First Problem

In May 1995, Marianne Barner faced a tough decision. After just two years with IKEA, the world's largest furniture retailer, and less than a year into her job as business area manager for carpets, she was faced with the decision of cutting off one of the company's major suppliers of Indian rugs. While such a move would disrupt supply and affect sales, she found the reasons to do so quite compelling. A German TV station had just broadcast an investigative report naming the supplier as one that used child labor in the production of rugs made for IKEA. What frustrated Barner was that, like all other IKEA suppliers, this large, well-regarded company had recently signed an addendum to its supply contract explicitly forbidding the use of child labor on pain of termination.

Suggested options

Even more difficult than this short-term decision was the long-term action Barner knew IKEA must take on this issue. On one hand, she was being urged to sign up to an industry-wide response to growing concerns about the use of child labor in the Indian carpet industry. A recently formed partnership of manufacturers, importers, retailers, and Indian nongovernmental organizations (NGOs) was proposing to issue and monitor the use of "Rugmark," a label to be put on carpets certifying that they were made without child labor. Simultaneously, Barner had been conversing with people at the Swedish Save the Children organization who were urging IKEA to ensure that its response to the situation was "in the best interest of the child"—whatever that might imply. Finally, there were some who wondered if IKEA should not just leave this hornet's nest. Indian rugs accounted for a tiny part of IKEA's turnover, and to these observers, the time, cost, and reputation risk posed by continuing this product line seemed not worth the profit potential.

The Birth and Maturing of a Global Company[1]

To understand IKEA's operations, one had to understand the philosophy and beliefs of its 70-year-old founder, Ingvar Kamprad. Despite stepping down as CEO in 1986, almost a decade later, Kamprad retained the title of honorary chairman and was still very involved in the company's activities. Yet perhaps even more powerful than his ongoing presence were his strongly held values and beliefs, which long ago had been deeply embedded in IKEA's culture.

Kamprad was 17 years old when he started the mail-order company he called IKEA, a name that combined his initials with those of his family farm, Elmtaryd, and parish, Agunnaryd, located in the forests of southern Sweden. Working out of the family kitchen, he sold goods such as fountain pens, cigarette lighters, and binders he purchased from low-priced sources and then advertised in a newsletter to local shopkeepers. When Kamprad matched his competitors by adding furniture to his newsletter in 1948, the immediate success of the new line led him to give up the small items.

In 1951, to reduce product returns, he opened a display store in nearby Älmhult village to allow customers to inspect products before buying. It was an immediate success, with customers traveling seven hours from the capital Stockholm by train to visit. Based on the store's success, IKEA stopped accepting mail orders. Later Kamprad reflected, "The basis of the modern IKEA concept was created [at this time] and in principle it still applies. First and foremost, we use a catalog to tempt people to visit an exhibition, which today is our store. . . . Then, catalog in hand, customers can see simple interiors for themselves, touch the furniture they want to buy and then write out an order."[2]

As Kamprad developed and refined his furniture retailing business model he became increasingly frustrated with the way a tightly knit cartel of furniture manufacturers controlled the Swedish industry to keep prices high. He began to view the situation not just as a business opportunity but also as an unacceptable social problem that he wanted to correct. Foreshadowing a vision for IKEA that would later be articulated as "creating a better life for the many people," he wrote: "A disproportionately large part of all resources is used to satisfy a small part of the population. . . . IKEA's aim is to change this situation. We shall offer a wide range of home furnishing items of good design and function at prices so low that the majority of people can afford to buy them. . . . We have great ambitions."[3]

Looking for ways to provide low cost furniture.

The small newsletter soon expanded into a full catalog. The 1953 issue introduced what would become another key IKEA feature: self-assembled furniture. Instead of buying complete pieces of furniture, customers bought them in flat packages and put them together themselves at home. Soon, the "knockdown" concept was fully systemized, saving transport and storage costs. In typical fashion, Kamprad turned the savings into still lower prices for his customers, gaining an even larger following among young postwar householders looking for well-designed but inexpensive furniture. Between 1953 and 1955, the company's sales doubled from SEK 3 million to SEK 6 million.[4]

Managing Suppliers: Developing Sourcing Principles

As its sales took off in the late 1950s, IKEA's radically new concepts began to encounter stiff opposition from Sweden's large furniture retailers. So threatened were they that when IKEA began exhibiting at trade fairs, they colluded to stop the company from taking orders at the fairs and eventually even from showing its prices. The cartel also pressured manufacturers not to sell to IKEA, and the few that continued to do so often made their deliveries at night in unmarked vans.

