



# IKEA and the Better Cotton Initiative

Stefano Pogutz



**2nd Prize Winner, Corporate Sustainability Track**  
**11th edition of the oikos Case Writing Competition (2014)**

**Reference: a.y. 2012/2012/MU/n° 0003**

---

Bocconi Graduate School cases are developed solely as a basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data or illustrations of effective or ineffective management.

Copyright© 2012/2013 Università Bocconi – **Author:** Stefano Pogutz

No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the permission of Bocconi Graduate School.

---

## IKEA and the Better Cotton Initiative



### Abstract

*The purpose of this case study is to discuss the relation between management and sustainability, paying specific attention to the issue of supply chain and innovation. IKEA, the world's leading furniture retailer, has a long history of managing environmental and social issues. The company has developed internal procedures to assess the sustainability impact of new products (the IKEA Sustainability Product Scorecard) and has implemented a code of conduct to deal with social responsibility among suppliers (IWAY). The issue of cotton has emerged as a new challenge. To address this challenge, IKEA must adopt an innovative approach that goes directly to the source: the farmers. Through its partnership with a leading environmental NGO (the WWF), IKEA developed a pilot project aimed at influencing farmers in Pakistan and India to change the way they cultivate cotton. The initial results motivated the company to extend its pilot initiative with the goal of mainstreaming Better Cotton as a new market commodity. The development of a new strategy is required.*

---

### 1. Introduction

It was year 2005 when Guido Verjike, the Global Business Leader for IKEA Home Textiles, and responsible for developing innovative products that combine “style, functionality, quality and low prices”, was assigned a new responsibility: to address the issue of cotton sustainability. His boss had passed on this assignment from IKEA’s group management. Guido had not one else to pass the job to ... he had to deal with it!!!

At the time, a number of organizations were beginning to develop an international collaboration to improve their understanding of the impacts of cotton production worldwide. The aim of the project was to promote measurable improvements in cotton cultivation in order to make it more economically, environmentally, and socially sustainable. The issue of cotton sustainability was becoming urgent and salient, and IKEA made large use of cotton<sup>1</sup>. In fact, cotton was the second-most common raw material used by IKEA (the first was wood).

Despite IKEA’s reliance on this material to produce a number of products, such as towels, linens, covers, sofas, and mattresses, the company knew little about cotton production and sustainability:

*The only relationship with the cotton industry was handled by the trading offices in various countries where they were responsible for purchasing materials from whatever suppliers. We had no knowledge about what was behind the production and cultivation of cotton.*<sup>2</sup>

IKEA started to study the cotton supply chain in 2005. In 2006, after one year of investigation, a report was issued on the topic. In this regard, Verjike stated:

*Moving beyond the company suppliers to the cotton fields, the ginning and the spinning phases of the supply chain, the discovery we did ... was terrifying. When we looked into the fields—how they were using water resources, chemicals, pesticides, and so on—we discovered that the amounts used were enormous. We also now know that the chemicals used, the pesticides, in the cotton-cultivation process are the biggest chemical problem in the world.*

IKEA had to move quickly to address this issue. However:

*I have to admit that there was very little interest within the company to deal with it [the problem with cotton], because everyone thought it’s impossible. This is a totally impossible problem. How can we ever solve that? (Verjike).*

The challenge was massive. Verjike had hard time to find energies to start facing but his ambition was to contribute to finding a solution to the environmental and social problems associated with cotton production.

---

<sup>1</sup> Cotton is a warm climate crop. It is grown in dry tropical and subtropical regions. Cotton Together with flax and wool it is one of the 3 fibers that have been used by humankind for more than 5,000 years. The popularity of cotton is due to its excellent qualities: it is a soft and fluffy staple fiber that grows in a boll around the seeds of the cotton plants. It is breathable, and it is renewable. It is used to make a number of textile products, but it can be used also to produce paper, fishing nets, filters and other goods. <http://en.wikipedia.org/wiki/Cotton#Uses>. Accessed June 20, 2013.

<sup>2</sup> Interview with S. Brown.

## IKEA and Better Cotton Initiative

How could Verjike get to the root of the problem? Was it possible to reduce the use of pesticides and water in cotton's agriculture processes? How could IKEA, a furniture design and retail company, convince farmers in developing countries to switch to sustainable cultivation methods? What were the costs of such an initiative and what would be the benefits? How could he promote his idea and convince IKEA's group management to turn to the use of more responsible cotton? Was it possible to make the cotton supply chain traceable in order to ensure that 100% of the cotton IKEA purchased from suppliers and used in IKEA products was grown in accordance with sustainable practices?

Verjike decided to collaborate with the WWF, which was IKEA's partner in other sensitive areas, such as forestry and climate change. The partnership was initiated in 2002 with a project focused on promoting responsible forestry in priority regions around the world. On the basis of this longstanding relationship, in 2005 the two organizations joined to reduce the environmental and social impacts of conventional cotton production in India and Pakistan, which were two of the world's most important cotton-growing countries.<sup>3</sup> To do so, they agreed to launch pilot projects in Pakistan and India. The goal was to analyze the feasibility of the responsible-cotton idea. The Better Cotton project was born.

## 2. IKEA's background

IKEA was founded in 1943 by Ingvar Kamprad, a 17 year-old who had decided to establish his own business using some money he had received from his father for succeeding in his studies. The name IKEA is formed from the founder's initials (Invar Kamprad) and by the first letters of Elmtaryd and Agunnaryd, the farm and village where Kamprad grew up. Kamprad began selling pens, wallets, picture frames, table runners, watches, jewelry, and nylon stockings at reduced prices to the residents of his county, Småland, in southern Sweden. In 1945, Kamprad established a mail-order business, and he introduced furniture produced by local manufacturers into the product range in 1948. Five years later, IKEA opened its first furniture showroom in Älmhult, Sweden, which was housed in a converted factory. This is considered an important moment in the story of the company, as customers could identify the IKEA concept—the combination of function, quality, and low prices in home furniture—as a distinct feature for the first time.

In 1958, the company introduced products in flat packs that required self-assembly. This innovation became another distinctive part of the IKEA concept. In 1958, the first shop was opened in Älmhult. With 6,700 square meters, it was the largest furniture showroom in Scandinavia at that time. Moreover, the company experienced significant growth in sales, which reached SEK 40 million by 1961, thereby far exceeding the sales of average furniture stores. In the 1960s, IKEA embarked on a period of growth focused on product design and innovation in the supply chain, and it began to approach foreign markets (the first IKEA stores in Norway and Denmark were opened in 1963 and 1969, respectively).

Kamprad's strategy was based on the belief that high quality and low prices could be combined without delaying the delivery of products. The IKEA business model gradually revolutionized the Scandinavian furniture industry. Thanks to the disassembly of the product and the

---

<sup>3</sup> An analysis of the collaboration between the WWF and IKEA is available at: [http://wwf.panda.org/what\\_we\\_do/how\\_we\\_work/businesses/corporate\\_support/business\\_partners/ikea2.cfm](http://wwf.panda.org/what_we_do/how_we_work/businesses/corporate_support/business_partners/ikea2.cfm). Accessed August 28, 2013.

## IKEA and Better Cotton Initiative

introduction of the flat package, transportation costs were cut by up to 80%. Moreover, the customers' active role in the process strengthened the company's cost leadership. Furthermore, the company developed a sourcing strategy involving a number of suppliers located in different countries in order to reduce costs.

Another milestone for IKEA came with the opening of the 31,000 square meter flagship store in Stockholm in 1965. From 1965 to 1970, the steady development continued with the opening of seven new stores in the region and an increase in IKEA's market share in Sweden to 15%.

The 1970s were characterized by a process of intense internationalization (IKEA entered Switzerland, Germany, Australia, Canada, Austria, and the Netherlands; see **Exhibit 1**) and by the introduction of several innovative products. Over the years, these products became the hallmarks of IKEA's "classic" design (such as the POÄNG chair; see **Exhibit 2**).

