A SATELL INSTITUTE CSR Research Report
for Business Leaders

From Global to Local: IKEA Tries Corporate Social Responsibility in Its Own Backyard—
But Is Sweden Ready for It?

Developed for the Satell Institute
by Fredrik O. Andersson
Abstract

Many consider Swedish furniture giant IKEA one of the global front-runners when it comes to corporate social responsibility. Historically, IKEA has focused its CSR efforts toward environmental and international development concerns on a global scale. This case shows how IKEA now also engages in CSR at a local level in Sweden via the recently established Kamprad Family Foundation. The foundation is situated in and operated from a small town in the province of Småland in central southern Sweden where IKEA was once founded and retains its cultural roots. The Kamprad Family Foundation also introduces new target areas for IKEA’s CSR work including, efforts to improve the quality of life for the elderly and rural entrepreneurship initiatives with the goal of creating and promoting a “living countryside.” This CSR situates IKEA on the frontline of a development in Sweden where domestic corporate philanthropy initiatives is beginning to emerge as a new and vital source for societal capital and social development.

CSR at IKEA

Founded in 1943, in the small town of Älmhult in southern Sweden, IKEA has evolved into the world’s largest furniture retailer with over 300 stores in 28 countries, and is considered one of the world’s top 50 most valuable brands. IKEA also continues to be a growing company. In 2015, total sales amounted to approximately $35 billion, which represents an increase by 11.2% compared to the previous fiscal year.

IKEA’s vision is to create a better everyday life for the many people, a vision that is pursued by offering a wide range of products, offered at low prices, and constructed so they are easy to transport and assemble.1

Furthermore, with the help of in-house designers, and a growing number of external designer collaborations, the company constantly introduces new design products.

Environmental and sustainability issues

The vision of creating a better life for the many people, a vision crafted by IKEA founder Ingvar Kamprad, is also pursued via IKEA's corporate social responsibility (CSR) initiatives.

Given the heavy demand and usage of raw materials to produce the 9,500 products currently offered by the company, it is perhaps not surprising that environmental and sustainability issues have long represented a key area for much of IKEA’s CSR work. Some of the efforts falling under IKEA’s environmental CSR activities include:

---

 Investments in renewable energy with the goal of producing as much renewable energy as the company consumes in its global operations by 2020.

As the buyer of almost 1% of the world's yearly supply of cotton for its products, actively work to ensure that the cotton purchased comes from more sustainable sources.

Partnership with the World Wildlife Fund to increase levels of Forest Stewardship Council certification globally, and fight illegal timber trade.

The company also employs philanthropic channels to advance and implement its CSR work. These undertakings are often guided by the IKEA Foundation, which was created in the early 1980s with an exclusive focus on supporting projects related to architecture and interior design. However, over the years, the foundation has shifted its attention toward the international development field.

Specifically, via its foundation IKEA actively seeks to address the root causes of child labor issues by promoting children’s rights and education.

Still, IKEA's utilization of philanthropy as part of its CSR work has long been, and to some extent remains, less analyzed and understood.

In the past it has been noticed that IKEA's CSR efforts and emphasis areas, environment and children's rights, emerged and intensified as a response to IKEA being criticized and pressured by various stakeholder groups regarding the company's conduct and actions. For example, IKEA has more than once been under scrutiny and accused of utilizing child labor and for lamentable work conditions among its suppliers in countries in Asia. IKEA has also been scrutinized for its labor and for lamentable work conditions among its suppliers in countries such as Russia and Indonesia.

Dealing with these attacks and negative publicity, CSR became an important reactive response instrument for IKEA to handle and restore its social trust and reputation.

Worldwide Partnerships

Over the past two decades, several CSR initiatives have been launched internally as well as with external partners. For example, IKEA has been seeking out partnerships with several (often large and internationally oriented) institutions and nonprofits such as UNICEF, WWF, and Save the Children. Due to IKEA's willingness and ability to react quickly when challenged, the company has been able to maneuver through times of turmoil rather unscratched, which has rendered IKEA an image of a Teflon company.

Furthermore, today IKEA “is known to be one of the global front-runners within work on CSR […]”,

and its CSR activities have been the topic for several case studies and articles in the past.

While IKEA has had a rather long, and in many cases successful, history of CSR these activities have often been closely connected to supply chain issues. They have taken on an international/global perspective, and (as discussed earlier) typically been reactive in nature.

