Relationships over borders
A transnational study of the business relationship between IKEA and two foreign furniture suppliers

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Abstract

To get a greater understanding of IKEA’s transnational relationships, a case study has been performed on IKEA’s relationship with two furniture factories in Bosnia-Herzegovina. The thesis is primarily based on qualitative data obtained during interviews with specialists in the furniture industry and Bosnia-Herzegovina. The business relationships are mapped and analysed from a network perspective with the resource tool called 4R-model, through a resource heterogeneity view. The business relationships are categorised into organisational units, production facilities, products and organisational relationships in order to achieve a deeper understanding of the beginning, the development and of the future. Through the suppliers, Bosnia-Herzegovina provides raw material of high quality, low labour costs, educated workers and a geographic position close to IKEA’s key market. IKEA in return, contributes with knowledge, technology and funding. In combination, the business relationships create a forum for economic growth.

Keywords: Network, business relationship, resources, heterogeneity, IKEA, Sconto-prom, Standard Prnjavor, Bosnia-Herzegovina
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1 Introduction

Global spreading of the industrialization is mainly done through multinational corporations’ establishment in developing countries. Decreasing distance between countries due to globalisation has contributed to changes in the industrial sector and in the global division of labour. This has lead to a global shift, where it is easier and more economical to have manufacturing, management and sales in different countries. Multinational corporations constantly expand their activities in further countries, employ more and more people and have a constant increase in turnover. Countries with low labour costs and natural resources often become subject of the expansion. There is generally much at stake during any expansion of a network alliance. Companies face difficult decisions that will affect future outcome, where mistakes can be devastating for potential profits. Global collaboration between companies broadens the opportunities for development, but also includes additional factors to consider.

IKEA is a company that has chosen to take the risk of establishing itself in the global industrial market. Bosnia-Herzegovina is a country with valuable resources that have captured IKEA’s interest; the country is recovering from some difficult years of war and has a great potential of domestic development. IKEA’s global search for new business partners in conjunction with Bosnia-Herzegovina’s desire to develop its industries and production capability has led to a productive cooperation between IKEA and several furniture suppliers in the country. This thesis will study IKEA’s relationship with the two organizational units Sconto-prom and Standard Prnjavor from a resource perspective in order to obtain a deeper understanding of the business collaboration. The project FIRMA, with the goal to support the furniture market, is an organizational unit active in Bosnia-Herzegovina. FIRMA’s affect on the furniture suppliers will also be studied.

1.1 Purpose of the study

This transnational study aims to investigate how the resources of the developing country Bosnia-Herzegovina benefits the global actor IKEA and what possibilities IKEA has to offer Bosnia-Herzegovina. The main focus of the study is on IKEA’s relationship with local furniture companies in Bosnia-Herzegovina, which are a part of the IKEA global network. Primarily, the relationship between IKEA and the manufacturers Sconto-prom and Standard Prnjavor will be investigated.
1.1.1 Research questions

- Why were the collaborations between IKEA and their suppliers Sconto-prom and Standard Prnjavor initiated?
- How has the cooperation developed between the organizational units?
- What could the business relationships look like in the future?

1.2 Background

This chapter presents Bosnia-Herzegovina’s and IKEA’s history, this is done to create a deeper understanding for the context that the furniture suppliers act in.

1.2.1 Bosnia-Herzegovina

The country is located on the west side of the Balkan Peninsula and neighbours Croatia, Serbia and Montenegro, see Figure 1. Bosnia-Herzegovina has 4 million inhabitants and the Capital is Sarajevo. (Swedish Embassy, 2011a, Persson, 2012)

![Figure 1, a map representing the position of Bosnia-Herzegovina in Europe. (Europaländer, 2012)](image)

Bosnia-Herzegovina was proclaimed an independent country 1992 after a referendum boycotted by the Bosnian Serbs. Protests outburst when the international community acknowledged the new state and a self-appointed “Serb republic” was proclaimed. Soon afterwards a violent war broke out where millions of people were set on the run and more than hundreds of thousands lost their lives. After several failed attempts, a peace agreement was settled in 1995. (Swedish Embassy, 2011a, Persson, 2012)

After many years of war, Bosnia-Herzegovina is still a country under construction. Domestic initiatives are taken to rebuild the country where one of the main goals is to
become a member of the EU. (Ministry for Foreign Affairs, 2011) The most important industries in the country are within forest and wood, agriculture, and metal. (Swedish Embassy, 2011b) Those economic activities are similar to industries in Sweden which includes services, wood as well as mining. (Statistics Sweden, 2011) A short summary of land facts are presented in Table 1 below.

Table 1, Short facts about Bosnia-Herzegovina. (Exportrådet, 2012, Gabela, 2012, Persson, 2012)

<table>
<thead>
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<th>Short facts about Bosnia-Herzegovina</th>
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<tr>
<td><strong>Capital</strong></td>
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<td><strong>Population</strong></td>
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<td><strong>Area</strong></td>
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<td><strong>Ethnical structure</strong></td>
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<td><strong>Language</strong></td>
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<td><strong>Constitution</strong></td>
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| **GDP per capita** | € 3,158
g| 3 $ 4,157 ≈ € 3,158 with currency rate 0.7597 (Currency Converter) |
| **Average income** | € 300-400 |
| **Unemployment** | 43.6 % |
| **Important industries** | Forestry and timber processing, agriculture, power generation and metal industry |

**1.2.1.1 The wood industry in Bosnia-Herzegovina**

In former Yugoslavia, Bosnia-Herzegovina was the centre of the wood processing industry with natural resources of high quality and a long tradition of processing. This industry was the livelihood of between 600,000 and 700,000 people before the war in 1992. Furniture making was especially an important part of the industry (Neskovic, 2012). Today it is estimated that 100,000 people work in the wood processing industry and that the industry employs 30,000 people. It was natural to resume furniture manufacturing after the war since a strong tradition in furniture making existed along with production facilities (Neskovic, 2012). In the latest years, 13 % of Bosnia-Herzegovina’s export consists of wood and wood processing and has a net positive trade balance. The long traditions, high-quality raw materials, especially in beech and oak, qualified labour and a good international reputation give Bosnia-Herzegovina a strong comparative advantage and the basis for economic growth. (Coralic, 2012, Gabela, 2012, Persson, 2012)
1.2.2 IKEA

IKEA is today a transnational company with annual sales of 21.5 billion euro and a staff of 123,000 employees in 25 countries, see Figure 2. (IKEA, 2011a) The company was founded in 1943 by Ingvar Kamprad, and has the strategy to sell products at a very low price. (Borneskans, 2008)

Figur 2, a map over IKEA’s expansion in the world. (IKEA, 2011a)

