

GUIDE

Developing and collaborating with social businesses producing products for IKEA

Key learnings from IKEA co-workers and social business partners



Social Entrepreneurship

Kavitha Naguraj, Industree India



The purpose of this guide

Welcome to your guide to developing and collaborating with social businesses connected to the IKEA value chain.

IKEA has been working with social businesses since 2012. The journey has been an exciting and enlightening one for everyone involved. In order to gather and share the learnings so far, for future partnerships, and to support the successful growth of social businesses, this guide was created.

The content in this guide is based entirely on learnings from IKEA social business partners currently collaborating with IKEA as well as IKEA co-workers who have actively worked with social businesses.

This guide is meant to be a supporting tool for mapping, developing and scaling social business partnerships that produce products for IKEA. It is not meant to replace any formal processes, manuals and requirements that are used for IKEA suppliers or product development.

Who should read this guide?

This guide is meant primarily for IKEA Purchasing Business teams and IKEA social business partners, both new and existing. However, it is also a good tool to increase awareness and understanding for IKEA managers and co-workers that are involved with IKEA social business partners. In addition, this guide can also be useful for external companies and social businesses that want to start up new partnership with IKEA or similar companies.

Participating IKEA organisations

IKEA of Sweden

Global strategic responsible for Social Entrepreneurship Range & Supply (ISE R&S) and for product development

IKEA New Business Purchasing

Responsible for operating the IKEA social business partners, always the point of contact for IKEA partners

IKEA Range and Supply

IKEA of Sweden + IKEA Purchasing

IKEA Social Entrepreneurship B.V.

Global responsible for the framework and tools for acceleration social entrepreneurship inside and outside the IKEA value chain



Neelam Chhiber
Industree PT

“You are not going to see dramatic impact overnight, but gradually and it requires patience. It takes time.”

Contents

Why is IKEA working with social businesses?	4
What makes IKEA social business partners different?	5
Finding and developing new social business partners	7
Three phases	10
Key success factors for growth	14
Following up progress	21
Theory of change	22
Examples of IKEA partnerships with social businesses	23



Why is IKEA working with social businesses?

The IKEA vision is to create a better everyday life for the many people, including the many people impacted by the IKEA value chain or wherever IKEA operates. One way to live up to the IKEA vision is by collaborating with social businesses.

IKEA Social Entrepreneurship is a cross-company initiative with the aim to support vulnerable and marginalised people inside and outside the IKEA value chain. This is done through IKEA Retail and IKEA Range & Supply by business collaborations where social business produces products and

services for IKEA customers. IKEA Social Entrepreneurship B.V. runs accelerator programs and supports with financial tools, knowledge sharing and co-worker engagement.

At IKEA Range & Supply, the aim is to create social impact products through social entrepreneurship. This is done by partnering with social businesses that create work for women in vulnerable communities and marginalised groups in some of the world's most precarious communities.

The social businesses produce raw material, food and home furnishing products that are international and/or globally available in the IKEA stores and online. This is a win-win situation, as the IKEA customers can buy affordable social impact products at the same time as IKEA contributes to work for

people with low incomes and high barriers to the labour market.

Read more about the different IKEA organisations that are currently working with social businesses in the Overview of IKEA partnerships with social businesses on [page 24](#).



Sumita Ghose
Rangсутra

“Women who barely knew how to craft have learned and grown to become craft managers, to have a stake in the company, and have a chance to be part of the board. For these women artisans from rural areas, the main benefit is to have regular work with dignity. This opens up their world. For those in rural India who do not own land or own a small patch of rain fed land with no irrigation facilities, survival with dignity, is a huge problem.”

What makes IKEA social business partners different?

So, what is the difference between a social business and a regular supplier if both create social impact through jobs?

The answer is that for social businesses working with IKEA, the social goal is equal to the business goal and is integrated into the business idea and model.

Social businesses create work for marginalised groups and women in vulnerable communities – people that IKEA

has difficulties reaching through the regular value chain. These people are not usually IKEA customers, nor are they IKEA co-workers, and, in most cases, are not reached through regular IKEA suppliers.