At home in Sweden

Not all of IKEA’s work has been international in focus, however. At home in Sweden, the founding family has taken a different approach to giving that contrasts and complements the company’s CSR work. The establishment and financial backing by IKEA of the Kamprad Family Foundation (KFF) stands out as a different and intriguing case to explore:

1. For a company with a reputation for frugality and razor-sharp focus on cost-efficiency the scope and pace of investments into a brand new Swedish philanthropic start-up entity is surprising. Originally financed in 2012 via donations from IKEA, founder Ingvar Kamprad, and IKEA’s bank branch Ikano, the foundation also has benefited from annual contributions from IKEA of approximately $33 million. Today, KFF controls over $400 million.

2. KFF has a notably different, and considerably wider, scope than IKEA’s previous CSR investments. Although some of KFF’s initiatives align with previous IKEA CSR concentrations (e.g., the development, research and training in architecture, furnishing and design, and environmental improvement projects), others reflect a very different, more domestic direction for IKEA, including efforts to improve the quality of life for the elderly and rural entrepreneurship initiatives with the goal of creating and promoting a “living countryside.”

---


---
Finally, it was decided that KFF should be based in and operated from the small town of Växjö in the province of Småland in central southern Sweden. Furthermore, though the geographical focus of KFF investments can be national and even global under some circumstances, KFF explicitly states, “the Kamprad Family Foundation will primarily support, stimulate and reward research and education that is conducted in, or serves the interests of the province of Småland.” Given the amount of funds now in the foundation, this local focus on the founder’s hometown marks an unusual turn. Most often CSR is focused on the local communities where the company operates its business.

Taken together, the scale, scope, and location of this CSR initiative point to something distinctive and different, not just for IKEA but also in a broader Swedish context. To begin comprehending why IKEA is investing so heavily in KFF, and what makes this CSR effort different, one must approach KFF as a proactive and strategic (rather than reactive) CSR strategy implemented by IKEA.

The focus on Småland is not just a nostalgic and sentimental choice for the founder’s family. It is an attempt to both build goodwill by aiding the elderly and rural residents, and an attempt to develop the workforce in Sweden.

This case examines how KFF stands on the frontline of a development in Sweden where domestic corporate philanthropy is emerging as a new and important source for societal capital and social development.

Background

When considering the notion of CSR in Sweden (or any other Nordic countries), it is important to remember that Sweden is a welfare state where social and environmental benefits have been achieved in a highly egalitarian fashion, and supported and implemented by strong public institutions. Private firms therefore exist deeply embedded in these welfare institutions that safeguard social and environmental concerns. This has led some observers to view the emergence and execution of the Swedish welfare model as evidence of a long and strong Swedish CSR tradition.

But others note CSR ought to be understood in terms of corporate discretion and voluntarism, and therefore CSR is a rather foreign concept that stands in stark contrast to the Swedish welfare model’s emphasis on collective bargaining and regulations to govern corporate behavior. What is clear is that many of the elements we tend to associate with CSR initiatives (e.g. environmental standards, ethical standards, equality, and diversity) are also elements and concerns closely connected to welfare state policy-making. Still, it remains rather difficult to identify formal institutions (e.g., tax laws, policies, regulations) with an explicit CSR focus in the Swedish context. There are of course some illustrations of CSR-focused public policy initiatives both in Sweden and at the EU level.

- In 2002, the Swedish government introduced and invited Swedish firms to sign a national CSR initiative labeled the Swedish Partnership for Global Responsibility to “strengthen Swedish companies’ work on human rights, labor standards, environmental protection, and anticorruption […]”.9
- In 2007, mandatory reporting requirements on sustainability were adopted for all Swedish state-owned enterprises
- In 2014, the EU (of which Sweden is a member) issued a directive on corporate disclosure of non-financial and diversity data for larger companies headquartered or with significant operations in the EU.10

Yet Swedish policy makers often appear to “insist that CSR should not be considered a separate policy topic; instead, they encourage its integration into existing policy areas.”11 In other words, much of what could be considered state-level CSR directives tends to be integrated and amalgamated with preexisting agendas and institutions connected to broader policy issues such as trade, climate change, and labor issues. Moreover, another reason for the relative lack of formal treatment of CSR in Sweden is, as noted by one scholar, “[…] that Swedish companies are able to manage their CSR activities without government assistance, with reference to the many large Swedish multinational companies with strong brand names and comprehensive CSR programs like Volvo, Ikea, and H&M.”12

Values embedded in the Swedish model

CSR in Sweden is ultimately difficult to capture in terms of formal institutions or formal regulations. Instead, the real story of Swedish CSR is best understood by looking at the company level for details about CSR activities – without losing

---

7 KFF (2012). The Kamprad Family Foundation – key facts. Växjö
9 Midttun et al. (2015), page 474.
10 See http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095
11 Midttun et al. (2015), page 475.
sight of the values, norms, and history that have come to be embedded in the Swedish model. It is in this amalgamation that we find CSR articulated and implemented by companies such as IKEA, which strategically has been aligning its mission of creating a better everyday life for people with the broader virtues of Sweden.

