

# The Case Analysis to IKEA's Approach to Sustainability

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**Abstract:** Sustainability is a hot topic in all industries. This paper examines IKEA's approach to sustainability through a case study and identifies underlying issues while providing recommendations for ethical and sustainable operations. Employing Dr. Gribble's (2023) 7-step ethical framework, this study assesses IKEA's (2023) sustainability progress as demonstrated in its climate report for financial year 2022 (FY22). Noteworthy accomplishments encompass the full adoption of renewable energy across 24 retail markets. Additionally, IKEA reports a 20% reduction in climate footprint compared to FY16 (IKEA 2023). The report underscores remarkable advancements made by IKEA in FY22, underscoring the company's earnest endeavors to fulfill its sustainability goals for 2030 (IKEA 2023).

**Keywords:** Analysis; IKEA; Approach to Sustainability

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## 1. Introduction

Sustainability development is a widely discussed subject, and IKEA's sustainability and climate reports detail its accomplishments during financial year 2022 (FY22). This study primarily examines IKEA's sustainability approach, uncovering latent concerns. Furthermore, the report provides recommendations for IKEA to adopt ethical and sustainable practices.

Utilizing step 1 of Dr. Gribble's (2023) 7-Step Ethical Framework, it becomes evident that IKEA's (2023) progress towards sustainability achievements is highlighted in its FY22 sustainability and climate reports, positioning the company as a sustainability development leader. Key accomplishments encompass a notable expansion in renewable energy adoption, with 24 retail markets fully utilizing renewable sources. Additionally, IKEA reports a substantial 20% reduction in climate footprint compared to FY16 (IKEA 2023). The report underscores IKEA's remarkable advancements during FY22, signifying the company's significant endeavor to fulfill its 2030 sustainability commitments (IKEA 2023).

## 2. PESTLE analysis

PESTLE analysis is a strategic framework used by organizations to analyze and evaluate external macro-environmental factors that can impact their business operations and decision-making. The acronym "PESTLE" stands for:

### 2.1 Political

Varied regions may enforce distinct sustainability regulations, implying that retailers in less sustainability-oriented nations could hinder IKEA's fulfillment of its sustainability goals (IKEA 2023).

### 2.2 Economic

Investing in renewable energy could necessitate increased research and development investment, resulting in a temporary revenue decrease. However, as highlighted by IKEA (2023) in its climate report, the company aims to lead other businesses in sustainability efforts. Nonetheless, some firms may opt to evade initial expenses and refrain from adopting renewable energy.

### 2.3 Social

According to IKEA's (2023) report, a sustained rise in vegetarian food sales underscores the impact of evolving customer preferences on IKEA's product sales. Moreover, divergent sustainability expectations and varying customer purchasing power within distinct social contexts can significantly influence the demand for sustainable products.

## **2.4 Technological**

As a pioneering force in the sustainability domain, IKEA boasts cutting-edge energy-efficient technology that has yielded numerous accomplishments (IKEA 2023). The pivotal question, however, revolves around IKEA's capacity and inclination to sustain investments in further technological advancements, thereby honoring its commitment.

## **2.5 Legal**

Just as in the realm of politics, diverse countries possess varying environmental and labor regulations. These divergent regulations significantly impact IKEA's decision-making process, leading to elevated expenses in the supply chain, such as constraints related to materials like leather or wood.

## **2.6 Environmental**

As indicated in IKEA's report (2023), they have achieved a reduction in their climate footprint and implemented other environmentally favorable practices. However, the increasing sales of plant-based foods may give rise to potential packaging challenges for food products.

# **3. Sustainable Development Dilemma**

In accordance with the second step of Dr. Gribble's 7-Step Ethical Framework (2023), specific assumptions were incorporated into the PESTLE analysis.

## **3.1 Cooperation difficulties**

According to the IKEA report (2023), complete utilization of 100% renewable electricity has been achieved in 24 retail markets, thus demonstrating the viability of comprehensive renewable energy adoption. Nevertheless, renewable electricity constituted 76% of the total in FY22 (IKEA 2023). Potential economic constraints may impede the expansion of IKEA's renewable electricity system to its retailers in different regions and partners.