In a social business, people who have never worked before have the chance to develop and grow, to become skilled professionals and managers. A social business is not only about ensuring a decent income, it is also about being inclusive and giving all people a fair chance. It's about enabling disadvantaged people to take ownership and responsibility.

Social businesses exist in complex environments and face many challenges. For example, they sometimes operate in rural areas with poor infrastructure and where patriarchal societies make it difficult for women to work outside their homes. Other challenges can include illiteracy as well as discrimination due to race, gender, origin or disability. These social dimensions add a complexity to the business dimension in how the social businesses lead and organise their work.

As social businesses aim to create economic empowerment for the people they work with, they must identify barriers and develop ways to overcome them.

They need to, for example, train and create safe and well-functioning work environments for people who, in many cases, have never worked outside of their home before. The social businesses can then offer these groups the possibility to develop professionally, to acquire new skills and to develop leadership abilities.

IKEA supplier	IKEA social business
<p>Business growth and profit as starting point which steers organisational model, recruitments and where they establish their production. High business competence.</p>	<p>Social impact integrated in business model which steers organization model, who they recruit and where they establish their production.</p>
<p>Business set up for economy of scale and for profit. High incentive to earn money for owners and employees. Social impact by proving decent jobs for the workers.</p>	<p>Business set-up for social impact and increased economic empowerment, equality, and inclusiveness, giving vulnerable and marginalised people with no means and skills a decent job to grow and develop with.</p>
<p>Through IKEA high standard on compliance, contributing to a transformation for a more sustainable production and working conditions.</p>	<p>Contributing to ripple effect for social change and to a role model for inclusive business.</p>
<p>Assets, equity, and infrastructure adapted for bigger volume and international markets, most often industrialized set-up.</p>	<p>Limited assets and equity. Infrastructure often adapted for lower volumes, domestic market, combination of production centres and homeworkers.</p>
<p>High volumes of consistent orders lead to efficiency and cost optimisation.</p>	<p>Small and inconsistent orders in startup phase leads to higher costs. A step-by-step approach towards higher volumes and decreased costs.</p>
<p>Recruiting the people best suited for the job.</p>	<p>Recruiting people with high barriers to get a decent job/ income i.e. woman from vulnerable communities, minority groups, refugees, small farm holders, rural workers.</p>
<p>Majority private owned.</p>	<p>Foundations, self-help groups, workers shareholders, private owned.</p>
<p>Measured on business KPI's.</p>	<p>Measured on business KPI's and social impact KPI's, media value.</p>

How IKEA social businesses differ from regular IKEA suppliers.
 All IKEA suppliers are however expected to comply with IWAY, The IKEA Way of Responsibly Procuring Products, Services, Materials and Components.



Finding and developing new social business partners

When mapping new social business partners that can deliver to the IKEA value chain, it's important to start from a business need:

Where are the gaps from a range, commodity, capacity and regional dimension?

The business need is the trigger that can generate a long term and sustainable collaboration with a social business.

Which regions to prioritise – in terms of social challenges, retail, and purchasing expansion – also needs to be considered. The social business must also have access to raw materials that fulfil IKEA demands to be able to ship the final products and to scale.

It is not only important for IKEA to evaluate how well the social business fits with IKEA demands, but it is also important for the social business to evaluate if IKEA fits with their business idea and expansion plans. When entering a relationship with IKEA, the social business should be aware that IKEA is looking for volume and to scale up the production in a way that is beneficial from a people, planet and cost perspective. IKEA also has high demands on compliance which will require resources and competence from the social business. And IKEA always follows up on costs, with the aim to produce social impact products that are affordable for the many IKEA customers.

5 Key points when mapping new social businesses



- 1 What are the IKEA business needs?**
A brief from IKEA of Sweden will be provided to New Business Purchasing.

- 2 What are the social challenges?**
Who are the vulnerable and marginalised people in the region?

- 3 What is the social business' core mission?**
What are the proof points in delivering to their stated mission?
How do they distribute profit and measure social impact?

- 4 How mature is the social business?**
How established is the organisation, production, and competences and what are their opportunities and constraints to scaling?

- 5 Does the social business have a plan for financing at start up** - such as starting capital for the initial and midterm costs in for example infrastructure, recruitment, and training?

