IKEA CEO Anders Dahlvig on international growth and IKEA’s unique corporate culture and brand identity

Interview by Katarina Kling and Ingea Goteman

Executive Overview

IKEA started in 1943 as a one-man mail order company in a small farming village in the southern part of Sweden called Småland. The founder, Ingvar Kamprad, only a 17-year-old boy at the time, initially arranged for the local county milk van to transport the goods to the nearby train station. Today the IKEA Group has 70,000 co-workers and a turnover of over 11 billion euros (close to $11 billion).

The IKEA concept started in the 1950s with catalogue marketing combined with a showroom where customers could see and touch IKEA products. The company's three distinct features were function, quality, and low price. Problems with suppliers led the company to start purchasing from foreign producers in Eastern Europe. During the 1960s the concept was taken even further by introducing the warehouse principle. A huge store in Stockholm was opened where customers picked the products from the shelves themselves. IKEA turned a capacity problem into a new way of delivering products to customers, which is now a cornerstone in the IKEA way of doing business.

The first attempt to go abroad was made in 1963 in nearby Norway, outside Oslo. IKEA took the lead in using nontraditional materials for furniture, like plastics, that made IKEA design well-known worldwide. The company also targeted younger families. It moved to the U.S. in the mid-1980s and has been targeting Eastern and Central Europe since the 1990s. Today IKEA has over 150 stores in more than 20 countries.

CEO Anders Dahlvig started his career at IKEA in 1984, after an undergraduate degree in business administration at Lund University in Sweden and a master's degree in economics from the University of California. He has held various positions in Sweden and abroad including Switzerland, Germany, Belgium, and the UK. He started off as a controller and advanced to store manager, country manager, deputy retail manager for Europe and, since 1998, CEO of the IKEA Group.

IKEA’s Growth

Tell us briefly about the incredible success story of IKEA’s international growth.

If we start in the 1950s, IKEA was a domestic Swedish company for its first 20 years. During this time, the company turned the whole way business was done in furnishing retailing upside down. We kind of did everything the other way around. Thereby, we developed an advantage and a distinct difference from everyone else. During these years the success criteria and the concept of IKEA were developed. After that, we basically copied the concept worldwide from the 1970s until today. So the fundamental success criteria are fairly old. Although we have continuously adopted and improved them, basically they have been the same all the time.

What are the cornerstones of the IKEA concept?

It is difficult to give a brief answer. However, normally the traditional home furniture stores have been more boutiques in the city centers. IKEA de-
developed big stores on the outskirts of the cities. In normal stores, someone serves you when you come in the door. At IKEA, you do it yourself. Traditional businesses sourced their products domestically in Sweden. IKEA started sourcing globally very early. Normally, traditional business has targeted middle or upper-middle age people. IKEA clearly focused on younger people and young families. The style in traditional furniture shops was pretty traditional, with darker, heavier furniture. IKEA introduced a lighter Scandinavian style. In other stores, furniture is assembled and delivered, at a price of course. At IKEA it comes as a flat-pack, and you have to assemble it yourself.

So, whatever the traditional business did, IKEA did it the other way around. In that way we became a distinct brand, and the customer could see that we were something very different from what all the other retailers were doing. Most others were copying what everyone else was doing and tried to do it a little bit better here and there. We did it totally different. So that's how the concept was developed over the first 20 years. It came in steps; some things happened earlier and some later. This helped us to take a leap in terms of efficiency advantages both on the cost side and on the selling side. The rest of the industry has tried to catch on; they started copying bits and pieces of our concept. Today you can find flat-packs in other places as well, but no one has been able to copy the entire concept, which probably would not be a good idea anyway. I mean just copying someone else.

Whatever the traditional business did, IKEA did it the other way around. In that way we became a distinct brand.

What triggered IKEA to go outside the domestic market?

Well, Sweden is a very small country. It's pretty logical: in a country like this, if you have a very strong and successful business, you're bound to go international at some point. The reason is simply because you cannot grow anymore. It's a different thing if you are a U.S. company. Then you can grow domestically, basically forever. The reason that we went abroad was that we saw a much bigger growth potential outside Sweden.

What was important for your success when you expanded outside Sweden?

