**Group Project Part C (GP-C)**

**IKEA: Home Furnishings & Home Goods**

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**Digital Capabilities:**

IKEA uses online services, such as its website and mobile applications, to better understand its customers. Additionally, they released an ARKit app for iOS 11 so that users could explore things in 3D and determine whether they fit before purchasing. Customers still prefer to visit stores physically because they can see for themselves the quality of the product, even if online sales have increased by 73% and represent 26% of the company's total income.

In IKEA, products and services are promoted using social media, and digital marketing. In addition to this IKEA can also use Email Marketing and Mobile marketing. In this way, IKEA can reach a specific audience on their smartphones through SMS and Email. They are selling products through websites and provide delivery services. They can also provide delivery services using drones which can save delivery time. They are using AI chatbots, calling services, emails, and websites to communicate with customers. These chatbots will give solutions in the form of links for the problems they are facing and through websites they can track their orders, check stock in nearby stores, return or change products and buy spare parts.

A self-service approach would be preferable to assigning salespeople to assist customers. They have made operational improvements, such as offering products like home appliances, kitchen appliances, and another home decor that are of excellent quality at affordable prices. They are heavily invested in product development and design. But they haven’t focused on improving the supply chain process and inflation that leads to rising costs and higher prices.

IKEA does not fully automate all its procedures; a few logistics-related ones, like packaging and customer deliveries, must be done so. IKEA currently uses smarter analytics on its website or app. Using the customer's purchasing history, they make new product recommendations. This would make it easier for buyers to find things they want. IKEA started shipping their goods flat-packed, allowing customers to reduce the amount of space taken up by that item. As a result, current products gain value. By enhancing customer service effectiveness, they can even boost performance. IKEA's business strategy is to offer high-quality products to youthful, middle-class customers who are price-conscious and in need of high-quality and stylish furnishings. To demonstrate that they have developed the products using technologies like augmented reality and virtual reality.

Finally, we examined how IKEA developed its digital capabilities, offered products and services to customers, and implement some process improvements.

**Leadership Capabilities:**

To offer clients exclusively online, IKEA has sped its digital transformation and enhanced growth in eCommerce. This would often take years or months, but IKEA was able to complete it in a matter of weeks or days. IKEA's internet sales have increased, and the digital revolution has aided in the company's expansion. The organization realized that digital needed to be integrated into everything we do, which led to a major expansion in the strategy's scope over time.

The most valuable resource a business has is its employees and IKEA considers its employees to be its topmost priority, who are always put first. The approach to data analysis is qualitative. Individual interviews were used to find the abilities they lacked, hire employees with the needed skillset, and retrain a lot of individuals so that collectively, they can become a high-performing team that cares for people's wellness while continuously learning and improving.

Leadership in transformation entails keeping an open mind, believing that everything is possible, understanding the value of people, and including them in the transformation process. IKEA’s leaders demonstrate a very impressive skill that should be adopted by many leaders carrying out Digital Transformation. They share their ideals in the way they conduct themselves. Then, it is about networking and sharing a motivating vision. Finally, it is about presenting straightforward guidelines that anyone may follow.

IKEA has created a solid foundation for itself by creating an effective and sustainable supply chain, which has aided the business's products and logistics through the current crisis and any challenges that may arise in the upcoming years.

**Frame Challenge:**

IKEA's digital transformation was started a few years ago, and during this process, the organization's mindset has changed to one of speed and agility. We noticed and studied how IKEA was in a good position because of the digital transition that had already taken place before the pandemic, which allowed IKEA to make swift adjustments and changes. In the last three years, IKEA’s eCommerce levels have roughly tripled.

Customer experience, operational processes, and business models are the three main business pillars that managers are digitally transforming. Each of these pillars has three distinct components, such as customer understanding, top-line growth, new digital businesses, and changing digital globalization. IKEA is evaluating its service offerings and making the necessary modifications to acquire a competitive advantage, attract clients, and achieve its long-term objectives.

IKEA has made changes to its stores so they may serve as fulfillment centers. They altered the store's floor designs, supply systems, and product movement to make this work. The issue of converting and adapting their business to become more digital has forced IKEA to start implementing new strategies and processes only recently. IKEA was not an early adopter of digitalization. IKEA has implemented and upgraded its current technology infrastructure by turning shuttered stores into fulfillment centers, enabling contact click-and-collect services, increasing the ability to manage high volumes of web traffic and online orders, and allowing all its employees to work from home while managing routine tasks and resolving issues concurrently.