5 Key points for social businesses before starting to collaborate with IKEA

Remember, it is always OK to ask!

- 1 **Are our social goals aligned with our business goals?**

- 2 **Are we committed to IKEA goals and ambition to scale?**

- 3 **Can we dedicate the right competences?**

A business team who can build and scale to a commercially viable business and a compliance team who can secure and maintain IKEA compliance and follow up on social impact?

- 4 **Do we have the financial stability to start up compliance fulfilment and production?**

How will we fund investments in the short and long term? What options do we have to raise capital (i.e. donor capital or private investments)?

- 5 **Do we understand what IKEA expects from us in terms of social impact, business impact and processes?**

The social business should establish clear channels of communication with IKEA, get information about the R&S brief, understand expectations and processes in terms of productivity, price, volume, products, logistics, compliance etc. Developing a theory of change could also help.



3 phases

1 Start-up phase 0-12 months

There are many opportunities for IKEA in the start-up phase when creating new social impact products, but there are also challenges as many social businesses have little insights into what it means to be an IKEA supplier and how to deliver to an international market. See [page 11](#)

2 Development phase 1-3 years

The social business has a better understanding of what it takes to be an IKEA social business partner and the IKEA business team has identified gaps and areas for development. See [page 12](#)

3 Scale-up phase 3 years and beyond

The social business has the platform to scale up their production and to produce running, single social impact articles for IKEA to a competitive price. See [page 13](#)



Start-up phase 0-12 months



Before entering a new business collaboration, IKEA evaluates the business capabilities, the business model and how this enables social impact. This follows the procedures in IStart for social businesses and will therefore not be explored further in this document.

In general, a new social business partner needs clear expectations from IKEA, guidance through each step, and a tight follow up until the first dispatch.

IKEA must be flexible, with a step-by-step approach in terms of volume and capacity, IWAY fulfilment, and how to scale business with the social mission at the centre.

There are many new opportunities with a new partner but also challenges such as the social business having little insight into what it means to be an IKEA supplier, and some have limited experience in delivering to an international market with production of high volumes, quality control, pricing, how to secure raw material and organise shipping – not the same experience and set-up that a regular IKEA supplier has.

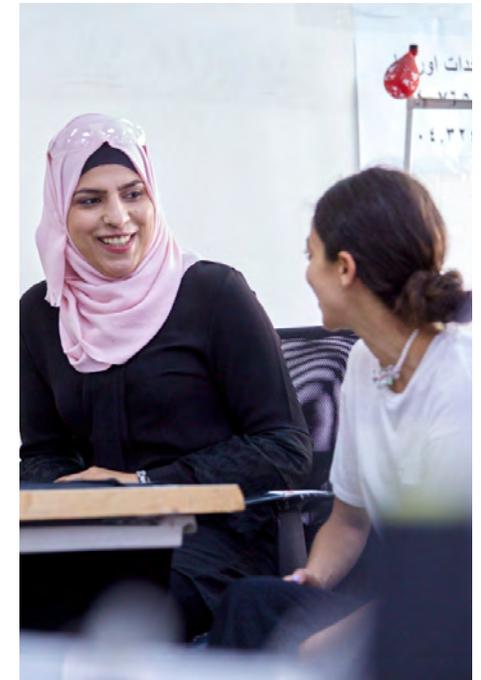
In many cases the social business does not know what is expected. Therefore, IKEA needs to be very clear about each step, clear about expectations and what support the social business should expect from IKEA. The IKEA business teams need to have a coaching approach. And it requires engagement and time from the IKEA side. Building the capacity of the social business may take longer than for regular suppliers. It is critical that the social business is in the lead driving the business and building capacity.

During the start-up phase, the partner should realise the demands required to have IKEA as a customer from a price point of view. IKEA puts high demands on efficiency from the outset. One mistake that new partners might make is to place insufficiently trained people into production, which could lead to higher production costs. One way to mitigate this is for the social business to only introduce people to regular production once they have developed the sufficient skill level for the job. That means for some people it might take two weeks and for others it might take two months.