Consider, for example, the following statements from the website of Inter IKEA Systems, the worldwide IKEA franchisor:

From picturesque fishing villages to endless forests, in Sweden nature plays an important role in everyday life. At the same time, Swedish society is known for being open, innovative, caring and authentic. Yes, things are a little different in Sweden! Over the years a unique IKEA culture and set of values have developed from our roots in Sweden. The IKEA culture and values shape everything we do.

Values cannot be invented – they can only emerge from one place: the heart. IKEA values are very much a product of our origin. Hard work, tough challenges, common sense, Swedish roots and limited resources have formed IKEA values.

This deep connection to Sweden and Swedish values indicates that IKEA's social responsibility is an almost natural and innate feature of the company's identity. Interestingly, despite being considered a CSR frontrunner, IKEA's seldom explicitly promotes its CSR initiatives externally.

Value added for IKEA

Similar to other CSR efforts undertaken by IKEA, the creation and investment in KFF is not promoted as a way to boost sales or as a means to obtain other direct marketing benefits. Instead, the value added by KFF can be understood in terms of human resource benefits for the company, and in the form of local and national reputation benefits emanating from KFF as form of local corporate philanthropy.

Human resource benefits

As IKEA perpetually searches for and recruits new employees, CSR has become a crucial part of the company's long-term recruitment strategy. For IKEA, the need for new talent is especially critical in the creativity and design fields, which often translates into recruiting younger individuals who are part of Generation Y.

Just as IKEA's consumers are ever more concerned with where products come from, how they are being produced, and by whom, the young professional individuals IKEA seeks to attract want more from their employer than just a paycheck. They not only seek fulfillment from their work, but they also want to work for a company whose values match their own. KFF's role and commitment to make a positive contribution to society by “giving back”, thus, connects strongly to values considered important for young individuals in the workplace.

Beyond recruitment, KFF also has the potential to affect retention. Though IKEA repeatedly ranks as one of the most popular companies to work for in Sweden, many key management and design functions are located at IKEA's headquarters in Älmhult. While recruiting skilled individuals to a small rural Swedish town can indeed be challenging, retaining these individuals over the long haul is even harder.

As IKEA's CSR initiatives frequently involve large global partners that are located and operate far from Älmhult, KFF, on the other hand, is situated and mandated to work locally in Småland and it offers opportunities for interested and motivated IKEA employees to seek out and engage with various KFF projects.

...as the welfare state model is facing a number of challenges, the interest in philanthropy has grown significantly in Sweden in recent years.

Not only are such engaged employees likely to be more motivated and productive, but the very fact that they are actively involved in the company's CSR activities also helps employees gain new perspectives and learn new skills that they can in turn bring back to their regular jobs.

Reputation benefits

Although foundations have long existed in Sweden, some scholars have made the observation that “[h]istorically in Sweden, and also today, we can trace elements of irritation...
and suspicion towards foundations.”\textsuperscript{16} This suspicion has been particularly germane when foundations have sought to take on a substitutional, rather than complementary, role to issues and areas considered the domain of the state (e.g., health- and elder care.)

However, as the welfare state model is facing a number of challenges, the interest in philanthropy has grown significantly in Sweden in recent years.

New resources are needed to secure key welfare functions and to serve as a form of social venture capital to stimulate innovation to address persistent and emerging socioeconomic issues (e.g., aging population, environmental concerns, education), which means there are emerging opportunities for private foundations to take actions.

### Influence beyond Stockholm

KFF is attempting to seize this opportunity, not only because KFF has substantial resources to generate social impact, but also because it adds to IKEA’s corporate reputational capital. By taking on matters normally attended to by the Swedish state (e.g., improving the quality of life for the elderly and fueling rural entrepreneurship), KFF can be viewed as an attempt to defuse some of the ideological criticism of private foundations and foundation investments and increase the attractiveness of a company with and protects its reputation, it can realize a substantial return on investment. Such reputation capital, while being an intangible asset, can function as an accelerator for future investments and increase the attractiveness of a company among internal as well as external stakeholders.