What we learned—as we became a global company in the 1970s, before globalization was known as a phenomenon—was how to go into different markets. We started our process early on, as a global player, which again gave us an advantage. We learned how to go into the different markets. Today I think we can very well manage the process of starting up in a new country; we have done it so many times. For someone who does it the first time, that is a very big leap. Different countries, languages, laws, and all the things you have to take into consideration. For us today, that is pretty much business as usual.

We have taken the concept and planted it in many different countries. Since the concept has been unique and together with the Swedish touch, in terms of Scandinavian style, we have stood for something different from the local, domestic competition. That uniqueness has given us the same advantages in each country that we had in Sweden in the early days. The uniqueness has also created much publicity around IKEA. Our brand awareness
has always been higher than the company’s actual size and sales volume.

How do you believe Sweden has contributed to IKEA achieving this growth?

Well, first of all, the product range, of course. The fact that the whole IKEA idea was based on the Scandinavian range of furniture, which is out of the Swedish heritage. So Sweden has had a very big role to play. I think another contribution has also been the IKEA values and the IKEA culture. It takes its roots from the Swedish way of managing businesses, which is different from the way they do it in many other countries. The history, the heritage itself, is of importance to any company. You have a base, and it is not just any anonymous company. The Swedish or “Smålandish” history of the company has contributed a lot.

The history, the heritage itself, is of importance to any company. You have a base, and it is not just any anonymous company.

Were there any disadvantages to starting in Sweden?

Not that I can think of.

IKEA internationalizes via organic growth and owns its stores almost everywhere, even in culturally distant markets like Russia and China. Why are other growth strategies like alliances or mergers and acquisitions not used?

Well, there are some physical aspects to that. First, if we bought another company, in most cases we would end up with stores that are too small. Our stores are very big in size, compared to almost any other retailers. I can’t think of any retail chain with the size of store we need. Second, they would probably not be placed in locations where we want them to be. If you bought a company with, say, 20 stores, maybe 4 or 5 would be good and then you would get another 15 that you don’t really want. So, there are so many disadvantages compared to the advantages of our strategy. Normally, we buy land and build a store on it. It has happened that we have bought a store from a competitor that we developed into an IKEA store, but it is not very usual. However, that is not the same as buying an entire company.

At the same time, IKEA seems to grow backwards mainly through supplier alliances rather than via organic growth or growth by mergers and acquisitions. Why?

The basic principle is that we don’t own the means of production ourselves; we just have a normal purchasing agreement. This means that when the economy goes up and down, we have full flexibility. It is of course much easier to adjust. Furthermore, on the production side, we want our suppliers to face total competition, so that when someone is more competitive, we can move our production to them, which would not be the case if we owned the production. It is important—it is the way we do it.

We do have one exception. That is Swedwood, which is a production company owned by IKEA. So there is actually a part that we own in the production. It constitutes about 10 percent of our purchases, and it should not be more than 10 percent. It is a 555 million euro company with 35 factories. It is becoming a very big company in itself.

Other than that, it’s more of a regular supplier agreement, sometimes longer and sometimes shorter, a normal business deal, basically. No ownership and we always design our furniture ourselves. Of course, there is a close relationship, and we talk with our suppliers about what are their capabilities, capacity, etc. We have an indirect control in that we are their main customer. We may take 90–100 percent of their production in many cases. We have more and more suppliers where we constitute a major part of their production. However, that can also have a negative impact on efficiency. I think the advantage of being a smaller part of their production is that when we leave them, the supplier is less vulnerable. On the other hand, when we have a bigger part of their production, we can also influence the way they produce.

How important is this combined forward-backward approach to IKEA’s growth success?

It is important—that’s the way we do it. But we constantly evaluate options such as leasing stores instead of owning them. Owning your own stores is something you can do when you are financially independent. As long as this is a possibility—that is, we have the financial means to buy and we can grow at the speed we want—we shall do it. In that way we can control the rent, cost of land—we control everything. Furthermore, we can use the advantage of gradual increase in value of our property ourselves. If we come to a situation where we would like to grow faster and we don’t have the
financial means for it, then we have to consider other options instead, like leasing.

What can be done to facilitate the international growth of Swedish corporations?