Unable to meet demand with such constrained local supply, Kamprad was forced to look abroad for new sources. In 1961, he contracted with several furniture factories in Poland, a country still in the Communist eastern bloc. To assure quality output and reliable delivery, IKEA brought its know-how, taught its processes, and even provided machinery to the new suppliers, revitalizing Poland's furniture industry as it did so. Poland soon became IKEA's largest source and, to Kamprad's delight, at much lower costs—once again allowing him to reduce his prices.

Following its success in Poland, IKEA adopted a general procurement principle that it should not own its means of production but should seek to develop close ties by supporting its suppliers in a long-term relationship.[a] Beyond supply contracts and technology transfer, the relationship led IKEA to make loans to its suppliers at reasonable rates, repayable through future shipments. "Our objective is to develop long-term business partners," explained a senior purchasing manager. "We commit to doing all we can to keep them competitive—as long as they remain equally committed to us. We are in this for the long run."

Although the relationship between IKEA and its suppliers was often described as one of mutual dependency, suppliers also knew that they had to remain competitive to keep their contract. From the outset they understood that if a more cost-effective alternative appeared, IKEA would try to help them respond, but if they could not do so, it would move production.

In its constant quest to lower prices, the company developed an unusual way of identifying new sources. As a veteran IKEA manager explained: "We do not buy products from our suppliers. We buy unused production capacity." It was a philosophy that often led its purchasing managers to seek out seasonal manufacturers with spare off-season capacity. There were many classic examples of how IKEA matched products to supplier capabilities: they had sail makers make seat cushions, window factories produce table frames, and ski manufacturers build chairs in their off-season. The manager added, "We've always worried more about finding the right management at our suppliers than finding high-tech facilities. We will always help good management to develop their capacity."

Growing Retail: Expanding Abroad

Building on the success of his first store, Kamprad self-financed a store in Stockholm in 1965. Recognizing a growing use of automobiles in Sweden, he bucked the practice of having a downtown showroom and opted for a suburban location with ample parking space. When customers drove home with their furniture in flat packed boxes, they assumed two of the costliest parts of traditional furniture retailing—home delivery and assembly.

In 1963, even before the Stockholm store had opened, IKEA had expanded into Oslo, Norway. A decade later, Switzerland became its first non-Scandinavian market, and in 1974 IKEA entered Germany, which soon became its largest market. (See **Exhibit 1** for IKEA's worldwide expansion.) At each new store the same simple Scandinavian-design products were backed up with a catalog and offbeat advertising, presenting the company as "those impossible Swedes with strange ideas." And reflecting the company's conservative values, each new entry was financed by previous successes.[b]

During this expansion, the IKEA concept evolved and became increasingly formalized. (**Exhibit 2** summarizes important events in IKEA's corporate history.) It still built large, suburban stores with knockdown furniture in flat packages the customers brought home to assemble themselves. But as the concept was refined, the company required that each store follow a predetermined design, set up to maximize customers' exposure to the product range. The concept mandated, for instance, that the living room interiors should follow immediately after the entrance. IKEA also serviced customers with features such as a playroom for children, a low-priced restaurant, and a "Sweden Shop" for groceries that had made IKEA Sweden's leading food exporter. At the same time, the range gradually

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[a]This policy was modified after a number of East European suppliers broke their contracts with IKEA after the fall of the Berlin Wall opened new markets for them. IKEA's subsequent supply chain problems and loss of substantial investments led management to develop an internal production company, Swedwood, to ensure delivery stability. However, it was decided that only a limited amount of IKEA's purchases (perhaps 10%) should be sourced from Swedwood.

[b] By 2005, company lore had it that IKEA had only taken one bank loan in its corporate history—which it had paid back as soon as the cash flow allowed.

expanded beyond furniture to include a full line of home furnishing products such as textiles, kitchen utensils, flooring, rugs and carpets, lamps, and plants.

