

MAGNUS BOSTRÖM, MICHAEL GILEK,
ANNA MARIA JÖNSSON & MIKAEL KARLSSON

IKEA and the Responsible Governance of Supply Chains

- IKEA's work on chemicals in textiles

WORKING PAPER 2013:1

IKEA and the Responsible Governance of Supply Chains

IKEA's work on chemicals in textiles

Magnus Boström, Michael Gilek, Anna Maria Jönsson,
and Mikael Karlsson with the help of Line Holtberget

Contents

Acknowledgments	3
Summary	4
Abbreviations	7
1. Theoretical background and aim of the study	8
2. General Description of IKEA	15
3. Method	23
4. Policies and instruments	25
5. Relationship to suppliers	39
6. Communication and Learning	56
7. Discussion and Recommendations	67
8. References	75
Appendix 1.	78

Acknowledgments

This report was written within the Chemtex project, funded by the Foundation for Baltic and East European Studies. Much of the empirical work, particularly the interviews, were conducted by Line Holtberget, and we are grateful for her careful and ambitious work in this project. We are also grateful to all at IKEA who agreed to take part in the study, either by providing us useful information or by accepting to being interviewed. Throughout the research process in this case study, from planning it to finalizing this report, we were met by a very open and supportive attitude from IKEA staff. Particularly we want to send a big thank you to Anna Tormalm and Peter Adler for their much generous support and careful feedback and corrections. Without their support this study would not have been feasible. To be sure: all remaining errors are our responsibility.

Summary

Our inter-disciplinary project – Chemicals in Textiles – aims to increase our understanding of the conditions for responsible governance of supply chains, including the challenges and possibilities private and public procuring organizations face when they deal with environmental and health risks in complex product chains. This report focuses on IKEA’s management and communication surrounding sustainability in general and chemical risks specifically. IKEA’s work is analysed in relation to theoretical concepts around *responsibility*, *supply chain*, and *governance*. The report focuses on IKEA’s visions and organizational structures (Chapter 2), its policy instruments to deal with chemical risks (chapter 4), supplier-relations (chapter 5), and communication and learning (chapter 6). The study is based on previous scholarly literature, analyses of relevant documents, a field visit at a few of IKEA’s suppliers in southern India, as well as interviews with staff working at IKEA in Sweden. The report focuses on IKEA’s systems and processes for dealing with chemical risks, and not on the implementation of such measures in quantitative terms.

The report shows that IKEA has strong organizational commitment and capabilities to develop responsible governance of supply chains. Commitment relates to IKEA’s organizational culture, traditions, brand and sustainability targets, whereas capabilities relates to organizational structures, routines and resources (economic, cognitive, social, symbolic). IKEA has made sustainability as a key priority for the entire organization. This focus fits quite well into the so called “IKEA culture”. While chemical issues do not seem to be among the most prioritized environmental issues in the public communication, IKEA still develops, use, and continuously updates such policy instruments that allow for a systematic, integrated, preventive, and dynamic work on chemical risks. IKEA’s code of conduct (IWAY) and supplier quality assurance program (ISQS) play key roles in this work as does its chemical specifications for products. It is furthermore interesting to

note IKEA's way to practice a precautionary approach: trying to be ahead of the legislation as well as consistently taking the strictest requirements in any of IKEA's national markets and implementing them for all articles globally, whenever possible. One challenge appears to be developing policy instruments to implement the substitution principle.

As regards IKEA's supplier relations, we can see a very clear pathway towards using fewer, larger, and more integrated suppliers. The selection of suppliers, the supporting of suppliers as well as some level of monitoring of suppliers, including their production and products, have become vital issues within IKEA's risk management. IKEA also work to map, control and in other ways interact with sub-suppliers. IKEA's trend towards facilitating close, and long-term relationship is something that can facilitate communication, which in turn could facilitate the development of both mutual learning and mutual trust. The report discusses how building mutual reflective trust could be a way towards practicing responsible governance of supply chain beyond auditing.

In relation to communication and learning, the report shows that IKEA is in a dynamic process of learning and in making investments of specific expertise in this area. Learning includes social learning, i.e. learning about how to deal with and communicate with the actors that one interacts with mostly. IKEA has also developed feedback mechanisms in its risk management, which result in preparedness to take into account new knowledge.

IKEA has a restrictive approach to external risk communication. The idea is that all products should be seen as safe and of good quality, so there is no perceived need to single out some of the products as more safe or more sustainable than the average. The IKEA-brand itself should do the job to convince consumers about the soundness of the products.

The report also discusses some key challenges, which in the concluding chapter are summarized in relation to

- knowledge and learning; gathering relevant information and particularly the ability to prioritize among and compile an abundance of information
- communication barriers along the supply chain, including the development of communication
- achieving public risk communication in the production context
- self-reflection about power and allocation of responsibility along the supply chain

While we conclude that IKEA certainly has developed a pathway towards a responsible governance of supply chains, we also make two types of reservations. First, it is important to acknowledge the distinctiveness of the IKEA case. A theory of responsible governance of supply chains must, accordingly, be context-sensitive and take into account the extremely varying conditions that organizations of various sizes, ownership, and practices operate within. Second, the IKEA case invites critical questions whether the governance mode from a buyer perspective actually restricts or enhances the conditions for other players in the supply chain to take their own responsibility for environmental and social matters.

Abbreviations

BA, Business Area

ChemSec, The International Chemical Secretariat

CHEMTEX, (the research project) Chemical in textiles

CSR, Corporate Social Responsibility

GOTS, Global Organic Textiles

HFB, Home Furnishing Business

ILO, International Labour Organization

IoS, IKEA of Sweden

ISQS, IKEA Supplier Quality Standard

IWAY, IKEA Way on Purchasing Products, Materials and Services
[IKEA's code of conduct]

NGO, Non Governmental Organization

PR&C, Product Requirement and Compliance

REACH, EU regulation on Registration, Evaluation, Authorization, and
restriction of Chemical Substances

RGSC, Responsible Governance of Supply Chains

TA, Trading Area

TSO, Trading Service Office

1. Theoretical background and aim of the study

Our inter-disciplinary project – Chemicals in Textiles – aims to increase our understanding of the conditions for responsible governance of supply chains and the challenges and opportunities private and public procuring organizations face when they deal with environmental and health risks in complex product chains.

We have chosen to focus on chemical risks in relation to textiles – an issue that increasingly is becoming part of the public discourse and a target for journalists. In the case of textiles, the product chain from raw material to consumption often involves a great number of production steps, sub-contractors and users, often on a global scale. Responsible management of the whole supply chain would improve health, quality of life, and labour conditions in the areas and manufacturing plants in countries where production and processing often take place. Such management is also essential for public health and for environmental sustainability in the areas that import these products. However, such management faces great difficulties and challenges in terms of capabilities, knowledge, communication, and policy instruments. These difficulties relate to high complexity of global product chains, including the great uncertainties involved.

We expect that a study of IKEA can help us to gain insight about some of the conditions, opportunities and challenges that, in particular large, private organizations face regarding the development of responsible procurement in relation to a global, complex and uncertain issue. In the project we have, for explorative reasons, aimed at including a diversity of experiences, ambitions, and contexts in relation to procurement activities. The case studies have been set up to cover, together, organizations along three dimensions: 1) public and private; 2) large and small; and 3) core and periphery.¹ Our

¹ The latter dimension concerns whether the organization has textiles as its core business activity, such as selling clothes, or whether the organization procures a large amount of textiles, but has another core business activity.

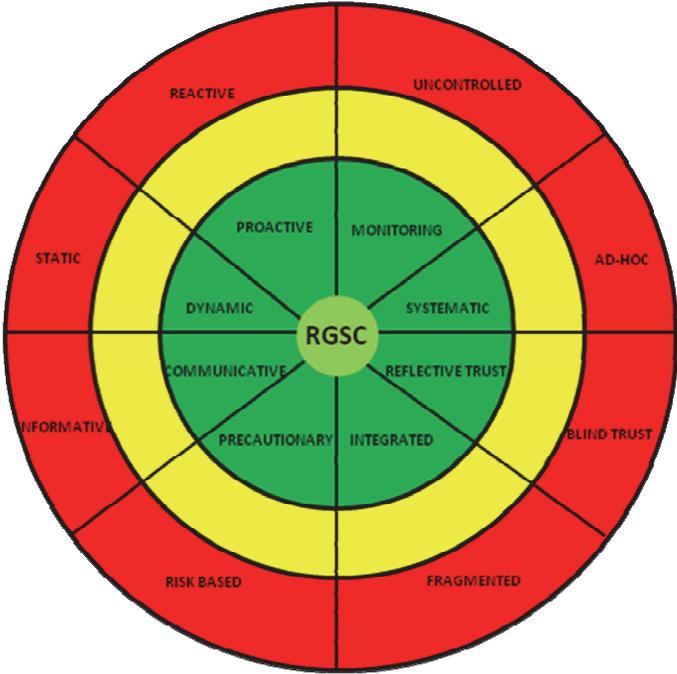
research project, including the present report, is based on qualitative methodology with primarily an explorative aim, focusing on risk governance from an organizational perspective. This focus entails looking at how an organization such as IKEA assesses, further manages and communicates risks, as well as interacts with various stakeholders, particularly suppliers. Our key focus is delimited to environmental sustainability and particularly chemical risks associated with textiles, although it is sometimes relevant to take into account the relation to both economic and social aspects in order to fully understand IKEA's approach to the problem area.

Our analysis includes a study of topics such as organizational conditions, policy instruments, IKEA's relation to suppliers and sub-suppliers (and other stakeholders), its methods to gain knowledge on risk matters, as well as its strategies and tools for internal and external communication. Our chosen focus relates to our interest in studying organizational responsibility, organizational communication and supply chain governance (see Boström et al. 2011, 2012). We also aim to provide some feedback and recommendations, in general and to IKEA, based on the analyses of our findings.

In this introduction, we sketch our theoretical point of departure, which focuses on three main concepts: *responsibility*, *supply chain*, and *governance*. The concept of responsibility has indeed become one of the main catchwords of contemporary global politics and organizational life, expressed through, for example, the explosive growth of the Corporate Social Responsibility (CSR or CR, Corporate Responsibility) concept in organizational practice and branding, as well as in research on the role of organizations in society and sustainable development. Seuring and Muller (2008) argue that "focal companies" could be held responsible for the environmental and social performance of their suppliers. Focal companies are companies that rule or govern the supply chain, provide direct contact to customers, and design the product or service offered. Such companies are highly engaged in governance of supply chains. To be sure, IKEA fits this description.

Governance of supply chains may relate to a variety of issues and activities: the institutional and policy context defining the rules of the game, coordinating mechanisms, the control of suppliers/buyers, auditing, control of information, collaboration and communication with suppliers and other stakeholders, and so on (Gibbon et al. 2008; Bair 2009; Sturgeon 2009). Besides from understanding how organizations like IKEA work with governance of supply chains, we also want to analyze to what extent this work can be understood in terms of responsible governance. Elsewhere, we (Bo-

ström et al. 2011, 2012), have developed a framework for *responsible procurement* that includes communicative, reflective, systematic, preventive, dynamic, monitoring, and integrative elements in addition to being beyond the minimum law level. With a slight further expansion, this framework can be summarized in the following figure, illustrating full Responsible Governance of Supply Chains in the core green area and weaker in the yellow and, particularly, the red areas.

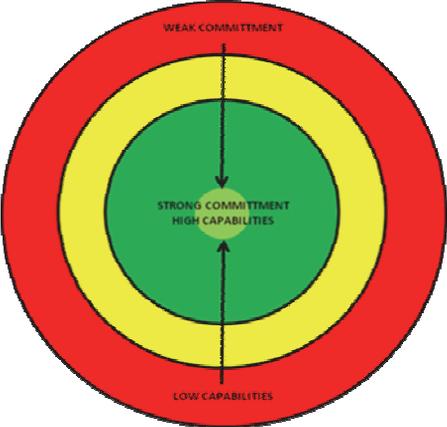


Framework of Responsible Governance of Supply Chains.

In another paper (Boström et al., 2013 ms.) we focus on organizational commitment and capabilities to develop a movement towards RGSC. These can be seen as organizational properties that are needed in order for a movement to the green core in the model to take place. **Commitment** refers to drivers in terms of motives or incentives, which may stem from both external (legislation, new information about risks, NGO pressure) and internal (management, strategies, motivated staff) sources (Vermeulen & Ras 2006, Seuring & Muller 2008). External pressure, such as extensive public risk communication, may translate to internal commitment, if the internal

organizational culture is sensitive towards such signals (Fernandez 2003). Commitments can be expressed in official statements such as sustainability reports, but can also fill mere window-dressing purposes. Commitment is in fact inherent in the concept of responsibility, which, according to De Bakker and Nijhof (2002), is based on a sincere willingness to meet and listen to stakeholder expectations (both inside and outside the organization).

Capabilities can be defined as an organization's capacity to deploy and combine resources for a desired end, by using various organizational structures and processes, and to do so over time. Organizational capabilities refer to skills (e.g. technical, strategic, general understanding of environmental issues), resources and functional competences developed within firms to match requirements of a changing environment Bowen et al. (2001). Capabilities are something much more than a “tool” that one can easily buy, but must often be accumulated over a long time period. To be responsible in terms of taking various stakeholder views into account indeed requires organizational capabilities to do so (De Bakker and Nijhof 2002). Capabilities also relate to opportunity structures to mobilize, control and accumulate certain resources, both material and immaterial ones.



In this report, we continue using these terms, while focusing even more on the relations with suppliers. During our case study work with IKEA, it has become clear that this case is very rich and useful for developing a detailed and deeper understanding of buyer-supplier relationships. To grasp governance aspects along the entire supply chain and regarding social and environmental matters one could use the term Responsible Governance of Sup-

ply Chains (RGSC). Here, we summarize some key points that we argue should be part of RGSC and which could help us to analyze the conditions, opportunities and challenges that an organization such as IKEA is likely to face:

Organizational commitment: This relates to such aspects as organizational visions, culture, and incentives, among both the organization as such and among its sub-units and staff, to adopt a responsible approach (see Boström et al., forthcoming). This commitment should express itself in an **integrated** approach. RGSC includes a thorough focus on sustainability and responsibilities in the entire organization, which includes investments in resources and extensive communication efforts both internally and externally. Sustainability, CSR, and similar topics are not just a side-affair for an isolated unit in the organization. A **systematic** and **preventive risk-management** approach is used in contrast to an ad-hoc and reactive approach. A systematic approach implies long-term thinking and planning, whereas the ad-hoc strategy is characterized by the lack of any long-term perspective. A responsible strategy is also **dynamic**; it entails a time dimension. It can never be completed. Rather, there has to be mechanisms for taking into account learning experiences. In addition, various stakeholders' expectations on a firm are never static, but develop over time, and RGSC therefore needs to be dynamic (de Bakker & Nijhof, 2002).

A responsible strategy includes elements of **learning**. Learning entails the risk topics at hand and social learning about the actors that one interacts with and about how to interact. The global character of the textile sector gives rise to serious challenges for gathering information and developing knowledge and risk awareness (Boström et al. 2011). Yet, a responsible approach implies that lack of knowledge will result in learning as well as a preventive and precautionary approach to one's business. **Monitoring** activities, such as independent auditing, keeping track of data and so on, are necessary for developing organizational capabilities to engage in RGSC (de Bakker & Nijhof, 2002). It is relevant to ask whether the procurement organization has economic means, relevant expertise, and organizational set-up to effectively monitor and inspect suppliers and their products.

A responsible strategy should involve preparedness to use and develop policy instruments and take measures that **go beyond the minimum law level**. Examples could be the use of eco-labels or codes of conduct.

RGSC entails taking into account of the organizational image and the expectations on the firm as expressed by various stakeholders (customers, suppliers, shareholder, employees, governments, NGOs, and other actors).

In order to develop such responsibilities, an "*organization needs capabilities to perceive, reflect and respond to the different claims of stakeholders*" (de Bakker & Nijhof, 2002:65). **Communication** is a fundamental part of organizations' activities, relations and their ability to handle risks. A proactive, responsible approach would develop communication strategies in a way that paves the way not only for information sharing, but also for genuine dialogue with affected stakeholders. Of particular interest is supplier-buyer communication.

