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## **IKEA'S IDEAS**

**The Swedish retailer's worker benefits and attitude are unusual.**

**BY JULIE FORSTER**

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Though he's operated the machine at previous jobs, Damien Jones found himself attending classes on the theory of the forklift during his first weeks at Ikea's new store in Bloomington.

He earned a special certificate by demonstrating his practical mastery of the subject.

The training is just one example of why Ikea, which debuts its sprawling store here this week, is an unusual employer. Its benefits package is another.

For Jones, who landed a logistics coordinator job in March as one of 450 workers hired by the Swedish retailer, it's the first time he's qualified for long-term and short-term disability pay. He has paid health care coverage, life insurance and three weeks of paid time off during his first year on the job.

Then there's the company cafeteria, where he pays one price for anything on the menu: \$2. As he ticks off his list of benefits, he nearly shouts his amazement.

Jones plans to make his career at Ikea, a not-so-common aspiration in an industry that has come to embrace high turnover.

The tight-fisted retail industry has been shaped by cutthroat price competition and constant Wall Street pressure that tends to keep wages low and benefits skimpy. Ikea's approach stands out.

The company is guided by a philosophy that workers whose basic needs are taken care of tend to be more productive and ultimately more engaged in what they do. Ikea also embraces an egalitarian culture, where executive perks are shunned, everybody's called co-worker, and store managers and sales assistants alike dress in the same uniform: a bright yellow shirt and blue pants.

Profit killers? Not at Ikea, observers say. The privately held company zealously guards its financials. Ikea operates 198 stores in more than 30 countries and has global revenue of \$12.2 billion. Though it doesn't publish profit data, Geoff Wissman, a vice president at Retail Forward, estimates that its profit margin is around 6 percent, about double what's typical for furniture retailers.

Just 15 percent of part-time retail workers overall receive health insurance through their employers. And those employers that do offer it typically allow the employee to get the rate the company is able to negotiate with the insurance company they deal with. Overall, the trend is to offer less, not more. In a cost-savings move, Minneapolis-based Target, which had long been known for its generous employee benefits, last year cut its health coverage for part-timers.

## **WHY LEAVE?**

When it comes to turnover, Ikea North America beats the industry as a whole. At 37 percent, its employee turnover falls below the retail industry rate of more than 60 percent.

Some service companies see employee turnover of 100 percent, according to Towers Perrin, a management-consulting firm.

"From a customer service perspective, certainly there's an argument to be made that having a stable work force results in a more stable face to the customer," said Don Hay, a principal in the executive compensation practice at Towers Perrin in Chicago.

Expense is another reason to pay attention.

"What many managers fail to recognize because they don't calculate it is the high cost of turnover, even in the least skilled jobs," said Eileen Appelbaum, a labor economist at Rutgers University.

A rule of thumb, she said, is that to replace one person costs between one and 1 1/2 times the person's salary.

"If you look at a large retail organization and the number of people, a slight change in the turnover rate obviously is going to have a significant impact on business performance," Hay said.

"Companies that pay attention to employee satisfaction do much better in terms of the bottom line," Appelbaum said. "There's quite a bit of research that makes that point in general."

The popular assumption is that in exchange for low wages, retailers will find minimally qualified people who can satisfactorily perform the duties of the

job, said John Remington, a professor of human resources and industrial relations at the University of Minnesota's Carlson School of Management. "Ikea has recognized that by keeping turnover down, they not only stay cost-competitive but that builds a committed work force," he said.

Ikea would not release information on wages and would only say that pay is competitive for the market. Generally, pay gaps between one retailer and another in any given market are narrow. State data says retailers in the Twin Cities pay \$13.66 per hour on average, across all positions from managers to cashiers. There is evidence to indicate that furniture retailers in the metro area pay slightly higher.

## **'THE IKEA WAY'**

Some Ikea Bloomington workers have been in training since March — managers in particular by visiting other stores like Schaumburg outside of Chicago. They've been learning, in "the Ikea way," how to handle the onslaught of Twin Cities shoppers expected to pile into the 336,000-square-foot store when it opens on Wednesday.

Aside from the cashiers and sales assistants, the Ikea work force includes food service workers, a human resources staff, public relations specialists, interior designers, loss prevention analysts, accountants — even an entire carpentry department. Forty managers have been hired, about 10 of whom are from other Ikea stores.

The company strives to have most of its management positions filled internally by keeping people in the "Ikea Family," as they like to say.

To reach this goal, Ikea has started its own personal development program called "Paddle Your Own Canoe," in which new workers sit down with their boss and plot out their future with the company.

They discover their strengths and weaknesses through a self-assessment, figure out a career path and an action plan that covers development and training.

"There are no limitations on what you can achieve by working with us," said store manager Max Hedberg. "Your career path is laid out."

Jones, for one, is certain of his future. "I'm going to be the store manager," he says.

Indeed, some Ikea store managers started out pushing carts.

Julie Graf, 36, is a newly hired cash office manager who once worked as a blackjack dealer and floor supervisor at Mystic Lake casino. She already has her eye on a job in Ikea's upper management.

Graf wants to help open new stores. (Ikea plans to open five stores per year in the United States. Bloomington will be its 19th.)

"Right now I'm focusing on making sure my department is a well run machine, one of the best in the country," said Graf, who is planning on maternity leave a few weeks after the store opens.

Development and career advancement opportunities can be powerful incentives for retention. Often businesses tend to focus on pay and benefits because those things tend to be quantifiable and easy for managers to get their arms around, Hay said.

But work environment and opportunities for career development are just as, if not more, important, he said.

Graf, who has a bachelor's degree in sales and management, is studying for her master's degree in organizational behavior and leadership. Ikea will reimburse her tuition expense.

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