The Emerging Culture and Values[5]

As Kamprad's evolving business philosophy was formalized into the IKEA vision statement, "To create a better everyday life for the many people," it became the foundation of the company's strategy of selling affordable, good-quality furniture to mass-market consumers around the world. The cultural norms and values that developed to support the strategy's implementation were also, in many ways, an extension of Kamprad's personal beliefs and style. "The true IKEA spirit," he remarked, "is founded on our enthusiasm, our constant will to renew, on our cost-consciousness, on our willingness to assume responsibility and to help, on our humbleness before the task, and on the simplicity of our behavior." As well as a summary of his aspiration for the company's behavioral norms, it was also a good statement of Kamprad's own personal management style.

Over the years a very distinct organizational culture and management style emerged in IKEA reflecting these values. For example, the company operated very informally as evidenced by the open-plan office landscape, where even the CEO did not have a separate office, and the familiar and personal way all employees addressed one another. But that informality often masked an intensity that derived from the organization's high self-imposed standards. As one senior executive explained, "Because there is no security available behind status or closed doors, this environment actually puts pressure on people to perform."

The IKEA management process also stressed simplicity and attention to detail. "Complicated rules paralyze!" said Kamprad. The company organized "anti-bureaucrat week" every year, requiring all managers to spend time working in a store to reestablish contact with the front line and the consumer. The workpace was such that executives joked that IKEA believed in "management by running around."

Cost consciousness was another strong part of the management culture. "Waste of resources," said Kamprad, "is a mortal sin at IKEA. Expensive solutions are often signs of mediocrity, and an idea without a price tag is never acceptable." Although cost consciousness extended into all aspects of the operation, travel and entertainment expenses were particularly sensitive. "We do not set any price on time," remarked an executive, recalling that he had once phoned Kamprad to get approval to fly first class. He explained that economy class was full and that he had an urgent appointment to keep. "There is no first class in IKEA," Kamprad had replied. "Perhaps you should go by car." The executive completed the 350-mile trip by taxi.

The search for creative solutions was also highly prized with IKEA. Kamprad had written, "Only while sleeping one makes no mistakes. The fear of making mistakes is the root of bureaucracy and the enemy of all evolution." Though planning for the future was encouraged, overanalysis was not. "Exaggerated planning can be fatal," Kamprad advised his executives. "Let simplicity and common sense characterize your planning."

In 1976, Kamprad felt the need to commit to paper the values that had developed in IKEA during the previous decades. His thesis, *Testament of a Furniture Dealer*, became an important means for spreading the IKEA philosophy, particularly during its period of rapid international expansion. (Extracts of the *Testament* are given in **Exhibit 3.**) Specially trained "IKEA ambassadors" were assigned to key positions in all units to spread the company's philosophy and values by educating their subordinates and by acting as role models.

In 1986, when Kamprad stepped down, Anders Moberg, a company veteran who had once been Kamprad's personal assistant, took over as president and CEO. But Kamprad remained intimately involved as chairman, and his influence extended well beyond the ongoing daily operations: he was the self-appointed guardian of IKEA's deeply embedded culture and values.

Waking up to Environmental and Social Issues

By the mid-1990s, IKEA was the world's largest specialized furniture retailer. Sales for the IKEA Group for the financial year ending August 1994 totaled SEK 35 billion (about $4.5 billion). In the previous year, more than 116 million people had visited one of the 98 IKEA stores in 17 countries, most of them drawn there by the company's product catalog, which was printed yearly in 72 million copies in 34 languages. The privately held company did not report profit levels, but one estimate put its net margin at 8.4% in 1994, yielding a net profit of SEK 2.9 billion (about $375 million).[6]

After decades of seeking new sources, in the mid-1990s IKEA worked with almost 2,300 suppliers in 70 countries, sourcing a range of around 11,200 products. Its relationship with its suppliers was dominated by commercial issues, and its 24 trading service offices in 19 countries primarily monitored production, tested new product ideas, negotiated prices, and checked quality. (See **Exhibit 4** for selected IKEA figures in 1994.) That relationship began to change during the 1980s, however, when environmental problems emerged with some of its products. And it was even more severely challenged in the mid-1990s when accusations of IKEA suppliers using child labor surfaced.