Moreover, RGSC should go beyond monitoring (see above) and develop trusting, long-term and mutually supportive relations to suppliers. We expect that the complexities along supply chains, including uncertainties and communication barriers, create serious challenges for ensuring that suppliers and products comply with expectations, agreements, and relevant policy instruments. Activities such as auditing and inspection are likely to create considerable costs. A potentially cost-effective complement to the direct monitoring of suppliers would be to trust them. However, under RGSC, this ought to be done only by developing long-term relationships. When analyzing and discussing trust, it is useful to distinguish between blind trust and **reflective trust** (Boström & Klintman, 2008). The latter involves reflection and choice to a greater extent, i.e. one chooses to place trust in an actor or system. Such trust is then provisional, and may include more or less conscious and continuous evaluations of the trusted actors and systems.

While de Bakker & Nijhof (2002) stress the importance of investing in organizational resources to create capabilities to engage in responsible procurement, it is also relevant to address possibilities to, in various ways, support **capacity development among suppliers**, such as providing technical and strategic consultation. In a case study of IKEA, Ivarsson & Alvstam (2010) focus on support and discuss governance of supply chains in terms of a developmental governance structure.

The present study is expected to help CHEMTEX both to refine this framework with key aspects and to better understand the opportunities and challenges for such a large, global and private organization as IKEA to engage in RGSC. It has been important to select an organization with strong ambitions to develop a responsible approach for two reasons. First, we expect to learn more about organizational responsibility by targeting an organization that indeed has strong ambitions and has several years of experience of working systematically with CSR in global supply chains (cf. Andersen & Skjoett-Larsen 2009 p.76). Second, although the IKEA case cannot be directly applied to all other transnational corporations, revealed challenges

are likely to be quite general. Furthermore, we also think this framework can help us to partly evaluate IKEA's ambitions, procedures and performance, allowing us to give some recommendations, with the reservation that we have not carried out on-the-ground control of how the intentions are implemented.

Although the present study focuses on chemicals in textiles, we need to alternate our perspective between the general organizational level on the one hand, including IKEA's general approach to sustainability supplier relations and communication patterns, and IKEA's specific approach to manage chemical risks on the other. The latter is certainly influenced by the former and vice versa.

Next, in chapter 2, we provide a description of IKEA, including its visions and the organizational structures that are relevant for the governance of supply chains. This is followed by a brief section on our methods (chapter 3) and the main part of the study, namely the conditions for responsible governance of supply chains in IKEA's work with chemical risks in the area of textiles: challenges and possibilities in relation to policies and instruments (chapter 4), supplier-relations (chapter 5), and communication and learning (chapter 6). In the final chapter 7, we summarize and discuss our findings and point out some key challenges and recommendations.

2. General Description of IKEA

This section introduces IKEA's general goals and organizational structures and routines. We do not provide an overall description of the entire IKEA organization, but focus on elements that are important for developing an understanding of IKEA's risk-reduction work on chemicals in textiles. The focus on chemicals will be more emphasized later in the report.

2.1. IKEA's vision, values and goals

Ingvar Kamprad established IKEA in 1943. The business concept was defined as producing furniture to low prices, and since 1956, flat packages was a core part of the concept. IKEA's concept has grown gradually since then, both nationally and internationally, by a trial-and-error process. The ambition has been to build a company that looks the same everywhere. In 1976, Ingvar Kamprad launched the document *The Testament of a Furniture Dealer, A Little IKEA Dictionary*, (Kamprad 1976-2007) which describes the IKEA concept and defines its corporate vision (Kamprad 1976-2007).

IKEA's vision is to “*create a better everyday life for the many people*” (IKEA 2010 p.5), by offering a broad assortment of affordable and functional home furnishing products and solutions. In 1996, the testament was added with *A Little IKEA Dictionary*, with selected words expressing IKEA values (Kamprad 1976-2007). In this dictionary, we find words such as “humbleness” (which in the text is linked to other words such as respect, sincerity, admitting your mistakes, listening to others), “willpower” (including both agreeing on goals and then achieving them), “simplicity” (which refers to efficiency, common sense, and natural), “the many people” (which means representing the interest of the ordinary people), and “cost-consciousness” (as low price is written into IKEA's business idea), and some others.

Such phrases and terms constitute what is generally called the “IKEA culture”, or summarized as “the IKEA way” (Kamprad 1976–2007), and they were repeatedly reflected in the interviews we conducted with personnel in IKEA (see method, next chapter), which indicates that the culture is quite well integrated in the organization.

By comparing Walmart and IKEA, Konzelman et al. (2005) argue that IKEA’s much stronger emphasis on social and environmental responsibility relate to the “production-oriented” capitalist system of Northern Europe and Sweden, which, in contrast to the US-UK “market-oriented” capitalist system, is more oriented towards close and collaborative relations with customers, employees and suppliers. The high societal value placed on social and economic justice and distributional equity influences the ways in which IKEA has developed its stakeholder relations. This IKEA culture has been expanded to the production context far outside Northern Europe, according to the authors: “*IKEA exports the high quality of customer/supplier and employee relationships (expected of Swedish companies) to its suppliers in the developing world*” (Konzelman et al. 2005 p. 2).

IKEA’s goals are characterized by a combination of low prices “*prices so low that as many people as possible will be able to afford them*” (Kamprad 1976/2007) and good quality, regarding both products and service to customers. Low price requires cost-consciousness. IKEA also expresses a strong focus on People and Sustainability as an integrated part of its business. The vision is to be a leader in life at home.

2.2. The IKEA group – an overview of the organization

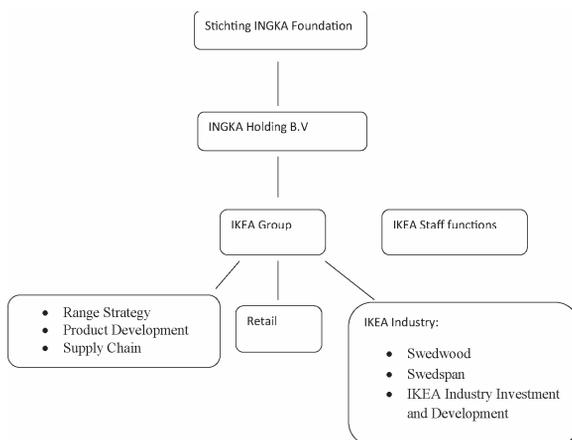
The IKEA group is the world’s largest furniture retailer – with 131 000 (2011) co-workers and operations in over 40 countries and annual sales amounting to 24.7 billion Euros (2011) – and as such a very large and complex organization.² There are several layers of functional units that are coordinated in various ways and at various levels. The IKEA Group has some own factories but most of IKEA’s product range is produced by external suppliers. Yet, as IKEA Group aims to develop close and integrated relations to its suppliers, the company has developed a global geographical

² Figures taken from Sustainability report 2011 (IKEA 2011).

spread. However, we will not describe the entire organization in detail, but instead focus more on the units that are central for our analysis.

IKEA's current structure was created in 1982 when the Stichting INGKA became owner of the IKEA Group. The role of this foundation is to provide for economic means, with an independent and long-term approach, and since being outside the stock market the conditions for long-term planning is relatively strong. Its board members may express opinions about what the IKEA Group should focus on, but do not intervene in everyday matters. INGKA Holdings B.V., which falls under Stichting INGKA, is the parent company of the IKEA Group. Stichting INGKA and the parent company are both located in the Netherlands. The IKEA Group is governed by the IKEA Group Management, which sets goals and directions for all businesses. The IKEA Group has also a number of IKEA Service units, with staff in the Netherlands and Sweden.³

The IKEA Group is also divided into different functional units that are responsible for different steps in the development, production and sales of products. In addition to the service companies, there are several affiliated companies organized into these functional units (Range Strategy, Product Development, Supply Chain, Retail, IKEA Industry). Some companies fall into more than one functional unit.



IKEA's organization. Based on a model retrieved from IKEA's intranet, sent to us from a respondent.

³ See http://www.ikea.com/ms/sv_SE/about_ikea/facts_and_figures/about_ikea_group/index.html

Range Strategy is responsible for overall style and design direction. Product Development then develops products according to this style and design direction. Product Development tasks include design of products, the formulation of technical specifications, solutions for packaging, demand and market analysis. These functional units are mainly matching IKEA's range and product development company IKEA of Sweden (IoS), which is based in Älmhult, Sweden.

"Supply Chain" is responsible to secure production capacity to the right cost. This functional unit establishes and develops suppliers, on a global scale. It consists of 9 Trading Areas (TA), including 31 Trading Service Offices (TSO), which cover 26 countries. IKEA has more than 1000 employees working on purchasing in these units (Andersen and Skjoett Larsen 2009).

Distribution, under Supply Chain, is responsible for logistics and distribution, and makes sure that products in the best and most cost-efficient way are delivered from supplier to store.

"Retail" is responsible for marketing and sales, and has a Service office in each sales country, with coordination and strategic steering from Helsingborg, Sweden.

"IKEA Industry" is a functional unit that consists of bodies such as the Swedwood Group. In Swedwood, companies work with wood-based furniture production in 46 factories in 10 countries around the world.⁴

2.2.1. IKEA of Sweden (IoS)

IKEA of Sweden (IoS) is the body of the IKEA Group responsible for the range of products, with a staff of about 800 at Älmhult in Sweden. IoS develops all products and has strategic responsibility for all operations that concern a product. In practice this means that units within IoS, in addition to designing the products and defining various requirements, also establish long-term plans for range, purchasing, delivery and sales. All products, must meet IoS requirements on function, efficient distribution, quality, environment, and low price.

IoS consist of 11 *Business Areas (BA)*, which are divided into 22 *Home Furnishing Businesses (HFB)*. IKEA's products are developed within each BA. There are additional units within IoS: *Product Requirement and Compliance (PR&C)*, *Range Strategy* and *Supply Chain*. PR&C is responsible for

⁴ See http://www.ikea.com/ms/sv_SE/about_ikea/facts_and_figures/index.html

developing specifications that define IKEA's quality, safety and legal requirements on products and material. Range Strategy determines guidelines for IKEA's products, whereas Supply Chain deals with questions such as supplier stock and production capacity. The work with IKEA's code of conduct *The IKEA Way on Purchasing Products, Materials and Services (IWAY)*, described later in this report, is governed by Supply Chain at IoS.

In this study we have seen that IoS is certainly a key organizational unit when it comes to both the strategic and day-do-day management of chemical risks, although some of the most fundamental strategic orientations are (also) defined by higher units or implied by the IKEA culture and traditions.

Of particular relevance for our case study is BA Textiles, which comprises three HFBs: bed & bath textiles, home textiles and carpets. Each HFB is managed by a "Business leader" who has the main responsibility to develop range and processes related to purchasing, supply and sales within this group of textiles. Within BA Textiles a group of product developers work with technicians, whose task is to secure that product proposals fulfill IKEA's various requirements, including requirements on chemicals.

2.2.2. Product development

In this section we focus a bit more in detail on how product development is done within IKEA as this process is an integrated part of any risk reduction management. As mentioned, IoS and the respective BA/HFB are responsible for the development of new IKEA products, as well as improvement of existing products. Proposals are made by a product development team, but in practice much personnel within both IoS and Trading Areas are involved in the various steps between the initial idea and the final launching of the product on the market. Within BA Textiles there are 7-8 product development teams. A team works with a particular group of textiles (carpets, sheets, etc) and within the Trading Areas there are corresponding teams of product group specialists.

A product development team at BA Textiles may consist of product developers, technicians, a purchase developer, sourcing developer, market planners and a communicator. All technicians within BA Textiles are textile engineers and have the responsibility during product development to secure that the articles can fulfill all IKEA's chemical and other quality requirements. Sometimes also chemicals expertise needs to be involved.

The development of a product normally takes 14-18 months. The first stage is the development of a business plan, which is done by the respective HFB. This plan defines what IKEA on a long-term basis wants to achieve with the particular range. From this plan a range calendar is created in which it is specified which products IKEA wants to develop. Thereafter the product development process starts. The product is evaluated continuously during different stages. Risk analysis is done several times, particularly early on. One of our respondents declared:

Sometimes it happens that during development a certain product does not meet the demands stated in our chemicals requirements, then the product needs to be, or the production process needs to be, adapted in order to meet our requirements.

Normally, three “gate checks” are done during the product development. The purpose with these checks is to guarantee that (e.g. prototypes of) the products fulfill requirements on quality, durability, and functionality as well as IKEA’s requirements connected with environment and safety. During a gate check, the product development team may invite different experts within the IKEA Group, which could be experts on communication, product tests, materials or chemicals.

According to a respondent, the team also uses different scenarios. A scenario indicates the degree to which a particular technique, supplier or production process is known. If a new product, or a change of an existing product, could be made by known techniques, suppliers and production processes, the need of additional expertise outside the team is lower. Bigger changes, including probable use of new chemicals or chemical processes, or if a certain problem has appeared with a particular product, will lead to a dialogue with one or several chemicals and material experts from IoS and the relevant Trading Area. According to one respondent, an important aim during product development is to implement products and production processes that require a minimum amount of chemicals. For example, the team may investigate how a carpet could be made with the minimum amount of latex.

In the Sustainability Report for 2010 (IKEA 2010 p.19-20) IKEA announced its new tool, “The IKEA Sustainability Score Card”, which includes 11 criteria, for developing more sustainable products. The goal is that 90% of the IKEA sales value shall come from home furnishing products classified as “more sustainable”.

2.2.3. Purchase Development and Categories

Potential suppliers are involved already in the product development phase. Previously, each BA independently built supplier relations in different countries, which generated multiple contacts and substantial transaction costs for each partner (Ivarsson & Alvstam 2010). Different suppliers were used for similar raw material and process requirements. To make the purchasing process more efficient, IKEA implemented a matrix structure in which a horizontal organizing structure focused on material was added to the business area dimension.

Purchasing is divided into two components: Purchase development and Purchase operations. The central level for work with purchase development is “categories”, which is operated by a transboundary working group between Business Areas and Trading Areas. This organizational restructuring was done to establish a stronger internal integration along the product chain.

Categories are groups of products or items belonging to the same industry, production technique or stock of suppliers. Categories thus consist of items with similar material. IKEA’s business embraces 44 categories. For textile, there are five categories: rugs and carpets, fabrics & terry, filled textiles (e.g. pillow, quilts), upholstery covers, and construction textiles (textiles with supporting structure). Categories are, in turn, broken down into segments. For example, fabrics & terry is broken down in 3 further steps resulting in 15 segments. First, depending on construction: woven, knitted, terry or nonwoven. Second, the yarn count: low count or fine count. The third step is dying method such as printed fabrics, uni-dyed fabrics and yarn-dyed fabrics. The segment is the level under which the category secures and develops “capacities” for IKEA. Securing a capacity means to make sure that suppliers have, today and in the future, a production capacity to deliver an amount of something that is needed for a product. Each category has a category plan, which indicates the sourcing potential and what possible material to use. The HFBs contribute with prioritizations from a market- and range perspective. Currently, category leaders of IoS are usually also sourcing developers (which is an operative function).

2.2.4. Trading Areas

IKEA purchasing function is divided into nine geographical areas, so called Trading Areas (TA) that embrace 31 Trading Service Offices (TSO), which

deal with the relations with suppliers in the particular region or country. TAs are responsible for the day-to-day issues surrounding sourcing of IKEA's range, including topic such as accurate and timely delivery and that suppliers fulfill all requirements that have been agreed upon. In the Trading Areas, there are business teams with staff responsible for quality, purchasing and supply. And within quality there are chemical specialists who support the business teams in securing chemical compliance at the suppliers. There are also staff who work with environmental issues, including IWAY auditors.

3. Method

This study is based on a) previous scholarly literature (e.g. Konzelmann et al. 2005; Andersen 2005; Andersen & Skjoett-Larsen 2009; Ivarsson & Alvstam 2010), b) documents available at IKEA's website or which were handed out by our informants, c) field visits at a few of IKEA's suppliers in southern India, and, d) interviews with staff, and previous staff, within IKEA, foremost at IoS. We have also studied some older and recent reports from various stakeholders as well as central news media reporting on IKEA's environmental performance, in order to build a broader understanding of the practical implementation of stated ambitions, as well as on how IKEA's environmental performance has been perceived and how that may influence IKEA's sustainability work.

In total, 15 interviews (12 by telephone) were done with 9 persons during the period October 2009 to December 2011. The selection of respondents was primarily done based on recommendations from a contact person at BA Textiles. Five persons from BA Textiles were interviewed. We also interviewed one person from the unit Product Requirement and Compliance (PR&C), one person working on sustainability affairs in Supply Chain, and one person from Trading Operations global. In addition to these interviews, we have had e-mail contacts with one person from the section Risk communication.

The study of documents and the design of interview guides were done by following a general research guide that CHEMTEX developed for this and other case studies. The research guide consisted of questions related to organizational structure, internal and external policy instruments, internal and external communication, including communication with suppliers, risk perspectives and the organization's work to gather expertise as well as risk related information along the supply chain, and general questions related to incentives, strategies, and capacities. The research guide was partly adjusted to fit the particular case.

