

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.