I don't want to be political in that sense. However, it is difficult to run an international business in Sweden if you can only host nationals as co-workers. Except for that, I don't see any big issues. Corporate taxes are no worse than anywhere else; it is more a question of income taxes. The priority must be to facilitate so the companies can do what they would like to do. For national companies to grow internationally, I'm not so sure. Making it possible for companies to start up and grow, whatever can support that process is a good thing. The integration into the EMU would probably help. The whole education system is another aspect that is important. Good education geared towards the right subjects is essential.

What is your advice to corporations in small countries on how to succeed internationally?

Based on our own experience, international success has to be based on an original and unique idea. Other than that, developing financial independence is important because it gives you the ability to make long-term decisions. So to succeed in the long term, financial independence can be an important success factor.

**International success has to be based on an original and unique idea.**

**IKEA Brand Image and Identity**

What role has IKEA's corporate brand played in its international growth?

IKEA is a fairly well-known brand today. I saw some recent statistics from Interbrand where we were number 44 of all brands. When we come into a new country or a local market, we don't come in totally unknown. Normally there is some awareness of IKEA, which helps us initially. Another aspect is that the awareness also makes it easier to get people to work for us.

To what extent do you consider that the Swedish essence of the IKEA brand has changed over time?

It has not really changed. The style of the product range, the culture, and the heritage have been the same. If anything, that is something we would like to reinforce and increase as we go forward. It is part of the uniqueness and strength of the brand. So I wouldn't say that it has changed.

However, the brand does to some degree vary in different countries. I think the image that we have in a specific country reflects when we started up in that country. So if we came into a country at a time when, for instance, the product quality at IKEA was not as good as we would like, that image of us may be reflected in that market even today. If we came in with a price picture that was too high, people may still think that IKEA's brand is relatively high-priced in that market. For example, there was a time in the 1980s when there were screws missing in many packages, and that probably still reflects in the image that IKEA has in Sweden. This problem was solved 10 or 15 years ago. However, I think it is still a part of our image in Sweden, that IKEA is a low-priced and slightly low-quality brand. In many countries our image is more a yuppie, niche, and intellectual type of brand. In Sweden it's a brand for everyone. In the UK the brand is pretty "hot." You do not see that in Sweden. So I think that the image can vary slightly from market to market depending on how we entered that market and what our weaknesses and strengths were at that time. But when we go in to a market, we try to create the brand image we would want to create.

Are you more brand conscious now than you were in the past? Is the image part of a conscious strategy to position IKEA?

Yes, probably. Or we just weren't that brand conscious when we entered some markets in the past. There are many variations: quality, pricing, etc. In the UK, for instance, service is an aspect where we have a pretty bad branding image. In other countries we might have other aspects to work with.

Would you say that you consciously work in every country to create a universal brand image?

Yes, insofar as we would like to get rid of any brand weaknesses, and also if we are perceived as not-so-low price, we would like to change that. Those aspects are part of our everyday work on improving unfavorable image aspects in various IKEA countries. When we go into a market, that's a way to quickly get high recognition of the brand. We must get extra leverage in PR and media to create that awareness. So far I think we have done well—everyone wants to be part of it—going to the "hot" places. The idea is to stay "hot." It is therefore important to choose your target group and not try
to be everything for everyone. Even in Sweden, although everyone is welcome, our priority is younger families or young couples.

How do you view Sweden as a national brand?
There is some kind of quality aspect connected to "Swedishness." Other qualities are that it is perceived as a fairly solid brand internationally. Being a Swede is usually seen as something good, healthy, and solid. On the business side, Swedish management style is often seen as pretty vague, lacking clarity when it comes to decisions.

How would you describe the organizational culture of IKEA?
It's a very informal type of culture. It's based on a few values that have their roots in Swedish or Swedish culture. Things like informality, cost consciousness, and a very humble and "down to earth" approach. Also letting people have responsibilities. So there are a number of core values and intentions that we always describe in communications and training. For IKEA it has always been one very important part of our culture. We think that the organizational or company culture is important for the business and in some ways for industrial investors. We do give it a lot of attention in terms of marketing and sales as well as development, training, and recruitment.

