

Feng Chia University

Outstanding Academic Paper by Students

IKEA

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Abstract

This case study explores IKEA's Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) strategies, analyzing how the company addresses critical sustainability challenges while maintaining its position as a global leader in affordable home furnishings. Through a multi-faceted examination of IKEA's goals—such as achieving climate positivity by 2030, ensuring labor rights across a complex global supply chain, and transitioning toward a circular economy—the report identifies major obstacles and evaluates the company's strategic responses. Key findings include IKEA's investment in renewable energy, supplier auditing systems, and second-hand product initiatives, all of which reflect its long-term commitment to responsible business practices. This study emphasizes that although IKEA has taken commendable steps, further transparency, innovation, and stakeholder engagement are essential to fully realize its sustainability objectives.

Keyword :

Carbon Neutrality, Circular Economy, Corporate Social Responsibility (CSR), Supply Chain, Sustainability

Table of Content

Chapter 1 Case introduction.....	4
Chapter 2 Case analysis.....	5
Chapter 3 CSR analysis and Case challenges.....	6
Chapter 4 Solutions.....	13
Chapter 5 Conclusion.....	17
Chapter 6 References.....	18

List of Figures

Figure 1-1.....	6
Figure 1-2.....	7

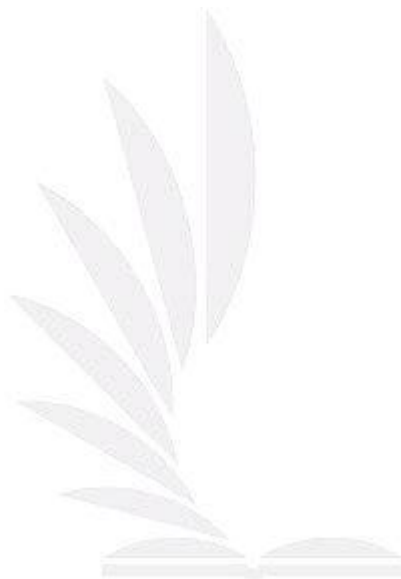
List of Tables

Table 1-1.....	8
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Chapter 1 Case introduction

IKEA is a home goods company from Sweden. It has stores in many countries. It sells flat-pack furniture, home accessories, bathroom and kitchen items. IKEA gives people products that are affordable, well-designed, comfortable, and strong.

IKEA is also known for having restaurants in its stores and showing furniture in room-like displays. It was the first to sell self-assembly furniture at low prices, and now it is the biggest furniture store in the world.



Chapter 2 Case analysis

SWOT

S

- Focus on the product's design, functionality.
- Global strategy.

W

- Be involved in multiple scandals.
- Expansion failure.

O

- A trustworthy and well-recognized brand image
- Maintain a spirit of innovation

T

- Changes in raw material prices

PEST

P - Political

- Environmental policies
- IKEA must comply with environmental policies in different countries.

E - Economic

- Economic downturn
- IKEA's affordable pricing becomes more attractive during an economic downturn.

S - Social

- Sustainable consumption
- Consumers prefer sustainable products.

T - Technological

- Material innovation
- IKEA invests in the development of eco-friendly materials.

Chapter 3 CSR analysis and Case challenges

Issue1: Challenges in Achieving Carbon Neutrality and Climate Positive Goals

Causes :

IKEA has set an ambitious goal to become "Climate Positive" by 2030, meaning not only achieving carbon neutrality but also removing more carbon emissions than it produces. Besides, IKEA also has a second hand Furniture Platform (Figure 1-1) which users can buy, sell or exchange items directly with each other without going through IKEA itself. Its goal is to reduce carbon emissions. There are many method that IKEA want to do (Figure 1-2). However, IKEA operates an extensive network of global warehouses, international logistics systems, and multiple production bases, all of which are carbon-intensive activities. The global rollout of renewable energy infrastructure and low-carbon transportation technologies (such as electric trucks and green shipping) remains limited, leading to emission reductions progressing much slower than the target requires — posing major challenges to achieving the climate positive goal. And below include IKEA's key sustainability and carbon reduction achievements in FY23.