## **3.2 The application of sustainable living**

Apart from the growing adoption of renewable energy within industries, IKEA has diversified its contributions by launching a range of energy-efficient products, including LED bulbs, indoor air purifiers, and water nozzles (IKEA 2023). Nevertheless, varying ethical norms related to sustainable development across different regions are evident (Dr. Gribble 2023, pers. comm. 4 July). Additionally, the added expense associated with upgrading to new products could potentially hinder the wider adoption of energy-efficient alternatives among consumers.

# **4. Sustainable Development Analysis**

## **4.1 Cooperation difficulties**

The remarkable achievement of augmenting renewable energy not only fulfills goal 7 of the Sustainable Development Goals (SDGs) (Dr. Gribble 2023, pers. comm. 6 June) but also contributes to environmental well-being by minimizing energy wastage and associated pollution.

Despite IKEA's commendable efforts, potential underlying challenges may exist. As per IKEA's sustainability report for FY22, the company (IKEA 2023) outlines its expansive presence, encompassing more than 1600 suppliers and partners, as well as 456 stores spanning 62 markets. The vast scale of IKEA's operations signifies that the widespread implementation of novel technologies incurs escalated expenses. Consequently, key stakeholders, business associates, and shareholders in different regions might anticipate divergent strategies or reduced costs pertaining to sustainability development, potentially driven by the belief that the benefits or profits might not sufficiently outweigh the associated expenditures (Bansai 2002).

IKEA (2023) highlights the integration of energy-efficient LED bulbs within its report. In adherence to the objectives outlined in the Sustainable Development Goals (SDGs) (Dr. Gribble 2023, pers. comm. 6 June), IKEA must incorporate these bulbs internally, extending the initiative to local retailers and partners. This endeavor, however, introduces a potential quandary whereby the replacement of energy-efficient bulbs may entail the disposal of older bulbs, thereby incurring unforeseen costs for equipment that IKEA's suppliers, partners, and shareholders may not have anticipated (Dr. Gribble 2023, pers. comm. 20 June). In accordance with step 3 of the 7-Step Ethical Framework, IKEA bears the responsibility of recognizing the rights of these stakeholders. This encompasses IKEA's obligation to generate profitable returns for stakeholders, reflecting a fundamental (economic) obligation intrinsic to firms under the ambit of Corporate Social Responsibility (CSR) (Dr. Gribble 2023, pers. comm. 20 June).

## **4.2 The application of sustainable living**

IKEA (2023) enumerates a range of sustainable products designed for everyday living, such as energy-efficient LED bulbs, affordable indoor air purifiers, water-saving nozzles, and vegetarian foods (IKEA 2023). This assortment exemplifies IKEA's dedication to product development aligned with the SDGs, enhancing customer well-being. Notably, this underscores IKEA's philanthropic commitment within Corporate Social Responsibility (CSR) (Dr. Gribble 2023, pers. comm. 20 June).

The ease of promoting sustainable products is greater in regions where sustainability is embraced, but challenges arise when targeting customers in regions lacking a sustainability mindset. Stakeholders in such regions, including customers, may not prioritize sustainability, posing advertising difficulties for IKEA. By analyzing step 3 of the 7-Step Ethical Framework and considering stakeholder theory, it becomes evident that customers primarily value product quality and reliability (Dr. Gribble 2023, pers. comm. 20 June), with sustainability potentially holding lesser influence in specific regions. In this context, the central concern becomes the ethical quandary of relativism versus imperialism (Dr. Gribble 2023, pers. comm. 4 July). Step 4 of the 7-Step Ethical Framework presents two potential approaches: allowing unrestricted customer choices, potentially constraining IKEA's sustainability progress (Dr. Gribble 2023, pers. comm.), or encouraging sustainable purchases, which may be perceived as ethical imperialism, infringing on personal rights and contradicting SDGs (Dr. Gribble 2023, pers. comm. 6 June). This dilemma introduces conflicts that could impact IKEA's regional strategy and overall sustainability efforts.