In the early developments of the company, IKEA sold everything from pens and watches to picture frames. The introduction of locally made furniture was positive and the first IKEA catalogue was released in 1951. (IKEA, 2011b) IKEA’s low pricing made them unpopular among competitors and the company was banned from some furniture fairs. (Borneskans, 2008) At the end of the 50’s the Swedish furniture industry boycotted IKEA, which forced suppliers to stop selling furniture to the company. This initiated the move of the production to countries outside of Sweden. IKEA’s supply network today reaches all over the world. The foundation of the network was established during the 60’s and based on long-term relationships with selected suppliers. The complex supply network consists of 1,300 direct suppliers and about 10,000 sub-suppliers located in more than 60 countries. (Baraldi, 2008)

The first IKEA department store was opened 1958 in Älmhult, Sweden. Flat parcels were an innovation that lowered the costs of transportation and damage to the goods. (IKEA, 2011c) The increasing globalization was a fact after a successful establishment in Norway and the first department store outside Scandinavia was opened in Switzerland. (Borneskans, 2008)
IWAY (The IKEA Way on Purchasing Home Furnishing Products) an agreement comprising work environment, emissions to air, water and forest was formed by IKEA during 2000. IWAY was founded in international conventions and declarations. IWAY also requires that IKEA’s suppliers take responsibility for co-workers and employees. (IKEA, 2011d, Dacić, 2012, Neskovic, 2012)

In order to contribute to responsible forestry in countries where IKEA is active; the corporation takes part in several forestry projects with external organisations. Better treatment of the world’s forests is the goal of a project started together with WWF (World Wildlife Foundation) in 2002. (IKEA, 2011e) Other non-governmental organizations, like Green Peace, has captured IKEA’s interest, since they help strengthen IKEA’s identity as a company concerned with key issues as the global environment. (Baraldi, 2006)
2 Theory

This case study of IKEA's relationship with its partners Sconto-prom and Standard Prnjavor will be mapped and analysed from a network perspective using the resource model called 4R, on the basis of resources heterogeneity. More specifically, the 4R-model describes resource linkages and how they can be categorised and will identify potential frictions between the resources while the heterogeneity of resources explains why the friction occurs.

2.1 The 4R model

In order to understand the importance of resources in a business relationship, the 4R model can function as a mapping and analysing tool, see Figure 3. The model focuses on four different types, hence the name, of resources and how they interact. (Baraldi, Gressetvold, & Harrison, 2011) These four types of resources are products, production facilities and organizational units along with organizational relationships. All four types of resources are interdependent and they can be distinguished as follows:

- **Products** are usually combinations of tangible (physical) resources used and produced by different actors in the business network. These products can be moved and therefore connected to several different resource structures. Examples are raw materials, components and finished products.

- **Production facilities** are, like products, tangible resources but they are classified as more permanent. The facilities are usually controlled by one organizational unit and are relatively steady both in time and space which make them important in different resource combinations. Examples of facilities are railways, ports, production machinery and warehouses.

- **Organizational units** include the knowledge and experience of actors, individuals or groups, and their ability to deal with specific resource combinations.

- **Organizational relationships** are a combination of tangible and intangible (social) resources. The relationships cross boundaries between actors and affect intangible combinations such as routines and other kinds of procedures. They also affect tangible combinations such as products and facilities. This fourth resource type is more complex than the others; it creates both problems and opportunities.

The advantage of the 4R model is that it demonstrates how two or more resources interact with each other. A clear connection between these four types of resource is when a product is being manufactured by a production facility and then managed by an organizational unit within different organizational relationships. (Baraldi, Gressetvold, & Harrison, 2011)

The four types of resources can be divided into two different groups. The first group consists of products and production facilities which are categorised as technical resources, while the organizational units and organizational relationships are classified as social resources. Another distinction between resources can be done by differentiating the idea structure of a technology and its activated structure. The idea structure is a way of making conscious changes and an interpretation of the activated structure. In this case an activated structure is the current set of interfaces which the four resource types have for a particular technology, process or network. The structure of activity only involves the resource combinations and the implemented interaction that actually take place between resources. In comparison to the activity structure, the idea structure can include many simultaneous solutions and combinations of resources that are unable to co-exist in reality. It is within the idea structure that ideas and knowledge are developed when different actors interact by confronting ideas related to the activated structure. (Baraldi, Gressetvold, & Harrison, 2011)

The 4R model enables mapping of the resource network and can identify the specific resources that are involved in an organizational relationship between actors. In addition, the most important resource or the most problematic resource can be identified in order to change a combination of resources. (Baraldi, Gressetvold, & Harrison, 2011)
2.2 Resource heterogeneity

A resource can be called heterogenic since the knowledge of how to use a resource varies depending on its context. This means that a resource is a combination of knowledge with intangible or tangible elements. A resource can be categorised as flawed or priceless depending on the user or how it is used in combination with other resources. In other words, a resource combination has a major impact on a business relationship. (Ingemansson, 2010, pp. 47-48, Johanson, 2001, pp. 11-19, Håkansson & Waluszewski, 2002, pp. 31-32) This influence can be analysed through four different factors:

1. **Complementarity** involves the importance of how various resource banks work together. Two resource banks can be joined together and provide more as a combination than the sum of the individual.

2. **Durability** highlights the fact that the value of a resource bank can determine the length of a business relationship.

3. **Substitute** of a resource bank can be difficult to implement which emphasizes the importance of a business relationship.

4. **Transferring** of a resource bank across business relationships is possible, but it may lead to a drop in resource value.

(Johanson, 2001, pp. 11-19)
2.3 Practical use of theories

This study focuses on resource linkages with alignment on the interaction between business relationships. The resource bank of IKEA, Sconto-prom and Standard Prnjavor will be mapped and categorised according to the 4R model after organizational units, production facilities, products and organizational relationship. The organizational units will be identified according to the 4R model within the business network. These organizational units are then explored by identifying products, production facilities and the collaboration between them. The linkages between the units are then revealed and categorised as organizational relationships. This mapping provides a clear view of the significance of each resource. The influence between the resource banks will be analysed through four different factors: complementarity, durability, substitute and transferring. A model of the use of the theories, where the resources banks of the companies and their linkages, is presented below in Figure 4. This is to get a greater understanding of why IKEA chose Sconto-prom and Standard Prnjavor as suppliers and why their relationship has continued throughout the years.

![Diagram](image)

Figure 4, an illustration of the use of the theories. Sconto-prom, Standard Prnjavor and IKEA are presented as resource banks. The relationship between the resource banks are affected by resource heterogeneity in terms of complementarity, durability, substitute and transferring.
3 Method

To get a greater understanding of the business relationship between IKEA and the two suppliers, this study is performed as a qualitative research based on primary and secondary data.