Throughout the 1980s and 1990s, the Swedish company, which had ensured its success in the domestic market, continually entered new markets (e.g., the US, the UK, Italy, Spain, and China) and became widely known as the world's largest home furniture retailer. The product range was expanded to include new product lines (e.g., "Children's IKEA" and "365+" for all of the days of the year) and IKEA stores offered about 20,000 different products. IKEA's sourcing system developed to reflect this transformation and the company increased the share of purchases made from developing countries. By 2000, China was the leading producer and supplier of raw materials to IKEA.

Over the years, IKEA expanded worldwide through organic growth. It simply repeated its store concept and culture in each new market. This was a winning aspect of the company's strategy, as customers had similar expectations when visiting a newly opened store and they were already "in tune" with what they discovered. In every store, the layout, products, and shopping experience were basically the same regardless of the store's location.<sup>4</sup> However, some adaptations were required in the product range (including the size of furniture, appliances, and other objects) when the company entered the US market, where the largest stores were established.

### 3. IKEA's vision, strategy, and results

IKEA's corporate claim is that it aims to "help people improve their lives." The tagline for the latest communication campaign is "The Life Improvement Store" (see **Exhibit 3**). The company's vision and business idea are:

*To create a better everyday life for the many people. Our business idea supports this vision by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them<sup>5</sup>.*

---

<sup>4</sup> See Jonsson A. and Foss J. N. (2011), "International expansion through flexible replication: Learning from the internationalization experience of IKEA", *Journal of International Business Studies*, 42, 1079–1102.

<sup>5</sup> See: [http://www.ikea.com/ms/en\\_CA/about\\_ikea/the\\_ikea\\_way/our\\_business\\_idea/](http://www.ikea.com/ms/en_CA/about_ikea/the_ikea_way/our_business_idea/). Accessed June 22, 2013,

## IKEA and Better Cotton Initiative

The ideas behind this vision are that having a customer-designed home can improve our personal lives, and that home is often viewed as the most important place in the world.<sup>6</sup> In this regard, IKEA's products target people with normal (middle) incomes who are interested in stylishly designed products, functionality, sustainability, and affordable prices. Since the company's foundation, the commitment to a cost-conscious approach has been key. The result is a carefully constructed strategy that balances customer needs and dreams with production and supplier constraints.

Another key element of IKEA's strategy is in-house design. The product range, which encompasses about 9,500 items, is developed internally by designers based in Sweden and in several other countries around the world. IKEA's product portfolio is organized into four categories, which are defined according to style and identity:<sup>7</sup>

- Country, which has been referred to as "peasant furniture" by Kamprad;
- Scandinavian, which is typically light and Nordic;
- Modern, which is seen as attractive in Europe; and
- Young Swede, which is modern and gaudy.

The four groups are divided into three price levels: low, medium, and high. The styles and prices create a matrix that not only guides designers in their creativity in terms of supporting the company's innovation process but also favors market segmentation and product customization.

The IKEA Group has three main units:

- 1) Range Strategy, Product Development, and Supply Chain;
- 2) Retail; and
- 3) Industrial Groups (includes a manufacturing group, Swedwood; an industrial supplier, Swedspan; and an advisory and service company, IKEA Industry Investment and Development).

The Group is owned by the Stichting INGKA Foundation, which operates through INGKA Holding B.V., the IKEA Group's parent company. The purpose of the Foundation is to secure independence and the adoption of a long-term approach to the IKEA Group (see **Exhibit 4**).

Selected facts and figures for the IKEA group are provided in **Table 1**. IKEA's Group total revenue are provided in **Exhibit 5**.

**Table 1: IKEA Group facts and figures\***

<sup>6</sup> IKEA (2012), Yearly summary FY 2012. Accessed August 28, 2013: [http://www.ikea.com/ms/en\\_GB/about\\_ikea/facts\\_and\\_figures/yearly\\_summary\\_2012.html](http://www.ikea.com/ms/en_GB/about_ikea/facts_and_figures/yearly_summary_2012.html)[http://www.ikea.com/ms/en\\_US/about\\_ikea/facts\\_and\\_figures/yearly\\_summary.html](http://www.ikea.com/ms/en_US/about_ikea/facts_and_figures/yearly_summary.html).

<sup>7</sup> See Jonsson A. and Foss J. N. (2011), "International expansion through flexible replication: Learning from the internationalization experience of IKEA", *Journal of International Business Studies*, 42, 1079–1102.



## IKEA and Better Cotton Initiative

Stores	345 IKEA stores were open and operating by the end of business year 2013 in 42 countries (338 in 2012 and 323 in 2011).
Visits	IKEA stores had 775 million visits (776 in 2012 and 734 in 2011).
Product range	About 9,500 items.
Sales	Total retail sales amounted to €29.2 billion (27.5 in 2012 and 26.0 in 2011).
Suppliers ^	1,084 home-furnishing suppliers in 53 countries. Top supplying countries: China 22%, Poland 8%, Italy, 8%, Sweden 5%, Lithuania 4%. (as of August 31, 2012)
Co-workers	Total IKEA co-workers: 151,000
IKEA website	IKEA.com had more than 1.2 billion visits (1.06 billion in 2012 and 0.9 billion in 2011)

\* Fiscal year 2013, period between September 1, 2012 to August 31, 2013.

Source: IKEA (2013), 2013 Facts & Figures. IKEA retailing worldwide. September 2012 – August 2013. Accessed December 4, 2013: <http://www.inter.ikea.com/en/about-us/key-figures/>^

^ Source: IKEA (2012), *Yearly summary FY 2012*. Accessed August 28, 2013: [http://www.ikea.com/ms/en\\_GB/about\\_ikea/facts\\_and\\_figures/yearly\\_summary\\_2012.html](http://www.ikea.com/ms/en_GB/about_ikea/facts_and_figures/yearly_summary_2012.html)

### 4. Putting sustainability at the heart of the business

IKEA's focus on sustainability is embedded in the original business model developed by Ingvar Kamprad: an innovative product concept based on flat packaging that favors high logistical efficiency and thereby reduces the number of shipments. This aspect that IKEA claims “more with less” (i.e., developing products that minimize the use of raw materials while maintaining the same levels of quality, design, and price) has always been a mantra for the Swedish company. In fact, construction techniques requiring less solid wood, like Board on Frame (BoF), are viewed as hallmarks of IKEA.

IKEA's “conscious” environmental strategy was launched in the early 1980s when the Danish authorities enforced regulations to limit the amount of formaldehyde used in building products. After testing some of IKEA products, the government found that the amount of chemicals was above the limit allowed by the legislation. Consequently, the company was taken to court and a fine was imposed. More importantly, IKEA's reputation was seriously damaged—the company's Danish sales fell by 20%.

The growing awareness of environmental and social issues, and the company's focus on quality of life as a corporate value favored the development of IKEA's first environmental policy, which was approved by the Board in 1990. One year earlier, the company appointed its first environmental manager. The idea was that being a responsible company was coherent with customers' expectations and stakeholders' requests. In the same period, the company started a process of intense internal training with the aim of promoting an environmentally friendly culture among managers and employees.

Since the early 1990s, IKEA's concerns regarding sustainability have matured to cover a wide number of topics. The company is actively working to integrate sustainability into every activity. As Mikael Ohlsson, President and CEO of IKEA Group, stated:

*... Sustainability is a cornerstone in the IKEA strategic direction – it is highly prioritized and serves as a driver of further innovation and development. Economizing with resources, finding new ways of doing things and developing our knowledge and expertise, are important parts of our business idea and heritage. A low price company must be a low cost company, and this includes being careful with earth's limited resources.<sup>8</sup>*

---

<sup>8</sup> See: IKEA (2011), *Sustainability Report 2011*, p.7. Accessed June 22, 2013. [http://www.ikea.com/ms/en\\_US/about\\_ikea/pdf/sustainability\\_report\\_fy11.pdf](http://www.ikea.com/ms/en_US/about_ikea/pdf/sustainability_report_fy11.pdf).