In the beginning, the production capacity is a moving target that needs to be monitored closely, as it is common that neither IKEA

nor the social business has a clear idea of how much can be produced per week. It is important to review, together with the partner, how IKEA evaluates the performance from both a business and social impact perspective, and to understand how the social business measures their impact today. A template for social impact KPI's is available.

For social businesses, we have the possibility to introduce them through collections and through specific social impact article numbers that can be added.





Development phase 1-3 years



Once the social business has worked with IKEA for around a year, a Supplier Development Plan with formalised goals in terms of volume, number of jobs, turnover and cost decrease for year 1-3, can be developed, as well as a Theory of Change that frames the impact IKEA and the social business wants to influence. See [page 22](#)

At this point in time, the social business has a better understanding of what it takes to be an IKEA social business partner and the IKEA business team has identified gaps and areas for development.

The following areas are important to plan from year 1:

- **Social impact activities** that further strengthen the vulnerable and marginalised people's resilience and define how to measure outcomes in the short and long term.
- **Organisational readiness.** The right competence to run a cost-efficient production line with social impact.
- **Production cost development.** Costs should decrease with higher volumes

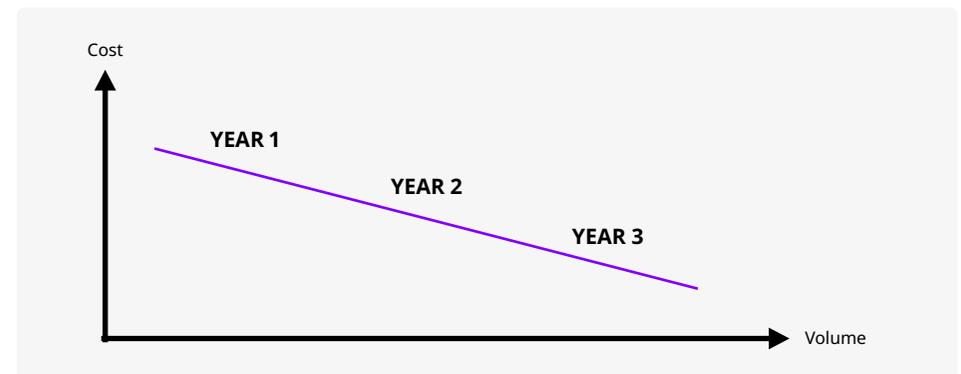
and through production efficiency – taking into consideration, of course, that the efficiency of handicraft production and farming etc. will look different when compared to industrial production.

- **Plan for when the partner will exit from collections and start with single social entrepreneurs' articles.**
- **Plan for expanding the partner's customer base.**

During this phase the IKEA business team must work closely with the social business in order to ensure efficiency and thereby decrease costs. It is also important for the business team to analyse the cost break down (CBD) with partners with the purpose of optimising the cost structure. The partner's ability to become competitive from

a skills-and-price point of view will enable independence and the possibility to produce single articles for IKEA. However, the actions for increased efficiency need to be built on the partner's business idea, social impact mission and skills. It is recommended for a new social business partner to visit relevant regular IKEA suppliers and other social businesses working with IKEA to benchmark and to build up a network. The IKEA business teams can also utilise IKEA suppliers and existing social business partners to benchmark on a product level. It is very useful for a new partner to get a benchmark on production cost.

For the social business, it is also important to receive a forecast and volume commitment from IKEA in order to plan production, to recruit and train people and to do needed invest in infrastructure.





Scale-up phase 3 years and beyond



This is the phase where the social business takes advantage of the work and the investments they have made during the development phase in building up efficient production, capacity, having the right competences on-board to build the business, and to have a program for social impact activities.

Now the social business has the platform to scale up their production and to produce running, single social impact articles for IKEA to a competitive price.

The IKEA business team needs to continue to work with the partner when it comes to production efficiency and to set clear goals in terms of scaling volume, the number of people employed in IKEA production, cost/price development and the percentage of IKEA production versus production for other customers. By the end of this phase, the partner needs to be prepared to fulfil requirements to become a regular IKEA supplier, or to plan for a gradual exit from IKEA production.



Kiang Aitao, Doi Tung, Thailand

Compilation from interviews conducted with IKEA social business partners.



