

Research on the Problems and Optimal Countermeasures in IKEA's Sustainability-based Management

Shihan Chen[†], Yijin Song^{*,†}

Curtin Collage, Curtin University, Singapore

* Corresponding Author Email: 21098374@student.curtin.edu.au

[†]These authors contributed equally

Abstract. IKEA is a multinational home furnishing retailer from Sweden. IKEA's brands are found all over the world. However, with introduction of a sustainability strategy developed by the United Nations, IKEA began to integrate its business with a sustainability strategy. However, there are some problems in implementing the sustainability plan: using illegal trees, furniture containing ultra-high levels of formaldehyde emissions, and racist advertising. Selecting the problems in IKEA's sustainability and how to optimize countermeasures can help individuals and companies better understand sustainability while continuously learning from it so that more companies and individuals can comply with sustainability. This paper analyzes IKEA's contribution to sustainability based on case studies and some literature. This analysis will help individuals better understand what this paper is about and align it with sustainability goals. Only by conforming to the sustainable development of society can we better help companies not to be eliminated in sustainable development. In order to help companies better achieve sustainable development, it is important first to make them understand sustainable development.

Keywords: Sustainable Development; Illegal Trees; High Formaldehyde; Racism.

1. Introduction

1.1. Research Background

With the emphasis on sustainability, many companies also increasingly incorporate sustainability into their corporate strategies as a competitive factor in the marketplace [1]. Consumers mainly seek information about relevant organizations, similar products and services, and social and sustainability issues. Because sustainability has become increasingly popular in recent years, consumers are more likely to choose companies that follow sustainability for their products and services. IKEA established its goals as well as its direction early on and responded even more toward the general trend toward sustainability. Beginning in the 1990s, IKEA began working with Natural Step, an international non-profit research, education, and consulting organization that uses a scientifically developed systems framework to help individuals, organizations, and communities take an important step toward sustainability, transforming their environmental policies into effective action plans with real business practices [2]. But despite this, there are still problems in sustainability management at IKEA, which has been linked to illegal logging in Ukraine by a furniture store. A research paper by the NGO Earth sight describes the Forest Stewardship Council, a wood certification program adopted by IKEA, as a greenwashing organization that promotes wood operations [3]. The fact that IKEA is a sustainable organization and still has problems shows that implementing sustainability is not an easy task, even more difficult for small companies, so instilling the importance of sustainability in society and business does not stop there. While the world economy is growing rapidly, the environmental and social burdens that come with it cannot be underestimated. If not taken seriously, it could threaten our lives and even impact our economy in the decades.

1.2. Literature Review

Lau found significant amounts of formaldehyde at IKEA. According to tests, some IKEA products released more formaldehyde than legally allowed, harming the environment and humans. As a result

of the company's negative opinion, sales in Denmark dropped by 20 percent. IKEA's best-selling line of bookcases was also found to emit more than the levels allowed by German law. This time it was the paint for the bookcase, which IKEA immediately stopped selling. IKEA's investors value ethics more than money, even though this has negatively impacted the business. The business has worked with numerous groups, such as Greenpeace and WWF, and even hired inspectors to set new supplier requirements [4].

Ritter's analysis shows that IKEA's emissions have declined over the past two years. IKEA produces 1.3 million tons of CO₂-equivalent pollutants between 2018 and 2020. Nonetheless, these emissions are on a downward trend, dropping 16 percent from 2018 to 2019 and another 8.5 percent from 2019 to 2020. IKEA is shipping items from China to Europe by rail rather than shipping to ease supply chain bottlenecks and support its ambition to reduce carbon emissions. This move has been analyzed as one of the reasons for the retailer's reduced emissions. In addition, IKEA has committed to reducing GHG emissions beyond IKEA value chain emissions by 2030 to have a positive climate effect [5].