3.1 The choice of subject

How multinational corporations work globally, how they affect their surroundings, and in what way local actors affect multinational companies are interesting in a socio-technical point of view. Interests of Bosnia-Herzegovina was found because of their similarities to industries in Sweden: services, wood and mining. The wood industry was selected because of Bosnia-Herzegovina’s long tradition of wood processing, natural resources of high quality and the high technology use. The choice of subject fell on a case study of the relationship between IKEA and two furniture suppliers. This since IKEA is operating in Bosnia-Herzegovina and has a particular approach to their suppliers compared to other multinational corporations. The supplier Sconto-prom was selected because it is a large furniture actor in Bosnia-Herzegovina and is an official IKEA supplier. During the study a possibility was given to get in contact with Standard Prnjavor who is also a supplier to IKEA. The differences between the two suppliers’ relationships with IKEA were interesting and both companies were therefore chosen to be part of the case study in this thesis. Access to the interviewees was given through the main contact at Sida, who has a relationship with FIRMA and other interesting contracts. FIRMA, through their network in Bosnia-Herzegovina, could in turn offer contact with the two furniture suppliers.

3.2 The choice of theory

This thesis study the relationship between IKEA and two suppliers through a network perspective, which clarifies the connections between the actors. To fully understand changes in the relationship over time, a resource interaction view was chosen to identify opportunities and obstacles within the relationship between the actors. The 4R-model is a suitable tool for identifying resource linkages since it maps and categorise a company’s assets into four different resource types and demonstrates their interaction. The resource heterogeneity theory deepens the understanding of how changes and combinations in resource affect the development of a business relationship. Therefore, the 4R-model and resource heterogeneity was chosen as suitable theories for this study. Furthermore, the 4R-model has also been a methodology throughout the study, it has been a tool for the configuration of this thesis.
3.3 Primary data

This study is primarily based on qualitative data which was obtained during semi-structured interviews. This choice of method was made because of the complexity of the study, to be able to fully understand the details of the business relationships. In order to learn how to manage interviews in the best way we have participated in several seminars on the subject. Most of the interviews were held during a one week trip to Bosnia-Herzegovina, which also had the purpose to increase the understanding of, and participation in, the culture. The intention with the interviews was to gain a greater understanding of why IKEA had chosen to establish relations in Bosnia-Herzegovina and how the relationship has developed.

The 4R theory and secondary data in this thesis are the foundation of the formation of the interview questions that are semi structured. This is to pay attention to important aspects and also to create an environment which is open to further elaborations, should the interviewee find the question particularly interesting. (Åberg, 2011) The formation of the questions is simple; to avoid misunderstandings, theoretical concepts are explained and the questions are openly formulated to avoid yes and no answers. Comprehensive questions are divided into smaller pieces for easier understanding. (Eriksson & Wiedersheim-Paul, 2006, pp. 96-101) With a semi-structured environment an open dialogue is possible based on a list of themes. (Saunders, Lewis, & Thornhill, 2009, pp. 320-323) The interviewees are presented below in section 3.3.1 Interviewees, the interview topics can be found in 8 Appendix.

3.3.1 Interviewees

To be able to write this thesis several interviews have been performed both in Sweden and in Bosnia-Herzegovina. The contact with the interviewees was initiated through Pelle Persson’s social network and later through Željka Knežević’s. The informants have in some cases been selected because of their knowledge within the area, called the information method: flexibility with the snowball method has made it possible to find new knowledgeable interviewees during the interview procedure (Jacobsen, 2000, pp. 195-202). The interviewees are presented below.

Enrico Baraldi, Associate Professor Div. Industrial Engineering & Management, Dept. of Engineering Sciences at Uppsala University has after many years of research helped us understand the business structure of IKEA.
Amir Coralic, Business manager at South Eastern European Business Agency, Head of Procedurement at Standard Furniture dd Sarajevo, with knowledge about the business environment and the furniture industry he contributed with facts and greater understanding.

Edin Dacić, President of the Board of Administration at Standard Prnjavor has because of the close relationship with IKEA contributed with information about Standard Prnjavor, IKEA and the relationship between those two. A visit to the production facility was made during the interview.

Jasmin Gabela, Deputy Chief of Party at FIRMA-project informed us about the situation in Bosnia-Herzegovina through a historical and cultural perspective together with general information about IKEA.

Elizabeta Josipović, Owner and manager of Sconto-prom has with her knowledge about the company explained the relationship with IKEA. A visit to one of Sconto-prom’s production facilities was made.

Srđan Josipović, Assistant manager at Sconto-prom and manager for Urban deepened our understanding for the relationship between Sconto-prom and IKEA.

Željka Knežević, Project Manager, Banja Luka Office at Firma, has with her knowledge about the furniture business in the northern parts of Bosnia-Herzegovina been a asset to understand the business climate.

Pelle Persson, Councillor, Head of Cooperation, Swedish Embassy in Bosnia at Sida has contributed with facts about the country and information on the Bosnian way of life. He has been a support and helped us get in touch with some of the key persons for this thesis.

Slobodan Neskovic, Managing Director of the Chamber of Commerce of Sweden and Norway has contributed with his understanding for Sweden, Bosnia-Herzegovina and the furniture industry.

Susanne Åberg, PhD Student, Dep. Business Studies at Uppsala University has during a workshop created a greater understanding for interview structure and how to formulate suitable questions.
3.4 Secondary data

The overall information about IKEA, Sconto-prom, Standard Prnjavor and Bosnia-Herzegovina has mainly been collected from secondary data such as articles, books, homepages and reports.

3.5 The credibility of the study

Validity is an estimation of to what extent the study object that is supposed to be measured actually is measured. (Eriksson & Wiedersheim-Paul, 2006, pp. 59-61) We consider the internal validity as medium to high since the theory we are using is complex but widely used which extends the understanding.

Reliability is about the confidence of the measurement instrument, to what extend the same result is gotten if the study is done repeatedly. To announce a high reliability the study needs to be independent from the investigators but also from the areas investigated like people and organizations. The reliability can be a problem in interpretive investigations. (Eriksson & Wiedersheim-Paul, 2006, p. 61) This study is of an interpretive kind and therefore it is hard to estimate its reliability. Since this fact is known, an approach as neutral as possible was applied. An uncommitted atmosphere when the interviews were performed was also created. Having this in mind during the whole study has increased the reliability of this thesis.

The information in this study is predominantly primary data from interviews. The facts obtained during interviews are regarded as credible since the information comes from a primary source. Still there is a risk that the facts have been distorted. Moreover, the information can be biased, since it is unilaterally taken from the interviewee or the companies’ perspectives. (Jacobsen, 2000, pp. 256-265) The two companies concerned have different kinds of relationships to IKEA and they are also in different phases in terms of their business development, which affect the information given concerning the link to IKEA. During the interview held with Elizabeta Josipović an interpreter was used. The interpretation may have caused some distortion since the information first was interpreted by the interpreter. (Dalen, 2007, p. 35). When reading this thesis it is important to keep in mind that contact has been initiated with IKEA but a formal interview has not been held, this because of their business policy of secrecy. The information about IKEA was obtained mainly from one of the main authors of the 4R theory, Enrico Baraldi. This can affect the objectivity of the theory and the empirical, other references are there for used as a complement.
Some of the secondary data is collected from different homepages on the Internet. These facts may just highlight the company’s benefits and not any disadvantages. It is therefore important to have in mind the purpose of a homepage when collecting and analysing information. (Eriksson & Wiedersheim-Paul, 2006, pp. 161-172) The published sources that are used are considered credible; they usually undergo extensive reviews which contribute to the credibility of the information. Information about the companies is more credible if it is reviewed by an external part. (Jacobsen, 2000, pp. 256-265)
4 Empirical

4.1 Organizational units in Bosnia-Herzegovina

The organizational units that act within Bosnia-Herzegovina in this study are presented below and include IKEA, FIRMA, Sconto-prom and Standard Prnjavor. These units affect in one way or another, the organizational relationship between IKEA and the furniture companies Sconto-prom and Standard Prnjavor. The organizational units are mapped according to the 4R-model, see Figure 5.

