

## Case study task – IKEA India: Organizational alignment challenges

*Note: The information in this case combines real and fictionalized data to allow for deeper organizational analysis. This is a simulation used strictly for candidate evaluation purposes.*

### Background

In August 2018, IKEA opened its first Indian store in Hyderabad after years of preparation, legal structuring, and supply chain groundwork. The company publicly announced plans to invest over €1.4 billion in India to support a multi-city expansion, supported by a combination of company-owned outlets and online fulfilment centers. Initial media and consumer response was strong, with 40,000+ visitors on opening day and significant brand visibility in Tier 1 urban markets.

However, within two years of launch, multiple signs of organizational strain began to emerge - ranging from inconsistent execution and leadership turnover to delayed market entry in other cities. While IKEA remained committed to its long-term growth in India, by late 2020 the company acknowledged in internal strategy reviews that it had “underestimated the alignment complexity required for sustainable market adaptation.”

### Key context and internal data

#### Sales and product-market fit:

- After Q1 2019, footfall decreased by 34% compared to launch quarter averages.
- Large-format products such as wardrobes, kitchen modules, and multipurpose cabinets underperformed by 60-70% of forecast, despite high visibility in promotions.
- Local consumer interviews revealed misalignment between typical apartment dimensions and European-standard furniture sizes.
- Over 45% of in-store purchases were from small home accessories or food court items, vs. the expected 30-35%.
- Online sales conversion remained under 1.5% in pilot regions due to long delivery windows, unclear assembly guarantees, and inconsistent item availability.

### Talent and organizational structure:

- IKEA India's regional offices operated with dual reporting lines - locally to country heads, and vertically to global functional leaders.
- Middle management turnover reached 24.7% within 18 months, particularly among store operations, HR, and logistics.
- Exit interviews cited: unclear escalation procedures, limited ability to localize procedures, and high pressure from HQ KPIs that didn't account for market variance.
- Role duplication between store-level planning teams and global merchandising caused friction over inventory planning decisions.
- Several teams operated on overlapping KPIs: one team responsible for pricing, another for promotional strategy - without shared ownership of revenue targets.

### Sourcing, compliance, and supply chain:

- India's FDI regulations required 30% local sourcing. IKEA had to restructure over 25% of its global vendor relationships to meet compliance.
- More than 60 SKUs were pulled from the Hyderabad launch plan due to supplier-side delays or import clearance issues.
- The onboarding of local vendors increased QA rejection rates to 8.2%, compared to the 1.4% global average.
- Supply chain planning was further slowed by fragmented systems: Indian fulfilment used a different inventory platform than IKEA's global one, with no automated integration until 2021.
- Rework and delays affected new store construction timelines in Mumbai and Bengaluru, both of which missed target launch dates by more than 12 months.

### Internal communication and leadership:

- In a 2020 alignment pulse survey:
  - Only 39% of Indian team members said they clearly understood the decision-making chain for operational changes.
  - Just 32% felt that input from local teams was "seriously considered" by global management.
  - 41% of store managers felt overwhelmed by the volume of internal reporting without clear follow-up or feedback loops.

- Global strategy communications were often published on European schedules, missing Indian reporting cycles and causing confusion around priorities.
- A “One IKEA Way” operations manual was distributed company-wide but criticized locally for lack of flexibility.

#### **Cultural integration and identity:**

- IKEA’s internal values (“togetherness”, “simplicity”, “lead by example”) were seen as too abstract in a market where new hires often came from traditional, hierarchical firms.
- Employees reported tension between legacy global hires and local managers - creating informal silos.
- Training sessions were delayed repeatedly due to lack of localized materials and translated content.
- The company initiated “India Market Labs” to develop local product formats in 2020, but the initiative lacked dedicated cross-functional staffing and was paused after six months.

#### **Public performance:**

- Net Promoter Score (NPS) declined from 74 (Q1 2019) to 59 (Q3 2021), particularly among families and first-time buyers.
- Analysts began labelling IKEA India as a “slow burn” market with uncertain scalability.
- In 2021 investor calls, IKEA executives pointed to “organizational coordination challenges” as a key barrier to deeper regional expansion.