Samer Dallal
Jordan River Foundation



Neelam Chhiber
Industree PT



Sumita Ghose
Rangсутra

Key success factors for social business partners



Think big, start small

Grow organically step by step, but plan to scale already from beginning.

“If you want to keep the relationship, you need to keep the standard and quality”

Samer Dallal, Jordan River Foundation

Alignment of business and social goals and alignment with IKEA goals

- The IKEA collaboration may mean investments in infrastructure and may not give profit the first year but with a long-term business commitment, financial performance is likely to improve from the second year and beyond. Therefore, it is important to also align the social goals with business goals and IKEA and ambitions in terms of volume, capacity, compliance, price level and social impact from the beginning.
- A big advantage of working with IKEA is the size and professionalism in the IKEA value chain. When IKEA is committed, business growth will come. Possibilities to attract donor funding, social impact investors etc. is also likely to increase as they appreciate strong market linkages.

Raise capital from the beginning

In order to be less dependent on getting advances from IKEA, and to be able to scale up the production faster, it is crucial for the social business to do financial planning and attract blended capital – meaning a mix of donor capital, private investment and

working capital. Often up-front investments are needed to get, for example, 200 new women into production, recruit and train middle management, build up infrastructure and skills training.

“We underestimated the need of working capital. If we had known this from the beginning, we could have scaled up faster. This we would have done differently if we would have done it again”

Neelam Chhiber, Industree PT

“IKEA helped us to organise the production centre differently, but this should have been done from the beginning, before production started.”

Samer Dallal, Jordan River Foundation

“Getting people with social value and with professional skills is not easy, however this has been a key success factor for Industree as we have recruited these people. Many social enterprises have people who like to work with people, but they do not have the business professionalism. Therefore, many social enterprises can’t scale. We have hired mainstream persons, and we have made them slightly more social. Not the contrary.”

Neelam Chhiber, Industree PT

Set up the business with the right people and infrastructure from beginning

- Plan the production and take advice from the IKEA team as they have experience in mass production and compliance. Recruit the right middle management and specialists with key business competence in running low-cost production lines from the beginning and set up production centres that are fit for IKEA production.
- The social business needs to have a strong compliance team from the beginning, primarily to manage IWAY (the IKEA code of conduct) compliance.

“When we started, we had no production centres, only home workers. We resisted to set up centres as we thought it was good with flexibility. When we look back, we could have set up centres earlier. We missed one year. In retrospect, this is the best way to go. For a large number of women, it’s best to go to a centre. The centres are a great place to learn and grow. The women get out of their homes and they learn from others and increase quality and efficiency. To get out of the home is good for their psychological health and it builds confidence.”

Sumita Ghose, Rangсутra

“The whole idea of production for collections was good as collections can be more flexible in terms of volume, skills, price level etc. But collections mean gaps in-between orders. It was very difficult for us, slowed down the pace. Experience has taught us that having a gap for 4 months is not efficient. Just give a product throughout the year.”