**Focus Investment:**

Ikea has always maintained a top-down strategic scorecard, they have a detailed valuation that contains the data of all the important objectives. For a company like Ikea, everything is about managing smooth operations. To have smooth operations they must maintain a top-down strategic scorecard. All these focus areas such as business process, customers, learning scope, growth potential, and finances are then broken down into strategic objectives, performance indicators, and measurements. The issue here was that lots of data were required for this to have importance, but the data provided was always not on a full scale and going digital also helps. Ikea even though have managed to maintain a good top-down strategic scorecard the requirements are not fully met. Ikea poses a high-level road map. They have been in business for the past 78 years. They know exactly when to start something new and when to get rid of some things that are not required. Ikea wants their store to be very customer friendly and tried various things such as a cafeteria for customers also. As part of this, they gave importance to VR. Then they bought the California-based geomatical labs as they have the AI technology, which is required in near future for Ikea, this also helped in our previously discussed transformation in Ikea.

The transformation in Ikea only needed changes in technology. Operationally wise Ikea has no plan in changing how they are now. Ikea always wants transformation to help then leverage additional benefits such as adding additional data and increasing speed using analytics obtained from that simply they want technology to support their vision which is to help people obtain a better life but all the other organizations in Ikea need to accept the transformation because all together can support the vision of Ikea. Digital incentives are well coordinated within Ikea, but the top-level management makes this happen by adding all the key members of the organization while moving towards a transformation. They also have used the technology of Microsoft 365 and teams to connect in a better way. The designers have also been connected to the products team to understand the new developments and discuss the results of that, but the low and mid-level organizational teams are very less connected and contributed to the transformations this has affected Ikea, but they have invested in the ways to teach the low level and mid-level organizational teams.

The company has managed these very carefully the key importance is among trusted third-party providers, members of the Ikea board corporate family, and important public authorities, while Ikea follows a hierarchical organizational method this was all the information within the organization during the transformation is shared but the key technologies teams and business items are only connected. The roles have been identified by the CDO of the company Barbara Martin one of the modern minds around who has always been in the digital era learned the importance and digital transformation and dedicated herself to matching the vision of Ikea to the current digital needs. The digital market is also the key success factor and the new digital investments such as VR the decision of the CDO. Ikea has used a swot analysis to know whether their business cases and key performance indicators are linked, but it didn't help them have smooth transitions as they had issues with logistics and some quality issues even though the prerelease works were carried out in a great way the results were not as expected this had to be a key problem for Ikea. The transformation saw positive results, but a few things were dragging down Ikea they are many negative components were affecting the company through the difficulty in maintaining high standards, the global market had many threats as the rise in demands, and this way the business cases were aligned to KPI’s had seen many problems.

Ikea only has focused on three key areas: business development, sustainable future, and financial resilience. These were the main key focus area they wanted to develop financial resilience helps in maintaining cash flow and managing assets of the company, as business development they have invested in many different companies which can help the business process to be easier and simpler way also new technologies such as ai which can help them to explore business opportunities and sustainable future helps them to help the way they contribute to the environment and future they have been using used oil for their logistics and they have been investing in renewable energy also the invest a lot in maintaining a better store because they want to have a good store experience for the customers. They have diverse funding models: they have acquired Click & Grow, Fluid Truck, Morssinkhof - Rymoplast, Mover, Oporto, Umincorp, What3words, and Winnow. All these together create complete pre, post, and peri operations are taken care of through all these.

**Mobilize Organization:**

Let’s analyze Ikea’s mobilization in an organization using the following three questions. First, do they effectively communicate their goals? Second, are they creating enough momentum within the company? Third, do they actively promote a change in digital culture?

Do they promote their goals? We may further break down the subject into three distinct questions: Do senior executives actively promote a future vision that incorporates digital technologies? Does the shared vision of digital transformation between senior executives and intermediate managers exist? Do workers realize the advantages of the changes? Ikea is actively promoting digital change on any of these fronts. Digital transformation must come from the top down. Without the support of C level leadership team achieving digital transformation is hard. Ikea’s C-level leaders are clear that they need to embrace digitalization to achieve their main goals in the following three areas- accessibility, affordability, and planet-positivity. They understood that the silos, especially in terms of functions, needed to be shifted. They have created cross-functional teams with a variety of skills to address digital solutions from beginning to end to execute them efficiently. They empowered the cross-functional teams by giving them the freedom to execute the change and produce the results without implementing heavy governance.