In our analysis we also refer to experiences and reflections gained from a field trip to India that was done in February 2009. The purpose with the field trip was to gain insights in the problem area of chemicals in textiles, and to get a concrete sense of the supply chains that we were about to study, in particular regarding IKEA's role. This field trip can be described as exploratory and was planned together with contact persons at IKEA. Together with an environmental expert from IKEA, we visited two suppliers and one sub-supplier, as well as a regional official Pollution Control Board, on three different places in southern India. We made a brief visit at the IKEA TSO in Chennai (this office is no longer in operation). In Chennai we also arranged a workshop with participants representing various stakeholders in the Indian context: researchers, NGOs as well as practitioners representing the textile industry. Our impressions from the field trip were collected in memory notes. It should be noted that we visited top of the line factories. Most likely the majority of factories in India face the same challenges but also other and bigger problems. We also visited areas in which the development in general was relatively high, with high levels of literacy and education. As we were there for explorative reasons and very early in the research process, we did not conduct formal interviews but we certainly took the opportunity to engage in informal conversations with management staff at the factories, when they guided us around. As IKEA's environmental expert joined us in the factory visits, we could also observe how he and the staff at the factories communicated with each other, which gave important insight into how IKEA can interact with suppliers. An important methodological issue here concerns the so-called research effect: whether the communication between IKEA and its suppliers was affected by our presence. We experienced that personnel from the factories spoke to us as if we were "IKEA people", which does not necessarily have to be a disadvantage compared to if they had treated us as "independent researchers".

4. Policies and instruments

In this section we, on the one hand, focus on IKEA's general work on sustainability and responsible governance of supply chains. As will be seen from the analysis below, IKEA's code of conduct is an important part of that work. On the other hand, we keep our specific focus on chemicals. Taken together, we analyze how the management of chemicals risk is influenced by the general sustainability work, and vice versa, and how it is reflected in the tools aimed at product and production process quality control. We begin by the former question.

4.1. IKEA and Sustainability⁵

Sustainability shall be an integrated part of our business, which means that all IKEA strategies and business plans must clearly and systematically integrate sustainability improvements and investments as part of everyday operations. (IKEA 2010 p.14)

As the quote shows, IKEA states today that sustainability should permeate the entire organization. The report also declares that IKEA needs "*to take social and environmental responsibility in every step of the value chain*" (IKEA 2010 p. 14). These ambitions reflect the integrative dimension that we discussed briefly in the introduction.

Although IKEA has worked since quite long with its environmental and social impact⁶, the thorough and integrated focus on sustainability in all

⁵ Sustainability reports are released annually. For our analysis, we have selected the 2008 and 2010 reports. In the final stage of preparing this study, the IKEA 2011 Sustainability Report was published (available at: http://www.ikea.com/ms/sv_SE/about_ikea/pdf/IKEA_sustainability_report_fy11_small.pdf). It has not been assessed in detail, but a read-through does not indicate any fundamental differences with relevance for this study. We have complemented with some updated figures from the 2011 report.

business activities is a more recent development, according to our respondents. In parallel, the communication on sustainability has become more comprehensive, as can be seen in the much thicker 2010 Sustainability Report compared to the 2008 Sustainability Report. The “IKEA Sustainability Direction 2015” has been introduced, which states ambitious targets and outlines priorities for 2015 in areas such as waste and water.

Key strategic decisions regarding sustainability are taken by IKEA’s Group of Management and IKEA also has a unit, Sustainability Affairs, located in Helsingborg, Sweden, that works strategically on these issues. In general though, IKEA works in a decentralized way with sustainability. It is up to the particular BAs and other functional units to set goals and develop plans and activities for how to fulfill the sustainability ambitions. IKEA informs about its sustainability work through the quoted Sustainability reports (e.g. IKEA 2008a, 2010) and the document People & Environment (IKEA 2008b).

Although low price is seen as a key condition to realize IKEA’s vision to *create a better everyday life for the many people* (Kamprad 1976–2007), it is declared that low price cannot be attained at the expense of people or environment. A stated condition for good business is that social and environmental responsibility is guaranteed. “The many people” embraces not merely IKEA’s customers but is supposed to include also staff, suppliers, suppliers’ staff and other stakeholders affected by IKEA’s business (IKEA 2008a; 2008b). Konzelmann et al. (2005) found that IKEA’s assertion “low price, but not at any price” is strikingly different compared with Walmart’s standpoint⁷.

IKEA’s sustainability reports states that IKEA is member of UN’s Global Compact and commits to its ten principles that embrace human rights, work, environment, and anti-corruption. The report furthermore refers to the IKEA culture, including its values (described above), which is considered key for how a responsible conduct is to be integrated in the entire organization.

Furthermore, IKEA maintains dialogue with stakeholders allowing the company to do more than it would on its own. The list of main stakeholders on the global level includes WWF, Greenpeace, Better Cotton Initiative, Forest Stewardship Council, Global Social Compliance Programme, Busi-

⁶ See, for example, Maon et al. (2007) for the development of IKEA’s work on environment.

⁷ Naturally, but for clarity, as one respondent said, this assertion still includes a balance between environmental performance and costs, which could be stated as “environmental standards, yes, but not at any price”.

ness for Social Responsibility, Rainforest Alliance, Save the Children, International Labour Organization, and UNICEF. Our respondents confirmed that cooperation with other actors is a major part of IKEA's sustainability strategy. On this point, though, IKEA has since several years been criticized for joining alliances with civil society organizations foremost in order to protect itself against criticism by – in the words in *Newsweek* in 2001 – creating a “Teflon Shield” (Miller, 2001). Since then the debate about IKEA and greenwashing has continued, including articles in wide-reaching newspapers such as the *Washington Post* (Goodman and Finn 2007) and the *Guardian* (Pearce 2009), as well as critical books, e.g. from a former employee who for many years held various key position within IKEA, related to environmental issues (Stenebo 2010). In Sweden, Friends of the Earth Sweden nominated IKEA to its annual Greenwashing Prize in 2012,⁸ and recently Swedish Television picked up the same theme in a documentary film.⁹

A global company of the size, impact and visibility of IKEA is always vulnerable to such type of public criticism. To stop collaborate with external stakeholders such as civil society organizations would, quite obviously, not be seen as a responsive and pro-active approach. Accordingly, IKEA has defended its collaborations and continues to engage in dialogue with civil society organizations.

The sustainability reports divide stakeholders into categories such as IKEA suppliers and their workers, IKEA co-workers, IKEA customers, Communities, and The Environment. IKEA's relationship with suppliers is of key importance for our focus, which we will get back to later in the report.

Regarding the environment, the reports state that “cost-consciousness lead our work”, which falls in line with the parallel emphasis on price and environment (IKEA 2008a). This focus includes environmental design, efficient use of resources, sustainable sourcing of raw material and an effort to become climate neutral in production and distribution. “Making more from less” is a another key frame that is supposed to guide both product design and the use of material, and which goes hand in hand with the environmental sensitive cost-consciousness. The 2010 report states five key priorities in the “Sustainability Direction for 2015” outlining the priorities: One priority is “offering a range of products that are more sustainable” and the concrete goal is that 90 percent of IKEA's sales value shall come from home furnishing products classified as “more sustainable” in the IKEA Sus-

⁸ See <http://www.jordensvanner.se/konsumtion/svenska-greenwashpriset-2012>.

⁹ See further at <http://svt.se/ug/ikea-avverkar-unik-urskog-i-skydd-av-miljoflagg>.

tainability Product Score Card. Surprisingly, nothing is said about the use of chemicals here. The other key priorities are “Taking a lead role towards a low carbon society”, “Turning waste into resources”, “Reducing our water footprint”, and “Taking social responsibility”.

It is also noticeable that the Environment section of the 2008 report does not cover a discussion about chemical risks. Rather chemical risks are only discussed from a consumer-oriented safe-product framing, in the section on Customers. The same appear in the 2010 and 2011 reports, although chemical issues are also briefly mentioned in e.g. the 2010 section “Increasing the share of more sustainable cotton in the range” (IKEA 2010 p. 64-66).¹⁰

In summary, we can see that IKEA has decided to state sustainability as a key priority for the entire organization, which should be strived for in a decentralized manner and by integration into every activity. But it is also interesting to notice that chemical issues do not appear among the most prioritized issues, at least not in this type of communication, and when they are mentioned it is primarily in relation to consumer-oriented health and safety framing or related to pesticide use. However, we must separate what IKEA is telling in the report and what it does in practice, of which we have studied processes and systems, not factual implementation in quantitative terms. Let us see now what IKEA’s instruments developed for control of products and production means.

4.2. IKEA standards for products and production

IKEA has developed several steering instruments targeted at the products, the suppliers or the production process. Together, these instruments constitute a part of the binding business contract between IKEA and its suppliers. For products, a number of specifications and technical descriptions exist. For production, there are requirements that suppliers must implement IKEA Supplier Quality Standard (ISQS) and fulfill IKEA’s code of conduct IWAY. Taken together, these instruments aim at ensuring good quality as well as creating the necessary conditions for reducing environmental and health risks connected to the use of chemicals in the production of textiles. The general quality requirements, called “Everyday Product Quality” are

¹⁰ IKEA was one of the founding members of the Better Cotton Initiative (www.bettercotton.org), which for example aims to reduce the use of water, artificial fertilizers, and pesticides in cotton production.

Well-designed, Safe to Use, Customer Friendly and Durable & Functional.¹¹ Here, we will first describe specific product requirements and then proceed to a description of IWAY and ISQS.

4.2.1. Product requirements

First, IKEA has a **technical description** of all details required to produce each particular product, for example concerning type of raw material (e.g. jute, cotton, polyester, latex, polypropylene), its appearance (color, texture, etc), and the weight and size of the product. The description also refers to all **specifications**, including **chemicals specifications**, among which the main one is called Chemical compounds and substances, IOS-MAT-0010 (IKEA 2013).¹²

The current document embraces general requirements for all material (wood, textiles, plastic, foam plastic, latex and rubber, metals) in IKEA's products, and specific such for each material. The specification also, for example, includes definitions, routines for product tests and documentation, and appendices of restricted or prohibited chemicals. A number of toxic or otherwise hazardous substances are relatively strictly regulated, for example compared to common legal demands on national or EU basis.

There are additional specifications concerning children's products (with further and stricter chemical requirements),¹³ as well as for textiles.¹⁴ The specifications include prohibitions and limitations for particular chemical substances in products and material, with the following aim:

The purpose of IKEA requirements concerning chemical substances in IKEA products is to:

- Minimise harmful effects to customers' health and to the environment from IKEA products.

¹¹ These four aspects also guide product development and design.

¹² The first version of the chemical specification was introduced in 1995.

¹³ "Chemical Compounds and substances – additional requirements for children's products, IOS- MAT-0054".

¹⁴ *General requirements for textiles, IOS- PRG -0023* concern all textile products, with some more strict requirements for children. Requirements concern, for example, color fastness, pH value, flammability, content of formaldehyde, and numerous other quality aspects, as well as routines for product tests and documentation. There are also similar documents for furniture fabrics: *Furniture fabrics – general requirements, IOS-PRF-0025*; and for carpets: *Carpets, rugs, and floor mats – general requirements, IOS-PRG-0032*.

- Ensure compliance of IKEA articles with health and environmental regulations in all IKEA markets. (IKEA 2013 p. 2)

The stated purpose might be interpreted as to prevent any content of unsafe chemical substances and mixtures in the end products. However, several respondents maintained that IKEA does not want these to appear in the production either and that the requirements also reflect this ambition.

IKEA has the same chemical requirements globally. All IKEA chemical demands shall be compliant with the strictest legal demand in any IKEA sales country, and, as exemplified below, a number of IKEA chemical requirements are clearly stricter than the most stringent legal demands in any sales country, with the notable exception of situations when national legislation requires the use of a harmful or potentially harmful substance, e.g. fire safety standards in the UK, which require the use of specific flame retardants.¹⁵

Some examples from IKEA's chemicals management are listed in the following table; each example is an illustration of how the standard is set higher than existing legislation.¹⁶

¹⁵ One respondent said that the use of flame retardants is an example when IKEA's principle concerning the strictest legislation is difficult to maintain, because in the UK all sofas need to fulfill certain criteria regarding fire regulation. IKEA must therefore use weaker chemicals requirements for the UK market, which in practice results in two technical descriptions, one for UK and one for the rest of the world.

¹⁶ PVC is still not banned in any country. When it comes to flame retardants, a few brominated flame retardant substances have quite recently been generally or partially restricted in the EU and a number of countries, but most substances in the group are commonly permitted. A few organotin compounds are regulated for use in e.g. marine vessels, but not the entire group and not in all countries. In the EU, the REACH regulation partially restricts some organotin substances, but the allowed limit values are very high. Bisphenol A has been restricted in the EU and a few countries in a few specific products, like baby-bottles.

PVC	Substitution except in cables in 1992.
Flame retardants	Decision in 1998 to phase out all organic brominated flame retardants by 2000; alternatives more costly; UK fire safety requirements are met by e.g. nitrogen and phosphorous based impregnation .
Organotin compounds	Banned in 2002.
Bisphenols	Bisphenol A banned in polymers in children and food contact products in 2009. All bisphenols banned in cash receipts in 2011.
Formaldehyde	Restricted (varying limit levels) since 1991.
Organic solvent in printing paste	Restricted since 1998
Alkylphenol ethoxylates	Banned since 2002

Our respondents said that IKEA generally tries, as a way to practice the **precautionary principle**, to be ahead of the legislation. One example concerning chemicals in personal care products is IKEA's recent decision to phase out 17 substances¹⁷ globally, among those listed by the European Commission as suspected endocrine disrupting chemicals, after repeated criticism from the Danish consumer movement (DCC 2012). Several of the requirements should accordingly be stricter than what is found in any legislation. The department Product Requirement and Compliance (PR&C) within IoS works systematically with this target. As a help, IKEA makes use of, according to respondents, the so called *SIN-list* of The International Chemical Secretariat (ChemSec), which at present includes 378 substances of very high concern, identified by ChemSec to fulfill the legally based criteria for authorization under the EU REACH regulation on Registration, Evaluation, Authorization, and restriction of CHEMical Substances, even though authorization far from always have been implemented yet¹⁸. Here

¹⁷ At that time, several of the 17 substances were already banned by IKEA, but at this time IKEA further banned the rest of them, such as the parabens. The list includes e.g. ethylparaben, propylparaben, butylparaben, methylparaben, DEP.

¹⁸ See further at the ChemSec webpage: www.chemsec.org.

IKEA participates in the ChemSec Business Group.¹⁹ Evidently, IKEA also follows the current public work with notification under REACH of “Substances of Very High Concern” for the so-called candidate list for REACH authorization.²⁰

Several functions are involved in IKEA’s work to formulate and update the chemical specifications, while PR&C constitute the core unit for this task. The updating occurs at least every second year. “Watchdogs” at different service offices in sales countries are tasked to scan and create “Law Infos” about current legislation from different countries. PR&C hands in these Law Infos and compiles the information. The revised chemical specifications are then sent out for consideration to relevant units within IKEA, and sometimes also to selected suppliers and other stakeholders, such as IKEA-approved testing labs.

Respondents told us that it is important not only to follow developments within science, but also to be sensitive about what is going on in the political debate and in media. It was said that some substances are seen as dangerous by politicians even if a scientific analysis shows that concentrations and exposure levels for customers are too low to cause real danger, but that also in these cases they choose to follow the political agenda. Respondents also said that journalism sometimes occurs without scientific justification, which sometimes also may trigger a response without a clear scientific basis. The ambition was claimed to prioritize to reduce somewhat too many substances than to balance on a thin thread. *“So preferably try to achieve less questioned substances than to start a debate and try to win it.”*

Respondents also stressed another motivation for being a step ahead of the legislation: that it is a way to adjust for implementation time lags. One respondent told: *“It can take considerable time to integrate a requirement for all actors along the entire supply chain, all the way down to sub-suppliers of raw material, which may be seven, eight links further down.”*

IKEA also tries to apply the **substitution principle** for chemical products and chemical substances, as referred to above regarding the so-called SIN-list, but respondents at the same time expressed that this is something they are trying to improve. According to one respondent it is difficult to recommend a supplier to use a particular chemical instead of another. Es-

¹⁹ See: <http://www.chemsec.org/business-dialogue/industry-initiatives/chemsec-business-group>.