Are there differences between countries or markets in these values?
Of course there are differences. It has less to do with differences of the national boundaries and different countries. It has more to do with individuals. So there can be big variations between one store and another. Those can actually be bigger than between countries. It has more to do with how the individual managers are. That really influences the culture. Emphasis on culture has to be a fair part of the recruitment phase so that when you recruit someone into the company, this is understood and evaluated when choosing a person. Then as you go along, I would say it's something that has to be a part of the improvement. If you see that a certain behavior is rewarded, which is one way to streamline, the individual can say "These values are not for me" and leave the company. There is no right or wrong, only a question of wanting to be there or not. Do you like to be there or don't you?

Research has described the linkage between corporate brand image and corporate organizational culture as being the corporate brand identity—that is, how the co-workers tend to "deliver" the corporate brand to customers. How do you consider that the IKEA culture contributes to sustaining your international growth?
It is right as you say that the culture has to have some bearing on and support the business idea or the strategy that the company has. The culture is a very important part of a company in the sense that the values of the culture really influence the business itself. I think it is pretty logical and transparent in our company, like cost consciousness for example. It is an important value that I think we should have. It has bearing on the company since it is our strategy to be a low-price company. In bad times, such as right now, it's much easier. The difficulty is to make people act cost consciously even in times when the economy is strong.

Can you see that different values have been more difficult to maintain in certain markets or that they fluctuate between countries and different stages?
I think it's more a question of individuals being different. Certain characteristics may be stronger in some countries, but to see it as a pattern—no. It has never been a problem in the sense that we have not been able to find a manager in Germany, for example, because Germans are so and so. That has never been the case.

The People Philosophy of IKEA

Has your strategy changed to a strategy of mixing people from different cultures?
I don't think Swedes are more fit to be managers at IKEA because of their being Swedes. However, it has been the strategy in the past, which was abandoned about five years ago, and maybe some people still think that way. At the time we did not have a lot of long-time co-workers of other nationalities. Today we have a different situation. Now we have, for example, a Canadian woman as country manager for Sweden, which works well. There are plenty of transfers between countries today. We see the diversity issue as a matter of creating a more challenging business atmosphere and of course expanding the recruitment base—including everyone and not just Swedish men. It
also gives us a diverse workforce with a lot of positive business possibilities.

Is it difficult to get people to move to Sweden?

Well, not from political or physical circumstances. It is easy to live here. It is not so crowded, and we can offer a high standard of living. It is the income tax that makes it difficult; we can hardly compete with anyone when it comes to income levels, because of the income taxes. This is a general problem for international companies.

In the press you have also received a positive picture on the gender issue.

Yes, in Sweden, we are pretty focused on the gender issue. But fifty-fifty in our workforce would not reflect the customer base. Relatively, there are more women in our customer base. We have also some initiative on diversity of ethnic and cultural backgrounds. It is creeping up on the agenda as an important aspect in our organization. I think the immigrants are a bigger issue since society is becoming more multicultural and especially in certain areas where you have stores where immigrants are a major part of the population. In other countries the male-female issue might not be as high on the agenda.

What would you say is the challenge for IKEA to maintain its strong identity today?

The challenge is the everyday implementation of what we want to do. The fact that there are so many co-workers in the company today, and we have a turnover of staff of over 20 percent every year. Twenty percent of 70,000 co-workers is about 14,000 to employ every year plus the expansion which is another 5,000 people, so we want about 20,000 new people to come to IKEA every year. They should then get the training, to meet our customers in accordance with our values and with the competence that we want. So the challenge is to know how to give that competence and how to deliver those values to the 20,000 new co-workers every year and everywhere. That is of course a major challenge.

How do you manage this today?

We have a number of training programs of all sorts, a process that goes on all the time. To get a consistent quality in that process is the biggest challenge. There is no one answer or one solution, and the number of meeting points is huge. We have about 286 million visitors to our stores every year facing 70,000 co-workers. The turnover of staff illustrates the dimension of the challenge.

Can you see that you have become better at this?