Neelam Chhiber, Industree PT

Regular range helps to build sustainable jobs and efficient production

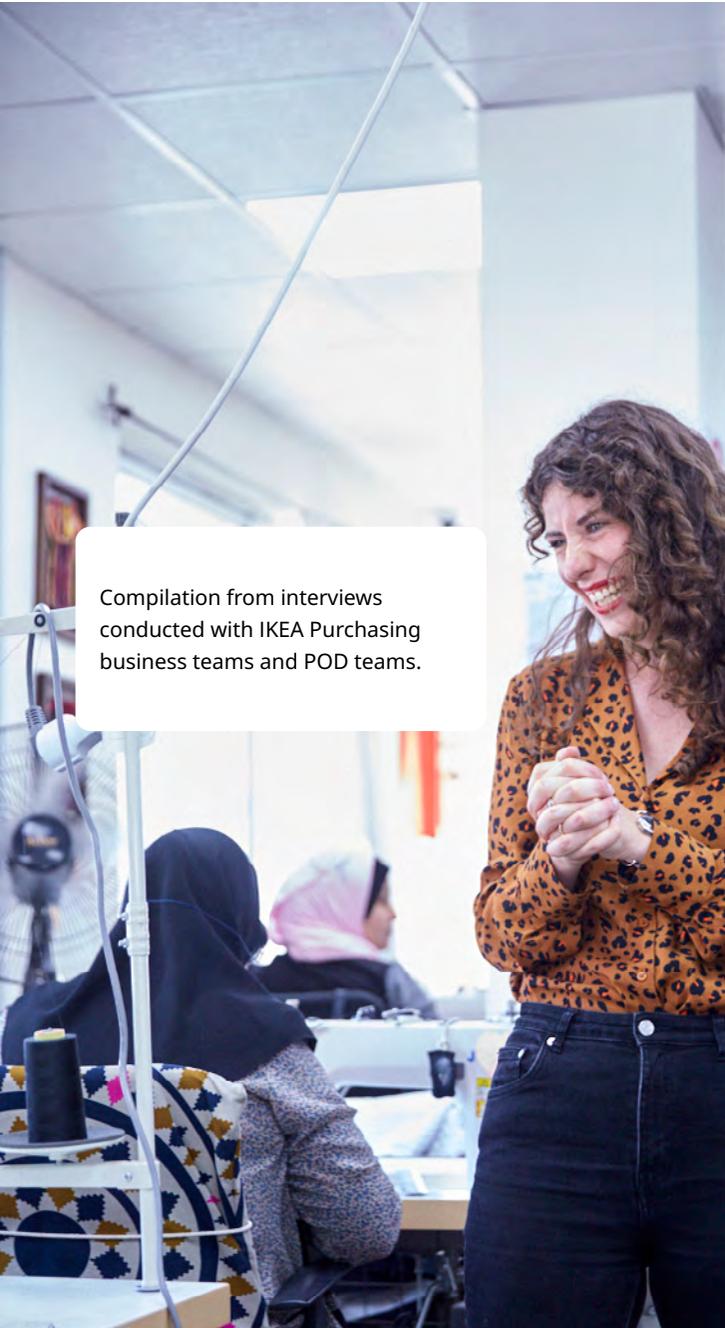
It is critical for a social business to ensure continuity in the relationship as regular production gives regular income. Collections are a good starting point for both IKEA and the social business as it gives the possibility

to steer volume and to ramp up capacity gradually. But, to build and scale the business long-term, regular range is needed.

Focus on production efficiency to decrease costs while still producing products with a high design value and quality

Set a plan for a how to decrease production costs and develop prices with IKEA. Costs should be expected to decrease with higher volume and more efficient production, while still producing products with high design

value and quality. This is a pre-requisite in order to ensure high sales rates of products, and thereby ensure sustainable jobs long term.



Compilation from interviews conducted with IKEA Purchasing business teams and POD teams.

Key success factors for IKEA purchasing business teams

Ensure partner readiness

As new social business partners are often less mature than regular IKEA suppliers in terms of volume-production and international sales, the IKEA business team take extra thought in how to ensure partner readiness in following areas:

- Be very clear in what is expected from the social business partner in each activity, from compliance assessment to shipping, and what is expected for the partner in the short term (i.e. to meet IKEA requirements) and in the long term (i.e. to be less dependent on IKEA).
- Trust and transparency! Coach and ask questions to the social business. If you ask questions, the social business needs to think how they want to solve it in their own way.
- Ensure that the partner understands the business KPI's and the social impact KPI's that will be measured, and when and how the KPI's will be reported.
- Secure that relevant skills trainings are performed in order to produce collections and or products. The target groups we are reaching out to with social businesses often need soft skills trainings to start with. Soft skills training is a way to be prepared for the work demands, i.e. problem solving, decision marking etc. The next step is to secure the hard skills training, meaning the actual skill set needed for the production.
- Ensure that the social business understands the 5 Democratic Design principles (Function, Form, Quality, Low Price and Sustainability) and that the partner from the beginning develops the product with the affordable price as a starting point.

Identify opportunities for efficiency and cost optimisation

- Define with the partner what is expected in terms of cost-reductions year 1-5 and set a step-by-step plan for achieving this.
- Educate the social business in how IKEA expects the product cost calculations to be completed and support the social business in identifying the cost-drivers and discuss which costs should be included in the product cost (CBD).
- Bring in IKEA specialists early who can do an analysis of how the production can be more efficient in the short and long term and support the social business with an action plan.