²⁰ The California legislation was also mentioned as a knowledge source about unsafe substances.

tablishment of positive chemical lists as a complement to current limitation lists would facilitate this work. But uncertainties about the properties of various substances create difficulties.²¹

To cope with these challenges, BA Textiles continuously strives for finding complementary approaches: “we receive so many questions and people want to know what actually exist in our products ... so we want to have a list, we use these chemicals” One example is the work with a Permitted Chemical list together with “Chemical leasing”,²² but which so far, due to the complexities at hand, has not been possible to realize. The former ambition entails gathering information from suppliers about which chemicals that are currently used. Based on such information, an assessment could be made about which chemicals IKEA wants to use and not, as a complement to prohibitions already listed in IOS-MAT-0010. As part of this work, a respondent told us to have been in contact with Global Organic Textiles (GOTS) and Bluesign, as two organizations working with positive chemicals lists. It shows however, that such a list at present is too difficult to establish.

The substitution principle can also play a potential role when it comes to choice of material. In the Sustainability Report of 2010 (IKEA 2010) it is declared that, besides working within the Better Cotton Initiative, IKEA also works to reduce its reliance on cotton as a raw material (p. 66), by using for example lyocell textiles or blends of cotton and linen.

Product labeling is another common method for working pro-actively with environmental and health risks connected with products. IKEA participates in various activities, such as the Forest Stewardship Council and the Roundtable for Sustainable Palm Oil certification. IKEA has, however, chosen a restrictive attitude in relation to labeling, which has been criticized by NGOs (e.g. Naturvernforbundet 2008). Certification is not used to inform consumers about environmentally preferable products, rather as an internal tool for sourcing sustainable raw material. The reason behind this approach is indicated in the following quote:

²¹ See also Haikola 2012, p.173-182, for a critical analysis and discussion about the possibilities to use the substitution principle.

²² The idea with Chemical Leasing is that the supplier, instead of buying chemicals, buys the function that a particular chemical should fulfill. A hope has been to reduce the chemical supplier's economic incentive to maximize the sale of *quantities* of chemicals. The chemical supplier is paid for the service how to achieve the particular function a specific chemical fulfills, and not for the amount of that chemical. Potentially, this could be a way both for suppliers to learn about chemicals and for reducing the amount of them.

We label our home furnishing products exclusively with the IKEA logo, as we want our customers to know that this stands for products that are safe and produced with respect for people and the environment. As this applies to the entire IKEA range, we have chosen not to use any certification labels for home furnishing products. We want customers to confidently and freely choose among our products, knowing that IKEA is committed to sustainable practices, and that they do not have to choose between sustainability, style, function or price. (*IKEA 2010 p.22*)

In sum, we can see that systematic, integrated and preventive work is going on in IKEA relation to the development and use of internal (specifications) and external (product labeling) product oriented instruments. While respondents express a fairly good confidence in their work on knowing what to avoid, most challenges appear to be related to knowing what is good and finding practical means to employ the substitution principle. Now, we shift attention to policy instruments that directly target the production and suppliers.

4.2.2. Requirements on production: IWAY and ISQS

IKEA requires suppliers to implement two systems: *IKEA Supplier Quality Standard* (ISQS), which is a quality assurance system and *IKEA WAY on Purchasing Products, Materials and Services* (IWAY),²³ which is IKEA's code of conduct defining minimum requirement for environmental and social conditions in the production.

During the 1990s, IKEA experienced an increasing public attention targeted towards the conditions under which its products were produced. Customers, NGOs and media paid increasing attention to environmental issues, labour conditions and other issues, particularly in factories in developing countries in which the social and environmental conditions were lagging behind.

Recognising that negative publicity about the environmental or social conditions of its suppliers might damage the IKEA name considerably, IKEA management realised by the end of the 1990s that they needed to relate actively to the environmental and social conditions of its suppliers. Therefore, the company decided to develop a code of conduct in relation to its suppliers. (Andersen & Skjoett-Larsen 2009 p.79)

²³ See http://www.ikea.com/ms/sv_SE/about_ikea/pdf/SCGlobal_IWAYSTDVers4.pdf
Accessed 2012 04 30.

IWAY was launched in 2000 in response to ... justified criticism..., according to a respondent, from external actors about IKEA's environmental and social impact. This respondent said that IKEA previously focused on the well-being of its employees and customers, but less on suppliers and their employees. IKEA used checklists for some basic environmental and social parameters, but this work was done less systematically than today, respondents stressed. The work to establish the code took two years, and embraced an internal process that involved lots of personnel including Ingvar Kamprad. In this work, IKEA also collaborated with external bodies such as ILO, the UN, and Save the Children. The code is updated every few years. Updating and day-to-day management of the code is managed by the IWAY Council, which also has a working group.

IWAY as such is not sufficiently detailed to cover bans or limitations for specific chemicals. These are expressed in the specifications described above. IWAY sets minimum requirements in production at suppliers and sub-suppliers regarding health and environment (including chemicals), in total about 75 demands on compliance with national law and international conventions, and on IKEA's own additional parameters. If an IWAY demand is incompatible with national law, the latter (of course) takes precedence.

The current goal is that all IKEA home furnishing suppliers shall comply with all IWAY requirements by 2012 (IKEA 2010 p. 39). This is however seen as very challenging when one takes into account the Asian countries (IKEA 2010, 2011), because China, for instance, restricts freedom of association, which is an IWAY requirement. By 2011 60 % of all IKEA's suppliers were IWAY approved, but the figures in Asia were only 41% and in China 11 % (IKEA 2011 p.37). IKEA does not require that a supplier complies with all requirements from the start, only a set of start-up requirements (including e.g. no child labor, no severe environmental pollution, mandatory records of working hours and wages, etc). However, an implementation plan has to be set and after 12 months the supplier is expected to comply with all IWAY requirements. In case non-compliance remains, the supplier has 90 days – or even extra time – to handle the problem. The IKEA auditors help the suppliers to write action plans. If the supplier does not live up to the IWAY expectations, IKEA will categorize it as a “risk supplier”, which may, but not necessarily, lead to termination of the contract (this issue is further discussed in section “Replacing suppliers”).

The supplier shall appoint one or several persons with the right competence as responsible for compliance with IWAY requirements. This person shall also establish routines to communicate IWAY requirements internally

to employees as well as to their own suppliers. Each sub-supplier must sign a document that shows that it understands and accepts the IWAY requirements. IKEA furthermore requires that the suppliers at minimum annually conduct an internal IWAY revision, which must be accessible for IKEA. The suppliers must also have routines in place in order to stay updated about new laws that concern IWAY requirements.

In relation to chemicals, IWAY states that suppliers, for example, shall have list of chemicals with valid Material Safety Data Sheets, implemented routines for the purchasing, storage, handling, and use of chemicals as well as for emergency response, competence and adequate training in purchasing, handling, using and storing *chemicals* among workers that handle chemicals, secure proper labelling, and that they must follow relevant laws and classification regulations.. They must also be authorized to use chemicals that are legally limited or controlled.

Our impressions from the field trip to southern India confirm the great importance IWAY has in relation to suppliers. This was repeatedly stressed both by IKEA's Indian contact person that guided us and by managers at the factories, and it was clear that IWAY plays an essential role in the interaction and communication between IKEA and its suppliers and sub-suppliers. All informants at the factories we visited maintained that IKEA sets considerable more precise requirements than other domestic and international buyers (e.g. Walmart; see also Konzelmann et al. 2005 and their comparison of IKEA and Walmart). Although similar parameters are used among buyers, IWAY implies less interpretative flexibility and degree of freedom. This was also clear to us simply by looking at information boards with codes of conduct from different buyers that were visible at the factory floors, particularly as regards the environmental criteria. According to respondents of IKEA personnel at Trading Areas in the study by Ivarsson & Alvstam (2010 p. 1584), the IWAY standard has contributed to significant improvements among basically all suppliers in China and South East Asia.

To summarize, IWAY may not be the key or most precise instrument for IKEA to manage chemical risks, but the code appears nevertheless central in that it defines basic structural and organizational conditions and views, which are needed to systematically and pro-actively handle a range of environmental and social risks, including chemical risks. Our impression from the field trip is that IWAY was seen as the most central instrument IKEA had in relation to suppliers. It was around vocabularies in the so-called IKEA culture, as well as the IWAY framework that much communication centered.

IKEA Supplier Quality Standard (ISQS) is a quality system that all IKEA's suppliers need to implement. The purpose with this quality system is, together with the specifications discussed earlier, to secure that IKEA's products comply with IKEA quality requirements including customers' quality expectations. A contract with IKEA implies that the supplier must fulfill a number of quality routines. The requirements in ISQS entail the establishment of responsibilities for securing all quality requirements, e.g. a procedure for traceability (for raw material batches when it is required in the product documentation); routines for inspection, routines for how requirements shall be communicated to sub-suppliers, routines to secure that the supplier has capacity to comply with all requirements, routines to handle all documentation and product tests. In addition, the supplier must identify and inform IKEA about choice and change of sub-suppliers that deliver critical raw material or use critical production processes. While several respondents had limited knowledge about this instrument, those who deal specifically with chemical risks considered it central.

4.3. Summary

IKEA has recently made sustainability a key priority for the entire organization. This focus fits quite well into the so-called IKEA culture and its tradition to assume a broader notion of responsibility (cf. Konzelmann et al. 2005). While chemical issues do not seem to be among the most prioritized environmental issues in IKEA's public communication – chemicals are primarily mentioned in relation to a consumer-oriented health and safety framing – we can still see that IKEA develops, uses, and continuously updates policy instruments that allow for a systematic, integrated, preventive, precautionary, and dynamic work on chemical risks. IWAY and ISQS play key roles in IKEA's contractual and communicative relation to suppliers. Both these instruments help to make IKEA's quality assurance work structured and systematic, and they also provide a communicative platform in relation to suppliers, sub-suppliers, and other stakeholders. Of great importance is also the use of chemical specifications for products. It is furthermore interesting to note IKEA's way to apply a preventive and precautionary approach: adapting stricter requirements and trying to be ahead of the legislation and to consistently use rules and criteria from nations with the strictest approach. One challenge appears to be to develop policy instruments to apply the substitution principle, even though the SIN-list is an

example in the direction. While IKEA claims to aim for becoming less reliant on harmful chemicals, chemicals will of course be needed also in the future, and respondents expressed difficulties to find tools that single out good examples, i.e. positive chemical lists. This is related to uncertainty: it is hard to know what can be seen as safe enough chemicals (cf. Haikola 2012). Our next task is to take a closer look at IKEA's relationship with suppliers.

5. Relationship to suppliers

This chapter concerns IKEA's relationship with suppliers, including sub-suppliers. We can see already from our investigation of IKEA's policy instruments that a rather close relationship with suppliers is assumed. However, let us look further into this issue, also with a historical perspective.

5.1. Towards long-term relationships with fewer suppliers

IKEA aims at developing close and long-term relationships with suppliers that are willing to share IKEA's values and to grow together with IKEA (IKEA 2008, 2010). According to Andersen and Skjoett-Larsen (2009 p. 78), IKEA has recently adopted a strategy of going from "trading to purchasing":

This strategy implies that instead of engaging in short-term relationships with many smaller suppliers, where the focus is on buying articles, IKEA is increasingly engaging in long-term relationships with fewer suppliers, where the focus is on buying capacities.

As a consequence of this approach, IKEA reduced the number of suppliers from 2500 during the 1990s to 1074 in 2010 (IKEA 2010). As this development has occurred in parallel with a very large increase in IKEA's turnover, the suppliers are now, on average, much bigger. Moreover, to gain direct influence over suppliers' operations and product quality, as well as to reduce costs, IKEA has also replaced intermediate traders. Such traders played an important role earlier, when IKEA started to expand its sourcing of products from low-cost countries in Asia. IKEA has accordingly an ambition to achieve better integration along the supply chain; or in other words, to achieve *governance* of supply chain (just *buying*, or trading in the words of Andersen and Skjoett-Larsen (2009), as understood in a traditional sense would not qualify as an example of governance).

With this change towards using fewer suppliers followed a new attitude concerning the relationship with them. Whereas IKEA previously simply “demanded a certain level of quality, service, price and environmental and social responsibility of its supplies, the company is now *developing* these issues together with the suppliers.” (Andersen and Skjoett-Larsen 2009 p. 78; emphasis in original). Likewise, Ivarsson & Alvstam (2009) characterize IKEA’s relationship with suppliers in terms of a *developmental* governance structure (see section Supporting suppliers below).

Furthermore, over the last decade, IKEA’s sourcing strategy has been to use suppliers that can deliver large shares of their turnover to IKEA. According to Ivarsson & Alvstam (2010), IKEA typically wants suppliers to sell a considerable share (60-70%) of their total production to IKEA. Suppliers are always required to apply IKEA’s standards to the whole company and such a principle is easier to maintain if suppliers sell the majority of their production to IKEA. However, 100% delivery to IKEA has never been a target for IKEA, because that would create too much vulnerability and dependence of IKEA. Indeed, respondents from IKEA stress that IKEA now does not have the policy that suppliers should have a particular share delivered to IKEA.

IKEA also prefers to locate complete supply chains in selected countries, including raw material, components, and finished products (Ivarsson & Alvstam 2010). IKEA tries to achieve regionally concentrated sourcing, for example due to the ambition to reduce logistical costs. In 2008, almost two-thirds of IKEA’s global purchasing was in Europe, one-third in Asia, and 4% in North America. 33% came from Asia, with a big part, 22%, from China (IKEA 2011 p.38).

People that we interviewed maintained that the broader emphasis on environment and social responsibility is in line with the development of long-term relationships with suppliers. Previously, when basically price and quality mattered most in the relationships with suppliers, the relationships were more fluid. It was...

... custom that we jumped from one supplier to another, so we had, we had no good relations to our suppliers, one could say. And this has changed very much, actually. So we try to develop collaboration with reliable suppliers, and when they collaborate with us... we also help them to grow. The more we worked, the more we noticed that when you have such an uncertain stock of suppliers... when you just jump from supplier to supplier, then it becomes very difficult to control processes, have control over, yeah, chemical use and such things. So this is clearly a reason

for us to invest in collaborating with big suppliers, as partners one could say.

In sum, instead of having short-term relations with many small and separate suppliers, the ambition is to collaborate on a long-term basis with fewer (and larger) suppliers that supply the majority of their production to IKEA, as well as achieving closer integration among actors along the supply chain.

5.2. Selecting suppliers

Based on this general approach to suppliers, IKEA has developed a “Best Buy” policy, which, according to respondents, consists of a broad spectrum of criteria, including: price, capacity, access to raw material, performance, reliability, financial situation, attitudes, management style, and their view on working with IKEA on a long-term basis, in addition to the criteria within IWAY and ISQS. According to one respondent, who has worked a rather long time in IKEA, the “Best Buy” policy has changed dramatically over time: *“as a company, we come from a time, maybe 20 years ago, when only price mattered, one could say.”* The respondent tells that this change in policy connects with IKEA’s changed values and that the IKEA Group has become more knowledgeable about risks associated with the production.

Because of the stated high quality ambitions, and because IKEA is investing into supporting suppliers (see next section), the selection criteria have to be rather tough and the selection has to be careful (Andersen & Skjoett-Larsen 2009; Ivarsson & Alvstam 2010). The attitudes of the suppliers’ owners and top managers appear to be a key criterion: “Suppliers are frequently selected if they are committed and willing to grow together with IKEA” (Ivarsson & Alvstam 2010 p. 1579). Expressed commitment among suppliers to establish long-term relations is thus an essential part of IKEA’s Best Buy policy.

At IKEA’s Trading Areas there are so called “mapping teams”, which are charged to map potential suppliers in the area. The mapping is done, for example, by visiting trade fairs and the factories themselves. Decisions whether a particular supplier can be used by IKEA are made by Supplier Councils within the Trading Areas and the Categories, based on a report from the mapping teams, in which suppliers have been graded according to IKEA’s Best-Buy policy.

5.3. Supporting suppliers

Our focus is to motivate and support suppliers to take more responsibility and ownership themselves, so that developments become sustainable and independent of IKEA presence. (IKEA 2008a p. 11)

Given that IKEA is basically a retailing company, we believe that their technological support is quite remarkable (*Ivarsson & Alvstam 2010 p. 1586*).

Ivarsson and Alvstam (2010) made a case study of the way IKEA is governing its product chains in relation to its suppliers. Based on their findings, they characterize IKEA's relationship with suppliers in terms of a *developmental* governance structure. In such governance structure "supplier upgrading is a deliberate part of their global sourcing strategy" (p. 1576). Accordingly, various kinds of support are fundamental in IKEA's relationship with suppliers (see also Konzelman et al. 2005). Ivarsson & Alvstam found that IKEA supports suppliers extensively in several ways. The support is provided by staff from both IoS and at the different TAs. Staff at IoS, particularly product developers and product technicians, can spend considerable time, up to 200 travel days per year, helping suppliers worldwide to solve problems related to products and process requirements. However, support is primarily provided by staff in Trading Areas.