On speaking about building momentum, they believe all their digital transformations are interconnected. Across the organization, they talk about new ideas they want to explore, lessons learned from past tests, and ongoing experiments every week by keeping a 70-30 ratio. 30% of efforts are concentrated on creating new concepts and technology, whereas 70% of efforts are committed to scaling successful ventures. As a result of keeping individuals inspired to develop and try new things without taking a complete risk, they are already seeing some wonderful results.

Finally, we analyzed encouraging digital cultural shifts. They believe that both performance and empowerment are the foundations of digital DNA. Performance necessitates delegating all duties to cross-functional teams in such a way that employees are free to choose what they wish to test and refine along the route to make it into a measurable deliverable. This includes empowering coworkers and learning from mistakes.

**Sustain Transformation:**

By staying current with market developments and acting accordingly to consumer expectations and requirements, Ikea as an organization is generally doing a fantastic job of sustaining the digital transition. They are neither sluggish nor quick, but they are constant in their approach to digital transformation and providing a better customer experience. By grouping three major areas, we will talk about how successfully Ikea is maintaining the digital revolution.

First, by forcing its staff to master modern technologies like Artificial Intelligence and Data Analytics using a variety of visualization tools, Ikea is substantially investing in the essential skills to upskill its workforce. This is a fantastic project since it showcases the development of their business and is prepared for the future. A business needs to do a self-assessment of its capabilities and identify its strong points before investing in or adopting digital technologies or making other organizational changes.

Ikea is now looking for exceptional talent that might help all the front-line staff become more digitally savvy. In addition to financial investments, they may also participate in the reverse-mentoring program, which is a useful strategy for developing their virtual university. Although they are weak, their IT business links are good. Transparent communication is important in this situation since the business team and leadership are properly aligned but adopting the appropriate advice and holding frequent meetings with the IT team would provide greater outcomes.

Second, think about the reward systems and how they should be in line with transformational objectives. Ikea offered $128 million in incentives to staff for their efforts during the pandemic, even though the company's global net income in 2020 was lower owing to sales that were marginally impacted, mostly because of the coronavirus outbreak. Ikea's e-commerce platform saw an almost twofold increase in digital sales during that time, from 18% to 30%. Considering this, monetary rewards, such as bonuses, are compatible with the objectives of digital transformation; nevertheless, it is advised that companies try to link these rewards to their ongoing and future transformation goals.

We were aware that Ikea offers a variety of employee reward initiatives, such as the "Tack!" loyalty program, which ensures that all employees make an equal pension plan contribution. IKEA employs a paternalistic leadership style in which the management acknowledges the opinions and social requirements of its employees, thereby enhancing their performance and commitment to the company's objectives. However, given that all these issues have correctly matched transformation aims, they still have shortcomings and might be made better by filling up some of the gaps. They can guarantee that their compensation plans for supporting digital transformation should include more than just money.

In exchange for their performance, they might provide their staff members with certain in-store discounts on items like furniture. Promotions don't always mean a title change, but they might increase a person's authority and add more duties, which will make them happy. People perform productively at work, which is a tremendous asset to any organization if they are pleased and content with the benefits and accolades they receive from the organization. putting all of these into the correct alignment to chart their present and future transformation through careful analysis and step-by-step procedures.

Finally, Ikea evaluates a standard set of key performance indicators (KPIs) like time, sustainability, and quality when releasing a product or transitioning from a traditional method to a digital section. They evaluate additional KPIs that are stated in their strategy scorecard in addition to these. They advance with approval when there is a direct link between the project level and the goals; otherwise, they reevaluate everything. Leadership and company owners are responsible for tracking the financials portion of the scorecard. It is crucial to ensure that all KPIs are stable or increasing. Creating an iterative review procedure with the leadership team to assess the status of the digital transformation. The process doesn't end with clearly defining digital ambitions, creating a roadmap, and successfully implementing them. Ikea would become a digital master if it acknowledged that the process of digital transformation is perpetual and shows significant growth.

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