## **5. Conclusion and Recommendations**

IKEA has made remarkable strides in sustainability development, yet latent challenges and uncertainties persist due to its global scale. The company must navigate a diverse stakeholder landscape, potentially leading to conflicts over strategic choices. With a firm commitment to sustainability, IKEA must exercise increased diligence in its future endeavors.

To substantiate the viability of the options as prescribed by step 7, IKEA's actions in FY22 can serve as a basis for evaluating their feasibility. These options are pragmatic due to IKEA's disclosure in its sustainability report (2023) that it is actively assisting suppliers in transitioning to renewable energy, indicating a capacity to extend similar efforts to other partners. Concurrently, IKEA's introduction of affordably-priced products underscores its recognition that sustainable living might lack allure, whereas competitive pricing and promotions hold sway.

Based on the above sustainable analysis, this paper puts forward the following recommendations:

### **5.1 Providing guidance to the leaders of cooperators, local retailers, and partners**

Pratima Bansal (2002) highlights a significant challenge hindering sustainability development: a lack of awareness among core leaders about their firms' pivotal role in constructing a sustainable society. Engaging these leaders is a highly effective approach to addressing cooperation challenges. IKEA can offer technical and financial guidance to facilitate the transition of these firms towards renewable energy. Following the identification of potential options in step 4 of the 7-Step Ethical Framework, it is imperative to assess the associated consequences (Dr. Gribble 2023, pers. comm.). Initially, this option may result in a short-term additional cost for stakeholders to update their equipment. Nonetheless, IKEA has the opportunity to share some of the upfront costs, given its robust, long-standing supplier relationships and its com-

mitment to supporting renewable energy, as indicated in its sustainability report (IKEA 2023). This approach offers multiple benefits, enhancing leader engagement and fostering long-term partnerships.

According to Kim Cameron (2006), having a clear direction is crucial amid significant changes, and in this context, IKEA can serve as that guiding fixed point. Nevertheless, a challenge arises in altering the mindset of these leaders and persuading them to adopt IKEA's ethical standards, which can be categorized as a form of ethical imperialism. This can be regarded as an "ethical cost." In contrast to the associated costs, the value of the outcomes can be more significant. This is due to the potential increase in the number of firms adopting renewable energy practices, resulting in reduced pollution. Additionally, IKEA stands to attract more cooperative partners committed to sustainability development. Consequently, when evaluating human flourishing in step 5 of the 7-Step Ethical Framework, this option engenders concepts such as empathy, self-control, and gratitude (Dr. Gribble 2023, pers. comm. 27 June). Applying the teleology framework facilitates the identification of priority factors in step 6 of the 7-Step Ethical Framework. This step pertains to the transition to sustainable energy within organizations and communities, encompassing retailers and partners (Dr. Gribble 2023, pers. comm. 27 June).

## 5.2 Providing rewards system and displacement activity

To avoid ethical imperialism, IKEA should explore methods to promote sustainable products without overtly emphasizing their sustainability, considering that some customers may not prioritize this aspect. By meeting customer expectations, IKEA can facilitate the adoption of sustainable products for everyday living. Consequently, IKEA can implement specific strategies, such as promotions or displacement activities, to attract customers. This approach can align IKEA with ethical considerations in both the teleology and deontology frameworks. Beginning with the teleology framework, the likely outcomes of IKEA utilizing promotions to attract customers include increased sales and a wider adoption of sustainable products in people's daily lives. On the other hand, there is no inherent ethical concern for customers in this behavior, as rewards and promotions contribute to customer cost savings. However, a challenge with this option is that it could potentially lead to a reduction in profits for IKEA, which may not align with shareholders' expectations. Nevertheless, this trade-off may be acceptable, given that philanthropic responsibilities take precedence over economic considerations when applying CSR within step 6 of the 7-step framework (Dr. Gribble 2023, pers. comm. 20 June).

Additionally, Rana Krishnan (1973) highlighted the notion that businesses have an obligation not only to owners or shareholders but also to stakeholders such as customers. This alignment with stakeholder theory, as emphasized and mandated by Dr. Gribble's communication in June 2023, underscores the need for this broader responsibility.

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