![Figure 5](image)

Figure 5, an illustration of the organizational units in the network.

4.1.1 IKEA

IKEA is a company that actively shapes and creates the environment around them. They have architects, production and logistics experts who design and supervise all of the companies’ facilities like retail stores and distribution centres. IKEA choose their operational units in areas that appear to be most suitable for their diversified task, even if they are somewhat affected by their location. Their offices are placed in countries where raw materials, components or end products are found. (Baraldi, 2006) IKEA’s trading offices are therefore not categorised by region anymore but by type of product, for example textile in Istanbul, veneer in Prague and solid wood in Belgrade. (Dacić, 2012)

IKEA influence their suppliers directly and indirectly in how they should construct their factories by persuading them to introduce specific machineries or production processes. Usually the factories are formed to meet high production demands and even if the products economic margins are low; the massive production ensures a profit (Gabela, 2012). IKEA and their suppliers sometimes invest jointly in equipment which increases IKEA’s influence on their suppliers in terms of factory design, production flow and work organization. If IKEA invest or work together with a company, they want them to have a
running production validating the competence and seriousness. Furthermore IKEA affect the connections between different suppliers in terms of distribution, which link different factories to each other. They induce their suppliers to locate near IKEA units like retail stores to decrease costs for transports as one example. (Dacić, 2012, Baraldi, 2012)

4.1.1.1 IKEA’s choice of suppliers
IKEA are well aware of their supplier’s choice of geographic location which affects the raw material and components of a product in terms of costs, functional features and quality. The geographical origin aspects also include labour costs and skills, where a country with low labour cost often is far away from key markets and increase of transport costs. Another factor to consider is the origin of production facilities. Most of IKEA’s machinery comes from Italy and Germany, where the competence regarding operating and maintenance of the machines and facilities lies. The most important factor is that IKEA seeks suppliers with different regional features. Most suppliers are located in China, Poland and Sweden, but the suppliers have been chosen for different reasons. The suppliers in China have access to inexpensive labour and good raw material, while the Polish units have the advantages of good competence, relatively advanced technology, lower-than-average labour costs and are situated near IKEA’s key markets in Europe. In contrast to the Chinese suppliers, the Swedish units have higher labour costs, exceptional technology, long-term experience, high competence and they also have geographical advantages. These factors have led to development projects in complex technical issues and collaborations between IKEA of Sweden in Älmhult and suppliers with other competences and an interest of commitment, like Becker-Acroma and Akzo-Nobel. (Baraldi, 2006)

IKEA’s worldwide business relationship links the company to other external units since they are physically present in different regions. These relationships are important since they function as bridges to overcome spatial, cultural and competence obstacles. The obstacles are not to be eliminated completely since they also provide variation in terms of different influences. Cross border business relationships also have disadvantages because they can create conflicts in resource connections. For example, IKEA do not utilise two suppliers for the same product in the same geographic region since they do not want them to be competitors. Competition between suppliers can limit their ability to scale their production since they reach for the same local market. (Baraldi, 2006) IKEA also wish that more than 50 % of their suppliers’ turnover should be independent of
IKEA. The reason for this is to stimulate the suppliers’ own technological development but also to lessen the impact on the supplier if IKEA decreases their orders. (Baraldi, 2008)

Trust and commitment are important factors for IKEA when collaborating with their suppliers and a long-term approach is used to build mutual and lasting relationships with key suppliers. This is done by considering the suppliers’ interests, by entrusting responsibility and tasks to suppliers and sometimes also being dependent of the supplier. The product involved has a great affect on this kind of relationship. Short-term relations are used when more simple products are involved. Complex products are usually assigned to suppliers with a high level of trust. (Baraldi, 2008)

“IKEA is tough on everything; they have no tolerance at all. If you share their values you will have their full support.”

(Dacić, 2012)

4.1.2 FIRMA

FIRMA stands for The Fostering Interventions for Rapid Market Advancement and is a project sponsored by USAID\(^2\) together with Sida\(^3\). The project started in September 2009 and will continue over a five year period to support sustainable economic growth, employment expansion and increased household incomes in Bosnia-Herzegovina. The project focuses on three different sectors of the Bosnia-Herzegovina economy. These three sectors are wood processing, tourism, and light manufacturing. FIRMA is working to create growth in local communities by facilitating networking between companies and stakeholders. They offer training and technical assistance to improve product quality, operational productivity and management efficiency to local actors. The project makes it easier to access finance and promoting investment as well as improving connections to the global network. FIRMA is also working on further development of political, legal environment to create better conditions for doing business in the country. (FIRMA Project)

\(^2\) USAID, U.S. Agency for International Development has the general purpose to contribute to a long term economical and social develop abroad and is active in more than 100 countries around the world. (USAID, 2011)

\(^3\) By providing resources and develops skills, knowledge and expertise Sida, Swedish international development cooperation agency works to reduce poverty in the world. (Sida, 2011)
4.1.3 The furniture supplier Sconto-prom

The furniture company Sconto-prom was founded in 1998 by Ms. Elizabeta Josipović in Prijedor, Bosnia-Herzegovina. The company is privately owned by its founder and is currently managed by Ms. Josipović and her two sons. Sconto-prom has a total turnover of € 8 million. (Josipović E. , 2012) In the beginning the business consisted of only three employees and one machine, principally involved in the manufacture of furniture components. After a few years the company changed focus from furniture making to tailoring textile and leather to furniture, which became the core of the business. (Cluster DRVO) Today they have resumed their focus on wooden furniture because of the local accesses to raw material. (Josipović E. , 2012, Neskovic, 2012) Sconto-prom established their own furniture brand in 2007, called Urban, which they both produce and sell. (Josipović S. , 2012) In addition to their own brand, Sconto-prom has a wide range of furniture for living rooms, bedrooms, kitchens offices, restaurants and hotels. (Cluster DRVO)

The company has always been export-oriented and the major part of their business was early conducted by the Swedish furniture producer IKEA. Over the years business relationships have been established within countries like Great Britain, France, Italy and Slovenia. As the company’s international network has grown so has their domestic business in Bosnia-Herzegovina. (Cluster DRVO)