IKEA's technological support to its suppliers is not given in an ad hoc fashion. On the contrary, it is part of a deliberate strategy to secure IKEA's manufacturing base in terms of production volumes and technological capabilities, to gain control over product quality, and to influence cost development and performance standards among suppliers. (*Ivarsson & Alvstam 2010 p.1583*)

One type of support is regular and ongoing, focusing on technological aspects or assistance with quality assurance (IWAY or ISQS). Such support includes training programs for suppliers' personnel. Another type of support, according to Ivarsson & Alvstam (2010), is more long-term and strategic, with ambitions to expand and upgrade production capabilities. Part of IKEA's ambition is to find and develop suppliers that can build up capabilities to take responsibility for production from an initial phase to large-scale production (described below under integrated production). Both financial support and technical consultations are provided.

IKEA expects its suppliers to express a willingness to learn and develop an own capacity, as the following quote illustrate:

If you go to the very bottom of this we shouldn't, we are a retailer okay, and we are a production driven retailer in a way. We are retailers, we are there to sell, nice functional durable products, which are safe and healthy to our customers. That is what our business is... we should be using suppliers who know how to manufacture and we shouldn't be spending a lot of time in instructing suppliers how to make the products. Yes we can develop our framework of requirements, because that comes from customers and legislation, and NGOs and all of this kind of thing. But we should have suppliers who don't need to be babysat...

As seen from the previous section, it is important for IKEA to select suppliers that can fulfill IKEA's requirements and which have own knowledge to understand them. At the same time, there seems to be exceptions from this "rule", as in the case of China. China is a country in which suppliers apparently face difficulties in complying with IKEA's requirement, as few are completely IWAY approved (i.e. the step after IWAY must) (see IKEA 2008a, IKEA 2010). As a consequence, support becomes extra important. One respondent commented as follows on this topic:

We have entered China or Asia, because there are lower costs there. Costs are lower because productivity is lower. Experiences to have ... factories delivering to customers are not as extensive. I mean, in principle, China had no factories delivering to businesslike customers on a market 30 years ago. So of course, if we choose to enter there we also have to help and instruct them. ... Now we are in China, and thus there are consequences.

China is one of the countries in which IKEA has appointed so called IWAY developers who work to support and educate suppliers (IKEA 2008a). According to respondents, IKEA sees a role to facilitate awareness about for example chemical and health issues in China. Moreover, IKEA sees market opportunities within projects such as the Better Cotton project.

During our field trip to southern India it became apparent to us that IKEA assumes a pedagogical role in relation to suppliers. IKEA is educating them about IWAY and its requirement, in a way so that staff at the factories in their turn can educate personnel and sub-suppliers. We met a "social accountability manager" at one company, which had among several tasks to educate employees at a number of factories. Basically all foreign buyers

seemed to have monitoring activities, but among the suppliers that we visited it was only IKEA that assumed this pedagogical role. It seemed important that the suppliers and other partners gained “IKEA literacy”.

5.4. Monitoring suppliers

Suppliers not only have to be supported. They have to be monitored as well. There is quite an extensive body of requirements that suppliers have to comply with (ISQS, IWAY, and product specifications) and IKEA invests quite much to monitor that suppliers fulfill requirements that are placed on products and production. IKEA has own IWAY²⁴ and ISQS auditors. IKEA considers auditing reports from third party organizations not enough as working tool because it sees self-made auditing as a way to develop closer relations with suppliers, and develop own competence and gain full insight about how the implementation of IWAY works. As a complement, IKEA however collaborates with third party auditors as KPMG, Pricewaterhouse-Coopers and Intertek Testing Services. According to a respondent, these external auditors make audits at suppliers that IKEA IWAY auditors already have approved. The purpose is to evaluate IKEA’s own system and working methods. IKEA thereby hopes to establish higher trustworthiness for its own auditing work. Such external auditing has shown that some TAs/TSOs used too low thresholds, leading IKEA’s Compliance Monitoring Group to make re-audits and further educate its internal auditors (Andersen 2005 p.129). The Compliance Monitoring Group is a group at IKEA corporate level that verifies and calibrates compliance with the IWAY demands.

In general, the development of long-term relations with fewer suppliers is something that facilitates monitoring and reduces monitoring costs (Ivarsson & Alvstam 2010). To monitor and support the production, team members of TSOs make frequent onsite visits to their suppliers, typically on a weekly or bi-weekly basis. By this, they can continuously follow the gradual implementation of IWAY-requirements (Andersen & Skjoett-Larsen 2009). The frequency of auditing depends upon IKEA’s assessment of the conditions in production, how critical the production process is seen and whether the supplier or product is new.

²⁴ IKEA has about 80 own IWAY auditors located at TAs/TSOs, which shall have knowledge about national legislation in the country or region, and be able to communicate with suppliers and workers in their own language.

According to a SwedWatch report on textile production in Asia, IKEA had announced all visits so far, even though it claimed to strive for carrying out unannounced visits in the future (Engvall 2007). In the recent sustainability reports, IKEA claims the right to make unannounced visits, and shows figures that these have increased the recent years (IKEA 2010 p. 42-43) Visits are done for IWAY audits. One IWAY-audit typically takes one or two days (Andersen & Skjoett-Larsen 2009). The auditing entails looking at relevant documents, making observations of the working conditions in and around the factory, and interviews with management representatives and randomly selected employees. Issues that have to be improved are noted in the audit report.

During our field trip it was confirmed in the cases we saw that auditing from various buyers were done basically every week. Factories even had particular “auditors’ room”. According to some informants, IWAY together with ISO 14 000 embraced “pretty much the full package”, and other buyers could express the opinion that a supplier automatically was checked if it has those. As IKEA is seen as the spearhead, other buyers tend to automatically approve a supplier that supply also to IKEA.

Due to IKEA’s economic interest in Asia, and particular in China, IKEA is willing to invest extra resources to both support and monitor Asian suppliers. Instead of auditing every second year, a frequency defined by IWAY, suppliers are audited annually, and the majority is done unannounced (IKEA 2010 p. 43). One may also speak of a kind of external “media”, “NGO”, or “civil society auditing”. For example, in 2009, Swedish TV4 revealed that IKEA sold textiles containing live-plucked feathers and down from China,²⁵ which IKEA immediately investigated and confirmed was a fact in its supply chain,²⁶ and assured the public to avoid.

To confirm that suppliers fulfill IKEA's chemicals specification, IKEA requires that suppliers make self-declarations and verifying tests at least annually as well as when a change that can affect chemical contents is done. The laboratories have to be approved by IKEA. Further tests can be ordered by persons working at stores, persons at TAs working with suppliers, as well as functional units working with product development. A particular Chemical Compliance review can be done if TA experiences a need to confirm such compliance. We can see, accordingly, that IKEA aims to make systematic tests of chemical substances and is inclined to invest resources

²⁵ See the program at: <http://www.tv4.se/1.840505>.

²⁶ See http://www.ikea.com/ms/sv_SE/recall/recall_d.html.

for it: Economic resources are claimed to not be a strong restriction: “we have quite a strict and non negotiable priority when it comes to the chemical deviations ...even if it means costing a lot of money”, a respondent told us.

The kinds of tests that shall be done on products are defined by the chemical specifications. In these it is shown that IKEA sometimes requires testing and sometimes rely on only self-declaration. IKEA makes a kind of assessment about the probability that unsafe chemicals are used, and this assessment is based on historical events, perceived attitudes within the industry, or if there seems to be a new trend that some particular chemicals are used (see also section on product development in Chapter 2). Formaldehyde was exemplified by a respondent on topics that IKEA wanted to have an extra eye on, which in the latter case is not surprising considering the intensive reporting in Danish media on formaldehyde in 1981, which has been stated to cause sales drop in the order of 20 percent (Maon et al. 2007).

Spot tests on products is furthermore discussed as a tool to check compliance of IKEA’s requirement: “...just knowing that we check now and then contributes to make one more alert and refrain from mix in fillers or stuff of lower quality.”

Monitoring is not a panacea, however. IKEA’s attitude is to motivate and support suppliers to shoulder an own responsibility and to feel ownership. The suppliers and their quality work should become independent of IKEA’s presence. Succeeding with this is seen as a condition for sustainable development. The idea is to move from an auditing driven process towards collaboration and a focus on developing the suppliers’ own awareness. “*IKEA wants to shift focus from an audit-driven process, and work together with suppliers beyond monitoring*” (IKEA 2008a p. 11).

Over the years, the focus in IWAY and our work has shifted to be more about what needs to be achieved rather than on detailing how to do it. ... Monitoring and audits have remained an important part of securing compliance, but we have also devoted an increasing amount of resources to supporting and developing suppliers in a number of key areas in order to strengthen their ability to fulfill and surpass our requirements. (IKEA 2010 p.36)

A quote from one of our respondents is quite telling:

We try to get our suppliers to assume a bigger part of, let us say, operational responsibility. Now we have during a ten years period conducted what is commonly said baby-sitting of our suppliers. We have been very

engaged in our suppliers, with education, technical solutions, investments and I don't know everything. Now, the little kid that we launched ten years ago have grown and become teenager. And I don't want to say there are fewer problems, but there are other problems now than ten years ago, which we need to deal with in form of development, let's say, rather than in form of control. So our dream is... and this will take additional years, maybe many years on some markets ... but that we can get suppliers to even more than today feel that IWAY is not something cumbersome that causes problems for them, but something which helps them to become a desirable partner... to develop an efficient production process and to secure the business in relation to current and future legislations.

IKEA accordingly seems to experience a limit to monitoring. The relationship cannot rely only on support and monitoring; some responsibility ought to be expected to be taken also by the suppliers themselves. This leads to the question of developing trustful relationships.

5.5. Trusting suppliers

Instead of – or rather as a complement to – monitoring, IKEA can choose to place trust in suppliers. Trust in something or someone is meaningful if complete knowledge about a situation is missing. Uncertainty brings about a need to trust, but trust never eliminates uncertainty (Möllering 2006). The placing of trust in, for example, a collaborating partner is a risk as such, since there is a risk of cheating. However, a reflective attitude can assist in the placing of trust. Reflective trust includes conscious assessment of the trustworthiness of the other actor. Such assessment includes judgment of the other actor's legitimacy, competence and intentions (cf. Boström & Klintman 2008; Möllering 2006). The ability to make such judgment is facilitated by repeated communication (Möllering 2006), thus by the close and long-term relationship with suppliers that IKEA aims to establish. Respondents from IKEA acknowledged the role of trust:

One of my main ambitions is that the suppliers should choose sub-suppliers that they can trust when the sub-supplier says 'yes, we fulfill the requirement'. Exactly as we choose suppliers that we should trust, our suppliers must choose sub-suppliers, as we call them, which they can trust. To be sure, they can always get on paper that the sub-supplier says 'yes, we comply with IKEA's requirements'. They can always get that. It

has to be our suppliers' responsibility to choose such suppliers that they also trust when the supplier says that.

From the field trip we could confirm that there is a tight and recurrent contact between the supplier and IKEA, and a willingness from both parties to develop a long-term relation. It was not hard to perceive a degree of mutual trust among the parties when we noticed how they interacted. However, it was also a kind of trust that was based on the assumption that IKEA had the rights and the possibilities to make unannounced auditing. Trust is therefore related to monitoring; not just a substitute. A high level of transparency is usually among partners seen as facilitating such mutual trust.

A conclusion we can make is that IKEA's organizational structure with Trading Areas is a facilitating condition for such development of trust relationships, because through it IKEA can develop regular face-to-face interactions with local suppliers. At the same time, it is possible to address questions about the hierarchy or symmetry of the relations between the buyer and suppliers. It was quite apparent to us, in the concrete meetings during the field trip, that IKEA played a very driving role when it came to shape the suppliers' environmental and social work. That IKEA as a centre of power could, on the one hand, bring about substantial changes. On the other hand, it is also important to address possible negative effects. During our field trip we saw little of own ideas among suppliers and sub-suppliers about how the operations could be improved regarding environmental and social aspects. The trust and reliance towards IKEA appeared almost blind. This is something worth to discussing further (see our final chapter).

5.6. Replacing suppliers

Although IKEA wants to achieve long-term collaboration with suppliers, its formal contracts allow for quick replacement, in case IKEA finds it appropriate. IKEA has no universal policy regarding consequences if it would observe that any supplier fails or cheats and there are differences between different BAs, respondents said.²⁷ A unit called Safety Risk Council takes decisions about corrective actions in case of non-compliance with safety

²⁷ Another respondent told that IKEA has a zero tolerance policy that all business relations can be ended if there are deviations from requirements and standards regarding safety and health on products in the Critical Areas; which include IKEA Children's products, Formaldehyde emissions in wooden products, Products in contact with food, Textiles used for prolonged skin contact, and Lighting products.

and legal requirements, but the decisions about future business consequences beyond the affected articles are taken by the BAs. Failure in performance does not lead to automatic elimination of contract, accordingly. Due to IKEA's strategy to engage in long-term relationships with its suppliers, it does not necessarily terminate relations due to non-compliance with IWAY issues as long as the suppliers show a willingness to make improvements (Andersen & Skjoett-Larsen 2009). This could be seen in the "Feather Case" referred to above, where IKEA stated it would set up roundtables for dialogue with not only long-term suppliers but also public agencies in China.²⁸

Respondents claimed lack of compliance among suppliers to be one of the biggest challenges for IKEA in its endeavor to control chemical risks along product chains. They talked about the occurrence of both intentional non-compliance and non-compliance by mistakes. The latter could of course also relate to lack of clarity on behalf of IKEA, i.e. that the supplier had not really understood IKEA's requirement. However, respondents also talked about the risk of intentional non-compliance by suppliers, because no control system is perfect. Respondents also considered that some suppliers may take the risk not to comply with the requirements because the suppliers may not see clear consequences such as termination of contracts. At the same time, though, there are examples of such consequences.

There could, however, be good reason not to terminate the contract with suppliers. First of all, replacing suppliers involves considerable new transaction costs, such as costs involved in informing and training about IKEA's requirements. To end a relation with a supplier is seen as a big thing:

Then if we want to finish with a supplier, that is a rather big thing actually. Not with those that we maybe have bought a few single containers from, as a test order. But we have suppliers that deliver 90% to IKEA, and then problem appears, because they must fire people.

As IKEA wants suppliers that deliver large volumes over a considerable time period, the supplier practically becomes dependent on IKEA. Respondents maintained that since suppliers become dependent, IKEA has a moral responsibility in relation to the supplier. Because IKEA wants to achieve long-term collaboration, respondents said that it is very important to form contracts with the right kind of suppliers from the start.

²⁸ See http://www.ikea.com/ms/sv_SE/recall/recall_d.html.

Nevertheless, replacement happens. In 2007, IKEA cancelled contracts with more than 50 suppliers worldwide due to non-compliance with binding requirements (Ivarsson & Alvstam 2010 p. 1584). Most of these were due to failures to meet expectations on price, quality, or delivery, whereas a few were excluded due to non-compliance with IKEA's requirements on social and environmental responsibility. Still, the attitude appears to be to try to improve the performance of existing suppliers rather than to replace them:

IKEA is generally known for not throwing out suppliers if they fail but rather to work with them, strengthen them and try to get them to follow the right track... rather than to abandon them.

The possible consequence is not necessarily just an either/or issue, i.e. continue or replace. This is also a matter of time, e.g. one consequence could be no new orders for a period. Moreover, if a supplier repeatedly fails to live up to expectations, it could also be initially categorized as a "risk supplier". On a long term frame, the consequence could be that IKEA chooses to invest resources in other suppliers, and only gradually phase out risk suppliers.

5.7. Integrating suppliers

IKEA prioritizes suppliers that have an integrated production. However, the particular country and type of textile product determine to what extent it is possible to work with suppliers with integrated industries. For some products it is ultimately impossible to achieve integrated production.

... because this is a very clear example of an item [a particular type of carpet] for which you never can have a kind of integrated [production] back for all these material ... Because you have like half of the world economy... because there are such an amount of material: jute, PP, polyester, latex. There are numerous factories delivering to key parts of the carpet.