Shoulberg finds IKEA has launched a new sustainability program, and the epidemic has changed customers' perceptions of sustainability and eco-consciousness. They have made sustainability and eco-rightness the foundation of their future. It already has 125 electric car charging stations, 125,000 acres of "responsibly managed forests," a policy of selling only rechargeable batteries, and a goal of converting all energy sources to energy in solar and wind. Lighting will shift to LEDs in the next five to six years. The study explains how the business has succeeded in producing more renewable energy than it uses. IKEA is committed to positively impacting the climate by reducing greenhouse gas emissions beyond IKEA's value chain emissions by 2030 [6].

1.3. Research Framework

Most of the articles have focused on how IKEA responded to and acted on the sustainability plan. Still, few have studied the problems in IKEA's sustainability management and how to optimize the countermeasures. Therefore, this paper will first analyze the trend of sustainability planning brought by the general environment, then analyze the current situation of IKEA. Secondly, it will present the current problems of IKEA, and finally, it will analyze the causes of the problems, discuss the existing problems, and analyze and propose improvement strategies.

2. Method

In this paper, we take a comparative analysis and survey approach to identify the problems in IKEA's sustainability and how to optimize them. First, this paper examines whether IKEA has gone green and whether IKEA's behavior in terms of sustainability is unrealistic through a comparative analysis of two different case studies. The case studies are taken from articles and surveys published in the past but can be used as a reference for this study as they were published shortly before today. The rest of this paper is divided into two parts. The first describes IKEA's efforts to improve global forest management by 2030, which in turn emphasizes IKEA's primary goal of reforestation and restoration of degraded forests. In this, IKEA contributes to following sustainable development and has made changes so that the land does not become decertified by cutting down trees. The second part describes IKEA's use of illegal wood, made into furniture and sold to the consumer community. A large amount of illegal wood is cut down, leading to much environmental damage. IKEA is also suspected of tax evasion. These two aspects of IKEA's sustainability issues can be compared to each other and can also help IKEA to optimize these issues. IKEA's proposal to improve global forest management seems unrealistic, and these two parts also illustrate the contradictory situation of IKEA in terms of sustainability. The comparative analysis method also allows us to understand better IKEA's sustainability issues and the focus of this thesis. Secondly, in this essay, the same survey approach was taken. The analysis of IKEA is based on the understanding of the case study, mainly in the context of the UN Sustainable Development Goal of life on land. Here we will analyze what we

learned from the comparative and life-on-land analyses. It mainly describes the protection, restoration, and promotion of sustainable use of ecosystems through afforestation and prevention of land desertification and biodiversity loss. The survey methodology allows individuals to understand better how IKEA needs to optimize its policies for sustainable development. This will allow IKEA to survive in society and avoid being eliminated.

3. Result

3.1. Current Analysis

IKEA was founded in Sweden in 1943 and started selling basic home appliances for the first four years, and then began selling home furnishings. With over 400 stores worldwide, IKEA is the world's largest furniture retail chain. The IKEA case study shows that an integrated sustainability strategy that prioritizes all three pillars (environmental, social, and economic) will provide better economic results and give the company a competitive advantage over competitors that include only one or two pillars. IKEA has maintained a healthy financial position while expanding market share and corporate growth and is focused on managing the full range of its supply chain commitments by focusing on social and environmental sustainability policies [7]. The SDGs are seen as relevant to, and respond to, global issues resulting from the process of globalization and the increasing interconnectedness of the world [8]. It has a significant impact on other companies or individuals. When a company puts the environment and its inhabitants on an equal footing with its income, it inevitably changes our perception of climate catastrophe [9]. IKEA is committed to building a sustainable future. In 2012, the company released its Good for People and Planet Roadmap, which explains its approach to sustainability, including sourcing all wood, cotton, and paper from "more sustainable" sources and guaranteeing that 90% of its plastics come from "more sustainable" sources. By replacing single-use plastic with wooden cutlery and eco-friendly paper straws by the end of 2020, IKEA hopes to minimize the amount of plastic in the environment. Now, about 60% of IKEA's products are made from sustainable materials. But one survey showed that, excluding paper and packaging, IKEA used 13.56 million cubic meters of solid wood and artificial board components in 2017. This is equivalent to 1% of all wood used commercially worldwide. IKEA's commitment to environmental protection, in general, seems to be a controversial topic. Although the brand's website often promotes "zero waste," its practices contradict it [9]. IKEA's business operations are not conducive to environmental protection, which is a problem IKEA is currently experiencing. Environmental protection is one of its priorities, and if IKEA changes its attitude, it will have to stop mass-producing products made of wood, paper, and plastic and raise costs, which could drive away consumer