**IKEA and KFF**

KFF was established by IKEA founder Ingvar Kamprad and his family in December 2011, yet it was primarily financed via donations from two arms of the IKEA concern: Inter IKEA Group and Ikano Group. Together, they contributed over $200 million to KFF, and Inter IKEA pledged to donate approximately $33 million annually to KFF for the period 2012–2016. The nature of IKEA’s involvement for the first 5 years has thus been mainly financial in nature, whereas KFF has been solely in charge of distributing the money by selecting the projects to be funded. Because KFF is not listed as a corporate foundation, IKEA itself enjoys no direct control, which is why this CSR investment is perhaps best depicted as a form of indirect yet strategic corporate philanthropy.

Based on correspondence with IKEA, the company is continuously monitoring the development and impact generated by KFF, yet exactly how the relationship between the two organizations is managed has not been fully specified by IKEA. From the founding documents it is also unclear to what extent IKEA imposed any restrictions or other conditions to the initial (or continued) investments in KFF. What is known is that Ingvar Kamprad was given a lifetime board post and took on the role as board chair, a position he can retain as long as he wishes.\textsuperscript{18} Kamprad also selected the other board members to govern KFF.

So even though IKEA appears to have little direct control over KFF, there is a strong indirect control and imprinting of KFF’s strategic direction as a result of Ingvar Kamprad’s central role in the foundation’s governance.

In terms of how IKEA directly engages with KFF and the projects it has supported, little is known at this point beyond a few initial grant commitments. One possible reason is that the collaboration between IKEA and KFF is still at a relatively early stage and therefore remains under development. Yet on IKEA’s main Swedish homepage little is being said about the company’s ties to KFF. This does not mean there is no direct engagement. Instead, similar to other CSR activities undertaken by IKEA, it may simply reflect a lack of promotion of KFF outside the company walls.\textsuperscript{19}

**Results**

The company is taking a long-term perspective when considering the ROI from the support of KFF. As discussed earlier, the value added from KFF lies primarily in recruitment, retention, and reputation benefits, and according to IKEA, it is too early to assess any long-term effects. Still, IKEA’s


\textsuperscript{17} The main office for KFF is located in the city of Växjö in the heart of Småland and about 30 minutes north of IKEA’s headquarters in Åmål.

\textsuperscript{18} KFF bylaws, Paragraph 4. Kamprad stepped down as board chair in 2016.

\textsuperscript{19} Morsing & Roesporff (2015).
investment in KFF has generated a lot of press in Sweden, and in Småland. In particular, attention has been directed to the pace by which KFF has grown and the fact that KFF today is larger than many historically powerful foundations such as the Nobel Foundation.

IKEA also communicated that it depends on KFF to measure and assess the outputs and outcomes of the funded projects. Looking at KFF’s current evaluation criteria and requirements, they resemble very much what one would expect from a large private foundation.

There is a strong and clear commitment to actionable measurement and for purpose- and result-driven evaluation rather than adherence to any one particular method.

KFF also, clearly reflecting some of the core values found in IKEA’s corporate culture, requires any funding recipients to display how the results emanating from the project can be transformed “to benefit the many people quickly and cost-efficiently.”20

Looking at the number and type of projects funded by KFF to date, a majority targets and supports education and scientific research to promote entrepreneurship, the environment, health and social progress. Of the funded research related projects, a majority is undertaken by educational institutions in Småland (in particular the Linnaeus University with locations in Växjö and Kalmar). Below are some examples of research projects supported by KFF:

▶ Being elderly in Småland in the 21st century
▶ Towards sustainable food systems: Exploring food, tourism and regional development in Småland
▶ Entrepreneurship after retirement – a way to improved quality of life
▶ Social entrepreneurship within the sports and leisure field

KFF also provided funding to nonprofits, municipalities, and public agencies (mainly hospitals) for projects addressing the needs of elderly in Småland. Examples include:

▶ Rocking-chair therapy for increased wellbeing among seniors
▶ Cultural events at senior retirement homes
▶ Computer tablets for seniors in Småland

KFF also invests in a number of special projects and organizations, including Junior Achievement Sweden, which provides educational programs in entrepreneurship for students in elementary school and high school, and the dissemination of the Parcykel, a bicycle designed for two individuals with a battery engine. KFF intends to give each municipality in Småland access to these bikes with the goal of increasing training, social connectedness, and mobility among the elderly.

Finally, KFF is the owner of Entreprenörinvest Sverige AB, an investment company with the objective to invest capital in small, entrepreneurial companies that are located in small Swedish communities. Although it is too early to assess just how successful KFF will become, and what the ROI will be for IKEA, one can clearly see the local emphasis on Småland and the strategic focus of KFF’s projects, including entrepreneurship, the elderly, and the environment.