It is outside the aim of this study to analyze the evolution of IKEA's sustainability policy over the years. **Exhibit 6** provides a snapshot of the main "green" initiatives implemented and the milestones reached by the company. Three major sustainability milestones that have had important impacts on the company's sustainability approach are briefly discussed below.

### *a) IKEA and The Natural Step*

After the formaldehyde scandal, IKEA adopted *The Natural Step* (TNS) framework to guide the redesign of the company's relationships with the environment. In 1990, Karl-Henrik Robèrt, founder of TNS, was invited to speak at a seminar attended by the Board of Directors. The TNS approach, which is based on four system conditions (see **Box 1**), was believed to be consistent with Kamprad's business ideas. It became the base of a broad action plan that affected all levels of the company through specific training and initiatives.

### **BOX 1: The Natural Step**

The Natural Step (TNS) is a nonprofit organization founded in Sweden by Karl-Henrik Robèrt. TNS has developed a specific framework that sets out four conditions for the sustainability of human society: 1) nature is not subject to systematically increasing concentrations of substances extracted from the Earth's crust; 2) nature is not subject to systematically increasing concentrations of substances produced as a byproduct of society; 3) nature is not subject to systematically increasing degradation by physical means; and 4) people are not subject to conditions that systematically undermine their capacity to meet their needs. Over the years, TNS has worked with a number of organizations and companies around the world to change the way they do business by integrating the principles of sustainability into their long-term strategies and everyday operations.

Source: Wikipedia and <http://www.naturalstep.org/>. Accessed June 25, 2013.

### *b) Environment-friendly products: The e-Wheel method and the Sustainability Product Scorecard*

The ability to offer a range of solutions that are environmentally friendly represents a key dimension of IKEA's green policy. IKEA's business model leverages on a number of natural resources that are provided by ecosystems, such as wood, paper and cellulose fibers, water, and cotton. These resources are scarce or under pressure as a result of human production and consumption patterns. Moreover, the company makes intense use of energy for manufacturing and logistics, which has an impact on greenhouse gas emissions and climate change. Finally, home-furnishing products must be safe for customers, which means that they must be free of harmful substances. IKEA's designers and technicians are therefore key in the development of sustainable solutions. They must consider each product's safety, quality, and environmental profile from the initial design stage and throughout the entire life cycle.

One fundamental tool for systematically integrating these considerations into the innovation process was the e-Wheel method. The e-Wheel has supported designers by providing a framework for assessing the impacts of innovations in five main phases of the product life cycle: raw materials, manufacturing, distribution, use, and end of life. The main areas of intervention were:

- Reduce the amount of resources to make the best possible products;
- Increase the use of renewable and recycled materials;
- Reduce waste; and
- Stop using harmful substances.



## IKEA and Better Cotton Initiative

At IKEA, the e-Wheel method evolved into a new tool designed to facilitate sustainable product development called the *IKEA Sustainability Product Score Card*. This new assessment system, which was introduced in 2010 to help design and classify the IKEA product range, is based on 11 criteria that affect a product's sustainability profile throughout its life cycle. The company's ambitions were to have 80% of the sales value evaluated through this tool by 2012 and 90% of the sales value from home furnishing classified as "more sustainable" in 2015. The IKEA Score Card is an internal tool, such that the results are not communicated to customers on individual product labels. The Score Card is based on a point system. For a product and its packaging to be classified as more sustainable, it must score a certain number of points.

### *c) Sustainability through the supply chain: IWAY*

One pillar of IKEA's sustainability policy is found in its relationships with the hundreds of suppliers it has spread across the world. In fact, the company purchases a number of environmentally and socially sensitive goods from regions and countries in which labor practices often violate international conventions on human rights and the protection of the natural resources is not an issue.

IWAY, which is the "IKEA way on purchasing home furnishing products," was introduced in 2000 as a code of conduct for the company's direct suppliers. The IWAY standard is framed in accordance with the UN's Universal Declaration of Human Rights (1948), the International Labour Organization's Declaration on Fundamental Principles and Rights at Work (1988), and the Rio Declaration on Environment and Development (1992).

The IWAY code of conduct favors the diffusion of sustainable and responsible practices. Suppliers that want to work with IKEA are required to sign an agreement stating that they will respect the obligations set out in the standard, and that they will communicate the contents of IWAY to their employees and sub-suppliers. The enforcement of the IWAY system is supported by auditing activities undertaken by IKEA and third-party auditors (both announced and not announced). A description of the IWAY code of conduct is provided in **Exhibit 7**.

In summary, sustainability is one of the cornerstones of IKEA's strategy and it is embedded in all of the company's processes, including:

- Product development and the sourcing of raw materials;
- Production and distribution;
- Stores and shopping centers; and
- Products' end-of-life.

Despite the company's solid commitment to social responsibility and environmental protection, and the presence of a well-trained organization, the issue of sustainable cotton posed new challenges for IKEA. Verjike had to move beyond the company's traditional routines and practices to address this problem, but how?

## 5. The problem with cotton

Making cotton production more sustainable is a global challenge. Cotton is probably one of the most important and extensively cultivated crops in the world. Nearly 35 million hectares of cotton are actively cultivated, representing about 2-2,5% of the world's arable land, but cotton production accounts for up to 10% of the global use of pesticides. About 80 countries produce cotton on a commercial scale, and more than 90% of cotton farmers live in developing

countries<sup>9</sup> (see **Exhibit 8**). For millions of people in some of the world's poorest countries, cotton represents a vital and unique link to the global economy, and it is a valuable part of the national economy of many least developing countries. The International Cotton Advisory Committee estimates that about 300 million people work in the wider cotton industry.<sup>10</sup>

At the same time, cotton cultivation and manufacturing are responsible for several social and environmental problems. Inefficient irrigation techniques, and the improper use of pesticides and fertilizers threaten the availability of clean water, as well as soil quality, human health, and biodiversity. In addition to the health and safety impacts of pesticide use, socio-economic impacts of cotton cultivation include arduous working conditions (particularly for female workers); the utilization of child labor and forms of forced labor; and indebtedness due to high input prices, crop failures, delayed payments, and/or unaffordable interest rates.<sup>11</sup>

In response to these impacts, the Better Cotton Initiative (BCI) was established in 2005 with the goal of making “*global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future.*”<sup>12</sup> BCI encompasses a number of organizations that operate along the cotton supply chain, including farmers, producers, manufacturers, retailers, major brands (e.g., Adidas, Levi Strauss, and H&M), and NGOs, such as the WWF.

When the issue of sustainable cotton emerged at IKEA, the company decided to join the BCI and become one of the founding members of this platform. According to Verjike, BCI was the right place to confront and cooperate with competitors and other stakeholders in order to find a common solution. As Verjike stated, cotton is a:

*shared problem ... and Better Cotton, a cotton that respects environmental and social issues while bringing economic value to the farmers, must become a commodity. In the long term, traditional cotton must disappear from the market.*<sup>13</sup>

BCI represented a fundamental step towards addressing the sustainability challenge. Nevertheless, the path towards mainstreaming Better Cotton as a commodity was long and several obstacles blocked the way. Criteria for Better Cotton had to be defined, a system to audit farmers and other players along the supply chain had to be established, and demand for Better Cotton had to be created in the market.

## 6. Making cotton production more sustainable: A new challenge for IKEA

Cotton is the second-largest raw material purchased by IKEA (wood is its number one raw material). In 2008, the water used to produce cotton for IKEA amounted to 2,890 billion liters (equivalent to the drinking water consumption of a country such as Sweden for 176 years). In addition, 170 million kilograms of chemicals were used.

When the company decided to address the problem of cotton's sustainability, it realized that:

<sup>9</sup> Source: [www.unctad.info/en/Infocomm/Agricultural\\_Products/Cotton/Market/](http://www.unctad.info/en/Infocomm/Agricultural_Products/Cotton/Market/). Accessed June 22, 2013..

