.
Humbleness	More than anything, this means respect. We are humble toward our competitors, respecting their proficiency and realizing that we constantly have to be better than they are to keep our market share. It also means we respect our co-workers and their views, and have respect for the task we have set ourselves.
Willpower	Willpower means first agreeing on mutual objectives and then not letting anything stand in the way of actually achieving them. In other words, it means we know exactly what we want, and our desire to get it should be irrepresible.
Cost consciousness	This value goes hand in hand with our business idea. It is impossible to have low prices, good quality, and good profitability if you don't have low costs. So cost-consciousness is part of everything we do, from constantly finding better ways to produce home furnishings, to purchasing wisely and traveling cost-effectively.
Simplicity	Behind this value are ideas like efficiency, common sense, and avoiding complicated solutions. Simple habits, simple actions, and a healthy aversion to status symbols are a part of IKEA.
Leadership by example	No method is more effective than the good example. It means leaders at IKEA are expected and encouraged to behave the way they expect their co-workers to behave. It means pitching in when there's more than the usual work to be done, respecting those around you, and encouraging the initiative and achievements of everyone in the group. A leader at the IKEA Group can accomplish more by creating a feeling of well-being and a good working environment than any other means.
Diversity is part of this	We encourage an environment where people of different views, age, nationality, gender, and ethnic background feel welcome. We believe that a diverse workforce will improve business results, strengthen our competitiveness and make IKEA a better place to work.

Source: [www.ikea.com](http://www.ikea.com).

**End Notes:**

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