Product development based on partners' skills and capabilities

Involve the partner in the design phase as this will shorten the product development phase and ensure that the products meet up with IKEA Democratic Design Principles.

When working with handicraft, the IKEA business team (especially the technician) must adapt quality guidelines to handicraft.

Each piece should look unique and the products will look slightly different. Also, clearly communicate to the social business partner how they must follow up on quality when it comes to handicraft.

Be structured and monitor the progress

- The social business often needs to be closely monitored in each step and requires help to plan for what is coming next. Use clear common project plans and follow continuously. Be clear about roles and responsibilities at IKEA.
- In the beginning of a new relationship, IKEA often does not know what the partner can produce – it's a moving target – so you must monitor the production capacity very closely.

Business set-up for replication

- Ensure that social business partner understands the long-term approach from the beginning.
- Document learnings and good solutions as this will be valuable when evaluating if the business set-up can be replicated.



Following up progress

Performance, content, and where input is needed to IKEA business teams and social business

Key performance indicators

Along with regular business KPI's that New Business Purchasing follows up with the IKEA social business partners, IKEA follows up the number of jobs for marginalised groups and women in vulnerable communities, social impact for family members and the number of women employed.

This social and business follow-up is vitally important to the success and continued development of the partnership.

In KPI's for social business you will find a template and method for following up KPI's.



Communication for engagement

Communication in all channels is important for reaching both business and social goals for both IKEA and IKEA social business partners. IKEA is a fair, equal and inclusive business and wants people to know that, to earn trust and to even inspire other companies to follow.

When communicating about these partnerships, the powerful and moving stories from social business partners contributes to understanding and trust.

A commitment for the social business to support communication teams when producing photos, movies and interviews is essential. The planning of this communication will be coordinated from the Communication Business Partner at IKEA Social Entrepreneurship Range & Supply, together with responsible Business Developer.



Tahani Al Khatib, JRF, Jordan

Theory of change

When a social business is prepared to enter a social business partnership, there is a need to agree on common social impact and business objectives and the scope of the partnership. One widely used tool to define this common ground is the theory of change approach.

A Theory of Change provides a description of how partnership activities relate to expected movements and overall objectives, usually in a simple diagram. It is particularly important is that the Theory of Change is developed through joint and active participation of representatives from both the social business and IKEA. The Theory of Change should be facilitated by someone at IKEA (or externally) who is trained in the method. And this workshop will be initiated by Partner Development Leader, ISE R&S Below you find the Theory of Change for the IKEA Social Entrepreneurship initiative.

A guide to Theory of Change is currently in development.



Theory of Change for the IKEA Social Entrepreneurship initiative. Read more at www.IKEAsocialentrepreneurship.org

Examples of IKEA partnerships with social businesses

IKEA companies are currently working with 5 international social business partners. Together they produce home furnishing and food products that are available in IKEA stores and online.

These partnerships have created over 20,000 jobs for vulnerable people, providing meaningful work that can help lift people out of poverty, plan for the future and start the journey towards self-reliance.

Current international social business partners

More information at www.IKEAsocialentrepreneurship.org



Rangсутra

Rangсутra works to nurture local handicraft traditions. The artisans working with Rangсутra specialise in traditional Indian embroidery, textile and grass weaving.



Industree

Located in the south of India, Industree Producer Transform nurtures traditional craftsmanship through the making of handwoven products out of natural materials like banana fibres.



Doi Tung

The Doi Tung's creates livelihood for tribal people living in the mountain area of Doi Tung. Their mission is to ensure that their artisans, who have small opportunities to get jobs, are economically self-reliant, without compromising the environment or their own cultural values.



Jordan River Foundation

Jordan River Foundation (JRF) specialise in hand embroidery and handicraft and provide jobs for women refugees and for Jordanian women in need of work.



Kawacom - White Nile

The Arabica coffee beans that grow close to the Murchison Falls in Uganda don't only result in great coffee, but also in the empowerment of Ugandan farmers and their families.