The company has met quality requirements for the standard system ISO 90001-2000 and has also adopted IKEA’s internal quality standards I-way, Q-way and 4-sip. (Cluster DRVO) Today the company counts as one of the largest furniture and textile factories in Bosnia-Herzegovina. (World Investment News)

4.1.3.1 Production facilities

Sconto-prom has approximately 600 employees located in four sites in Bosnia-Herzegovina with headquarters and production in Prijedor and production facilities in Prnjavor, Sanski Most and Ključ. (World Investment News, Cluster DRVO, Josipović E. , 2012)

In 2004 the company expanded and bought their first production facility in Prijedor. Before, all production facilities were rented. In the facility in Prijedor they makes polyester to their upholstered furniture, most produced to IKEA. (Josipović S. , 2012)
The company expanded further and in 2005 Sconto-prom purchased another company in Prnjavor and established another production facility. In the facility in Prnjavor 100% of the production consists of their own brand Urban. (Josipović S., 2012) The production facility in Prnjavor employs 110 people and 1-3 trucks with products a day leave the factory. (Josipović E., 2012)

The growth of the company continued and Sconto-prom opened another production facility in Sanski Most, specializing in massive beech furniture which attracted the German and Italian market. (Josipović S., 2012)

The latest expansion of the company was last year, in September 2011 with the opening of a new factory in Ključ in the Una-Sana Canton region, which created 55 new jobs. The plant expects to employ 500 people within a year and it will mainly produce wooden benches and chairs for IKEA as well as solid wood furniture for the local market. (FIRMA) The production facility has a production area of 12000 square meters and only half of it is currently used. (Josipović S., 2012)

4.1.3.2 Products
When Sconto-prom manufactures their furniture they use the raw materials beech and oak from the region. (Josipović E., 2012) For their upholstered furniture they produce polyester but have to import the cotton for the fabric. Beside the production mentioned above Sconto-prom manufactures three types of products to IKEA. These products are the armchair Poäng and the sofa beds Lycksele and PS. (Josipović S., 2012) In Table 2 the products are presented.

| Product specification of Sconto-prom. (Josipović S., 2012) |
|---|---|
| **Product** | **Type** |
| Poäng | Armchair |
| Lycksele | Sofa beds |
| PS | Sofa beds |

4.1.4 The furniture supplier Standard Prnjavor
The company was founded in 1943 and their production focus was on furniture for schools. Standard Prnjavor changed direction in 1985 and started to make household furniture. In 2001 Standard Prnjavor was privatised and today they have 300 employees.
and an annual turnover of €11 million. IKEA is Standard Prnjavor’s only customer and to be able to supply IKEA the factory needs to meet the I-WAY-standard which they do. (Đacić, 2012, Standard Prnjavor, 2011)

4.1.4.1 Production facilities
Standard Prnjavor has one production facility that is located in Prnjavor. The geographic location of Prnjavor is close to the European market. (Đacić, 2012)

4.1.4.2 Products
Veneer is mainly used in Standard Prnjavor products and they have specialized in combining veneer with solid wood and metal. (Standard Prnjavor, 2011) The products consist of Benno CD/DVD-rack, Bjursta a dining table, Komplement drawers to wardrobes, Lämplig a cutting board and Vejmon a coffee-table. Standard Prnjavor is the only supplier for Benno CD/DVD-rack. Vejmon is produced together with the Serbian company Dacoord. The table tops that are made of veneer are produced by Standard Prnjavor and the solid legs are produced in Serbia. (Đacić, 2012) Table 3 presents the products.

Table 3, shows the product specification of Standard Prnjavor. (Đacić, 2012)

<table>
<thead>
<tr>
<th>Product</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benno</td>
<td>CD/DVD-rack</td>
</tr>
<tr>
<td>Bjursta</td>
<td>Dining table</td>
</tr>
<tr>
<td>Komplement</td>
<td>Wardrobes</td>
</tr>
<tr>
<td>Lämplig</td>
<td>Cutting board</td>
</tr>
<tr>
<td>Vejmon</td>
<td>Coffee-table</td>
</tr>
</tbody>
</table>
4.2 Organizational relationship

The relationships between organizational units and resource banks are presented in this chapter. In Figure 6 below are the organizational relationships between Sconto-prom, Standard Prnjavor and IKEA presented.

![Organizational Relationships Diagram](image)

**Figure 6**, an illustration of the organizational relationships between Sconto-prom, Standard Prnjavor and IKEA.

4.2.1 Sconto-prom and IKEA

The organizational relationship between Sconto-prom and IKEA started in 1999, one year after the founding of Sconto-prom. (Josipović S., 2012) Ms. Josipović got in touch with IKEA through a relative who worked as a truck driver for IKEA in Ljubljana, Slovenia. (Josipović E., 2010) The reason why IKEA became interested in Sconto-prom was because they could deliver high quality products. This since the Bosnia-Herzegovinian wood, especially beech, is of high quality. Other reasons for the relation were access to low labour costs and the promise of prompt on-time deliveries. (Josipović S., 2012)
According to Srđan Josipović, assistant manager at Sconto-prom, Sconto-prom had a close relationship with IKEA and their factories were visited several times a year in the beginning. IKEA also supported the company financially on two different occasions. The first time was in 2005 and the second was in 2007. (Josipović S. , 2012) Since 2008 they do not have the same kind of relationship. IKEA reorganised their suppliers which had an impact on the continuous contact between the two organizational units. At first Sconto-prom had a close relationship with IKEA’s trading office in Ljubljana, Slovenia, but after the reorganization the connection with the trading office were lost. Sconto-prom was transferred to the trading office in Prague, then transferred again to the office in Milan and finally to the trading office responsible for textile in Istanbul. Since the change IKEA have visited Sconto-prom three times in three years which is a considerable decrease. After the shift to the trading office in Istanbul, the business orders from IKEA started decrease. According to Srđan Josipović the reason for the decline was that IKEA had decided to concentrate their textile departments to China and Turkey, two world leading countries in cotton production. The production to IKEA has dropped from € 13 million and 350 workers in two shifts to € 5 million with 250 workers in one shift. (Josipović S. , 2012)

In 2011 Sconto-prom began an organizational relationship with a furniture company called Aramis in Romania, which also is a supplier to IKEA. The Romanian supplier produces upholster furniture and sometimes Aramis engage Sconto-prom to manufacture orders that they cannot cope with. IKEA initiated the collaboration between the two companies, but since IKEA started to lose interest in Sconto-prom the relationship between Aramis and Sconto-prom has been independent of IKEA. (Josipović S. , 2012)

Sconto-prom has been dependant of IKEA throughout the years but have started to become more independent. In 2008 90 % of their manufacturing was linked to IKEA and in 2011 the percentage declined to 80 %. (Josipović E. , 2012) At the moment this ratio has declined further to 60 %. If IKEA decide to extend their business contract after it has expired, Sconto-prom will try to decrease the manufacturing percentage to IKEA with 40 %. (Josipović S. , 2012) Today Sconto-prom has a total turnover of € 8 million and € 5 million of this is profit from supplying IKEA. If Sconto-prom loses the organizational relationship with IKEA they might not be able to continue their production at all. (Josipović E. , 2012)