<sup>10</sup> Source: [http://www.bettercotton.org/index/18/why\\_better\\_cotton.html](http://www.bettercotton.org/index/18/why_better_cotton.html). Accessed June 22, 2013.

<sup>11</sup> Source: [http://www.bettercotton.org/index/18/why\\_better\\_cotton.html](http://www.bettercotton.org/index/18/why_better_cotton.html). Accessed June 22, 2013.

<sup>12</sup> See the Better Cotton Initiative Mission and Objectives. See: <http://bettercotton.org/about-bci/>. Accessed June 22, 2013.

<sup>13</sup> Interview with G. Verjike.

*... a huge knowledge gap in the production of cotton existed. No one knew how the cotton was produced, where production occurred, who the producers were, or who were working in the fields.*<sup>14</sup>

IKEA had no control over its suppliers, and the lack of integration in the supply chain made it nearly impossible to obtain information on the upstream phases of the production process. Moreover, IKEA had no competitive advantage in cotton usage—the company just paid the market price. At the same time, pressure from interest groups was rising as awareness of the environmental and social impacts of textile production emerged.

In 2002, the IKEA and the WWF launched pilot projects in the Bahawalpur and Yazman districts of South Punjab in Pakistan, one of the most important cotton-growing regions in Pakistan.<sup>15</sup> At the time, the area was characterized by high pesticide use, widespread poverty, and poor irrigation systems (see map below). The overall objectives of IKEA and the WWF were to significantly reduce the negative environmental impact of cotton production while lowering costs and improving the quality of the raw material. The project also aimed to improve the farmers' well-being by increasing their earnings. Finally, IKEA and the WWF wanted to test the possibility of establishing a transparent system in which the cotton could be traced. Several IKEA representatives discussed the project:

*The project as such sounds easy, and it is actually very “hands on” ... no more than meeting the producers of cotton and the farmers in the field, transferring the knowledge on the cultivation of cotton, using more environmentally friendly techniques ... it is nothing really “special.” IKEA and the WWF did not adopt any special tactics. It was more like ... teaching techniques that, in other parts of the world, are part of daily business but are not common in Pakistan and India. We used a workbook to transfer techniques and to try to explain best practices. After a few training runs, local farmers started adopting those practices.*<sup>16</sup>

The results were impressive. After three years, the use of pesticides, water and fertilizers had been reduced by 50%, 50%, and 30% per hectare, respectively<sup>17</sup>. Equally important was the fact that farmers had been able to increase their gross margins by about 42%.

The pilot project in Pakistan was vital for IKEA's strategy, as it proved that Better Cotton could be produced at an affordable price. As Verjike stated:

*When we saw the first results, and I suddenly realized what was possible ... I got a lot of energy on this. I presented [the results] to IKEA's Group management, that was the moment of ... it was a breaking point actually ... because they got very energized, and I could prove for them that we have a traceability in place now, we know where the cotton comes from ... we can change it, and they have*

---

<sup>14</sup> Interview with S. Brown.

<sup>15</sup> Pakistan is the fourth-largest producer of cotton in the world, after China, India, and the US. The country handles about 8% of total global cotton production. See: <http://www.indexmundi.com/agriculture/?commodity=cotton>

<sup>16</sup> Interview with S. Brown.

<sup>17</sup> Savings are calculated comparing farmers participating in the Better Cotton project against conventional farmers (also called control farmers).

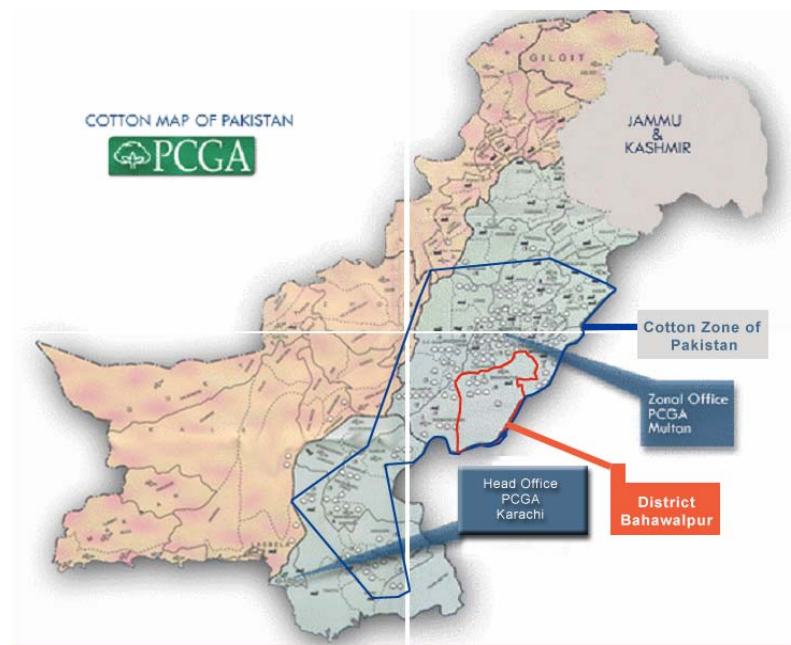
## IKEA and Better Cotton Initiative

*become enthusiastic. They started to support the project, and this is the key issue for a company: the top management has to stand behind it.”<sup>18</sup>*

In other words, the pilot project proved that it was possible to cultivate and process cotton with a significantly lower impact on the environment and at a lower cost. Moreover, it was possible to trace cotton throughout the pipeline.

As a result, the project was extended to other regions with the goal of sharply increasing the share of cotton from sustainable plantations and creating significantly more Better Cotton capacity. New cotton projects were introduced in Pakistan and India that relied on better management practices to increase the sustainability of cotton production. The main results of the projects over a three year period (2006-2008) are presented in **Exhibit 9**.

**Figure 1: Map of cotton production in Pakistan: Bahawalpur and Yazman districts**



Source: IKEA (2010), *Better Cotton Project*, internal document.

## 7. Developing a strategy for making Better Cotton a commodity

The next step for IKEA was to build a strategy to mainstream Better Cotton. Pramit Chanda, IKEA's former Leader for Better Cotton, Trading, summarized this approach in three clear steps: “*study the supply chain, secure capacity, and secure the supply chain.*” With the support of BCI and the WWF, IKEA started to build knowledge on the cotton supply chain from farmers to suppliers, to retailers and the brand (see **Figure 2**). Cotton suppliers were initially reluctant to disclose information on the supply chain, as they believe that doing so could threaten their competitive advantage.

<sup>18</sup> See the video: Better Cotton: Getting Energized at <http://www.youtube.com/watch?v=pWOnPLY1iqE>. Accessed June 20, 2013.

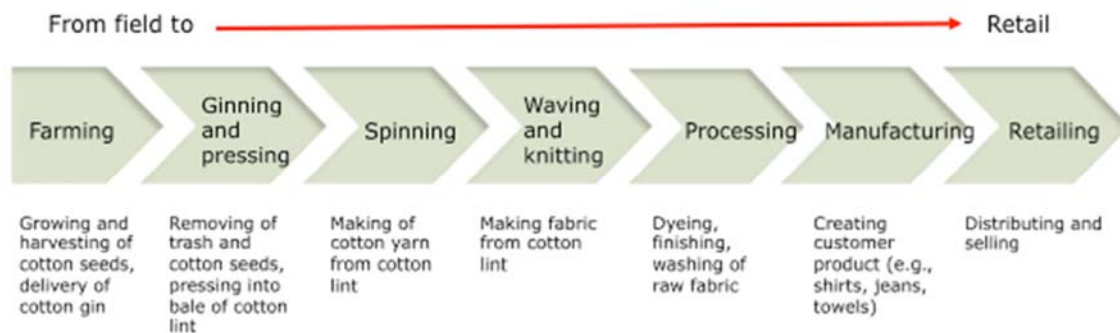
## IKEA and Better Cotton Initiative

Challenges emerged at various levels of the supply chain. A critical issue was how Better Cotton could enter the supply chain. Other questions had to be addressed as well. For example, how could IKEA ensure that this sustainable good moved through the supply chain and ended up in its final products? Was it possible to scale up the projects in Pakistan and India to diffuse Better Cotton worldwide?