3.2. Problem Analysis

Earthwatch found that IKEA is selling beach chairs made from wood illegally cut in the Carpathian forests of Ukraine; IKEA failed to prevent illegal, unsustainable wood from being used in its products [3]. It follows that IKEA, under the banner of managing the world's forests, is allowing its furniture to use illegal trees that originated in the homes of bobcats and black bears. When IKEA relies excessively on these trees, it increases the cutting of illegal trees, which leads to ecological imbalances and the gradual desolation of bobcat and bear habitats. The United Nations has introduced Sustainable Development Goal 15: Life on Land, which focuses on protecting the sustainable use of terrestrial ecosystems and halting biodiversity loss [10]. The problem with IKEA's sustainability is that IKEA uses illegal trees. Under the banner of reforestation, they are using illegal trees to destroy ecosystems.

The second problem IKEA faces in sustainability is the use of large amounts of formaldehyde. Andy Lau found that some tests show that IKEA products release more formaldehyde than regulations, which harms people and the environment [4]. This is not in line with the sustainable development goals set by the United Nations, nor is it ethical. This is because the amount of formaldehyde released from furniture can harm children's development if the consumer has children at home. For example,

formaldehyde has the potential to cause cancer. Moreover, high levels of formaldehyde can lead to environmental damage. This is an unethical practice because it harms the health of the consumer community. No company can put profit before the consumer's interest and must strictly control its products. This also conflicts with IKEA's contribution to sustainable development.

The third problem IKEA faces in sustainability are airing ads that contain racial slurs. Beh Lih Yi once published an article titled 'No boyfriend? Don't call me Mum': IKEA pulls 'sexist' ad in China in which IKEA discriminates against single women [11]. The UN has proposed a fifth goal of gender equality. Gender equality should be achieved, and women and children should be empowered [12]. This is not in line with goal five of the sustainable development set by the UN. Because China faces the problem of gender equality, even in the traditional society of China, some families will prefer sons over daughters, and even when girls reach a certain age, parents will urge women to get married and have children. Therefore, IKEA's ad, "Don't call me mom if you don't have a boyfriend," is so discriminatory against women that it has sparked a lot of societal controversies.

The United Nations requires companies to implement plans that align with the Sustainable Development Goals because, in the absence of sustainability, the actions of many people lead to the consumption of non-renewable energy and the desertification of the land. In addition, oil extraction, for example, produces large amounts of carbon dioxide that damage and pollute our environment. The reason why IKEA needs to eliminate these problems is also for the company's long-term survival in society. If trees are not planted, then when trees are cut down around the world, it poses a risk of closing IKEA, which relies heavily on trees to sell furniture.