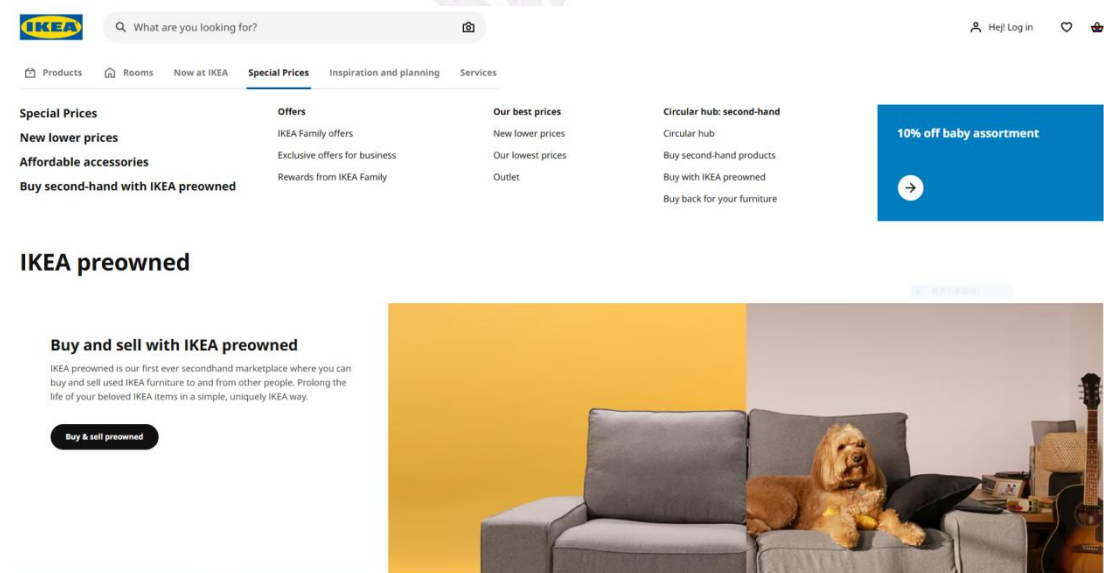


Figure 1-1 IKEA's second hand Furniture Platform.