BCI was the organization selected to work with partners (e.g., other brands and retailers) and create the critical mass necessary to make Better Cotton a commodity. The platform enabled common learning through the sharing of experiences and best practices.

In addition, IKEA felt it was important to communicate with consumers. IKEA was motivated more by a spring of “doing the right thing” than by a view of Better Cotton as a potential competitive advantage. Was the first the right choice?

**Figure 2: The cotton supply chain**



Source: Simplified from BCI and IKEA documents.

## 8. Sustainability and Better Cotton: Looking forward

In 2009, around 25,000 farmers in Pakistan were targeted by IKEA for the adoption of better management practices. In addition to the environmental benefits, the projects improved the economic conditions in farming communities (e.g., an 11% increase in farmers' income). In 2010, the goal was to expand the project to 40,000 farmers.

A similar initiative was started in India, where 60 million people work in the cotton industry. In 2009, the Indian project, which involved 796 farmers, showed impressive results: a 53% reduction in the use of water, a 48% reduction in the use pesticides, and a 50% reduction in the use of chemical fertilizers. In 2010, the number of farmers involved in the project was extended, and today approximately 100,000 farmers are engaged in the production of sustainable cotton in Pakistan and India. Moreover, IKEA has launched small-scale sustainable cotton projects in China and Turkey<sup>19</sup>.

In 2012, IKEA used 150,000 tons of cotton (around 0.6% of the cotton grown worldwide ends up in IKEA products), of which almost 51,000 tons were sourced from so called “preferred” sources. The preferred sources include farmers licensed by the BCI to grow Better Cotton, and

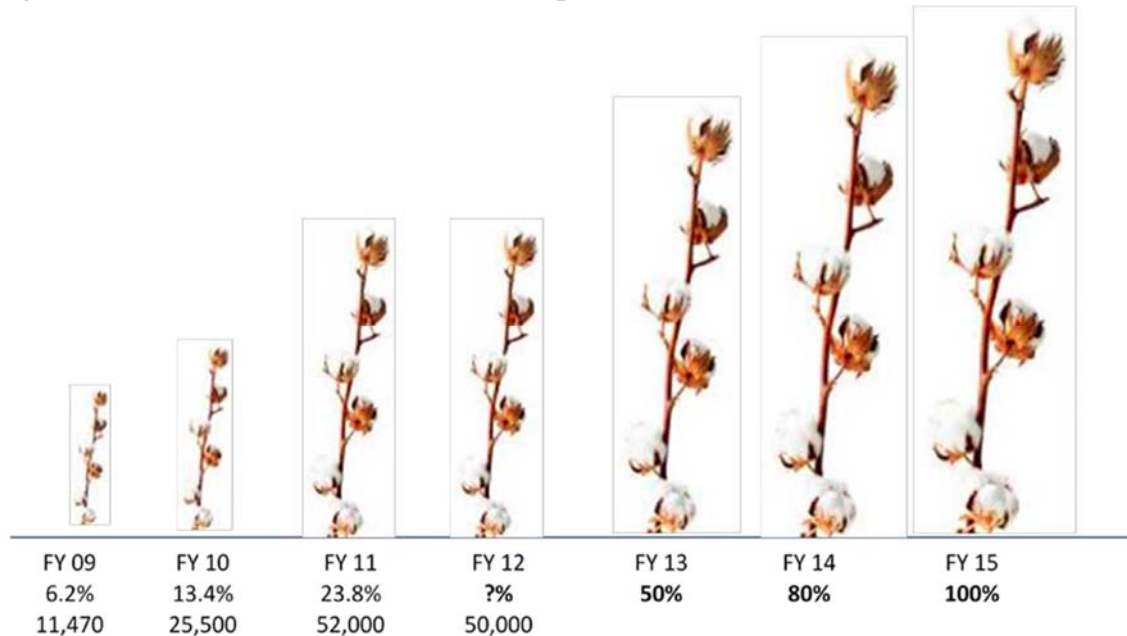
<sup>19</sup> See: IKEA (2013), *More Sustainable Cotton*. IKEA Press Kit, April 2013.

## IKEA and Better Cotton Initiative

farmers that adopt the BCI principles. In total, IKEA invested €1.9 million in the Better Cotton project in 2012<sup>20</sup>. The company also introduced a project to increase the efficiency of cotton use by standardizing the ways in which fabrics are made. The company aims to reduce the amount of cotton utilized by 10-15%.

IKEA's Sustainability Strategy for 2020 People& Planet Positive sets several goals for 2015 “By FY 2015, all cotton used in IKEA products is sourced from more sustainable sources, such as Better Cotton and we will continuously investigate complementary fibers with improved sustainability performance relative to cotton”<sup>21</sup>.

**Figure 3: Share of Better Cotton in IKEA's products**



Source: IKEA internal documents

## 9. Acknowledgments

This case has been developed through extensive collection of primary data and interviews. The author wishes to thank IKEA and BCI for their insights and their willingness to share relevant information. The author is particularly grateful to Stefano Brown, IKEA Sustainability Manager for Retail, for his personal contribution to the construction of the case.

<sup>20</sup> IKEA has invested almost €4.5 million since 2005 in more sustainable cotton farming projects. See: IKEA (2013), *More Sustainable Cotton*. IKEA Press Kit, April 2013.

<sup>21</sup> See: IKEA (2013), *People & Planet Positive. IKEA Group Sustainability Strategy for 2020*. Accessed December 3, 2013: [http://www.ikea.com/us/en/about\\_ikea/newsitem/sustainability\\_strategy2012](http://www.ikea.com/us/en/about_ikea/newsitem/sustainability_strategy2012)



## IKEA and Better Cotton Initiative

Special thanks goes to Guido Verjike, Global Business Leader for IKEA Home Textiles, and to Lena Staafgård, Membership and Operations Director of the Better Cotton Initiative for their contribution.

## 10. References

BCI (2008), *BCI Consultation Report Global principles, criteria, enabling mechanisms*, Accessed August 20, 2013: <http://bettercotton.org/>

IKEA (2010), *Better Cotton Project*, internal document.

IKEA (2011), *Sustainability Report*. Accessed August 28, 2013: [http://www.ikea.com/ms/en\\_US/about\\_ikea/facts\\_and\\_figures/yearly\\_summary.html](http://www.ikea.com/ms/en_US/about_ikea/facts_and_figures/yearly_summary.html)

IKEA (2011), *Yearly summary FY 2011*. Accessed August 28, 2013: [http://www.ikea.com/ms/en\\_US/about\\_ikea/facts\\_and\\_figures/sustainability\\_report/sustainability\\_report\\_2011.html](http://www.ikea.com/ms/en_US/about_ikea/facts_and_figures/sustainability_report/sustainability_report_2011.html)

IKEA (2012), *Sustainability Report FY 2012*. Accessed August 28, 2013: [http://www.ikea.com/ms/en\\_GB/about\\_ikea/facts\\_and\\_figures/sustainability\\_report/sustainability\\_report\\_2012.html](http://www.ikea.com/ms/en_GB/about_ikea/facts_and_figures/sustainability_report/sustainability_report_2012.html)

IKEA (2012), *Yearly summary FY 2012*. Accessed August 28, 2013: [http://www.ikea.com/ms/en\\_GB/about\\_ikea/facts\\_and\\_figures/yearly\\_summary\\_2012.html](http://www.ikea.com/ms/en_GB/about_ikea/facts_and_figures/yearly_summary_2012.html)

IKEA (2013), *More Sustainable Cotton*. IKEA Press Kit, April 2013.