The future relationship between Sconto-prom and IKEA is uncertain since the contract will expire in June 2012. Ms. Josipović argues that IKEA would benefit from using
Sconto-prom as a supplier when IKEA will open a new store in Zagreb since they provide competitive products at a near distance. For the last three years IKEA have limited Sconto-prom’s production to older models of furniture and the company has not received any requests for proposals from IKEA. Ms. Josipović has also had trouble reaching the top management of IKEA to discuss this situation and has repeatedly been referred to the trading office in Istanbul which, in her opinion, cannot assist. Sconto-prom would like to compete with the other suppliers since they know they can give IKEA a low price, good quality and on-time deliveries. According to Ms. Josipović, Sconto-prom have never had a single return of a product. (Josipović E., 2012)

4.2.2 Sconto-prom and FIRMA
FIRMA has supported the company in terms of networking with different actors in the area, including the government of Una-Sana Canton, according to the owner of Sconto-prom, Ms. Elizabeta Josipović. Before Sconto-prom was in contact with FIRMA, their focus was on investing in machinery to be at the forefront of technology development. After the cooperation with FIRMA had been introduced, Sconto-prom began spending more money on staff and their skills in terms of working techniques and design. In addition, they have through FIRMA been able to establish contact with the U.S. and UK markets in the furniture industry which has led to Sconto-prom shipping their first products to the U.S. in November 2010. (FIRMA) Besides helping Sconto-prom with their networking, FIRMA has helped the company to promote their own brand, Urban, by advertising in newspapers and arranging showrooms. (Josipović E., 2012)

4.2.3 Standard Prnjavor and IKEA
Standard Prnjavor has a close relationship with IKEA and IKEA visit them often to help develop the operation and to allow knowledge transfers. With know-how-transfers, quality management, technical assistance, assistance planning and executing of investment and optimization on the supplier side are developed. IKEA also taught Standard Prnjavor how to implement Kaizen, a process used to improve the production activities by small steps. IKEA has a system in which their supplier can see a forecast of all orders over the next few years. Updates of order over a whole year are done on a weekly base and a fixed order is delivered 30 days in advance. Normally it takes one month from order to delivery and Standard Prnjavor’s contract has a duration of four years. (Dacić, 2012)

In 2000, IKEA initiated the contact with Standard Prnjavor. Representatives from IKEA’s office in Slovenia searched for suppliers in Bosnia-Herzegovina and six months
Later Standard Prnjavor and IKEA had signed their first contract. In the beginning the factory was in very bad shape and many of the machineries needed to be repaired. The working capital came in the beginning from IKEA and a Swiss company. It was very difficult to get a bank loan in Bosnia-Herzegovina at this time and the interest rate was about 17%. (Dacić, 2012)

When Standard Prnjavor wanted to improve their production in 2005, IKEA helped them with competence by sending a person educated in the area. In two months the production was more than doubled.\(^4\) Thanks to IKEA’s network, a relationship between Standard Prnjavor and the supplier Dacoord in Serbia was initiated. The collaboration produces Lämplig. (Dacić, 2012)

In 2007 IKEA wanted Standard Prnjavor to triple their turnover in a period of three years.\(^5\) To make this work they needed to increase the number of employees. This was not supposed to be a problem since the unemployment in Bosnia was 40%. In reality the unemployment was approximately 15% because of the black market which made it difficult to find labour (Persson, 2012, Dacić, 2012, Coralic, 2012). Further, the high labour fees\(^6\) on top of the salary made it tough to fight the black market. In 2008 Ingvar Kamprad visited Standard Prnjavor to ask why they did not wish to sign a new contract. The reason was that Standard Prnjavor did not know if they could extend the labour force to meet IKEA’s demand.\(^7\) The financial crisis in 2008 turned out to be beneficial to Standard Prnjavor in view of the fact that the needed labour could be found. Since 2009 they have a waiting list of people who want to work for them. (Dacić, 2012)

Today Standard Prnjavor belongs to the Prague trading office after a change from Belgrade in 2011. They produce 5,000 pieces a day for IKEA. The structure of the facilities is to produce a large volume and IKEA always pressure to increase the production. Standard Prnjavor have increased their delivery to IKEA from €10 million in 2010 to €11 million in 2011; in 2012 they hope that the delivery will increase even further to €14 million. Standard Prnjavor are confident that they will grow. The

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\(^4\) It was hard to make this change because the labours didn’t want a greater work load. To solve the problem the management promised to double the salary. The workers did not believe in a change of salary, but after a testing period of two months the production was more than doubled.

\(^5\) A way to increase the work pace was through a bonus system where points were collected and the winner would get a car. The 15% of sick leave decreased during this period.

\(^6\) Mr. Dacić comment about the high labour fees “People are not irrational, you just have to find the reason why they do as they do”. (Dacić, 2012)

\(^7\) Standard Prnjavor also thought of bringing in Chinese labour, the idea burst after political intervention “no one else should take the work from the Bosnians”. (Dacić, 2012)
technology to make veneer is getting better and better, soon customers can’t see the
difference between solid wood and veneer. (Dacić, 2012)

4.2.4 Standard Prnjavor and FIRMA
Standard Prnjavor’s only client is IKEA. FIRMA’s role is to support Standard Prnjavor
to lessen their dependence. FIRMA’s network is their most important contribution
together with credibility (Knežević, 2012). FIRMA is also an ally since they can
contribute with different inputs and helps Standard Prnjavor to create their own
collection in order to reduce the dependency of IKEA’s. (Dacić, 2012)
5 Analysis

Bosnia-Herzegovina suffered a lot during the war and is still recovering. Before the war the country had a well-developed furniture industry with many production facilities and an educated labour force. The organizational units Sconto-prom and Standard Prnjavor have taken advantage of the resources that the country can offer to produce high quality products for IKEA. Even though the suppliers have the same main client they are not competitors since they do not deliver the same kind of products and that is one of the reasons that they have different organizational relationship.

IKEA, Sconto-prom and Standard Prnjavor have been identified as organizational units, with their production facilities, products and organizational relationship according to the 4R-model. Each company, together with their four resource types, can be categorised as a resource bank with a value that changes over time.

5.1 The beginning of the organizational relationships

The organizational relationship between IKEA and Sconto-prom began when the owner of the furniture manufactory got in touch with IKEA’s trading office in Ljubljana through a contact. In contrast, Standard Prnjavor’s relationship with IKEA was initiated after a search for new organizational relationships in the region of Bosnia-Herzegovina. Even though IKEA initiated the relationships with the two suppliers in two different intangible ways, they saw the same kind of potential in both. They could both offer access to tangible resources as raw material of high quality, cheap labour educated in furniture manufacturing, the promising of quick on-time deliveries and a good geographical position near IKEA’s key market. These resources are a mixture of attributes found in IKEA’s suppliers in China and Poland and that could be a reason why IKEA finds Bosnia-Herzegovina interesting. Possibilities the suppliers saw in IKEA as an organizational unit was a solid companion to develop and grow with.