The Environmental Wake-Up: Formaldehyde

In the early 1980s, Danish authorities passed regulations to define limits for formaldehyde emissions permissible in building products. The chemical compound was used as binding glue in materials such as plywood and particleboard and often seeped out as gas. At concentrations above 0.1 mg/kg in air, it could cause watery eyes, headaches, a burning sensation in the throat, and difficulty breathing. With IKEA's profile as a leading local furniture retailer using particleboard in many of its products, it became a prime target for regulators wanting to publicize the new standards. So when tests showed that some IKEA products emitted more formaldehyde than was allowed by legislation, the case was widely publicized and the company was fined. More significantly—and the real lesson for IKEA—was that due to the publicity, its sales dropped 20% in Denmark.

In response to this situation, the company quickly established stringent requirements regarding formaldehyde emissions but soon found that suppliers were failing to meet its standards. The problem was that most of its suppliers bought from subsuppliers, who in turn bought the binding materials from glue manufacturers. Eventually, IKEA decided it would have to work directly with the glue-producing chemical companies and, with the collaboration of companies such as ICI and BASF, soon found ways to reduce the formaldehyde off-gassing in its products.[7]

A decade later, however, the formaldehyde problem returned. In 1992, an investigative team from a large German newspaper and TV company found that IKEA's best-selling bookcase series, Billy, had emissions higher than German legislation allowed. This time, however, the source of the problem was not the glue but the lacquer on the bookshelves. In the wake of headlines describing "deadly poisoned bookshelves," IKEA immediately stopped both the production and sales of Billy bookcases worldwide and corrected the problem before resuming distribution. Not counting the cost of lost sales and production or the damage to goodwill, the Billy incident was estimated to have cost IKEA $6 million to $7 million.[8]

These events prompted IKEA to address broader environmental concerns more directly. Since wood was the principal material in about half of all IKEA products, forestry became a natural starting point. Following discussions with both Greenpeace and World Wide Fund for Nature (WWF, formerly World Wildlife Fund) and using standards set by the Forest Stewardship Council, IKEA established a forestry policy stating that IKEA would not accept any timber, veneer, plywood, or layer-glued wood from intact natural forests or from forests with a high conservation value. This meant that IKEA had to be willing to take on the task of tracing all wood used in IKEA products back to its source.[9] To monitor compliance, the company appointed forest managers to carry out random checks of wood suppliers and run projects on responsible forestry around the world.

In addition to forestry, IKEA identified four other areas where environmental criteria were to be applied to its business operations: adapting the product range; working with suppliers; transport and distribution; and ensuring environmentally conscious stores. For instance, in 1992, the company began using chlorine-free recycled paper in its catalogs; it redesigned the best-selling OGLA chair—originally manufactured from beech—so it could be made using waste material from yogurt cup production; and it redefined its packaging principles to eliminate any use of PVC. The company also maintained its partnership with WWF, resulting in numerous projects on global conservation, and funded a global forest watch program to map intact natural forests worldwide. In addition, it engaged in an ongoing dialogue with Greenpeace on forestry.[10]

The Social Wake-Up: Child Labor

In 1994, as IKEA was still working to resolve the formaldehyde problems, a Swedish television documentary showed children in Pakistan working at weaving looms. Among the several Swedish companies mentioned in the film as importers of carpets from Pakistan, IKEA was the only high-profile name on the list. Just two months into her job as business area manager for carpets, Marianne Barner recalled the shockwaves that the TV program sent through the company:

> The use of child labor was not a high-profile public issue at the time. In fact, the U.N. Convention on the Rights of the Child had only been published in December 1989. So, media attention like this TV program had an important role to play in raising awareness on a topic not well known and understood—including at IKEA. . . . We were caught completely unaware. It was not something we had been paying attention to. For example, I had spent a couple of months in India learning about trading but got no exposure to child labor. Our buyers met suppliers in their city offices and rarely got out to where production took place. . . . Our immediate response to the program was to apologize for our ignorance and acknowledge that we were not in full control of this problem. But we also committed to do something about it.