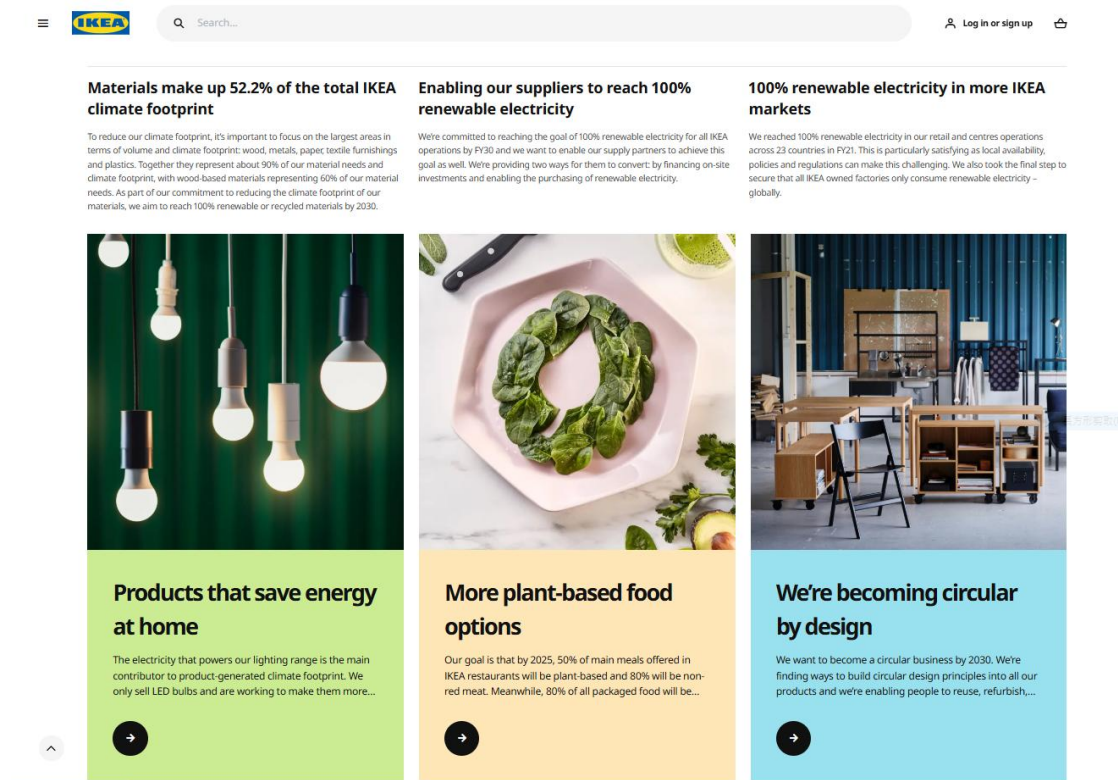


Figure 1-2 IKEA's other action in order to reduce carbon emissions.

Table 1-1 IKEA's key sustainability and carbon reduction achievements in FY23.

Item	Data and Achievements	Source
Total Carbon Emissions	24.1 million tons CO ₂ e, 12% lower than 2022 and 22% lower than the 2016 baseline	IKEA Sustainability Report FY23
Renewable Energy in Retail & Operations	Increased from 63% to 69%; renewable electricity from 75% to 77%	Same as above
Renewable Electricity in Production	Renewable electricity rose from 63% to 71%; total renewable energy maintained at 48%	Same as above
Alternative Fuels in Product Transport	Increased from 6% to 10% (including biogas and electricity)	Same as above
Renewable Electricity in Logistics	Increased from 86% to 90%	Same as above
Carbon Footprint of Product Use Phase	13% lower than 2022 and 52% lower than 2016	Same as above
Energy Efficiency of Lighting Products	Efficiency (lumens per watt) improved by 6%; sales volume dropped by 3%	Same as above
Suppliers Using 100% Renewable Power	408 suppliers (37% of direct suppliers) reached 100% renewable electricity use	Same as above

CSR/ESG Concept Connection

This issue falls under the Environmental (E) pillar of ESG, specifically relating to "climate change action," "carbon emission management," and the implementation of "Sustainable Development Goals (SDGs)."

According to CSR principles, companies must proactively reduce their negative environmental impacts and share collective responsibility in the global fight against climate change.

IKEA's CSR/ESG Activities

- Investment in Renewable Energy: IKEA invests in renewable energy by installing solar panels globally and acquiring or building wind farms.
- Electrification of Logistics: IKEA actively transitions to electric vehicle logistics solutions.
- Low-Carbon Product Design: IKEA promotes product innovations such as

lightweight and modular furniture designs to reduce carbon footprints.

- **Operational Renewable Energy Commitment:** IKEA has committed to using 100% renewable energy across all self-operated facilities by 2030.
- **Science-Based Targets:** IKEA has established a clear roadmap aligned with the Science Based Targets initiative (SBTi) to guide its carbon reduction efforts.

Impact on Stakeholders

- **Shareholders and Investors:**
If emission reduction targets are not met, IKEA's ESG investment ratings may decline, reducing its attractiveness to sustainable investors.
- **Customers:**
Consumers are highly sensitive to sustainability commitments; failure to meet targets may damage IKEA's brand value and customer loyalty.
- **Environment:**
Inadequate progress in emission reductions would limit IKEA's contribution to global climate goals and exacerbate climate change impacts.

Challenges Faced

- The global energy transition is progressing slowly, with insufficient adoption of renewable energy sources.
- Carbon emissions across multinational supply chains are difficult to fully control and reduce in real time.
- Emerging technologies (such as low-carbon transportation) involve high costs and slow deployment, making it difficult to achieve rapid scaling.