From the beginning, IKEA had a similar approach towards the suppliers by contributing with both tangible and intangible resources through technologies, economic support and knowledge. In other words they contributed with technical, economical and social development to the suppliers and through them to the country as a whole. Both suppliers had a continuous high rate of visits from IKEA to their production facilities, which enabled a close organizational relationship between the organizational units. Thanks to the organizational relationships with IKEA the business development of Sconto-prom and Standard Prnjavor increased in a higher pace than it would without the connection.
5.2 The development of the organizational relationships

5.2.1 Complementarity
Unlike Sconto-prom, Standard Prnjavor’s organizational relationship with IKEA has had a positive development throughout the years. Even though IKEA is a large company, the degree of complementarity is higher between Standard Prnjavor and IKEA. Compared to IKEA’s organizational relationship with Sconto-prom the complementarity is superior. The high degree of complementarity is based on the fact that Standard Prnjavor is the only producer of the product Benno, which creates a dependency of IKEA. Sconto-prom has no corresponding product. IKEA has also helped increase Standard Prnjavor’s own resource bank value through complementarity by introducing them to the collaboration with the Serbian furniture manufacturer Dacoord.

5.2.2 Durability
Srđan Josipović, assistant manager at Sconto-prom, believes that the lack of cotton in Bosnia-Herzegovina might be a reason for the weakening of Sconto-proms organizational relationship with IKEA. According to IKEA’s strategies this can be correct. One aspect to the contrary is that the lack of cotton always has been an issue of concern. Therefore we believe that there must be other underlying reasons for change of the organizational relationship. One cause of the change might be that IKEA are only interested in one supplier of upholstered furniture in the region of Southeast Europe and that they favour the supplier Aramis in Romania instead of Sconto-prom. Another reason for the weakening of the organizational relationship between IKEA and Sconto-prom could be that Sconto-prom produce older models of furniture. They have not yet been given the possibility to produce newer products, something that have decreased the durability of their resource value which in turn affects the length of a relationship. Sconto-prom seem to have a problem with their resource structure, the resource bank value could be increased by moving and connecting products to several different structures. On the contrary, Standard Prnjavor’s resource bank value has increased in terms of durability since they continually introduce new models of furniture. According to the 4R-model, one of the attributes of an organizational unit is the ability to deal with resource combinations, something that Standard Prnjvor is superior in.

5.2.3 Substitute
Since Standard Prnjavor is the only manufacturer of the product Benno it is difficult for IKEA to substitute them with another supplier. This fact increases the resource bank value even further for the company. Sconto-prom doesn’t have the same exclusiveness
with their products and therefore IKEA can substitute them easier. Another reason for the strong organizational relationship between IKEA and Standard Prnjavor is that they manufacture veneer furniture which requires advanced technology. This complexity makes them more valuable as a supplier to IKEA than Sconto-prom with their upholstered furniture.

5.2.4 Transferring
The organizational relationship between Sconto-prom and IKEA took a turn a few years ago due to IKEA’s ecological way of thinking and their increased awareness of the location of raw materials, which lead to a reorganization of their trading offices. After the rearrangement of responsibilities for IKEA’s trading offices, Sconto-prom were transferred three times and now belong to the Istanbul office located in a region where the access of cotton is high. During these transfers, the value of their resource bank gradually decreased and the organizational relationship with IKEA weakened, IKEA visits to the production facilities were reduced and the duration of their contracts decreased. These transfers together with the geographical distance to Istanbul contributed to the weakening of the intangible contact between the two organizational units which in turn weakened the organizational relationship altogether. Standard Prnjavor have not been through the same kind of transfer process and therefore have a more stable organizational relationship with IKEA. This, since they, throughout the years, have contact with the same people at IKEA who know their business and their capabilities as a supplier.

5.3 The future of the organizational relationships
All in all, Standard Prnjavor has a higher value of their resource bank than Sconto-prom in terms of complementarity, durability, substitute and transferring. In fact, the resource bank value has increased during the last years for Standard Prnjavor, while the resource bank value for Sconto-prom has decreased.

The future of the organizational relationship between Sconto-prom and IKEA depends on IKEA. The importance of how various resource bank works together through complementarity indicates how little IKEA are affected by losing a small supplier like Sconto-prom. It will be difficult for Sconto-prom to find a substitute customer with the same kind of production volumes. Sconto-prom will lose their biggest customer if the organizational relationship with IKEA ends, which will put them in a vulnerable position. The business network in Bosnia-Herzegovina is limited after the war and
connections with organizational units like FIRMA is important for Sconto-prom to get credibility and a wider range of their network. Together with FIRMA’s resource bank and that Sconto-prom can offer high quality in production facilities and products, there is reason to believe that in a few years they can recover from the potential loss of IKEA. Since IKEA have invested both tangible and intangible resources like time, knowledge and money in the organizational relationship with Sconto-prom the resource bank investment should not be a waste. The loss of strength in the organizational relationship might have been avoided if IKEA had had other routines in the transfer between different trading offices, since this seems to be one of the reasons for loss in interaction.

The picture that Sconto-prom gives of their business relationship with IKEA shows that their idea structure differs from the activated structure. One way to evolve the relationship could be to reduce disparities between the idea structure and the activated structure: this could be done by confronting ideas related to the activated structure.

The future organizational relationship between IKEA and Standard Prnjavor looks brighter than the organizational relationship IKEA have with Sconto-prom. Standard Prnjavor have continuous contact with IKEA and have known business orders for a couple of years ahead. IKEA have not shown any sign of intention to terminate the organizational relationship. IKEA and Standard Prnjavor’s activated structure seems to be closer to the idea structure: they also develop the activated structure through their idea structures together.

Both Sconto-prom and Standard Prnjavor have the same kind of dependence of IKEA. They both need to expand their customer network in order to reduce the risk of their future business by not putting all of their eggs in one basket. This might be difficult since the production facilities are adapted to manufacture specific types of products in big volumes, which is a tangible effect of the organizational relationship with IKEA. This makes it difficult to change the resource combination. Sconto-prom have managed to reduce their dependence of IKEA, but not far enough, whilst Standard Prnjavor have not reduced their dependency at all. Hopefully, the suppliers will be able to create their own business networks with or without the help from FIRMA. IKEA furthermore have an interest in the decrease in dependence since they want their suppliers to have their own technological development. According to IKEA’s own policies they want their suppliers to endeavour a level of 50 % of their production to IKEA and the rest to other organizational units. This level is supposed to give the best possible outcome for their organizational relationship.
5.4 Summary

The organizational relationships have been analysed in three different steps, beginning, development and future in four different dimensions, complementarity, durability, substitute and transferring. In Figure 7 below, the analysis is presented. The wide arrow represents the business relationship between IKEA and the furniture suppliers in the three steps. Sconto-prom is presented on the left hand side and Standard Prnjavor on the right.

