

IKEA

The software behind global expansion for this leading international retailer.

Like all great business success stories, IKEA's is based on a simple yet effective concept – by offering a wide range of well-designed, functional home furnishings at affordable prices. IKEA is now one of the best known retail brands in the world, with stores opening every year.

The situation

Headquartered in the Netherlands, the stores are franchises of Inter IKEA Systems BV, the company tasked with increasing the availability of IKEA products through worldwide franchising of the IKEA concept. Given the company's rate of expansion and globalization, it has had to invest heavily in IT over the years. Different languages, operating environments, processes and technology in each location made it difficult for IKEA to operate as efficiently as it wanted to. Despite the strong store synergy driven by the concept, different countries and retailers were collecting different levels of financial information, so there was no continuity.

IKEA concluded that it needed to streamline the accounting working routines over all locations and to operate in the same way across all countries, stores and finance departments. Ulrika Martensson, a Project Manager at IKEA, knew that a single global finance system would help the company collect data at a detailed level and ensure that every store was collecting the same level of information and reporting from the same set of standards.

The needs

System consolidation to support growth

At this time, IKEA was operating different finance systems within the group which was expensive, and the technology required major updates to keep up with business expansion. It also meant that consolidation of accounts across the business was complicated and manual inputting of information ran the risk of serious discrepancies in their financial reporting.

“Local offices were duplicating work and reports because there were no standard processes in place for them to follow,” explained Martensson. “Both IKEA's IT and finance teams are part of a huge, multi-faceted operation and play a pivotal role in keeping the business running and growing. The company realized early on that such a sophisticated operation needed technology of equal sophistication, which could be used around the world to simplify finance data collation and analysis.”



The solution

IKEA found the answer in Unit4. Unit4 was chosen to achieve the long term goal of having one common finance system globally that would make accounting quicker and easier. A big and high profile project at the time, Financials was implemented in Sweden, servicing Europe, in Philadelphia, servicing North America and in China, servicing IKEA operations in Asia.

The benefits

Process improvements come with updated technology

IKEA underwent a major project to upgrade its software and to design and implement a single format for its global Chart of Accounts. At the same time, it also decided to implement Cognos tools for ad-hoc reporting and business intelligence.

“Having a common Chart of Accounts across the business was important to us,” continued Martensson. “It means that information contained in the Unit4 system can easily be compared like for like. Information about performance in any country can be accessed easily and everyone knows what that item relates to because we are working to the same project costs and codes. Stores report from the system into a central point in their country and then report financial data to our head office in the Netherlands six times a year. Using Cognos to report from the Unit4 system over the web has made this simpler and quicker as more processes are automated.”

Smooth interfacing means joined up performance

Using a standard Chart of Accounts that updates information in real time from IKEA's operational systems, means each store has on-demand access to real-time performance data. Unit4's IT architecture, makes system integration seamless, so financial reports are more accurate because staff don't spend as much time inputting data manually. The risk of manual error has been reduced and month end and year end reporting times have improved considerably.

“The Unit4 solution is excellent for obtaining performance information when you need it,” said Martensson. “Forecasts are held so they can be reported against and we can see information relating to transactions and performance at a very detailed level.

“The Unit4 solution is integrated with Cognos Controller for Group Consolidation. There are eight operational feeder systems interfacing with the Financials system from each country including merchandising and inter-company invoicing, a system that measures B2B sales, a separate freight invoice system, a central system for staff costs like travel expenses and of course the different country payroll systems. Interfacing is straightforward once you know the Unit4 system. We are very advanced in our use of technology as we have an IT department that is keen to look at new technologies as they become available.”

A global culture shift

With globalization and changing processes comes a lot of culture change within the countries. IKEA has undergone intensive user training on the Unit4 software since the new Chart of Accounts was produced. “Because our finance teams were already using the system, the new Chart of Accounts and web version were accepted pretty well. We spent time on training and explained that one reason for developing a common accounting structure was in preparation for a move towards a shared services model for operational processes so that we can automate more and become even more efficient as an organization.”

IKEA currently uses shared services in Europe and Asia for handling invoices relating to goods and freight, which has saved a lot of time and money. Because the Unit4 solution can be implemented as a ‘single instance’ application and accessed from anywhere, it fits the shared services model well. IKEA is in the process of implementing a workflow solution for other invoices which will eventually be moved to a shared service model, although they will always maintain local legal accounting knowledge in each country location.

The system's ability to support multi-lingual businesses is another reason why large enterprises choose it. At IKEA, everybody uses English in the main, but its Chinese finance team for example has the option to set up menus in Chinese and local descriptions of accounts are available everywhere. Technical support and maintenance of the system is provided centrally from IKEA's IT team in Frankfurt am Main and application support is provided from Brussels which makes adding new stores very easy. The team in Belgium sets up each new country or store in the

Unit4 system as required. Each finance team is then responsible for its own user setup and training based on a train the trainer concept.

Process speed and efficiency – a recipe for success

As IKEA continues to grow, Martensson believes that a common structure and the ability to analyze transactions and where they came from will become more and more important. IKEA is a private company but still needs to be accountable locally for the information that is held in its systems.

IKEA's systems help it to be a tight operation, conducted with precision and control which is essential for such a cost sensitive business. "It's all about reducing costs so that we can continue to offer the same quality of furniture that we do now and keep the prices low," said Martensson.

IKEA's success comes down to a great concept, quality merchandise and excellent execution. Speed and efficiency are essential in keeping costs down and this is carried over into the company's systems strategy. The Unit4 Solution has grown with IKEA as it has evolved into a multi-national business. "Of course, the software has changed and grown up over time," Martensson concluded. "The technology is much more advanced than when we first started using it back in the '90s. The fact that it has kept up with the requirements of a growing business like IKEA shows it can stand the test of time and is a good software investment for any organization where speed and efficiency are key."



About Unit4

Unit4 is a leading provider of enterprise applications empowering people in service organizations. With annual revenue north of 500M Euro and more than 4000 employees world-wide, Unit4 delivers ERP, industry-focused and best-in-class applications. Thousands of organizations from sectors including professional services, education, public services, not-for-profit, real estate, wholesale, and financial services benefit from Unit4 solutions. Unit4 is in business for people.

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