Issue2: Labor Rights and Raw Material Traceability in the Global Supply Chain

Causes :

IKEA operates a vast global supply chain that spans hundreds of countries and regions.

In pursuit of cost control and economies of scale, some raw materials (such as wood and cotton) are sourced from countries with weaker human rights protections.

This has occasionally led to issues such as:

- Labor rights violations,

IKEA

- Use of child labor,
- Lack of transparency regarding raw material origins.

CSR/ESG Concept Connection

This issue primarily pertains to the Social (S) pillar of ESG, focusing on human rights protection and responsible sourcing within the supply chain.

According to CSR principles, companies must take responsibility for the social impacts of their supply chains and ensure adherence to basic human rights and labor standards.

IKEA's CSR/ESG Activities

- IWAY Supplier Code of Conduct: IKEA mandates all suppliers to comply with international human rights standards, prohibit child labor, and ensure safe working environments.
- Supply Chain Audits: IKEA implements monitoring systems to supervise compliance through regular audits.
- Material Traceability: IKEA strengthens traceability efforts by utilizing certified materials, such as FSC-certified (Forest Stewardship Council) wood, to enhance transparency in its supply chain.

Impact on Stakeholders

- Suppliers: Must invest additional resources to meet IKEA's sustainability and human rights requirements, leading to higher compliance costs and operational pressures.
- Consumers: Exposure of supply chain issues could damage brand trust and influence purchasing behavior negatively.
- Society at Large: Labor rights violations harm social fairness and human rights, weakening IKEA's image and influence as a "leader in sustainable development."

Challenges Faced

- The broad scope of the global supply chain complicates supervision and demands extensive auditing resources.
- Significant differences in local regulations and geopolitical contexts lead to inconsistencies in standard implementation.

- Increasing demands from consumers and investors for higher transparency add pressure on operational practices.

Issue 3: Practical Challenges in Promoting Recycling and Circular Economy

Causes :

IKEA is committed to driving a transition towards a circular economy, launching initiatives such as the "Buy Back Program" for used furniture and setting a goal to produce all products from renewable or recycled materials by 2030.

However, the implementation faces several challenges, including:

- Insufficient consumer willingness to recycle,
- High costs for establishing recycling logistics systems,
- Significant variations in recycling systems and regulations across different countries and local governments, making recycling and reuse operations difficult to implement.

CSR/ESG Concept Connection

This issue relates to the Environmental (E) pillar of ESG, particularly focusing on "resource management," "waste reduction," and "promotion of the circular economy." According to CSR principles, companies should proactively minimize their negative environmental impacts and promote the efficient use of resources, taking responsibility for both the natural environment and society.

IKEA's CSR/ESG Activities

- Buy Back Program: IKEA repurchases second-hand furniture, encouraging repair and reuse instead of disposal.
- Furniture Rental Services: Offered in select markets to reduce single-use product waste.
- Investment in Recycling Infrastructure: IKEA invests in recycling facilities and partners with external organizations to gradually build a robust product recycling and remanufacturing system.

Impact on Stakeholders

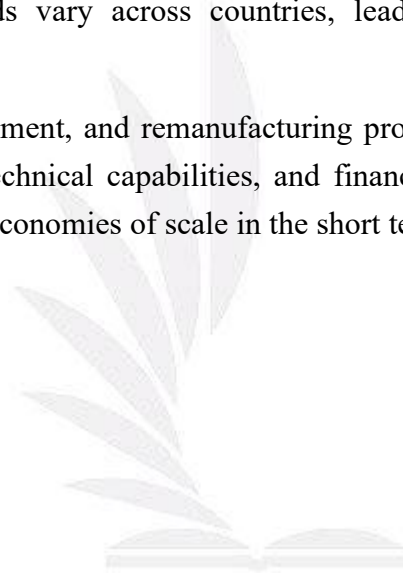
- Consumers: In regions lacking convenient recycling channels or sufficient economic incentives, recycling participation rates remain low, hindering the

effectiveness of circular economy initiatives.