IKEA (2013), *People & Planet Positive. IKEA Group Sustainability Strategy for 2020*. Accessed December 3, 2013: [http://www.ikea.com/us/en/about\\_ikea/newsitem/sustainability\\_strategy2012](http://www.ikea.com/us/en/about_ikea/newsitem/sustainability_strategy2012)

IKEA (2013), *2013 Facts & Figures. IKEA retailing worldwide. September 2012 – August 2013*. Accessed December 4, 2013: <http://www.inter.ikea.com/en/about-us/key-figures/>

Jonsson A. and Foss J. N. (2011), “International expansion through flexible replication: Learning from the internationalization experience of IKEA”, *Journal of International Business Studies*, 42: 1079–1102.

## 11. Websites

<http://en.wikipedia.org/wiki/Cotton#Uses>

<http://www.bettercotton.org/>

<http://www.ikea.com/>

<http://www.indexmundi.com/agriculture/>

<http://wwf.panda.org/>

## **IKEA and Better Cotton Initiative**

<http://unctad.info/>

**Exhibit 1: IKEA's internationalization strategy**

<b>Debut</b>	<b>Country</b>	<b>First store location</b>	<b>Number of stores</b>
1958	Sweden	Älmhult	17
1963	Norway	Slependen	6
1969	Denmark	Copenhagen (Ballerup)	5
1973	Switzerland	Spreitenbach	7
1974	Germany	Munich (Eching)	46
1974-1986 (first sale); 2006 (reopening)	Japan	Kobe (first sale), Funabashi (reopening)	5
1975	Australia	Sydney (Artarmon)	7
1975	Canada	Dartmouth, Nova Scotia	11
1975	Hong Kong	Kowloon (Tsim Sha Tsui)	3
1977	Austria	Vienna (Vösendorf)	6
1978	Singapore	Bukit Timal (Sixt Avenue)	2
1978	The Netherlands	Slidrecht	12
1980	Spain	Gran Canaria (Las Palmas)	15
1981	Iceland	Reykjavik	1
1981	France	Paris (Bobigny)	28
1983	Saudi Arabia	Jeddah	3
1984	Belgium	Brussels (Zaventem and Ternat)	6
1984	Kuwait	Kuwait City	1
1985	United States	Plymouth Meeting	38
1987	United Kingdom	Warrington, Cheshire	18
1989	Italy	Milan (Cinisello Balsamo)	20
1990	Hungary	Budapest	2
1991	Poland	Warsaw	8
1991	Czech Republic	Prague (Budějovická)	4
1991	United Arab Emirates	Dubai	2
1992	Slovakia	Bratislava	1
1994	Taiwan	Tapei	4
1996	Finland	Espoco	4
1996	Malaysia	Bandar Utama, Selangor	1
1998	China	Shanghai	10
2000	Russia	Moscow (Khimki)	14
2004	Portugal	Lisbon	3
2005	Turkey	Istanbul	5

Source: Ikea website

## **IKEA and Better Cotton Initiative**

### **Exhibit 2: IKEA's “classic” product**



**1976—POEM (later known as POÄNG) is launched**  
This IKEA classic armchair is made of laminated wood.

### Exhibit 3: IKEA's vision and business idea

#### **Our vision and business idea**

At IKEA **our vision** is to create a better everyday life for the many people. Our business idea supports this vision by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.

#### **Our product range**

The IKEA product range is wide in several ways. First, it's wide in function: you'll find everything you need to furnish your home, from plants and living room furnishings to toys and whole kitchens. Second it's wide in style. The romantic at heart will find just as much as the minimalist. And finally, by being coordinated, the range is wide in function and style at the same time, and at all times. No matter which style you prefer, there is something for everyone.

Anybody can make a good-quality product for a high price, or a poor-quality product for a low price. But to make good products at low prices, you need to develop methods that are both cost-efficient and innovative. That is why at IKEA we approach things a little differently.

#### **Quality home furnishing products at affordable prices**

Low prices are the cornerstone of the IKEA vision, business idea and concept. The basic thinking behind all IKEA products is that low prices make well-designed, functional home furnishings available to everyone. After all, our vision is to create a better everyday life for the many people.

We are constantly trying to do everything a little better, a little simpler, more efficiently and always cost-effectively. All IKEA units play an important part in creating our low prices which we are then able to offer our customers.

#### **A better everyday life**

The IKEA business idea is to offer a wide range of home furnishings with good design and function at prices so low that as many people as possible will be able to afford them.

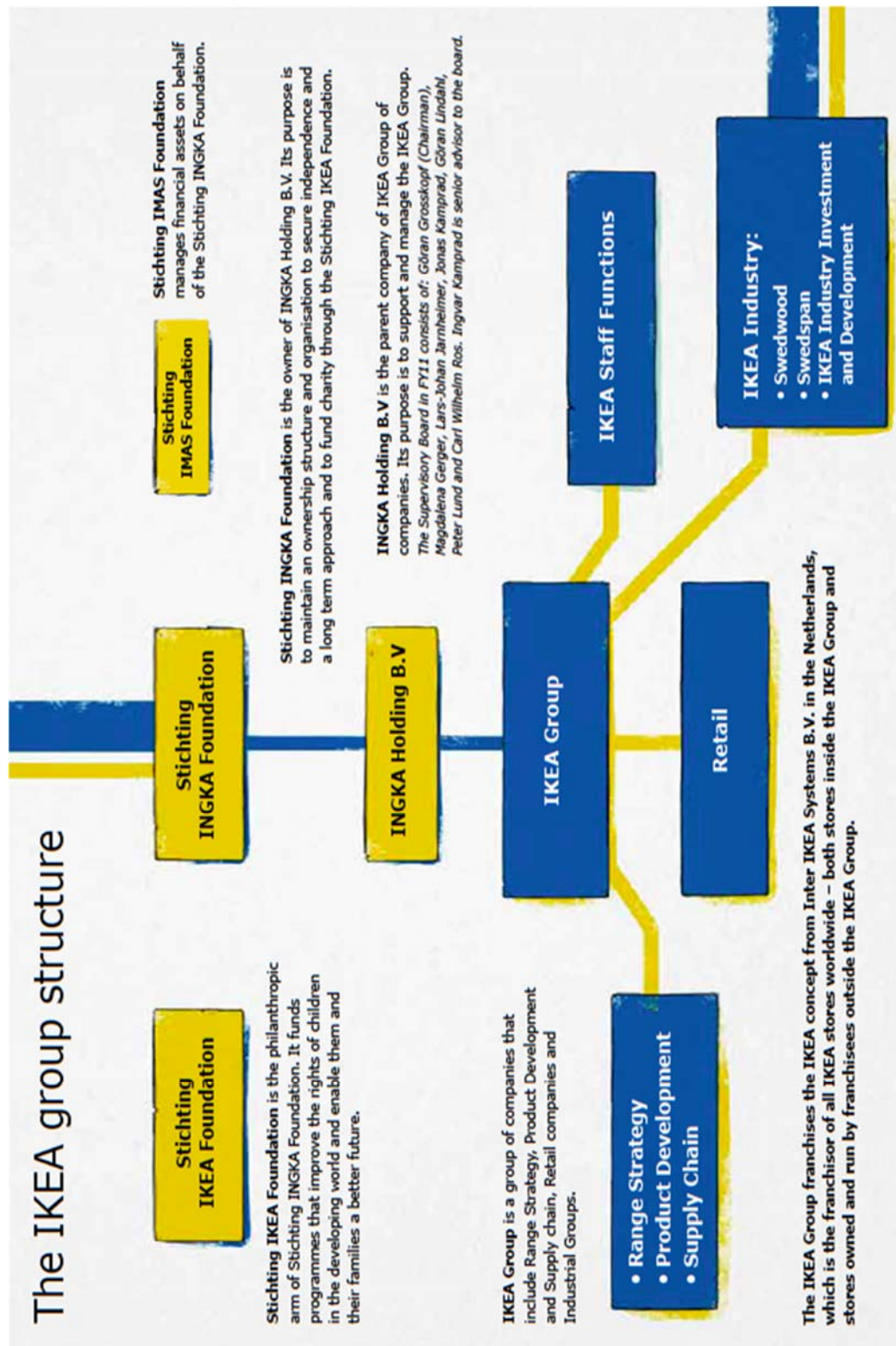
Most of the time, beautifully designed home furnishings are usually created for the few who can afford them. From the beginning, IKEA has taken a different path. We have decided to side with the many. That means responding to the home furnishing needs of people around the world: people with many different needs, tastes, dreams, aspirations and wallet sizes; people who want to improve their homes and their everyday lives.

