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Ikea's self-assembled billionaire



By Bob Chaundy of BBC's News Profiles Unit

Ikea, the joke goes, is the Swedish word for temporarily out of stock.

In fact, it is an acronym consisting of the initials of its eccentric founder, the 74-year-old Ingvar Kamprad, with the E being for Elmtaryd, the family farm in Sweden where he was born; and the A for Agunnaryd, the village where he grew up.

Kamprad, in a move straight from the pages of the Brothers Grimm, has declared that whichever of his three sons is most successful in running their arms of Habitat - the upmarket furniture chain which Ikea bought in 1992 - will inherit Ikea and the £15bn family fortune.

Lying behind this inheritance challenge is a firm Calvinist work ethic that was instilled in Ingvar Kamprad from the very beginning.

In 1897 his grandfather killed himself with a shotgun when he could not pay the mortgage on his farm and three years after moving his wife and three children from the Sudetenland.

Kamprad's widowed grandmother saved the farm from bankruptcy by sheer willpower and hard work.

It was she who infected the young Ingvar with enthusiasm for Adolf Hitler, whose seizure of her Sudeten homeland she regarded as liberation. Kamprad recently apologised for this youthful aberration.

By the age of 17 he had formed a small company to enable him to bid for a contract to supply pencils. Within five years he had set up a mail-order firm and was sending goods out with the daily milk round.

Soon afterwards, he snapped up a disused factory and began turning out furniture. His low prices undercut the cosy Swedish cartel of the time which imposed a boycott on Kamprad's company in the late 1950s.

Kamprad responded by turning to Polish producers for inexpensive components that could be assembled at home from flat packs. The modern Ikea was born.



Ikea stores grace 29 countries

“
I don't think any of my sons are capable of running the company, at least not yet
”

Ingvar Kamprad

Now, its 140 outlets dispense its pastel paraphernalia throughout 29 countries.

"IKEA's ethos is in line with the reforming art and industry movements of 20th Century northern Europe by delivering democratic design at affordable prices", says Director of the Design Museum, Paul Thompson.

"The Bauhaus movement, for example, was concerned with combining style with reduced costs", he added.

A strong social and ethical theme runs through Ikea's "bible", Kamprad's "Furniture Dealer's Testament". Maxims abound such as "Waste of resources is a mortal sin at Ikea", "Happiness is not to reach one's goal but to be on the way" and "Only while sleeping one makes no mistakes."



Kamprad eschews formal wear

The company structure is less hierarchical than other similar businesses - titles and privileges are taboo at Ikea. Suits and ties are absent.

The imprint comes direct from its founder. Ingvar Kamprad is seldom besuited, and despite his extreme wealth, frequents cheap restaurants, flies economy class and haggles for bargains at the market in the Swiss village near Lausanne where he lives in tax exile.

"How the hell can I ask people who work for me to travel cheaply if I am travelling in luxury?", he says. "It's a question of good leadership".

It was with some surprise then, when Kamprad admitted recently his over-fondness for vodka, a vice acquired, he says, from the almost obligatory accompaniments to all his business deals in Poland. Despite regular drying-out periods, the vodka habit has remained for 40 years.



Pastel furnishing, stylish but accessible

Cynics might attribute many of the assembly instructions to the work of vodka-addled brains but Ikea's sale growth continues in double digits.

So, the prize for the successful brother is huge. But, if the democratic instincts are inherited from his father, he should, in line with the Grimm Brothers fairy tale, share the winnings with his two siblings.

That is if they can decipher the assembly instructions.

Create IKEA, Make Billions, Take Bus

By Cora Daniels With additional reporting by Adam Edstrom
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FORTUNE

(FORTUNE Magazine) – IKEA founder Ingvar Kamprad insists on flying coach, takes the subway to work, drives a ten-year-old Volvo, and avoids suits of any kind. It has long been rumored in Sweden that when his self-discipline fails and he drinks an overpriced Coke out of a hotel minibar, he will go to a grocery store to buy a replacement. It's clear that this is a frugal man. But is he the richest man in the world? That's a matter of some debate.

Kamprad made headlines in early April, when the leading Swedish business weekly, *Veckans Affärer*, reported that he was worth \$52.5 billion, which would top Bill Gates' \$46.6 billion. IKEA quickly denied the claim. So did *Forbes*, which places Kamprad at No. 13 on its rich list. (Kamprad declined to comment for this article. In fact, he rarely talks to the press. On one of the few times he has spoken to FORTUNE, in 1989, he tried to defend himself against charges of cheapness: "I seldom wash disposable plastic glasses anymore.")

The saga of the Bill Gates of Sweden began in 1943, when Kamprad founded IKEA at just 17 years old. Back then it was a catalog company that sold pens, picture frames, wallets, and other bargain goods. The name IKEA comes from Kamprad's initials and his hometown (the farm *Elmtaryd* outside the village of *Agunnaryd*). A small-town guy, Kamprad used his village's milk van to deliver his products when he first started his business. In 1951, IKEA began selling furniture made by local carpenters; six years later Kamprad opened the first IKEA store in Sweden. In 1985 the first U.S. IKEA—which measured three football fields long—opened in a Philadelphia suburb called *Plymouth Meeting*. Today IKEA is the largest furniture store in the world, with sales of \$12.2 billion. Though Kamprad stepped down as CEO in 1999 to comply with Dutch age retirement laws for chief executives, he's still very active in running the company and often suggests furniture ideas, the company says.

There is no question that Kamprad, whose official home is in Switzerland (lower taxes), is among the world's richest men, but his net worth is a bit of a mystery because of IKEA's byzantine ownership structure. The 78-year-old entrepreneur claims to have been preparing for his death for more than 20 years, and in 1982 he established an intricate system of foundations, trusts, and holding companies to avoid high taxes and ensure that IKEA could not be broken up by family infighting. Kamprad has three sons, who all work for the company (he likes to say that IKEA is his fourth child).

The setup makes sifting through his personal finances nearly impossible. The company stores are officially owned by the Dutch foundation *Stichting INGKA*; other entities own other chunks of the business. After sorting through company documents, *Bo Pettersson*, the *Veckans* magazine writer who has long covered all the richest families in Sweden, determined that *Forbes* had been underestimating both the value of privately held IKEA and the royalties Kamprad gets from the web of entities that together own the company. According to *Pettersson's* math, IKEA, which makes up most of Kamprad's wealth, was valued at more than \$50 billion last year. Also adding to Kamprad's wealth, *Pettersson* argues, is the continued strength of the Swedish *krona* against the dollar.

"IKEA is incredibly profitable with margins in the double digits and growing," says *Stellan Bjork*, author of a Swedish book that provided the first detailed look at the company's complicated financial structure. *Bjork* thinks the \$53 billion figure is too high but says,

"American estimates I believe are too low." There's one thing, however, that everyone can agree on: Kamrad's burn rate sure is slower than Gates'.

--Cora Daniels, with additional reporting by Adam Edstrom