

Internal benchmark to find best practice for IKEA's Sourcing Assignment

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Sourcing in big companies is very complex, and it is a challenge to work coordinated. IKEA's 34 purchase categories optimise the value chain and supplier base in alignment with 10 business areas (BAs) partly based on Sourcing Assignment agreements. Common ways of working internally in the cross-organisational interface are desirable. Therefore, the purpose with the study is to develop and recommend an improved way of working with Sourcing Assignment, i.e. the process and document template, so that IKEA can work more structured and aligned with it in the future.

Range & Supply consists in short of 10 BAs that develop IKEA's product range and 34 categories that handle the supplier base. Communication occurs on daily basis between the two to jointly improve IKEA's business. Sourcing Assignment has recently been introduced to better connect Supply Chain Managers (SCMs) in BAs with Category Managers (CMs) in categories by mutually discussing and agreeing on their actions in 18-36 months' time horizon. The documented handshakes are then supposed to guide categories in establishing a world class supplier base. However great complexity is connected to IKEA's Sourcing Assignment relations as a BA can e.g. be connected to 25 categories and a category to 17 different HFBs with varying internal power dependency. Categories can allocate virtually all purchase volumes to one BA while remaining neglectable in that BA. Often very similar tasks are performed in BAs but different routines and procedures are followed which can cause headache for a CM working with multiple SCMs. A multiple case study was conducted to benchmark individual Sourcing Assignment processes and document templates to identify best practice in analogy with Figure 1.

Comparing Sourcing Assignment relations between 6 BAs and 9 categories show that yearly processes and document standards diverge in IKEA. None of the relations was considered best practice on its own. Instead relations excelled at

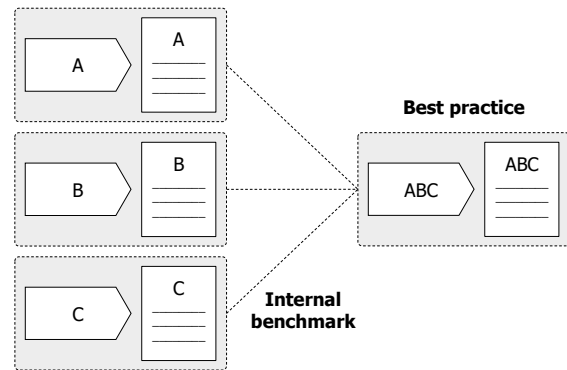


Figure 1: Internal benchmark to find best practice.

different parameters. Combining these superior characteristics with IKEA employees' desired ways of working and academic theory resulted in a Sourcing Assignment framework, see Figure 2. The internal power dependency acts as no-go criterion to distinguish priority level. If both BA and category depend heavily on each other the relation is classified as top priority. The full process is mandatory to follow and a full document version is recommended. Generally, stricter requirements apply for the top priority level due to relations having significant impact on IKEA's business. Complementary material was created to support the developed framework in the form of a new Sourcing Assignment process map, year cycle and handbook. Together the proposed best practice way of working strives to be as common as possible but as unique as needed while ensuring conversion of human capital to structural capital. Essentially it helps strengthen alignment across BAs and categories.

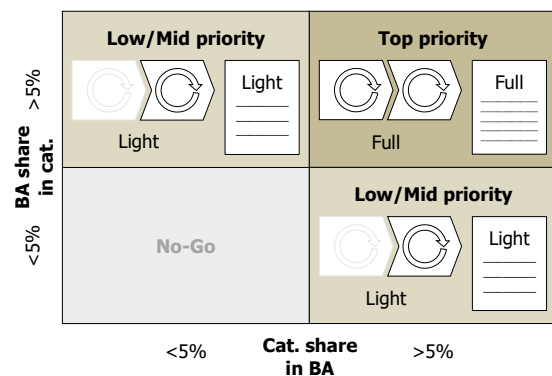


Figure 2: Sourcing Assignment framework.