It's not difficult to manufacture expensive fine furniture: just spend the money and let the customers pay. To manufacture beautiful, durable furniture at low prices is not so easy - it requires a different approach. It is all about finding simple solutions and saving on every method, process or approach adopted - but not on ideas.

Source: IKEA website accessed June 20, 2013:

[http://www.ikea.com/ms/en\\_US/about\\_ikea/the\\_ikea\\_way/our\\_business\\_idea/index.html](http://www.ikea.com/ms/en_US/about_ikea/the_ikea_way/our_business_idea/index.html)

Exhibit 4: IKEA's organizational structure

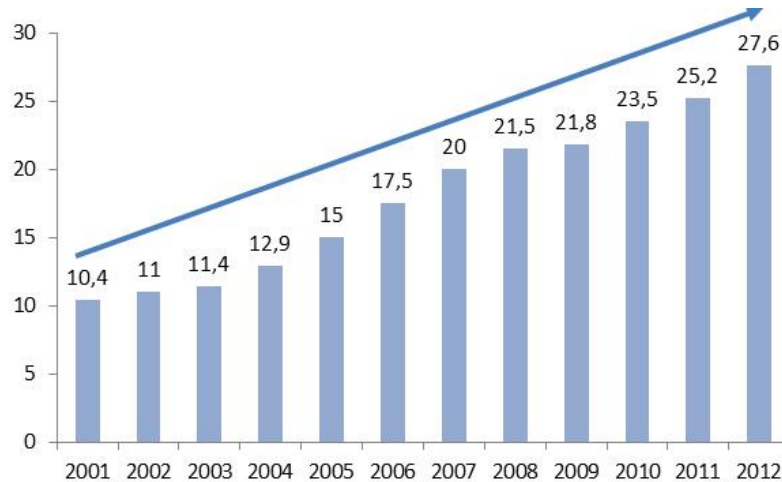


Source: IKEA (2011), *Yearly summary FY 2011*. Accessed August 28, 2013



**Exhibit 5: IKEA's Group total revenue (2001-2012) and net income (2010-2012)**

*Total revenue in EUR billion, 2001-2012*



Source: IKEA (2012), *Yearly summary FY 2012*. Accessed August 28, 2013:  
[http://www.ikea.com/ms/en\\_CA/pdf/yearly\\_summary/ys\\_welcome\\_inside\\_2012\\_final.pdf](http://www.ikea.com/ms/en_CA/pdf/yearly_summary/ys_welcome_inside_2012_final.pdf)

*Net income, 2010-2012*

(in EUR million)	2012	2011	2010
Revenue	27,628	25,173	23,539
Cost of sales	15,723	13,773	12,454
<b>Gross profit</b>	<b>11,905</b>	<b>11,400</b>	<b>11,085</b>
Operating cost	8,423	7,808	7,888
<b>Operating income</b>	<b>3,482</b>	<b>3,592</b>	<b>3,197</b>
Total financial income and expense	427	165	76
<b>Income before minority interests and taxes</b>	<b>3,909</b>	<b>3,757</b>	<b>3,273</b>
Tax	695	781	577
<b>Income before minority interests</b>	<b>3,214</b>	<b>2,976</b>	<b>2,696</b>
Minority interests	(12)	(10)	(8)
<b>Net income</b>	<b>3,202</b>	<b>2,966</b>	<b>2,688</b>

Source: IKEA (2012), *Yearly summary FY 2012*. Accessed August 28, 2013:  
[http://www.ikea.com/ms/en\\_CA/pdf/yearly\\_summary/ys\\_welcome\\_inside\\_2012\\_final.pdf](http://www.ikea.com/ms/en_CA/pdf/yearly_summary/ys_welcome_inside_2012_final.pdf)

**Exhibit 6: IKEA sustainability milestones**

Year	Steps towards a sustainable IKEA
1953	Flatpacks and self-assembly become part of the IKEA concept. By using flat packing we can fit more products in every trailer and container and thus minimize the number of shipments – which in turn means less carbon emissions.
1989	IKEA appoints its first environmental manager for our global business.
1990	The first IKEA environmental policy is developed, stating that IKEA shall always strive to minimize any possible damaging effects to the environment.
1991	IKEA bans the use of tropical wood not originating from responsible forestry or plantations.
1992	The iconic IKEA Catalogue becomes the first major colour print publication in the world to use totally chlorine free (TCF) paper.
1993	IKEA becomes a founding member of the global forest certification organization Forest Stewardship Council (FSC).
1994	IKEA updates all supplier contracts to reflect International Labor Organization (ILO) standards on child labour. IKEA starts work with Save the Children to promote and protect children's rights, integrating knowledge into our supplier standards.
1998	IKEA employs its first forestry manager to increase responsible forest management practices.
1999	A Waste Management Manual is established for IKEA retail operations.
2000	IKEA launches its supplier code of conduct, IWAY, covering both environmental and social standards. A children's rights project with UNICEF breaks ground in India, providing quality education to 80,500 children in Uttar Pradesh.
2002	Together with WWF, IKEA starts a number of projects to further encourage greater adoption of responsible forest management.
2003	The IKEA Soft Toys campaign is introduced. During the holiday season at the end of each year, the IKEA Foundation donates one euro for every soft toy sold in IKEA stores to support Save the Children and UNICEF projects aimed at improving access to quality education for children. So far, 35.2 million euro have been donated as a result of the campaign.
2004	The first IKEA Social and Environmental Responsibility Report is published.
2005	IKEA becomes a founding member of the Better Cotton Initiative, which aims to reduce stress on the environment and improve the livelihoods in cotton farming communities. IKEA and WWF establish Farmer Field Schools in India and Pakistan to train cotton farmers in more sustainable cultivation practices.
2006	IKEA confirms its long-term ambition to run all IKEA owned operations from 100% renewable energy and to become 25 percent more energy efficient compared to 2005.
2007	IKEA and WWF form a strategic partnership aimed at further reducing greenhouse gas emissions in IKEA operations, supply chain and among customers.
2008	All coffee sold and served across IKEA is converted to UTZ Certified, meeting independently verified social and environmental standards for responsible coffee-growing practices. The coffee beans can be traced back to the plantations through a unique code on each pack.
2009	IKEA Foundation supports UNICEF and Save the Children programs on children's rights in cotton growing communities in India and Pakistan. The Never Ending List is released to IKEA customers, outlining our progress on sustainability.
2010	IKEA develops a Sustainability Direction for 2015, with key priorities and overall goals. Steve Howard is appointed to the IKEA Group management as Chief Sustainability Officer.
2012	IKEA releases People & Planet Positive, the IKEA Group Sustainability Strategy for 2020. The strategy is built around 3 commitments: 1) A more sustainable life at home; 2) Resource and energy independence; 3) A better life for people and communities.

Source: IKEA (2011), *Sustainability Report 2011* and IKEA (2012), *IKEA Group Sustainability Report FY12*. Accessed August 28, 2013.

Exhibit 7: IKEA's supplier code of conduct (IWAY)

## The IKEA supplier code of conduct – IWAY

Our IWAY supplier code of conduct outlines the requirements that we place on suppliers of products and services. Suppliers are responsible for communicating the content of the IKEA code of conduct to their workers and sub-suppliers. Below is a summary of some of the key points of IWAY.

### 1. Legal compliance

The IKEA supplier shall always comply with the most demanding requirements whether they are relevant applicable laws or IKEA IWAY specific requirements.