As part of its response, IKEA sent a legal team to Geneva to seek input and advice from the International Labor Organization (ILO) on how to deal with the problem. They learned that Convention 138, adopted by the ILO in 1973 and ratified by 120 countries, committed ratifying countries to working for the abolition of labor by children under 15 or the age of compulsory schooling in that country. India, Pakistan, and Nepal were not signatories to the convention.[11] Following these discussions with the ILO, IKEA added a clause to all supply contracts—a "black-and-white" clause, as Barner put it—stating simply that if the supplier employed children under legal working age, the contract would be cancelled.

To take the load off field trading managers and to provide some independence to the monitoring process, the company appointed a third-party agent to monitor child labor practices at its suppliers in India and Pakistan. Because this type of external monitoring was very unusual, IKEA had some difficulty locating a reputable and competent company to perform the task. Finally, they appointed a well-known Scandinavian company with extensive experience in providing external monitoring of companies' quality assurance programs and gave them the mandate not only to investigate complaints but also to undertake random audits of child labor practices at suppliers' factories.

Early Lessons: A Deeply Embedded Problem

With India being the biggest purchasing source for carpets and rugs, Barner contacted Swedish Save the Children, UNICEF, and the ILO to expand her understanding and to get advice about the issue of child labor, especially in South Asia. She soon found that hard data was often elusive. While estimates of child labor in India varied from the government's 1991 census figure of 11.3 million children under 15 working[12] to Human Rights Watch's estimate of between 60 million and 115 million child laborers,[13] it was clear that a very large number of Indian children as young as five years old worked in agriculture, mining, quarrying, and manufacturing, as well as acting as household servants, street vendors, or beggars. Of this total, an estimated 200,000 were employed in the carpet industry, working on looms in large factories, for small subcontractors, and in homes where whole families worked on looms to earn extra income.[14]

Children could be bonded—essentially placed in servitude—in order to pay off debts incurred by their parents, typically in the range of 1,000 to 10,000 rupees ($30 to $300). But due to the astronomical interest rates and the very low wages offered to children, it could take years to pay off such loans. Indeed, some indentured child laborers eventually passed on the debt to their own children. The Indian government stated that it was committed to the abolition of bonded labor, which had been illegal since the Children (Pledging of Labour) Act passed under British rule in 1933. The practice continued to be widespread, however, and to reinforce the earlier law, the government passed the Bonded Labour System (Abolition) Act in 1976.[15]

But the government took a less absolute stand on unbonded child labor, which it characterized as "a socioeconomic phenomenon arising out of poverty and the lack of development." The Child Labour (Prohibition and Regulation) Act of 1986 prohibited the use of child labor (applying to those under 14) in certain defined "hazardous industries" and regulated children's hours and working conditions in others. But the government felt that the majority of child labor involved "children working alongside and under the supervision of their parents" in agriculture, cottage industries, and service roles. Indeed, the law specifically permitted children to work in craft industries "in order not to outlaw the passage of specialized handicraft skills from generation to generation."[16] Critics charged that even with these laws on the books, exploitive child labor—including bonded labor—was widespread because laws were poorly enforced and prosecution rarely severe.[17]

Action Required: New Issues, New Options

In the fall of 1994, after managing the initial response to the crisis, Barner and her direct manager traveled to India, Nepal, and Pakistan to learn more. Barner recalled the trip: "We felt the need to educate ourselves, so we met with our suppliers. But we also met with unions, politicians, activists, NGOs, U.N. organizations, and carpet export organizations. We even went out on unannounced carpet factory raids with local NGOs; we saw child labor, and we were thrown out of some places."

On the trip, Barner also learned of the formation of the Rugmark Foundation, a recently initiated industry response to the child labor problem in the Indian carpet industry. Triggered by a consumer awareness program started by human rights organizations, consumer activists, and trade unions in Germany in the early 1990s, the Indo-German Export Promotion Council had joined up with key

Indian carpet manufacturers and exporters and some Indian NGOs to develop a label certifying that the hand-knotted carpets to which it was attached were made without the use of child labor. To implement this idea, the Rugmark Foundation was organized to supervise the use of the label. It expected to begin exporting rugs carrying a unique identifying number in early 1995. As a major purchaser of Indian rugs, IKEA was invited to sign up with Rugmark as a way of dealing with the ongoing potential for child labor problems on products sourced from India.