4. Discussion

4.1. The First Strategies Analysis

IKEA could make the following improvements regarding IKEA's use of illegal trees to make furniture. First, IKEA could issue a ban on using illegal trees in the company and ban furniture made with illegal trees from being taken off the shelves. It could also take steps to restore the habitat for bobcats and black bears through reforestation. Second, IKEA could raise awareness of the ecosystem and strengthen the company's and employees' sustainability knowledge. The company could also set up an audit team to review what decisions IKEA has made in its future planning to see if they align with the sustainability plan. Third, IKEA is a company that relies heavily on trees to make its furniture. Therefore, IKEA could invest in managing trees worldwide to achieve reforestation, preventing ecological damage from land desertification. Fourth, in managing trees worldwide, IKEA can also strengthen the company's forestry management, which must establish and improve forestry institutions and adopt strict forest harvesting plans, which can control the number of trees cut down. Also, while cutting down trees, IKEA should follow a guideline to prioritize the protection of species and habitats over their own interests. When planting trees, they should also pay attention to some fire prevention measures to avoid losing a lot of wood due to fires, which can bring huge losses to some companies and cause damage to the living environment of the surrounding indigenous people. For example, burning many trees by fire will cause a large amount of carbon dioxide, which is also harmful to the air and can even lead to global warming because a large amount of carbon dioxide will lead to the aggravation of ultraviolet rays. Fifth, while enjoying natural resources, we should also focus on reasonable tree cutting and be determined not to cut down trees excessively. When manufacturing furniture, attention should also be paid to improving the company's wood utilization rate to avoid wasting wood. IKEA can also recycle old furniture sold under IKEA, and if the old furniture can be used, then it can be sold at a low price, and if the old furniture cannot be sold, then the wood from the old furniture can be used to make new furniture. Finally, IKEA should not exaggerate when issuing any reports on sustainability and goals and should consider whether the company is able to implement this plan.

4.2. The Second Strategies Analysis

In response to the problem of using furniture with high levels of formaldehyde for sale in the sustainable development process, IKEA should first stop manufacturing furniture with high levels of formaldehyde immediately. IKEA should immediately recall the furniture that contains high levels of formaldehyde and apologize to the consumers who purchased the furniture, and compensate them not only for the amount of compensation but also for the cost of medical examinations to test whether the furniture has affected their health. In recycling furniture containing high formaldehyde, IKEA should destroy the furniture immediately to avoid environmental damage. Secondly, IKEA should set up a department that is mainly designed to detect and monitor the amount of formaldehyde coverage of furniture under the IKEA brand and how much formaldehyde will be released. Only when each piece of furniture has reached a reasonable amount of formaldehyde emission can it be put on the market? Strict controls must be implemented to protect consumer rights so that IKEA's negative losses can be recovered; otherwise, brands that suffer from consumer resistance will not go long in social development because consumers will refuse to consume IKEA's furniture brand again.

4.3. The Third Strategies Analysis

This section responds to the issue of IKEA's racially charged ad shown during the sustainability process. First, IKEA should take down the ad from the Internet. Secondly, IKEA should immediately apologize to the majority of women to stop the expansion of public opinion, which can also organize the negative impact of IKEA in the consumer community to expand. However, many Chinese families indeed have the problem of pushing for marriage. Still, in any case, this should not be broadcasted as an IKEA advertisement, which may bring influence children and some teenagers to change their ideological views and make This may have an impact on children and teenagers, changing their mindset and making them think that men are better than women in this society, which is wrong and should not be expanded. Secondly, IKEA employees should learn the 17 goals of the United Nations for sustainable development and strengthen their awareness of sustainable development. Thirdly, IKEA should set up a company supervisory department to check advertisements and content. Suppose the advertisement contains racist and unfavorable words for women. In that case, it should be reported to the management immediately so that the management can issue a new task to the staff who made these advertisements and let them make changes. Finally, in the company's employee code, IKEA could also include a reward and punishment mechanism so that if an employee publishes an ad that contains discriminatory language about women, some wages should be deducted for the negative impact on IKEA due to some work mistakes.

5. Conclusion

5.1. Key Findings

To sum up, in order to solve the problems existing in IKEA's sustainable development goals, the main solution is illegal trees and the reasonable arrangement of advertisements. Strict and reasonable policies are needed, such as prohibiting businesses from cutting down illegal trees to make furniture. In future advertising policies, companies can more strictly scrutinize whether these advertisements contain content that violates sustainable development policies while educating the public that sustainable development is important for the future importance of the environment and society. The second is to strictly control the amount of felling while cutting down trees to prevent the appearance of waste wood. The case of IKEA also shows that sustainable development is very important to any company. Suppose a company violates the principle of sustainable development. In that case, it may cause consumer disputes and lead to consumers' rejection of the brand, affecting the next development of the enterprise and customer loyalty. The IKEA case also serves as a warning to other companies. In order to prevent the depletion of natural resources, individuals and enterprises must

follow the principles of sustainable development and always put their own interests last in the face of interests, the environment, and sustainable development.