### 2. Start-up requirements (IWAY musts)

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
- A transparent and reliable system for records of working hours and wages
- Insurance covering medical treatment for work-related accidents to all workers

### 3. Environmental standards

Suppliers shall reduce the environmental impacts from their production and operations. Suppliers must:

- Work to reduce energy consumption
- Prevent pollution to air, ground and water
- Handle, store and dispose of chemicals and hazardous waste in an environmentally safe manner

- Ensure that workers handling chemicals and hazardous waste have the right competence and are adequately trained

### 4. Social and working conditions

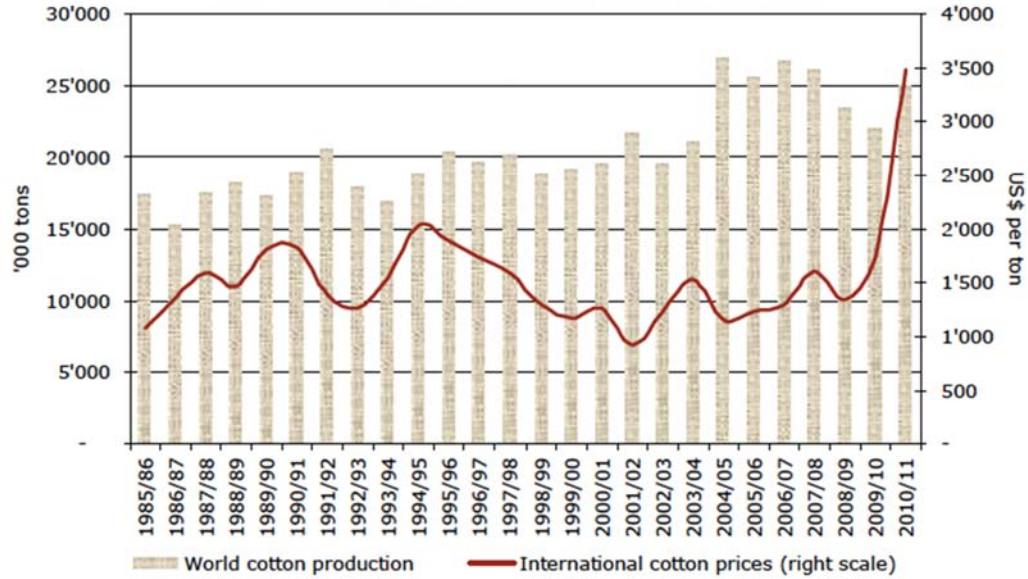
IKEA expects its suppliers to respect fundamental human rights, and to treat their workers fairly and with respect. Suppliers must:

- Provide a healthy and safe working environment
- Provide health and safety training for workers
- Ensure their buildings are safe, have reasonable privacy, are quiet and have facilities for personal hygiene, in those instances where housing facilities are provided
- Pay at least the minimum legal wage and compensate for overtime
- Base overtime on voluntary agreements, not exceeding legal limits
- Allow time off and regular breaks
- Not discriminate on any basis
- Not prevent workers from exercising collective bargaining activities nor prevent from associating
- Not accept corporal punishment, threats of violence or other forms of mental or physical coercion

Source: IKEA (2011), *Sustainability Report 2011*. Accessed August 28, 2013: [http://www.ikea.com/ms/en\\_US/about\\_ikea/pdf/sustainability\\_report\\_fy11.pdf](http://www.ikea.com/ms/en_US/about_ikea/pdf/sustainability_report_fy11.pdf)

**Exhibit 8: World cotton production and international cotton prices  
1985/86 – 2010/11**

World cotton prices spiked in 2010/11 to double their average price of the last 35 years (1985/86).  
World production has increased slightly over the timeframe



**Source:** Cotton production: International Cotton Advisory Committee (ICAC)

International Cotton Prices: computed from UNCTAD, UNCTADstat

**Note:** Crop season – 01/08 to 31/07 of each year

Source: [www.unctad.info/en/Infocomm/Agricultural\\_Products/Cotton/Markets](http://www.unctad.info/en/Infocomm/Agricultural_Products/Cotton/Markets). Accessed November 20, 2013.

**Exhibit 9: Cotton pilot project initiated by IKEA and the WWF, 2006/2008**

**Summary of results:**

The projects in Pakistan and India have shown significant results, proving that it is possible to produce cotton at a lower cost, which improves the gross margins for the farmer, while reducing the use of agrochemicals and water inputs. Below are some of the results from the projects over a three year period (2006–2008) by farmers using BMPs, as compared to conventional farmers, which give an indication of what can be achieved:

**In Pakistan, when compared with conventional farmers:**

- the average reduction in chemical fertilizer use by BMP farmers was 38 per cent,
- the average reduction in pesticide and water use by BMP farmers was 32 per cent,
- we have shown that by using BMPs, farmers can increase their profit by an average of 20 per cent.

**In India, when compared with conventional farmers:**

- the average reduction in pesticide use by BMP farmers was 81 per cent,
- the average reduction in water use by BMP farmers was 49 per cent,
- the average reduction in chemical fertilizer use by BMP farmers was 18 per cent,
- we have shown that by using BMPs, farmers can increase their profit by an average of 15 per cent.



Source: IKEA internal documents. Accessed August 28, 2013:  
[http://www.ikea.com/ms/en\\_US/about\\_ikea/pdf/cotton\\_fact\\_sheet.pdf](http://www.ikea.com/ms/en_US/about_ikea/pdf/cotton_fact_sheet.pdf)



## IKEA and the Better Cotton Initiative

### Questions for discussion



#### 1. Synopsis

The purpose of this case study is to improve the student's understanding of the relations between management and sustainability, paying specific attention to the question of corporate strategy and supply chain operations.

IKEA, the world's leading furniture retailer, has extensive experience in managing environmental and social issues—its first environmental policy was developed in 1990. Furthermore, IKEA was the first company to adopt *The Natural Step* framework to guide the redesign of its relationships with the environment. Over the years, the company has developed internal procedures to assess the sustainability impact of new products (e.g., the *Sustainability Product Scorecard*) and it has implemented a code of conduct to address suppliers' social responsibilities (*IWAY*).

The issue of cotton sustainability was a new challenge for IKEA. The company had no information on cotton cultivation or its socio-environmental impact, and the outcomes of the first survey conducted on the field highlighted a complex situation. An innovative approach was required that went directly to the source of the problem: the farmers.

Through its partnership with the WWF, IKEA developed a pilot project that aimed to help farmers in Pakistan change the ways in which they cultivated cotton. The initial positive results motivated the company to extend the pilot initiative. Guido Verjike, the Global Business



## IKEA and Better Cotton Initiative

Leader for IKEA Home Textiles, was made responsible for the development of a strategy for mainstreaming Better Cotton as a new market commodity.

### 2. Questions for discussion

The following questions are proposed for class discussion:

- a. *The context:* IKEA has solid experience with sustainability. What is new with the Better Cotton issue? Why Better Cotton rather than “sustainable cotton” or “organic cotton”?
- b. *The role of managers as “corporate entrepreneurs”* for innovation: What is Mr. Verjike’s role in the Better Cotton story? What competencies does he need to address this challenge?
- c. *Develop the strategy to commoditize Better Cotton:* IKEA’s pilot project in Pakistan verified that Better Cotton is feasible. How can IKEA commoditize Better Cotton? Design the main areas of IKEA’s strategy to make Better Cotton a commodity and to reach its target of a 100% share of sustainable cotton in IKEA products in 2015. Additional questions can include the following: Is BCI the right organization to mainstream Better Cotton? How can IKEA guarantee the traceability of Better Cotton?
- d. *Building market value:* IKEA needs to transfer the value of Better Cotton to end-consumers. How can Better Cotton be used to differentiate the IKEA brand? What are the main risks and opportunities? How can Better Cotton be communicated to consumers?

### 3. Suggested readings for class preparation

Chouinard, Y., Ellison, J. and Ridgeway, R. (2011), “The Sustainable Economy”, Harvard Business Review. October: 52-62.

New, S. (2010). “The transparent supply chain”, Harvard Business Review, October: 76-82.