KFF: Swedish CSR in a new light

To what extent does IKEA’s CSR investment in KFF represent anything new? From an American perspective, the idea of a company utilizing corporate philanthropy as part of its domestic CSR efforts is far from new. However, in a Swedish context, KFF represents a step in a new and different direction.

CSR in Sweden is deeply embedded within the pre-existing model of the welfare state and state-market-society relations. What private companies ought to do, or not do, as a part of the Swedish social contract, has therefore come to shape and influence how CSR manifests itself in Swedish firms. When combined with the fact that many Swedish companies are highly export dependent, it is perhaps not surprising to find Swedish firms (including IKEA) frequently adopt an international focus, and concentrate on environmental, sustainability, good governance, and social justice issues. But IKEA’s KFF investment does not fit neatly into this frame as KFF targets areas many would consider the domain of the Swedish state. In a country guided by strong egalitarian principles, the idea that CSR can and/or should play a domestic role in taking care of the elderly or ensuring a living countryside is therefore very surprising and even alien.

CSR: A factor in Swedish life

What KFF illuminates is how corporate philanthropy is slowly becoming a factor in Swedish society, a factor with potential benefits for individual companies and for society as a whole. IKEA clearly understands how corporate philanthropy

represents one link in a chain to create new knowledge, which spurs innovation, which is the foundation for entrepreneurial firms, which ultimately allows the owners of such companies to engage in corporate philanthropy to stimulate even more new knowledge creation, and so on. IKEA, via its founder Ingvar Kamprad, was also built on what could be considered philanthropic-inspired principles.

For example, Kamprad has been very explicit with his vision of “good capitalism,” where the positive elements of business are combined with a lasting social vision. This implies not just creating a better future for IKEA’s customers but also a better society as a consequence of IKEA’s everyday work.

IKEA, and its founder Ingvar Kamprad, also understands the power of intangible assets for value creation. As an early mover in the domestic corporate philanthropy domain, there is the potential for major gains to be made, but also potential risks. The notion of privatizing public domains such as education, social welfare and regional development are likely to generate strong visceral reactions in Sweden. This explains why IKEA is treading lightly by selecting to invest in a private independent entity, but still finding ways to ensure that the values of KFF are closely aligning with the values of IKEA.

The proactive nature of its CSR investment and its magnitude clearly implies IKEA is in it for the long run. The fact that IKEA is not a publicly traded company also means IKEA has more autonomy and time to experiment with innovative forms of CSR since it is not driven by short-term profitability goals or the pressure to maximize shareholder value.

Conclusion: A new and provocative direction

Historically, IKEA has successfully demonstrated the value of integrating CSR in every step of the value chain. The creation of KFF further adds to this story by showing how a company may build over time a more diverse mix of CSR activities. The case further shows how intangible elements, such as a company’s culture and social vision, can imprint CSR activities. The KFF case also implies that new or different CSR efforts are perhaps more likely to emerge and have staying power when CSR is viewed not just as a cost but something closely connected to a company’s identity. For example, in the correspondence with IKEA, the company stated that although IKEA has supported charitable purposes in the past, “it is difficult to find a cause that fits in better or creates more positive ROI than the Kamprad Family Foundation.”

The story here not only illustrates how IKEA has taken steps to broaden its CSR scope by emphasizing domestic philanthropic activities as part of its CSR strategy.

By doing so, the company has also challenged some of the prevailing norms and expectations related to the role of CSR and corporate philanthropy in the Swedish context.

Although it is too early to say anything definitive about the long-term effects of KFF, the creation and development of the foundation demonstrates how CSR can be an important lens through which to view shifts and alterations in a company’s culture and focus.

Finally, the KFF initiative is also an example of, and an opportunity to learn about, how and why entrepreneurs who are successful in launching and building private firms become engaged in philanthropy. To date, CSR research has devoted relatively little attention to the intersection between entrepreneurship and philanthropy. Ingvar Kamprad and IKEA provide us with the opportunity to see up close and in real time an entrepreneur’s journey toward philanthropy. In the end, while Sweden has a “[...] less friendly environment for philanthrepreneurs as they have little to no legitimacy to get engaged in welfare issues,” IKEA and KFF are still forging ahead in a new and provocative direction that directly challenges this claim.

---

21 Email correspondence with Inter IKEA Group, April 28, 2016.
The Satell Institute is an independent, nonprofit, nonpartisan, fully-endowed thought leadership and research organization – a Think Tank for Corporate Social Responsibility (CSR) – focused on championing the interdependence of successful business organizations and the well-being of the communities in which they operate.