We have different measurements. At group-level we have something we call “market capital” which is a survey of customers or visitors of the stores. We do it every third year. We have the same battery of questions every time. This year is probably the 3rd or 4th time that we have done it. So that is a very persistent thing on a regular basis for knowing our position in the market. It is a battery of over one hundred questions, so some are of course going up and some down. Overall we get pretty good answers on the bottom-line question: whether you would recommend IKEA to a friend. It is usually pretty much 5’s instead of 1’s. So that’s one way to make sure. We also have internal surveys where we ask our co-workers the same thing. We send the exact same questionnaire all over the company. We also have a supplier survey, where we ask them what they expect from us. That’s another way to make sure. We use a standardized way of asking the same questions to be able to measure trends. I can’t say that there is a general pattern when you consolidate all IKEA—it is not really that much of a difference. But when you come down to an individual level, it can increase and then fall back again—maybe because we promoted the wrong manager. It is very much like “fresh food” because it changes all the time as new managers come in. These aspects are very concrete in every store.

Why were you interested in working for IKEA?

Well, as a Swede, IKEA was a well-known company already in 1983. So, like many others I was curious, since it was international, big, and had products that I knew about. So I looked it up, applied, and got the job.

What characterizes the leadership of IKEA?

It has to reflect our values, the IKEA culture, and there is a connection between the values and the image the person gives. So if you live the values, you also reflect the culture image. Within those values it is also important for all leaders to develop their own style. We don't try to move them into a specific type of leadership. The framework is our core values, and we allow a lot of freedom depending on who you are and what your specific skills are. I would not really put three headlines and say that leadership at IKEA is A, B and C.
What about the Swedish management style that is not always appreciated in other countries. Has it created any problems?

Nothing that I can see has had any real impact.

What is your own management philosophy and leadership style?

Leadership for me has to do with motivation. How well my leadership works is reflected in how much I can energize the people. It is about motivation and energy. Then the relevant question for me is: What is it that really motivates people? I believe the way to motivate people is to make sure they have a clear idea of where you’re going and how to contribute to the goal. Having clear goals, visions, and where the business is going—those are the values that are important to me. Building trust in the group that I work in is another important issue. I try to have a very open climate and give a lot of freedom.

Having clear goals, visions, and where the business is going—those are the values that are important to me.

What is special about careers in IKEA?

What we try now is for people to move more across functions in the corporations. For example, from retail side to purchase side, and in that way become broader rather than narrow. What is fundamentally important for us is for people to work well together across functions because they have to understand our pipeline. We have always been good at knowing certain parts, but now more of a pipeline-oriented understanding is required. However, we have not been very good at career planning in the past. That is one conscious way of developing people. Other than that I don’t think there is anything special. But we are trying to become better at conscious career planning in order to meet our needs. We are constantly lacking people who are ready to fill an empty seat.

What is the most challenging issue for the future?

For us at IKEA there are many challenges. What is very specific for us is that it is becoming increasingly difficult to get permission to locate our stores because of the growing trend to oppose retail in urban areas for environmental reasons. Even though I can easily argue that it is more detrimental for the environment if you go by public transportation to the store and let someone deliver your purchased goods home to you than if you go by car yourself, it has more to do with the feelings—seeing so many cars in a parking lot. Even if the pollution went down, I am not sure it would solve the problem because it is also a matter of traffic congestion. I also believe there is an urge to protect the city centers. The challenge is for us to develop our concept in light of the new conditions for our business. Other than that, I think the biggest challenge comes from ourselves: to see if we can benefit from the advantages of being big and yet not be affected by the disadvantages.

Thank you, Mr. Dahlvig.

**Katarina Kling** is a co-founding partner of Decision Dynamics in Europe where she leads the Motivational Capital™ practice. She received her Ph.D. in business administration at Lund University in Sweden. For more than ten years, she has been researching, teaching, and consulting in the areas of careers, business intelligence and strategic human resource management in various industries, including banks and other services. Contact: Katarina.Kling@DecisionDynamics.se.

**Ingela Gote man** is an Associated Consultant to Decision Dynamics and responsible for their certification training in Europe. She received her MBA in European Affairs at Lund University in Sweden, a multi-disciplinary program covering business administration, European law, and political science. She has also been chief controller for IKEA Northern Europe’s wholesale division, responsible for six countries. Contact: Ingela. Gote man@DecisionDynamics.se.