- Government Agencies: Need to establish more comprehensive local recycling policies and standards, and collaborate with businesses to build efficient recycling systems. Without such cooperation, circular economy goals will be difficult to achieve.
- Internal Operations: Investments in recycling logistics, collection sites, and buyback programs increase operational and capital expenditures, putting pressure on short-term financial performance.

Challenges Faced

- Changing consumer behavior toward recycling is difficult and requires significant education and promotional efforts.
- Regulatory standards vary across countries, leading to inconsistencies in recycling processes.
- Recycling, refurbishment, and remanufacturing processes demand substantial human resources, technical capabilities, and financial investment, making it difficult to achieve economies of scale in the short term.



Chapter 4 Solutions

Issue 1: Challenges in Implementing Carbon Neutrality and Climate Positive Goals

Challenge 1: Complexity of Logistics and Transportation Emissions

Short-term Goal (within 1 year):

Establish partnerships with at least 2 to 3 electric vehicle logistics companies and set up 5 green pickup points in 5 cities.

Expected Outcome: Reduce the carbon emissions of second-hand furniture delivery by 5% to 10%.

Medium-term Goal (within 3 years):

Make low-carbon delivery options a common choice in the online shopping process on the website/store, with more than 50% of customers choosing low-carbon delivery.

Expected Outcome: Reduce the overall carbon emissions of second-hand furniture transportation by more than 20%.

Long-term Goal (more than 5 years):

Transform more than 90% of the second-hand furniture delivery process into low-carbon or zero-carbon transportation (such as electric vehicles, green logistics centers).

Expected Outcome: The carbon emissions of second-hand furniture transportation approach zero growth, and it becomes the main service of IKEA's circular economy.

Challenge 2: Challenges in Product Design and Durability

Short-term Goal (within 1 year):

Launch the first wave of furniture series with the design concept of "easy to repair and refurbish", with at least 10 products.

Expected Outcome: The second-hand circulation rate of the new product series is 30% higher than that of general products.

Medium-term Goal (within 3 years):

Establish a complete online DIY repair teaching platform, covering more than 70% of the main products.

Expected Outcome: Increase the success rate of customers' self-repair and extend the average service life of products by 1 to 2 years.

Long-term Goal (more than 5 years):

More than 80% of the company's products meet the modular design and easy repair standards.

Expected Outcome: Significantly reduce the furniture scrapping rate and promote the

overall circular utilization of products.

Issue 2: Labor Rights and Raw Material Traceability Issues in the Global Supply Chain

Challenge 1: Large Scope of the Supply Chain and Difficulty in Supervision

Short-term Goal (within 1 year):

Establish a supplier classification system and divide all suppliers into high, medium, and low-risk levels.

Expected Outcome: More than 80% of high-risk suppliers have preliminary audits or data files established.

Medium-term Goal (within 3 years):

Deploy a blockchain supply chain tracking system, covering at least 30% of key materials.

Expected Outcome: Improve the transparency of the supply chain data of key materials and reduce the risk of violations.

Long-term Goal (more than 5 years):

Achieve 90% traceability of the supply chain and maintain a complete third-party audit every year.

Expected Outcome: Improve the corporate social responsibility rating and reduce the risk of public opinion.

Challenge 2: Geopolitical and Regulatory Differences

Short-term Goal (within 1 year):

Update the corporate human rights policy and code of conduct and implement them in new contracts.

Expected Outcome: 100% of newly contracted suppliers agree to and abide by the minimum human rights standards.

Medium-term Goal (within 3 years):

Provide exclusive sustainable compliance training for suppliers in high-risk areas, with a coverage rate of 70%.

Expected Outcome: Reduce labor disputes and improve the suppliers' self-management ability.

Long-term Goal (more than 5 years):

Form regional sustainable agreements in the main markets (Asia, Europe, and the United States) to promote standardization.

Expected Outcome: Reduce the management chaos and costs caused by regulatory differences in different regions.

Challenge 3: Pressure from Consumers and Investors for Transparency

Short-term Goal (within 1 year):

Design and launch the first version of the supply chain transparency display platform (such as a QR code traceability system).