![Diagram of organizational relationships between IKEA and furniture suppliers]

Figure 7, the illustration shows the summary of the analysis.
6 Conclusions

A country like Bosnia-Herzegovina, with access to raw materials of high quality, cheap labour and a key geographical position creates an interest for an organizational unit like IKEA. Organizational units in Bosnia-Herzegovina are, from their side, interested in the resources that IKEA can contribute with like technological skills, knowledge, funds and big manufacturing orders which are essential for economic growth as well as technical and social development. The high value of the resource banks is the reason for the initiative of the organizational relationships between IKEA and the furniture suppliers Sconto-prom and Standard Prnjavor.

The organizational relationship between IKEA and Sconto-prom has gone from fruitful to uncertain throughout the 13 years. The duration of the contracts have been shorter and shorter and the current contract will expire in June 2012, with no promises of extension. The reason for this could be that they produce older models of furniture with lower duration, they are easy for IKEA to substitute and they have, three times, been transferred between different trading offices. This has in turn led to a decrease of their total resource bank value. In contrast, the collaboration between IKEA and Standard Prnjavor is flourishing, like it has been since the beginning 11 years ago. Standard Prnjavor have continuous contact with IKEA and a business contract that extends a few years ahead. Unlike Sconto-prom they produce unique products which increase the complementarity, new models of furniture with higher duration, they are difficult to substitute for another supplier and they have only been transferred between trading offices once. This has led to an increase of their total resource bank value.

In the future is it important for suppliers to realise that their relationships with IKEA rapidly can become fragile and is unwise to completely rely on. They need to increase their business network to spread the risks. It is important for IKEA to have a greater communication within their organizational relationships to their suppliers so that they do not lose their former investment in unnecessary loss of suppliers.

This case study shows how difficult it can be to maintain a good business relationship over time, but also how much it can benefit all participants. Relationships like these also show how important internal and external organizational units are for economic growth as well as the technological and social development for a country like Bosnia-Herzegovina.

For further studies it would be interesting to do an impact analysis of the transferring of organizational units between trading offices within IKEA.
7 References

7.1 Primary data


7.2 Secondary data

7.2.1 Published literature


References


7.2.2 Online literature


7.3 Theory

7.3.1 Published literature


Ingemansson, M. (2010). *Success as Science but Burden for Business?*. Uppsala, Sweden: Department of Business Studies at Uppsala University.

8 Appendix

8.1 The interview topics held with FIRMA
There were two interviews held with Željka Knežević and Jasmin Gabela at FIRMA and the interview topics for respective interview are shown below.

8.1.1 Interview topics with Željka Knežević
- Introduction with questions regarding her work and position at FIRMA.
- FIRMA’s connections to the suppliers
- The beginning of the relationship between IKEA and Sconto-prom respectively Standard Prnjavor
- The development of the relationship between IKEA and Sconto-prom respectively Standard Prnjavor
- The future of the relationship between IKEA and Sconto-prom respectively Standard Prnjavor
- FIRMA’s influence on the supplier’s business development

8.1.2 Interview topics with Jasmin Gabela
- Introduction with questions regarding his work and position at FIRMA
- The business situation in Bosnia-Herzegovina today
- The business development in the country since before the war
- Main industries in the country
- Main resources in the country
- IKEA’s connection to Bosnia-Herzegovina and to the suppliers Sconto-prom and Standard Prnjavor

8.2 The interview topics held with the suppliers
There were two interviews held with Elizabeta Josipović and Srdan Josipović at Sconto-prom and one interview with Edin Dacić at Standard Prnjavor. The interview topics for respective supplier are shown below

8.2.1 Interview topics with Elizabeta Josipović and Srdan Josipović at Sconto-prom
- Introduction with questions regarding their work and position at Sconto-prom
- The history of the company
- The company’s international connections
- The development of the company in general
8.2.2 Interview topics with Edin Dacić at Standard Prnjavor

- Introduction with questions regarding his work and position at Standard Prnjavor
- The history of the company
- The company’s international connections
- The development of the company in general
- The beginning of the relationship between IKEA and Standard Prnjavor
- The development of the relationship between IKEA and Standard Prnjavor
- Resources that IKEA has contributed with
- The products delivered to IKEA
- Different contacts with IKEA
- The future of the relationship between IKEA and Standard Prnjavor
- Standard Prnjavor’s connection with FIRMA
- The future for the company in general

8.3 The interview topics held regarding Bosnia-Herzegovina

There were three interviews held regarding the country Bosnia-Herzegovina with Amir Coralic at Seeba, Pelle Persson at Sida and Slobodan Neskovic at The Chamber of Commerce of Sweden and Norway. The interview topics for respective interview are shown below.

8.3.1 The interview topics held with Amir Coralic

- Introduction with questions regarding his work and position at Seeba (South Eastern European Business Agency)
- Seeba’s business position in Bosnia-Herzegovina
- Main resources in Bosnia-Herzegovina which interests the Scandinavian countries
o The resources which the country lacks for business growth  
o Seeba's connections with Swedish companies in the country  
o The wood industry in the country in general  

8.3.2 The interview topics held with Pelle Persson  
o Introduction with questions regarding his work and position at Sida and the Swedish Embassy  
o The cultural and business situation in Bosnia-Herzegovina  
o The history of the country  
o The organizations connected with Sida in the country  
o Sida’s connection to the FIRMA and to the suppliers  
o Sida’s role regarding economic growth in the country  

8.3.3 The interview topics held with Slobodan Neskovic  
o Introduction with questions regarding his work and position at The Chamber of Commerce of Sweden and Norway  
o The Chamber of Commerce of Sweden and Norway business position in Bosnia-Herzegovina  
o Main resources in Bosnia-Herzegovina which interests the Scandinavian countries  
o The resources which the country lacks for business growth  
o The connections that The Chamber of Commerce of Sweden and Norway have with Swedish companies in the country  
o The wood industry in the country in general.  
o The possibilities to start a furniture factory in Bosnia-Herzegovina  
o IKEA’s connections in the country  

8.4 The interview topics held regarding IKEA  
The interview topics held with Associate Professor Enrico Baraldi regarding IKEA are shown below.  

8.4.1 The interview topics held with Enrico Baraldi  
o Introduction regarding Baraldi’s work and interest in IKEA  
o IKEA's chose of suppliers  
o IKEA's relationships with their suppliers  
o IKEA’s contact with their suppliers
8.5 The interview topics held regarding interview structures

The interview held with Susanne Åberg was during a workshop. The workshop topics are presented below.

- First and secondary data
- Different structures of interviews
- Formulation of interview questions
- Connection between the theory of a study and the interview