On her return to Sweden, Barner again met frequently with the Swedish Save the Children's expert on child labor. "The people there had a very forward-looking view on the issue and taught us a lot," said Barner. "Above all, they emphasized the need to ensure you always do what is in the best interests of the child." This was the principle set at the heart of the U.N. Convention on the Rights of the Child (1989), a document with which Barner was now quite familiar. (See **Exhibit 5** for Article 32 from the U.N. Convention on the Rights of the Child.)

The more Barner learned, the more complex the situation became. As a business area manager with full profit-and-loss responsibility for carpets, she knew she had to protect not only her business but also the IKEA brand and image. Yet she viewed her responsibility as broader than this: She felt the company should do something that would make a difference in the lives of the children she had seen. It was a view that was not universally held within IKEA, where many were concerned that a very proactive stand could put the business at a significant cost disadvantage to its competitors.

A New Crisis

Then, in the spring of 1995, a year after IKEA began to address this issue, a well-known German documentary maker notified the company that a film he had made was about to be broadcast on German television showing children working at looms at Rangan Exports, one of IKEA's major suppliers. While refusing to let the company preview the video, the filmmaker produced still shots taken directly from the video. The producer then invited IKEA to send someone to take part in a live discussion during the airing of the program. Said Barner, "Compared to the Swedish program, which documented the use of child labor in Pakistan as a serious report about an important issue without targeting any single company, it was immediately clear that this German-produced program planned to take a confrontational and aggressive approach aimed directly at IKEA and one of its suppliers."

New Issue

For Barner, the first question was whether to recommend that IKEA participate in the program or decline the invitation. Beyond the immediate public relations issue, she also had to decide how to deal with Rangan Exports' apparent violation of the contractual commitment it had made not to use child labor. And finally, this crisis raised the issue of whether the overall approach IKEA had been taking to the issue of child labor was appropriate. Should the company continue to try to deal with the issue through its own relationships with its suppliers? Should it step back and allow Rugmark to monitor the use of child labor on its behalf? Or should it recognize that the problem was too deeply embedded in the culture of these countries for it to have any real impact and simply withdraw?

Exhibit 1 IKEA Stores, Fiscal Year Ending August 1994

a. Historical Store Growth

	1954	1964	1974	1984	1994
Number of Stores	0	2	9	52	114

b. Country's First Store

	First Store (with city)	
Year	Country	City
1958	Sweden	Älmhult
1963	Norway	Oslo
1969	Denmark	Copenhagen
1973	Switzerland	Zürich
1974	Germany	Munich
1975	Australia	Artamon
1976	Canada	Vancouver
1977	Austria	Vienna
1978	Netherlands	Rotterdam
1978	Singapore	Singapore
1980	Spain	Gran Canaria
1981	Iceland	Reykjavik
1981	France	Paris
1983	Saudi Arabia	Jeddah
1984	Belgium	Brussels
1984	Kuwait	Kuwait City
1985	United States	Philadelphia
1987	United Kingdom	Manchester
1988	Hong Kong	Hong Kong
1989	Italy	Milan
1990	Hungary	Budapest
1991	Poland	Platan
1991	Czech Republic	Prague
1991	United Arab Emirates	Dubai
1992	Slovakia	Bratislava
1994	Taiwan	Taipei

Source: IKEA website, http://franchisor.ikea.com/txtfacts.html, accessed October 15, 2004.

Exhibit 2 IKEA History: Selected Events

Year	Event
1943	IKEA is founded. Ingvar Kamprad constructs the company name from his initials (**I**ngvar **K**amprad), his home farm (**E**lmtaryd), and its parish (**A**gunnaryd).
1945	The first IKEA ad appears in press, advertising mail-order products.
1948	Furniture is introduced into the IKEA product range. Products are still only advertised through ads.
1951	The first IKEA catalogue is distributed.
1955	IKEA starts to design its own furniture.
1956	Self-assembly furniture in flat packs is introduced.
1958	The first IKEA store opens in Älmhult, Sweden.
1961	Contract with Polish sources, IKEA's first non-Scandinavian suppliers. First delivery is 20,000 chairs.
1963	The first IKEA store outside Sweden opens in Norway.
1965	IKEA opens in Stockholm, introducing the self-serve concept to furniture retailing.
1965	IKEA stores add a section called "The Cook Shop," offering quality utensils at low prices.
1973	The first IKEA store outside Scandinavia opens in Spreitenbach, Switzerland.
1974	A plastic chair is developed at a supplier that usually makes buckets.
1978	The BILLY bookcase is introduced to the range, becoming an instant top seller.
1980	One of IKEA's best-sellers, the KLIPPAN sofa with removable, washable covers, is introduced.
1980	Introduction of LACK coffee table, made from a strong, light material by an interior door factory.
1985	The first IKEA Group store opens in the U.S.
1985	MOMENT sofa with frame built by a supermarket trolley factory is introduced. Wins a design prize.
1991	IKEA establishes its own industrial group, Swedwood.