Expected Outcome: Complete supply chain data can be found for 10% to 20% of the best-selling products.

Medium-term Goal (within 3 years):

Add supply chain visualization indicators and quantitative progress to the sustainability report.

Expected Outcome: Attract more investors and consumers who value ESG.

Long-term Goal (more than 5 years):

Form a complete and transparent supply chain system, covering more than 90% of SKUs.

Expected Outcome: Become one of the benchmark enterprises in supply chain transparency and enhance international reputation.

Issue 3: Practical Challenges in Promoting Recycling and the Circular Economy

Challenge 1: Difficulty in Changing Consumer Behavior

Short-term Goal (within 1 year):

Carry out recycling reward activities in the main city stores, with at least 50 trial runs.

Expected Outcome: Increase the recycling participation rate by 10% and accumulate market education experience.

Medium-term Goal (within 3 years):

Establish a national recycling points system, with more than 30% of members participating.

Expected Outcome: Double the quantity of recycled items.

Long-term Goal (more than 5 years):

Form a culture of consumers' spontaneous recycling behavior, with the recycling rate reaching more than twice the original level.

Expected Outcome: IKEA becomes a leading brand in the circular economy field.

Challenge 2: Inconsistent Recycling Regulations in Different Countries

Short-term Goal (within 1 year):

Complete an internal comparison table of recycling regulations in different countries for the design and logistics departments to use.

Expected Outcome: Reduce the risk of regulatory violations by more than 50%.

Medium-term Goal (within 3 years):

Introduce a unified recycling labeling system in the main export countries (such as Europe and the United States).

Expected Outcome: Improve consumers' awareness and reduce the recycling error rate by 30%.

Long-term Goal (more than 5 years):

Promote cross-border industry cooperation to formulate international circular economy standards.

Expected Outcome: Reduce the institutional friction in cross-border operations and improve the recycling efficiency.

Challenge 3: High Cost of Recycling and Refurbishment, Difficult to Scale in the Short Term

Short-term Goal (within 1 year):

Establish 2 to 3 recycling and refurbishment laboratories and trial standardized refurbishment processes.

Expected Outcome: Increase the refurbishment rate and establish the first batch of process SOPs.

Medium-term Goal (within 3 years):

Cooperate with communities and universities to expand the source of refurbishment manpower and reduce labor costs by 20%.

Expected Outcome: Achieve small-scale economic circulation and relieve the initial investment pressure.

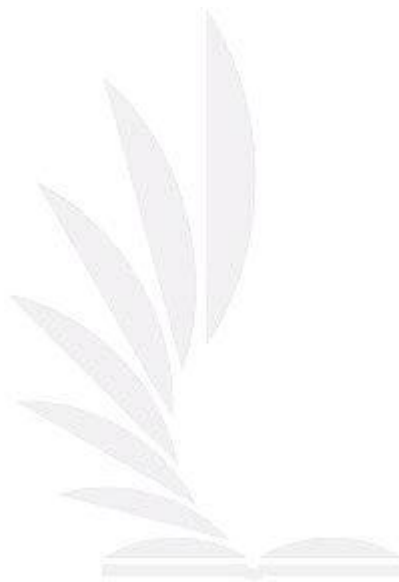
Long-term Goal (more than 5 years):

Achieve the successful reuse or resale of more than 30% of the recycled furniture.

Expected Outcome: Establish a mature circular business model and improve the company's profitability and brand value.

Chapter 5 Conclusion

IKEA has showcased substantial ambition and initiative in integrating CSR and ESG principles into its global operations, particularly in areas such as carbon emission reduction, ethical supply chain management, and circular economy advancement. However, the case study reveals that real-world implementation remains challenging due to the scale of its logistics, regulatory diversity, and evolving consumer behavior. To overcome these barriers, IKEA must continue fostering cross-sector collaboration, enhancing transparency, and actively involving consumers in sustainability efforts. Ultimately, the company's ability to balance growth with environmental and social responsibility will determine its success in achieving long-term sustainable development.



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