5.2. Limitations and Future Study

The full implementation of sustainability goals is very difficult in our life. Because of the socio-economic and demographic development, our survey is only based on the measures made by IKEA in these years to study. In the future, IKEA should make relative changes according to the development of society and economic changes afterward, so that we can better respond to the requirements of sustainable development policies. At the same time, planning is not absolute; there are many possibilities, so it should be improved according to specific goals.

References

- [1] Annunziata, de Felice, et al. "The Corporate Social Responsibility: A Case Study - ProQuest." www.proquest.com, 2014, www.proquest.com/docview/1537644101?accountid=10382&forcedol=true&forcedol=true&pq-origsite=primo. Accessed 8 Mar. 2023.
- [2] Andrea, Larson, and Reichardt Joel. "(PDF) Ikea and the Natural Step." ResearchGate, 2008, www.researchgate.net/publication/228145455_Ikea_and_the_Natural_Step.
- [3] Eco-Business. "8 Brands Called out for Greenwashing in 2020." Eco-Business, 2020, www.eco-business.com/zh-hans/news/8-brands-called-out-for-greenwashing-in-2020/.
- [4] Lau, Andy. "Is IKEA Ethical and Sustainable?" Medium, 13 Aug. 2020, medium.com/discourse/is-ikea-ethical-and-sustainable-6121b334e77e.
- [5] Business, Moira Ritter, CNN. "Amazon, Walmart and the World's Biggest Retailers Are Making Port Congestion and Pollution Worse, New Report Finds." CNN, 1 Dec. 2021, edition.cnn.com/2021/11/30/business/amazon-walmart-port-pollution/index.html.
- [6] Warren, Shoulberg. "Ikea's New Sustainability Plans Should Make Competitors Green with Envy." [Businessofhome.com](http://businessofhome.com), 28 Jan. 2021, businessofhome.com/articles/ikea-new-sustainability-plans-should-make-competitors-green-with-envy.
- [7] Laurin, Francine, and Kamel Fantasy. "Sustainable Supply Chain Management: A Case Study at IKEA." *Transnational Corporations Review*, vol. 9, no. 4, 2 Oct. 2017, pp. 309–318, <https://doi.org/10.1080/19186444.2017.1401208>. Accessed 26 May 2019.
- [8] Glass, Lisa-Maria, and Jens Newig. "Governance for Achieving the Sustainable Development Goals: How Important Are Participation, Policy Coherence, Reflexivity, Adaptation and Democratic Institutions?" *Earth System Governance*, vol. 2, Apr. 2019, p. 100031, www.sciencedirect.com/science/article/pii/S2589811619300308, <https://doi.org/10.1016/j.esg.2019.100031>.
- [9] Kris. "IKEA's Sustainability: The Controversy." *Green Mo.*, 19 Oct. 2020, www.greenmo.space/post/ikea-s-sustainability-the-controversy.
- [10] The Global Goals. "Goal 15: Life on Land." The Global Goals, 2022, www.globalgoals.org/goals/15-life-on-land/.
- [11] Beh Lih Yi. "'No Boyfriend? Don't Call Me Mum': IKEA Pulls 'Sexist' Ad in China." Reuters, 26 Oct. 2017, www.reuters.com/article/us-china-women-ikea-idUSKBN1CV1E4. Accessed 8 Mar. 2023.
- [12] The Global Goals. "Goal 5: Gender Equality." The Global Goals, The Global Goals, 2022, www.globalgoals.org/goals/5-gender-equality/.