Different countries appear to provide different challenges when it comes to identifying suppliers with integrated industries. China is exemplified as a country in which such are not very common. During our field trip in India, the benefits with integrated production were discussed by our contact person from IKEA. One of the suppliers that we visited did everything from raw material to end product that was delivered to IKEA. Our contact person

spoke of a current trend in the region with a consolidation of home workers to factories. The trend that foreign buyers place demands on suppliers and sub-suppliers and engage deeply in auditing, appears to contribute to that development. It is hard to monitor workers working with textiles at home. Codes of conduct such as IWAY and repeated auditing seem to require that workers are assembled in factories. How could buyers control the absence of child work if all workers work at home?

5.8. Suppliers' views

IKEA receives feedback on how suppliers view the relation to IKEA through direct contact with suppliers as well as through regular supplier surveys, which have been done for about a decade. The feedback gained from the survey is handled by a so called Supplier ombudsman working at the "Supply chain" unit within IoS. The survey is submitted every third year and includes, for example, questions around how it is to work with IKEA and around requirements that IKEA put on products and on the business relation. Chemicals are included under a section on quality requirements.

Frequent negative feedback, according to respondents, is that IKEA's specifications are too complicated and not always relevant or feasible, or that they give too little freedom of choice regarding which material or chemicals to use. Suppliers may have existing contracts with chemical suppliers and these could be difficult to change. Frequent negative feedback also relates to IKEA's high requirements and bureaucratic reporting and auditing processes. Likewise, Ivarsson & Alvstam (2010) found in their study of suppliers in China and South East Asia that some suppliers considered IKEA's business model as too bureaucratic. This relates in part to all requirements, audits, and inspection that are demanded and in part to an unclear decision-making structure within IKEA at both the global and local level. Likewise, during our fieldtrip to India, several informants talked about an initial resistance regarding the IWAY package as it could be seen as overwhelming. Several informants also addressed that workers not always welcomed IWAY and other international codes of conduct. For example, workers did not necessarily endorse the regulation of maximum hours or that some parts of their salaries go to social insurance, such as pension. Poor workers may see a need to work many hours to be able to meet their immediate needs, and may therefore not see the values with such social insurance systems that are taken for granted as essential worker's rights in

the rich part of the world, and which will give them benefits only indirectly and later. We should highlight, however, that we have not interviewed workers or people representing workers. Various managers of IKEA suppliers in India clearly expressed a critical attitude towards trade unions.

Positive feedback reflected from IKEA's supplier survey relates to the stable long-term relationships, which provide security. Walmart is exemplified as another buyer that place very large orders, but which is less reliable regarding renewal of the contract. Informants from suppliers that we visited in India said that IKEA makes stable and durable orders, because products stay for at least three years, and if an item is planned to be phased out, they are informed about it 5 months in advance. This was considered as a relatively long time-frame. Another difference between IKEA and Walmart is that IKEA communicates with suppliers and describe what to produce, while Walmart buy just what suppliers sell (cf. Andersen and Skjoett-Larsen 2009). This implies that, according to a respondent:

... it becomes more of a challenge, it's much more technically interesting to the suppliers and they get a lot of more input from IKEA. Know-how to develop products... because everything is ... design and quality IKEA of Sweden.

The suppliers furthermore indicated that they gain knowledge about customers, about trends and so on, which they can use also for other parts of their business. Likewise, Ivarsson and Alvstam (2010) found in their study of suppliers in China and South East Asia that suppliers generally appreciated IKEA's technological support. One of the representatives from the factories we visited mentioned that they had learned a lot by working for IKEA, and that IKEA in turn had gained knowledge from them about new practical solutions. Representatives also said that IKEA sets standards that, although being wide-ranging, still are possible to follow. There is an understanding about the importance of practical feasibility. Pride and reputational benefits also seem to be among positive effects. For example, one person responsible for the implementation of IWAY at one supplier told us that she is proud that the factory works for IKEA and that they are following IWAY. She also told that IWAY's values are disseminated further from work to ordinary life, and that she herself is part of such public education.

In sum, the benefits with IKEA/IWAY relate to stability (long term business relations), a basic security in production, learning experience, extensive support, pride, as well as increased legitimacy and an improved image

(brand) locally. Disadvantages associate with investment costs, at least initially (IWAY was seen as overwhelming), that suppliers were subordinated to a bureaucratic reporting and auditing process, and that not all stakeholders (for instance, workers) did automatically endorse all the requirements by IWAY.

5.9. Linking to sub-suppliers

Through specific requirements in the different policy instruments, IKEA exercises influence through several steps in the commodity chains. For example, both IWAY and IOS-MAT-0010 entail that the suppliers' suppliers shall show that they have understood and accepted IKEA's criteria. IKEA requires that the supplier place requirements on its own suppliers. For IOS-MAT-0010 it is stated that suppliers shall cite IKEA's requirement for all purchasing of raw material, components and semi-finished products. The sub-supplier shall confirm that the requirements are fulfilled by signing the invoice for the item that they sell. For IWAY, it is stated that the sub-supplier shall sign a document in which it has understood and accepted the IWAY requirements. IOS-MAT-0010 and ISQS require that suppliers have a system allowing for traceability of raw material, components and semi-finished products. According to ISQS, the supplier shall identify and list its own suppliers in the "test status summary" that connects articles and their materials to verification documentation for the materials from each sub-supplier.

Our respondents maintained in general that IKEA has a relatively good view into its product chains, even though an event such as the Chinese "feather-case" indicated the opposite. IKEA has introduced a procedure for mapping supply chains within each trading area, which entails mapping sub-suppliers. Sub-suppliers are classified as critical or non-critical. How far back in the supply chain such categorizing is done is a matter of judgment from case to case.

... when it concerns processes which for example are associated with child labor, then we go through all the line. Then we go down to the 7th or 8th step, then we are there...

Another respondent clarifies:

Our requirements are valid for the whole supply chain. For suppliers and first-tier sub-suppliers, this is secured through audits. Further back up the supply chain, we work with preventive measure to address the root causes of child labour. If we find deviations from our requirements, regardless of how far back up the supply chain, we take strong action.

Critical sub-suppliers can be risky from an IWAY perspective, or if the supplier uses a process that is known to be associated with problems. If such a supplier exists in for example Germany it is generally considered less critical than if it exists in for example Vietnam. Also the type of material matters in this sense. IKEA is currently active in introducing IWAY among sub-suppliers, but the goal is that its suppliers have their own competence for doing this. Respondents talked of an awkward position for IKEA here, as it is not IKEA who has the legal, contractual relation with the sub-supplier. Still, IKEA apparently uses its power and does what it can to influence also sub-suppliers. The 2010 Sustainability Report (IKEA 2010 p.39-40) declares that IKEA has increased the number of sub-supplier audits and that IKEA has increased its support to suppliers working for implementing the IWAY requirements at sub-suppliers' units. The main focus is placed on sub-suppliers that are categorized as critical.

5.10 Summary

In summary, we can see a very clear pathway in IKEA's approach towards using fewer, larger, and more integrated suppliers. Based on this approach to suppliers, we have seen that *selection* of suppliers, *supporting* suppliers (technical, strategic, and motivational issues) as well as some level of *monitoring* of suppliers, including their production and products, are extremely critical issues. IKEA also work to map, control and interact with sub-suppliers. A tricky issue here is to what extent IKEA actually can and should go further down in the supply chain and assume responsibility for, or require responsibility of, sub-suppliers. This issue is not just a matter of (scarce) resources and complex practical circumstances; it also raises the question if IKEA is shouldering too much responsibility on behalf of others since that could discourage motivation and responsibility. It is questionable if governance of supply chains is responsible, after all, if it overly restricts freedom of choice and downplays the competence of other actors in the chain.

IKEA's trend towards facilitating close and long-term relationship is something that is likely to facilitate communication, which in turn can be expected to facilitate development of mutual learning and mutual trust. Moreover, implementing means and conditions that facilitate mutual *reflective trust* could promote responsible governance of supply chain *beyond auditing*. Some monitoring is indeed necessary at this stage, given the length and complexity of IKEA's supply chains, not the least for the development of reflective trust. Yet, negative side-effects with overreliance on auditing must be addressed as well. Monitoring requires many resources and may also result in a negative feeling of being over-regulated and inspected and we have noted such feelings. We have also seen indications of a self-critical reflection surrounding the limits to auditing (IKEA 2010). A future more cost-efficient way – and perhaps more responsible – to govern buyer-supplier relationship might be to develop organizational and cognitive platforms that allow development of common understanding, a common vocabulary, and the clarification of motives behind stringent social and environmental rules. Here, other stakeholders such as trade unions and local civil societies ought to be part of the platform and dialogue, something we will discuss in our concluding chapter. However, let us first analyze the topics of communication and learning in relation to chemical risks in the IKEA case.

6. Communication and Learning

IKEA is a gigantic organization in terms of sales, number of employees, variation of functions and geographic spread. To make sure that the right information reaches the right person and function at the right place and time, and also that the information can be interpreted, understood and applied in the way intended, are fundamental prerequisites for an effective business management. In this chapter we will discuss strategies, tools and challenges in relation to communication and learning about chemical risks (in relation to textiles) in IKEA.

At an organizational level, IKEA uses several communication tools, platforms and strategies, but it is only fair to say that the company does not – to our knowledge – have any explicit internal or external strategy or policy for the particular field of information and communication on chemicals and chemical risks (neither generally nor for textiles). There is however a particular communication strategy concerning sustainability with a stated intention to increase the awareness about IKEAs' work and efforts to assume responsibility for the social and environmental effects of the organization's activities. Customers and employees are defined as the main target groups for this strategy. One example is the "List that never ends"²⁹ that was published on the IKEA website as a source of information and which states 67 environmental and social improvements made by IKEA.

In the next section we will first analyze how IKEA perceives and defines risks, which knowledge resources there are in the organization and how IKEA acts in order to gather information about chemical risks in the area of textiles. After that we will discuss issues of knowledge and learning in relation to communication on risks in a wider context.

²⁹ http://www.ikea.com/ms/sv_SE/about_ikea/our_responsibility/the_never_ending_list/index.html

6.1 Knowledge, Learning and Risk awareness

There is an obvious and widespread awareness among the respondents about environmental and health risks related to chemicals along the textile product chain. It is also part of the risk perspective that chemical risks are both local and global, as well as of both short term and long-term character. Textiles are often described as a chemicals intensive area. Different textiles and different production processes are linked to different risks. According to the respondents, lack of transparency in the production chain is itself an important risk linked to chemicals. Chemical risks are also related to information and communication quality along the product chain (this will be further discussed below). Respondents also mentioned the high degree of uncertainty when it comes to the characteristics of different chemicals. A main finding based on our interviews, is that chemical risks are related to other kinds of risks, as bad publicity (if the company for example fails in following a certain law, or if it uses a chemical that is more risky than assumed), that in turn can harm the company brand and lead to sale losses, economical risks or other setbacks.

Several of the respondents have a very detailed knowledge on supply chains for textiles and the company's textile suppliers. They know things like for example actual names of suppliers for different textile products, size of the supplier, supplier circulation, supplier potential, where different suppliers acquire their raw material and the differences between different countries in access to raw material like cotton, the differences between supply chains in different countries and between different kinds of products, and different kinds of chemical processes involved in different types of textile production processes, and so on. In this sense, the level of knowledge about the product chain is rather high among the employees in the organization. When it comes to actual knowledge on chemicals and chemical risks in particular, the understanding is more limited and mainly linked to certain functions in the organization.

Due to its size and resources, IKEA has its own experts on chemical risks. This internal expertise has grown dramatically the last ten years. Knowledge on chemicals and awareness about chemical risks is described as being constantly increasing and respondents described clear changes within the company during the last 2-4 years. At present, IKEA seems to have an extensive network of persons with knowledge about issues like chemicals, chemical laws and regulations and chemical risks. During ten years, IKEA as a whole has, according to respondents, gone from 3-4 to a staff of about

40-50 chemical experts. 5 chemical specialists work in the department of PR&C (in IoS) and others in the different business areas where they, among other things, are helping technicians with product development. There are also chemical experts in the different TSOs, working as support for technicians. IKEA also has test labs with employed chemists. Thus, the chemical experts in IKEA take part in such activities as product testing, production of chemical specifications, and product development. Part of the explanation for this structure is that IKEA designs its own products and takes an active part in the production of these products, and therefore needs knowledge on issues like chemical risks in relation to different materials and production processes. The knowledge and control within IKEA related to its product chain and the chemical risks are also linked to the organization's control instruments for products and production.

IKEA has, according to an interviewee, taken an own initiative to gather information about specific textile fabrics like cotton and polyester to map potential technical risk for the content of various hazardous chemicals that are restricted by IKEA (Guidelines for Supply Chain Risk Mapping of Chemical in Textiles 2009). The purpose is to define priorities and, as far as possible, make sure that the products are safe. This work includes decisions on what materials and fabrics that should be tested for which substances, which materials that need a more thorough chemical audit, and a clarification of the product chain.

The document "Guidelines for Supply Chain Risk Mapping of Chemical in Textiles" contains reflections based on IKEAs own experiences, and also a review of different kinds of relevant literature. It is obvious that this document is a valuable knowledge resource for the company, since it gives important information about factors influencing the potential presence of hazardous chemicals, and also the factors influencing the severity of risks at hand (e.g. who is using the product in which way). The document also presents information about the characteristics of different chemicals and a map over different steps and processes for textile products.

To increase the knowledge among product developers and suppliers on the relation between design and environmental impact, the BA environmental coordinator has developed a tool for illustrating how choices of material, color, and patterns are linked to issues like energy and water consumption for the production process. In this tool, points are given for all environmentally friendly choices made in the design. There has also been a course in relation to this tool. The tool is not explicitly about increasing knowledge about chemical risks or reducing the use of chemicals, but there

are several examples of how the choices recommended in the tool may affect those aspects.

6.2. Internal communication: information sharing and education

Almost all respondents mentioned the IKEA intranet as a main tool for information and communication (about chemical risks). The intranet is described as extensive, which can be both an advantage and a disadvantage; there is a lot of information available but at the same time it can be difficult to find the particular piece of information you need at a certain point in time. The intranet contains all policies, manuals, guidelines, business plans, project descriptions and updates about chemical specifications, as well as specifications of demands for IKEA's business. Besides these one-way functions in relation to information, the intranet also includes more communicative or dialogic functions like a chat. Between employees in different parts of the world, one important tool for communication is the communication platform Webex (in addition to ordinary e-mails and face-to-face conversations) that gives simultaneous conference facilities of telephone and over Internet with shared computer screens. Webex has for example been used in discussions about the demands on chemicals, mentioned above.

Learning and communication are closely linked, and as a dialogical format, different courses, training programs, and other forms of education are important communication platforms in IKEA. Courses on the matter of chemicals and the specific chemical restrictions for IKEA are regularly offered to the employees. In these training programs, technicians from IoS and Trading participate. Regularly, the forms for this education are physical meetings in Älmhult in Sweden. The education can also be made available to employees and suppliers in the different Trading Areas, and includes such issues as information about the IKEA standards and demands, the background of the chemical specifications and demands, the risks with different chemicals, as well as when and in what ways tests should be carried out. There are also courses for employees in connection with IWAY updates. Andersen & Skjoett-Larsen (2009) argue that this kind of internal education is extensive and that *“knowledge enhancing initiatives contribute to creating a common frame of reference – or a common ‘thought world’ – among the involved employees for how supply chain-related CSR should be handled within the organization”* (p. 81). The IKEA culture and the IKEA “values” allow, also according to the respondents, for a common language

and a way of looking at things among the employees. Some of the respondents claimed that the company values create an organizational culture that is favorable for learning and communication, also in those cases when there is a lack of routines and where strategies for communication are missing.

As mentioned elsewhere in this report, the IKEA Group Management has recently decided to integrate sustainability values in all parts of the organization, which has led to a number of information and communication efforts (sustainability training). The main target groups for this communication and education efforts are Social & Environmental Managers, Business Developers in the Trading Areas, and different functions in the area of product development and communication within the organization. The training will be both face-to-face and through a certain “e-learning tool” on the IKEA intranet. The idea is that the internal education should include both environmental and health risks in relation to chemicals. The aim is that all IKEA employees should receive education offered by the e-learning tool. The education is said to be about information on IKEA’s sustainability work as well as a way to communicate tips and ideas for what employees could do privately, but most of all in their professional life to contribute to a more sustainable IKEA.