Source: Adapted from IKEA Facts and Figures, 2003 and 2004 editions, and IKEA internal documents.

Exhibit 3 "A Furniture Dealer's Testament"—A Summarized Overview

In 1976, Ingvar Kamprad listed nine aspects of IKEA that he believed formed the basis of the IKEA culture together with the vision statement "To create a better everyday life for the many people." These aspects are given to all new employees through a pamphlet titled "A Furniture Dealer's Testament." The following table summarizes the major points:

Cornerstone	Summarize Description
1. The Product Range—Our Identity	IKEA sells well-designed, functional home furnishing products at prices so low that as many people as possible can afford them.
2. The IKEA Spirit—A Strong and Living Reality	IKEA is about enthusiasm, renewal, thrift, responsibility, humbleness toward the task and simplicity.
3. Profit Gives Us Resources	IKEA will achieve profit (which Kamprad describes as a "wonderful word") through the lowest prices, good quality, economical development of products, improved purchasing processes and cost savings.
4. Reaching Good Results with Small Means	"Waste is a deadly sin."
5. Simplicity is a Virtue	Complex regulations and exaggerated planning paralyze. IKEA people stay simple in style and habits as well as in their organizational approach.
6. Doing it a Different Way	IKEA is run from a small village in the woods. IKEA asks shirt factories to make seat cushions and window factories to make table frames. IKEA discounts its umbrellas when it rains. IKEA does things differently.
7. Concentration—Important to Our Success	"We can never do everything everywhere, all at the same time." At IKEA, you choose the most important thing to do and finish that before starting a new project.
8. Taking Responsibility—A Privilege	"The fear of making mistakes is the root of bureaucracy." Everyone has the right to make mistakes; in fact, everyone has an obligation to make mistakes.
9. Most Things Still Remain to be Done. A Glorious Future!	IKEA is only at the beginning of what it might become. 200 stores is nothing. "We are still a small company at heart."

Source: Adapted by casewriters from IKEA's "A Furniture Dealer's Testament"; Bertil Torekull, "Leading by Design: The IKEA Story" (New York: Harper Business, 1998, p. 112); and interviews.

Exhibit 4 IKEA in Figures, 1993–1994 (fiscal year ending August 31, 1994)

a. Sales

Country/region	SEK billion	Percentage
Germany	10.4	29.70%
Sweden	3.9	11.20%
Austria, France, Italy, Switzerland	7.7	21.90%
Belgium, Netherlands, United Kingdom, Norway	7.3	20.80%
North America (U.S. and Canada)	4.9	13.90%
Czech Republic, Hungary, Poland, Slovakia	0.5	1.50%
Australia	0.4	1.00%
	35.0	

b. Purchasing

Country/region	Percentage
Nordic Countries	33.4%
East and Central Europe	14.3%
Rest of Europe	29.6%
Rest of the World	22.7%

Source: IKEA Facts and Figures, 1994.

Exhibit 5 The U.N. Convention on the Rights of the Child: Article 32

1. States Parties recognize the right of the child to be protected from economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral, or social development.

2. States Parties shall take legislative, administrative, social, and educational measures to ensure the implementation of the present article. To this end, and having regard to the relevant provisions of other international instruments, States Parties shall in particular:

   (a) Provide for a minimum age for admission to employment

   (b) Provide for appropriate regulation of hours and conditions of employment

   (c) Provide for appropriate or other sanctions to ensure the effective enforcement of the present article.

Source: Excerpt from "Convention on the Rights of the Child," from the website of the Office of the United Nations High Commissioner for Human Rights, available at http://www.unhchr.ch/html/menu3/b/k2crc.htm, accessed October 2005.