



## Former Ikea CEO: laddish culture bars sustainability from the boardroom

Anders Dahlvig speaks to Jo Confino about finding the balance between doing good for society and making a profit

Jo Confino for the Guardian Professional Network - Thursday 19 January 2012



Anders Dahlvig in the Ikea home furnishing store in Brooklyn, New York. Photograph: Shannon Stapleton/REUTERS

The former CEO of IKEA presents something of a paradox.

Anders Dahlvig cut a powerful figure at the helm of one of the world's most successful companies for a decade, trailblazing a global expansion programme while also seeking to ensure sustainability remained at the heart of Ikea's culture and operations.

Having spent his career at the home furnishing giant, he is able to clearly articulate how a combination of clear values and the commitment of Ikea's owner Ingvar Kamprad to the long-term can succeed in aligning profitability to a broader purpose.

But take him out of that particular goldfish bowl and throw him into the shark-infested waters of the financial markets and publicly listed companies and it is difficult to see him surviving long.

Dahlgren admits this but sees it as a strength that he is not prepared to work for a company that does not share his values or recognise the importance of the "softer" issues in life. This is why he has limited his current non-executive directorships to companies such as DIY group Kingfisher, which owns B&Q, and H&M, the clothing giant, which is publicly listed but has a controlling family interest.

But he denies any suggestion that he is naïve and says he is proud of having been able to influence the direction of one large company, and that he can now use it as an example for showing a better way of doing business.

Nevertheless, it is disappointing that he expresses few ideas for how to encourage publicly listed companies, buffeted by short-termism and other market pressures, to find the courage to change their business models to address the environmental and social challenges of our age.

In fact, he believes that the only hope, apart from tougher regulation, is if the CEO is passionate about addressing issues such as climate change and resource scarcity. "If the CEO has no interest in this at all, I do not think I could convince them," he says.

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## **Doing good and making profit**

In his new book, the Ikea Edge, Dahlgren says charisma is not a necessary character trait for effective leadership, perhaps because he himself does not exude it. But in his quiet way, what Dahlgren is able to express is an understanding of core values and human nature that other corporate leaders would do well to wake up and listen to.

The essential message Dahlgren is seeking to get across is that doing good for society and making profit are not contradictory but mutually dependent. But he worries that the corporate sector has failed to grasp this and that legislation will become increasingly necessary if companies do not mend their destructive ways.

"Trust in business is very low and appears to be deteriorating every day in many countries," says Dahlgren. "The values in society have changed and people expect companies to do more for society than in the past but businesses have not moved from the idea that business is there for business and nothing else.

"Business needs to accept they need to do more for society than just enriching their shareholders and the only way to do that is to try to prove that by doing good for society you can at the same time be more profitable and satisfy your shareholders."

On an individual level, Dahlgren calls for companies to recognise that an obsession with salaries and bonuses has created perverse outcomes and there needs to be a remembrance of what really drives people.

He points out that buying status symbols does not bring happiness. What does are the more simple pleasures of life; having a sense of meaning and purpose as well as feeling connected to

others and supporting those who are struggling in life, whether it is an employee on the shopfloor or a subsistence farmer in Africa.

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## Company culture and valuing employees

Dahlgvig says the laddish culture in business and the financial markets leads to self-censorship. In this environment conversations about more compassionate issues become out of bounds.

"I think business leaders are afraid of their shareholders and that they will come across as softies and not diligent enough to just concentrate on the profit," says Dahlgvig. "In the Ikea environment it was OK to talk about this because of the culture and values. We could talk about the importance of diversity, of helping people. The value of some companies is just to make money and you cannot talk about broader issues there because you would come across as odd."

Ikea has been very clear that it will not offer the highest comparable salaries because if that is peoples' main motivation, then their loyalty to the firm will be based only on their ability to pay top dollar.

"Ikea pays in the mid-range of salaries because we want people to come to Ikea for other reasons than money," says Dahlgvig. "You want a decent salary but beyond a certain level it does not matter any more."

"When I was country manager in the UK in the mid 90s, store managers got calls every week from head hunters. When I asked them why they stayed, they all referred to the values and that they were given a lot of responsibility and influence what they were doing and were not just told what they had to do."

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## The pressure of short-termism

Dahlgvig is at a loss to understand how companies lost their connection to peoples' essential psychological and spiritual motivations. One reason he gives is that the financial system has encouraged an obsession with short-termism.

As a director of Kingfisher, Dahlgvig is able to see first-hand how City pressure is slowing down CEO Ian Cheshire's ability to act.

"It takes a dedicated CEO like Ian in charge who wants to run this agenda and he has a sympathetic board," he says. "But the pace of change is slower as he has to take into consideration the analysts and the quarterly reporting and the analysts are not so interested in the environmental agenda."

"The focus on quarterly results is much higher than at Ikea. I spent a few minutes on that. But here the board and management has to spend a lot of time explaining them to the city and press. It feels like having a millstone round your neck."

"If Kingfisher were freed from that, they would be able to spend more time in the boardroom looking at long-term issues and build a sustainable business with a good reputation. We would do a better job for Kingfisher's present shareholders if we were concentrating more on the long term."

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## **Can a business model based on mass consumption be sustainable?**

In his book, Dahlgren quotes the "Dilbert principle of marketing: 'All you need to know is that if you lower the price you can sell more units.' And very often it is as simple as that."

His response to criticism that Ikea is encouraging consumerism is that as long as people want home furnishings it is better that they are sold by a company that produces them in the most environmentally and socially conscious way.

"If you use a lot of wood, as we do, it is sustainable as long as we ensure we replant in a good way. For cotton, we produce it in a good way with not so much water or pesticides.

"We cannot tell the people in Africa they cannot have furniture or the ones who are not rich that they should not have access to quality products. No-one would buy that from a fairness perspective."

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## **Where does the responsibility lie?**

Ikea prides itself on relentlessly reducing the costs of production and passing on those savings to its customers and Dahlgren contrasts this with other retailers who fail to pass on savings in order to increase their margins.

But what about accusations that in similar fashion to Primark, Ikea actively encourages consumption by offering products too cheaply? How many customers have passed through its "marketplace" and filled their trolley with non-essential products that often end up unused, such as its Spalt aluminium napkin rings at \$7.99 (£4.79), the Spontan magnets in assorted colours for \$4.99 (£2.29) or the Rationell Variera plate holder in light beech for \$13.99 (£9.05)?

Dahlgren's initial response is that this is not the company's responsibility and that "if the consumer chooses to buy things they do not use that is their choice. The answer is not to increase prices."

But when challenged, Dahlgren backtracks somewhat: "Maybe that is too easy an answer but if the products are sustainably produced it is still OK. This creates jobs in the developing world and that helps get people out of poverty. That is also important."

Link to original article:

[www.guardian.co.uk/sustainable-business/ikea-anders-dahlgren-corporate-sustainability/print](http://www.guardian.co.uk/sustainable-business/ikea-anders-dahlgren-corporate-sustainability/print)