6.3 External communication on risks

Cooperation and dialogue with external actors are highly prioritized in IKEAs work and considered fundamental for the learning process. The 2010 sustainability report (IKEA 2010), as one example, addresses the issue of the role of different stakeholders, for example environmental organizations involved in the Better Cotton Initiative. Thus, cooperation and networking is a fundamental part of IKEAs strategy for sustainability: “...*through cooperation and networking with others who then often possess a lot of knowledge in a particular area, we learn more and can accomplish more.*” Moreover, IKEA collaborates with other companies in the business-driven Global Social Compliance Program, which was initiated in 2006 to share best practices of sustainable approaches for the improvement of working and environmental conditions in global supply chains.³⁰

IKEA also builds knowledge on chemicals and chemical risks through dialogue and cooperation with chemical producers in the textile area, and

³⁰ See <http://www.gscpnet.com/>.

once again we see the close connection between knowledge, learning and communication. This dialogue is pointed out as particularly important in relation to substitution, since this requires practical knowledge on improved qualities and characteristics. According to a respondent, however, it happens that chemical manufacturers have access to more knowledge on their substances than they officially admit.

In order to communicate with their suppliers and sub-suppliers, IKEA uses different forms of communication, such as technical descriptions and instructions, specifications of demands (and other code and control documents like IWAY and ISQS). Linked to these are often different manuals and guides. Another communication channel between IKEA and suppliers is the “Supplier Survey” discussed earlier. All of these channels are also important ways of communicating within IKEA and according to respondents they function as forms for communication between employees. Actual physical meetings seem to be a frequently used form of communication within IKEA and occur in connection to training courses and education, as well as when IWAY and the chemical specifications are being updated as well as in the auditing process.

As noticed above, IKEA contacts with suppliers, and in some cases also sub-suppliers, are extensive. The main idea is that IKEA has contact with the supplier and that the supplier makes sure that sub-supplier control all further steps down to the stage where the critical chemical substance is being used. According to the IWAY standard, any supplier has to verify that sub-suppliers have understood and accepted the demands by signing a document. Also in IOS-MAT-0010, for example, it is stated that the sub-suppliers must confirm compliance with the chemical requirements on the invoice or on a self-declaration.

Besides these operative communication channels with suppliers, most Trading Areas arrange two-day “supplier days”. This forum allows IKEA to communicate with both suppliers and employees. Since long term relations and trust is fundamental for IKEA in its sustainability work, social learning and how to learn about how to deal with collaborators is crucial.

6.4. Proactive communication of the brand, and reactive risk communication

As far as our respondents stated, IKEA uses no strategies for proactively informing or communicating with employees or customers about chemi-

cals,³¹ and the public risk communication about chemicals is limited and definitely more reactive than proactive or, as a respondent said:

Not a lot... I guess it only happens when the Swedish Society for Nature Conservation publishes a report, like the one about towels a couple of years ago. In those cases we go out in public and say that this is what we do and how we do it etcetera, but otherwise there is very little talk about chemicals.

The argument for not taking a more proactive approach to risk communication as such is described in different ways by the respondents, for example: “... *we feel that safe products should be a rule and self-evident for the customer, and not something we have to inform about...*” This indicates that IKEA is quite confident that the company brand in itself is good enough for communicating safety and responsibility. One respondent described this as a “humble” approach, and humble is actually also a term used to describe the so-called IKEA values or culture. These statements, however, are partially contradicted with the claims that IKEA uses a proactive “Teflon Strategy”, for example by collaborating with environmental organizations such as WWF, in order to build credibility as a buffer against criticism (Miller 2001, Stenebo 2010). We have not systematically studied if and to what extent this might be an explicit strategy, but we consider it both natural and purposeful to frequently mention credible collaborators, both in ordinary communication situations and in times of external pressure and criticism.

Furthermore, respondents pointed out that information about how IKEA takes responsibility for guaranteeing product safety always is and should be available on the IKEA homepage. The webpage also informs about certain chemicals that are banned by IKEA and why they have been phased out, how IKEA thinks about the REACH regulation, the precautionary principle and chemical substitution, and so on. So in general, IKEA, nowadays at least, makes a lot of information available for the customers even if it doesn’t engage in dialogue. In summary, branding is one of the main ways for IKEA to communicating with the customers.

³¹ The obvious example is the communication surrounding the Better Cotton Initiative, which includes information about the use management of pesticides. A topic that could have been communicated clearer is the presence of mercury in some light bulbs, but that is merely mentioned twice in the 2010 Sustainability Report, in spite of the fact that these bulbs, due to their high efficiency, enable a total reduction of mercury emissions.

Along with the restrictive view on public risk communication follows a rather reserved attitude towards eco-labeling. As we have previously shown, this view is related to the idea that the very brand of IKEA in itself should be a guarantee for quality and sustainable values, but it has not been without criticism (see e.g. Naturvernforbundet et al. 2008). The reserved attitude towards labeling was also explained by respondents to relate to the complexity of the issues at hand.

I can only speak in general about how IKEA communicates on products. It is really difficult, when it comes to sustainability aspects, to write something on the product, because as soon as you write something, it is like a guarantee, like this is how it is. And, many times, if it for example is about wood or cotton, where the issues and chains are really complex, it is never possible to make a 100 percent guarantee.

And the rather small space for communication as the price tag on a product, does not allow for detailed explanations, but only a short sentence. And in that case it is a guarantee we avoid to make.

When it comes to the analysis of external information and communication to customers and other stakeholders about chemicals and chemical risks in IKEA, we have mainly been directed to the department of Risk Communication at IKEA, but we have also studied some public reporting on IKEA and environmental issues as well. This department assists the IKEA Business Areas (BA/HFB) in answering questions from different kinds of actors, like the media and customers (and researchers in some cases). Its main task is to guarantee that the “right information seen from a risk perspective” is communicated. This is according to the respondents especially important in relation to incidents involving any of the IKEA products.³² So, IKEA works on a reactive basis to formulate strategies about how the organization should act in cases where there are possible problems with the products (e.g. in relation to chemicals), and how it should communicate in order to minimize the risks of bad publicity and thus also reduce the risk of harming the brand.

³² Examples relate to both cases when IKEA itself identifies a problem with a product, and when a product or process within the IKEA sphere is criticized from the outside. The latter includes e.g. the “formaldehyde case”, the “feather-case” and, as one more example, criticism from the organization Rena Kläder, claiming that a supplier was violating human rights:

(<http://sverigesradio.se/sida/artikel.aspx?programid=83&artikel=2706366>).

6.5. Expressed challenges in relation to knowledge and communication

There are a number of challenges expressed by the respondents, and a main topic is lack of complete knowledge in the area of chemical risks (in relation to textiles). Even though the knowledge has improved the last couple of years, IKEA still faces uncertainty and lack data needed to minimize risks. Some of the respondents however thought that the lack of control (of processes, suppliers, etc) is a bigger problem than the lack of knowledge. Another problem that was put forward is the difficulty to screen and prioritize among all the information available i.e. that there is an information overload.

One experience I have made during the last ten years is that when you have the kind of role I, and many others, have, the main problem is not about receiving information but rather about the huge amount of information.

Another knowledge challenge claimed by our respondents, is the extensive circulation of people within IKEA.

... it is often the case that when we have trained people, they leave IKEA, and then we have to hire new people and train them, and this is a main challenge according to my view.

... there is a lot of circulation [in staff] but there is still a lot of knowledge among the employees... But of course one could say that we are somewhat vulnerable since we make ourselves dependent on certain competent key persons and their knowledge.

As regards such circulation of competences, it is interesting to note that previous employees of IKEA now works as private consultants giving courses and seminars on sustainable supply chain management, evidently making use the experiences gained from IKEA.

One respondent described IKEA as an organization with the content but not the papers. There is an open and decentralized culture internally, which allows for discussions and exchange of experiences, but there is not so much documentation of the processes. There is not really any formalized knowledge work, but “...*if you have competent people and manage the issues without the papers, it still seems to work, even though I did not think so at first.*”

However, as we have shown above, numerous and detailed documents and guidelines exist within IKEA, also with relevance for chemicals.

That IKEA is successful in defining and explaining what a certain demand is about, as well as presenting the motive for the demand, is seen as a prerequisite for if, and how well, the demand will be implemented. All intermediate steps the information and communication take before the message reaches the supplier, as well as cultural differences among coworkers and suppliers, function as communication barriers in this context. Communication barriers thus often arise as a consequence of the complexity of the product chain.

According to respondents, situations where demands are being interpreted differently and when IKEA has not clearly enough defined what the company means (and not means), are considered very problematic for IKEA, since it is not possible then to hold the supplier responsible. Thus, IKEA constantly strives to clarify its documents and requirements, as well as the procedures around the documents. IKEA has for example hired special technical writers to write the specifications of demands, and they have established more functional referral periods for the documents. Before there are any updates of a specification, it is sent out for comments to different BAs/HFBs and Trading Areas, and also to certain labs involved in the particular issues of the specification.

A couple of the respondents put forward that a main challenge in the area of communication today, is the formal delivery of a product documentation to the supplier. This delivery is done in two steps: first of all from the Business Area to the Trading Area, and then from the TA to the supplier. Each of these steps is carried out through a routine called "Contract Review", CR. This delivery includes a guarantee from the receiving party (TA in the first CR, supplier in the second one) that it assumes responsibility for a delivery in accordance with the technical description including the specifications. It is also considered important that the TA and suppliers are given the possibility to express concerns about the demands before going into production.

6.6. Summary

Communication is on the one hand about exchange of information and on the other hand about dialogue and interaction, and we have seen that both these forms constitute important parts of the work with chemical risks in

textiles. While dialogue and interaction are central for internal communication and communication along the product chain, IKEA's external risk communication is mainly about making information available (on the company webpage). Almost all of the respondents mentioned the IKEA intranet as a main tool for internal information and communication (about chemical risks).

Our analysis shows that IKEA uses both a proactive and a reactive communicative approach. While the internal work and the relation to suppliers is very proactive, it is unclear if and how strategies are designed in order to proactively inform or communicate to customers or other stakeholders (e.g. about chemicals), and the public risk communication about chemical risks is definitely more reactive than proactive.

IKEA has a restrictive view on eco-labeling and considers that the IKEA-brand itself should do the job to convince consumers about the quality of the products. In general IKEA seems to put a lot more time and resources into communication on risks with suppliers and employees than with customers and other stakeholders. This is also shown by the fact that one of the main communication tools seems to be the different internal courses and platforms for learning and education.

The respondents identified a number of different challenges and communication barriers for risk management in the textile products and production, mainly the complexity of the product chain (with a number of different steps and actors, as well as distances in culture and space). Other challenges that were frequently mentioned were on the one hand uncertainty and lack of complete knowledge in the area of chemical risks, and on the other hand the "information overload" and the difficulty to prioritize.

7. Discussion and Recommendations

7.1. Strong organizational commitment and capabilities to develop responsible governance of supply chains

IKEA is a gigantic organization and has accordingly exceptional **capabilities** in terms of financial resources, expertise, social networks and symbolic capital to engage pro-actively with risk management. It has a high sustainability profile. We have paid attention to organizational structures and communication channels as well as various internal instruments that IKEA can use to engage in responsible governance of supply chains.

The company shows a strong **organizational commitment** to adopt a responsible approach. IKEA has developed a vision, an organizational culture, and a brand that either stresses or implies the need for a pro-active dimension of responsibility and risk management. IKEA has developed an organizational culture and approach telling that responsibility should not end with the organizational borders. Here, the organizational structure with TAs/TSOs placed in various parts of the world provides a relatively effective platform to distribute values, views, and requirements. IKEA thus indeed strives to assume responsibility along the entire product chain. It doesn't generally use a denial or delimitation strategy regarding the allocation of responsibility (cf. Boström et al. 2011), even though claims have been made that reference to civil society partners is used in times of external pressure. The commitment may relate to both internal (culture and values) and external factors. As regards external factors, it is important to pay attention to IKEA's very large size, which sometimes is a double-edge sword: with it follows both power and vulnerability for external social movement pressures, as we have indicated with a few examples. Large size can therefore potentially be an Achilles heel, because with size comes visibility. Large organizations are visible organizations. Their name and brands are well-known. They are therefore potentially more vulnerable to media attacks and

reputation loss. Such visibility can, as we have illustrated, be used by journalists or NGOs that want to target influential organizations in stories or through global or local campaigning activities. To be sure, IKEA has developed a strong and apparently robust reputation but is not insensitive to negative media reporting, as was seen in the “formaldehyde-case” (Maon et al. 2007). IKEA has developed a risk communication strategy with such potential negative publication in mind. The development of IWAY started after some negative experience during the 1990s, when IKEA was accused for buying from some suppliers that used child labour.

Much of IKEA’s stated commitment appears, however, related to internal factors such as its own corporate history. Andersen & Skjoett-Larsen (2009) emphasize IKEA’s corporate history, the tradition of working with social and environmental issues, including a tradition to work with ethically sound suppliers. Konzelman et al. (2005) relates this tradition to the Swedish and Northern European production-oriented type of capitalism, which is characterized by comparatively high levels of stakeholder collaboration and distributional justice (accordingly an external institutional factor that contributes to explain IKEA’s approach).

We argued earlier that **monitoring activities** such as independent auditing, keeping track of data and so on are necessary for developing organizational capabilities to engage in RGSC. IKEA has certainly both the economic means and the relevant expertise to monitor and inspect suppliers and their products relatively effectively, even though negative surprises obviously appear. IKEA has developed a rather big apparatus for such monitoring. Maybe the risk or dilemma that IKEA faces is not too little of monitoring, but too much, since it stimulates an “audit culture” instead of responsibility among suppliers. It is interesting here to note that respondents used terms such as “baby-sitting” with suppliers, which obviously connotes something that is transitory. The babies (suppliers) are supposed to grow up, but until that happen teaching and checking are necessary components.

A responsible strategy includes elements of **learning**. We can notice that IKEA is in a process of social learning, that is, learning about how to deal with the actors it interacts with mostly. IKEA has recently also experienced a learning process – and knowledge capacity building – about the very topic of chemicals and chemical risks. With this internal expertise, IKEA not only has the chemicals expertise, it also has staff working full time mapping the various chemicals laws in all countries it operates in. A responsible approach also implies that lack of knowledge will result in a learning, preven-

tive and precautionary approach to one's business. IKEA's pragmatic way to interpret and adopt such a preventive and precautionary approach is to try to be **ahead of the legislation**, which evidently is difficult to confirm, but we can at least say that IKEA's present chemicals requirements are clearly more strict than demanded by common environmental legislation. It seems that the biggest perceived challenge for IKEA in terms of knowledge, learning, and reflection is not related to absence of knowledge, rather the ability to gather and compile all information that exists somewhere in the gigantic IKEA network.

RGSC includes a thorough focus on sustainability and responsibilities in the entire organization, which includes investments in resources and extensive communication efforts both internally and externally. IKEA indeed uses a **systematic, preventive, dynamic, and integrated risk-management** approach, even though we have not studied to what extent this is implemented in practise, and which the practical results in terms of, for example, reduction of environmental impact are.³³ Andersen & Skjoett-Larsen (2009) also found that the CSR concept was well integrated within the entire organization (see also Konzelmann et al. 2005 and their comparison of IKEA and Walmart). IKEA also has feedback mechanisms in its risk management, and preparedness to take into account new knowledge. The instruments that are used are constantly revised (including IWAY every few years) and after key revisions, the relevant staff and suppliers are educated about the revisions. This is not to say that IKEA never uses ad-hoc and reactive strategies, which a responsive organization also has to. And when it comes to external risk communication, we have seen that IKEA is careful and not proactive. The idea is that all products should be seen as safe and of good quality so there is no need to communicate broadly about it, or by way of product labelling single out some of the products that are safer or more sustainable than the average. The IKEA-brand itself should do the job to convince consumers about the soundness of the products. However, this could be a risky strategy. Some of the cases with public criticism illustrate the kinds of problems that might follow this restrictive view.

If the public risk communication is humble – if one should use IKEA terminology – its communication with suppliers (even sub-suppliers) is very extensive, which our section on relation to suppliers clearly shows. IKEA has achieved a development towards more long-term relationship

³³ See e.g. a study by Samy and Vijayabaskar on IKEA suppliers in Karur, India (available at: http://www.inmotionmagazine.com/global/lasamy_ikea.html) and Engvall (2007).

with (fewer and larger) suppliers and even sub-suppliers. This deliberate strategy, paves the way also for the development of **reflective trust in suppliers**, a reflective trust that to some extent could substitute an over-reliance on supervision (although reflective trust, in contrast with “blind trust”, relies on some level of monitoring). Trust or distrust in someone (or something) is based on one’s reflected or unreflected assessment of the trusted or distrusted actor’s legitimacy, competence and intentions (cf. Boström & Klintman 2008). IKEA has invested in various mechanisms that facilitate the development of continuous reflection about its partners’ competences and intentions; thus it has invested in procedures that facilitate reflective, and not blind, trust. Such mechanisms include guidelines (IWAY, ISQS, and minimum testing requirements in chemical specifications), monitoring, learning platforms and, above all, the both globalized and decentralised organizational structure that allows for close communication with suppliers, including with staff talking the same language with the suppliers.

7.2. Challenges and critical remarks related to learning, communication and power

We have so far focused on the strong organizational commitment and capabilities of IKEA to develop responsible governance of supply chains. Let us also discuss some challenges and critical remarks.

When it comes to chemical risks, it seems clear that IKEA has invested in building up internal expertise during the last few years, and at the same time has engaged in collaboration with external partners such as ChemSec, which manages the SIN-list. IKEA’s requirements on chemicals go beyond environmental legislation and chemical-related product safety legislation in most, if not all, countries, and the strictest demand world-wide are used as a starting point everywhere possible. Internal learning processes have also been set up but there are still knowledge gaps related to lack of control over processes and suppliers. A clear challenge seems to be how to cope with the complex supply chains and the information over-load related to this. Clear definitions and uniform interpretations of demands seem thus central for further improvements. It is questionable, however, to what extent IKEA has – and will ever have – a capacity to fully specify and monitor the chemical content and its environmental and health characteristics in all the company’s products, not least since basic data are absent for most substances on the market. This could necessitate a development towards less complex and

chemical-dependent products in the future,³⁴ as well as increased collaboration with chemicals industry and in particular companies working with so-called green chemistry.

Furthermore, IKEA would most likely benefit from stricter public chemical demands on chemicals industry, and could therefore proactively engage in expressing policy expectations. Concerning areas such as endocrine disrupting compounds (EDCs), IKEA is also dependent on scientific progress on identifying both substances and criteria for EDCs, as well as how, for example, low levels of substances may affect, for example, human health.

Above, we noted IKEA's model for developing a reflective trust in relation to its suppliers, which is based on repeated communication with them. IKEA certainly wants suppliers that "grow with IKEA", internalize IKEA's values, and over time learn to operate according to IWAY and other guidelines in an independent manner. Nevertheless, it seems to be IKEA that defines the rules and what the risk is, and not the suppliers. We noted, however, that RGSC entails taking into account the expectations on the firm, as expressed by various stakeholders, including suppliers. In order to develop such responsibilities, an "*organization needs capabilities to perceive, reflect and respond to the different claims of stakeholders*" (de Bakker & Nijhof, 2002:65). IKEA engages in dialogue and collaboration with a lot of actors, including many NGOs and has developed its sustainability strategy and code of conduct (IWAY) in relation to globally recognized organizations and principles, but IKEA could also make sure that these global principles also reflect the varied local concerns among suppliers and among the local communities in which the local suppliers operate.

We also would like to stress the opportunity for IKEA to play a more proactive role in stimulating a wider form of communication regarding risks and risk management. In our view, IKEA needs to reconsider its restrictive attitude towards eco-labelling. Eco-labels are based on broad market experience and standards that could help IKEA sort out the most important information and build credibility in relation to customers and the public. We do not see that an increased use of eco-labels would downgrade the

³⁴ For example, many synthetic plastic materials are commonly containing a number of more or less hazardous substances in order to guarantee a specific functionality, and should therefore be avoided, whereas natural materials such as wood may not necessarily need to be treated with similar problematic substances (even though naturalness is not a guarantee for harmlessness).

IKEA logo; it could on the contrary be strengthened by such efforts. Moreover, IKEA's current strategy is not helpful for consumers that search tools for exercising consumer power and who want to have a say in sustainability matters through consumer choice.

A developed risk communication is also central in different production countries. During our field trip to India, several respondents said that environmental issues are seen as "new topics" in India and that a vast part of the population is ignorant about these matters. Reactions generally come only when damages are visible, but then a fast and strong reaction may grow among people. The level of awareness in Tamil Nadu and Kerala was considered to be higher than in other parts of India, mainly due to the higher levels of literacy (especially in Kerala). However, the respondents we met in India stated that national and local NGOs only play a marginal role for stimulating a more extensive social and environmental responsibility within the companies. It is therefore an interesting question how IKEA can promote and support a more extensive public risk communication in various places, for example in the form of public hearings. Which efforts can IKEA make to strengthen civil societies and civil society organizations locally?

One model could be IKEA's "Social Initiative" that was established to strengthen the rights and improve the quality of life for children. Here, IKEA is working together with UNICEF and Save the Children. The initiative has focused on long-term commitments in South Asia, and mainly in India, where IKEA has a long experience of doing business. IKEA also reports (IKEA 2010) about a number of environmental projects in collaboration with local communities. Can IKEA in a similar way help to strengthen the organizational capacities of civil societies in general, such as local environmental or human rights NGOs, as well as trade unions? During our field trip it was obvious that the attitude towards labor organizations was, to say the least, reserved, and the level of organization is low. One person said that "laborers are not a problem, labor unions are a problem." IKEA has, by some authors, been seen as very effective in exporting a Swedish political culture to developing countries, which stresses social and economic justice as well as collaborative relations with customers, employees and suppliers (Konzelman et al. 2005). It remains to see though, how effective this culture export has been in relation to rights and abilities to organize.

With the development of fewer, larger, and more integrated suppliers, which deliver a majority of their production to IKEA, workers and local communities will be increasingly dependent on IKEA for their livelihood. We can expect that power asymmetries and dependency will be an increas-

ingly important issue for IKEA to handle. IKEA can easily replace suppliers in case they incessantly fail to comply with the criteria that IKEA has defined. To be sure, we have shown that IKEA is aware of this and has developed a careful approach when it comes to dealing with issues such as terminating contracts and replacing suppliers. Nevertheless, it will be important that IKEA in such decisions – if they are to be seen as based on responsible principles – systematically assesses who will be the biggest losers and winners (factory owners, workers, local communities, health of consumers, etc) and act on that basis.

Is IKEA's insistence on low price a problem for the development of RGSC? In Ingvar Kamprad's so called "testament" the phrase "*prices so low that as many people as possible will be able to afford them*" is repeated almost as a mantra. Indeed, we have claimed that RGSC requires capacity building and considerable resources. It requires expertise, and a lot of work done on activities such as information gathering, risk analysis, quality gate checks, testing product requirements, auditing, and many others. Certainly, such activities need to be reflected in the price. However, IKEA "solves" this by adding the notion "not at any price", and this might be a rhetorical addition that will have to take an even more central place in IKEA's future balancing between high environmental standards and low costs. To be sure, other core aspects in the so-called "IKEA way" of making things (for instance, cost-consciousness and simplicity) are and will continue to be very helpful for handling this intricate compromise.

7.3 Reflections on the concept of Responsible Governance of Supply Chains

IKEA has generally developed a relatively pro-active approach in relation to the elements of RGSC that we described initially. With reservation of the practical fallout, IKEA appears to score well according to this framework, even though a number of improvements can be made as noted above, for example regarding communication, eco-labelling, and capacity building within local civil society. Two final notes are however important to make, which both have implications for the understanding of the concept that we have used in this report. First, it is important to acknowledge the distinctiveness of the IKEA case: again, IKEA is a very large organization with vast

capacities, resembling few, if any, other organisations in the world.³⁵ Other organizations face other conditions (Boström et al. 2011, Boström et al., ms.). Public organizations must comply with additional political and regulatory frameworks, such as public procurement acts within EU. Smaller organizations do not normally have the same capacities, neither the same power vis-à-vis suppliers. Thus, comparisons – for either normative, descriptive, or explanatory reasons – between organizations must be careful. A theory of responsible governance of supply chains must, accordingly, be context-sensitive and take into account the extremely varying conditions among organizations.

Second, our reflections and critical remarks above lead to an additional question: to what extent does the governance mode from the part of the buyer restrict or enhance the conditions for other players in the supply chain to take their own responsibility. Is more action space needed for suppliers in the future? To what extent do they agree on the northern-western based terms, principles, values and ways of thinking? Is sufficient mutual giving and taking part of the relationship? What values, concerns, and experiences can suppliers, workers, and local civil society organizations bring? Are they stronger or weaker than IKEA's? A conclusion is that a **self-reflective element**, targeted at the very governance itself, including how responsibility is understood and played out in practice – indeed a defining feature of reflexive governance (Voss et al. 2006) – should be an integral part of the concept of responsible governance of supply chains.

³⁵ For instance, even though there are similarly large companies in several other business sectors, IKEA's history is somewhat special and the company is not noted on the stock market, which creates a different decision-making environment than most other large companies encounter.

8. References

- Andersen, M. 2005. *Corporate Social Responsibility in Global Supply Chains – understanding the uniqueness of firm behavior*, [diss.] Phd School of Technologies in Managing CBS/ Copenhagen Business School Phd series 15.2005
- Andersen, M. and Skjoett-Larsen, T. 2009. Corporate Social Responsibility in Global Supply Chains, *Supply Chain Management: An International Journal*, 14:75-86
- Bair, J. 2009. *Frontiers of Commodity Chain Research*. Stanford: Stanford University Press.
- Boström, M. & Klintman, M. (2008) *Eco-standards, Product Labelling, and Green Consumerism* Palgrave Macmillan.
- Boström, M; N. Börjeson, M. Gilek, AM Jönsson, and M. Karlsson. 2011. Towards responsible procurement in relation to chemical risks in textiles? Findings from an interview study. Södertörn's working report series. 2011:2. Södertörn University, Huddinge, Sweden. Available at: http://bibl.sh.se/publikationer/vara_publicationer/Towards_responsible_procurement_in_relation_to_chemical_risks_in_textiles/diva2_404864.aspx
- Boström, M.; N. Börjeson, M. Gilek, AM. Jönsson, and M. Karlsson. 2012. Responsible procurement and complex product chains: the case of chemical risks in textiles. *Journal of Environmental Planning and Management* 55(1):95-111.
- Boström, M.; M. Gilek, AM. Jönsson, and M. Karlsson (ms.) Organizational commitment and capabilities for responsible governance of supply chains.
- Bowen, F.E.; Cousines, P.D.; Lamming, R.C. and Faruk, A.C. 2001. The role of supply management capabilities in green supply, *Production and operations management* 10: 174-189.

- DCC. 2012. "Ikea – nu uden hormonkemi." Available at <http://taenk.dk/tema/forbyd-hormonforstyrrende-stoffer/ikea-nu-uden-hormonkemi>
- De Bakker, F. and Nijhof, A. 2002. Responsible Chain Management: A Capability Assessment Framework. *Business Strategy and the Environment*. 11:63-75.
- Engvall, M. 2007. Textilier med ett smutsigt förflutet. SwedWatch rapport 17. Stockholm: SwedWatch och Naturskyddsföreningen
- Fernandez, E.; Junquera, B. & Orditz, M. 2003. Organizational culture and human resources in the environmental issue: a review of the literature. *The International Journal of Human Resource Management* 14:634-656.
- Gibbon, P.; Bair, J. and Ponte, S. 2008. Governing global value chains: an introduction. *Economy and Society*. 37:315-338.
- Goodman, P., S. and Finn, P. 2007. Corruption Stains Timber Trade. Washington Post, April 1, 2007.
- Haikola, S. 2012. *Bortom kontroll? Den svenska kemikalieövervakningens logik*. Diss., Linköping Studies in Arts and Science, No. 568. Linköping University, Institutionen för Tema – Tema teknik och social förändring.
- IKEA. 2008a. Sustainability report. Available at: http://www.ikea.com/ms/sv_SE/about_ikea/pdf/sustainability_08.pdf
- IKEA. 2008b. People and the Environment. Available at: <http://www.mypaper.se/show/ikea/show.asp?pid=345224322265443>
- IKEA. 2010. Sustainability report. Available at: http://www.ikea.com/ms/sv_SE/about_ikea/pdf/ikea_ser_2010.pdf
- IKEA. 2011. Sustainability Report 2011. Available at: http://www.ikea.com/ms/sv_SE/about_ikea/pdf/IKEA_sustainability_report_fy11_small.pdf.
- IKEA. 2013. *Self-declaration form Chemical compounds and substances* Spec. no: IOS-MAT-0010. Date: 2013-05-10 Version nr 11.
- Ivarsson, I. and Alvstam, C.G. 2010. Supplier Upgrading in the Home-furnishing Value Chain: An Empirical Study of IKEA's sourcing in China and South East Asia. *World Development* 38:1575-1587.
- Kamprad, I. (1976-2007) *The Testament of a Furniture Dealer. A Little IKEA Dictionary*. Inter IKEA Systems BV.
- Konzelmann, S.J.; Wilkinson, F., Craypo, C. and Aridi, R. 2005. The export of national varieties of capitalism: The cases of Walmart and IKEA. Centre for Business Research, University of Cambridge, Working Paper No. 314
- Maon, F., Swaen, V. and Lindgreen, A. 2007. Corporate Social Responsibility at IKEA: commitment and communications. Research Memorandum 70.

- University of Hull. See:
<http://www2.hull.ac.uk/hubs/pdf/memorandum70.pdf>.
- Miller, K. L. 2001. The Teflon Shield. Newsweek, March 11, 2001.
- Möllering, G. 2006. *Trust: Reason, Routine, Reflexivity*. Bingley: Emerald Group.
- Naturvernforbundet, Forum for Utvikling och miljö and Oikos. 2008. Skitne klaer. See:
<http://www.oikos.no/newsread/ReadImage.aspx?DOCID=456&QUALITY=10>.
- Pearce, F. 2009. IKEA – you can't build a green reputation with a flatpack DIY manual. The Guardian, April 2, 2009.
- Seuring, S. and Muller, M. 2008. From a literature review to a conceptual framework for sustainable supply chain management. *Journal of Cleaner Production* 16:1699-1710.
- Stenebo, J. 2010. The truth about IKEA. How IKEA built its Global Furniture Empire. London: Gibson Square Books Ltd
- Sturgeon, T.J. 2009. From Commodity Chains to Value Chains. Interdisciplinary theory building in an age of globalization. In J. Bair (ed) *Frontiers of Commodity Chain Research*. 110-135. Stanford: SUP.
- Vermeulen, W. J.V. and Ras, P.J. 2006. The Challenge of Greening Global Product Chains: Meeting Both Ends. *Sustainable Development* 14:245-256.
- Voss, JP.; Bauknecht, D. and Kemp, R. (eds), (2006a). *Reflexive Governance for Sustainable Development*. Cheltenham: Edward Elgar.

Other IKEA guidance documents handed out from IKEA

- Chemical Compounds and substances additional requirements for children's products and toys: IOS-MAT-0054
- Furniture fabrics general requirements: IOS-PRF-0025
- General requirements for textiles: IOS-PRG-0023
- IKEA Way on Purchasing Products, Materials and Services* (IWAY). Date: 2012.12.01. Edition: 5.1
- IKEA Supplier Quality Standard*. Quality Improvement Group. Date: 2010-09-02. Edition:2.
- Self-declaration form Chemical compounds and substances* Spec. no: IOS-MAT-0010. Date: 2013-05-10 Version nr 11.

Appendix 1.

IWAY's components and basic demands, from Sustainability report 2008 p.12.

Legal compliance

IKEA requires its suppliers to comply with national laws and regulations and with international conventions concerning the protection of the environment, working conditions and child labour.

Start-up requirements

The following criteria need to be fulfilled before starting up a business relationship with IKEA:

- no child labour,
- no forced or bonded labour,
- no severe environmental pollution,
- no severe safety hazards,
- obligatory records of working hours and wages,
- obligatory accident insurances for workers.

Social and working conditions

IKEA expects its suppliers to respect fundamental human rights, to treat their workers fairly and with respect.

Suppliers must agree to:

- provide healthy and safe working environment,
- ensure safe buildings, reasonable privacy, quietness and personal hygiene, in those instances where housing facilities are provided,
- pay at least the minimum legal wage and compensate for overtime.

Suppliers may not:

- discriminate,
- use illegal overtime,
- prevent workers from associating freely with any worker's association or group of their choosing or collective bargaining,
- accept any form of mental or physical disciplinary action, including harassment.

Environmental standards

IKEA and its suppliers shall continuously reduce the environmental impacts of our operations.

Suppliers must agree to:

- work to reduce energy consumption,
- work to reduce waste and emissions to air, ground and water,
- handle, store and dispose of hazardous waste in an environmentally safe manner,
- contribute to the recycling and reuse of materials and used products.

Suppliers can expect IKEA to:

- be reliable,
- adapt our products to production demands,
- contribute to efficient production,
- care for the environment,
- support material and energy-saving techniques,
- take a clear standpoint on working conditions,
- respect different cultures,
- have clear and mutually agreed commercial terms.

This new revision has been updated during 2008 and the implementation starts in January 2009.