



# Application of Sustainable Development Theory in Furniture Industry Development—A Case Study of IKEA

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**Abstract.** In recent years, more and more enterprises are required to disclose their sustainability reports, which means that sustainability plays an important role in the expansion and operation of global enterprises. Sustainability is also used to measure the development status and cultural orientation of the society. The furniture industry needs to be closely connected with the environment, economy, and society, so the theory of sustainable development is widely used in this industry. This paper chooses IKEA as the representative of the furniture enterprise to study and analyze its internal culture and definition of sustainable development, implementation strategy of the triple bottom line, existing defects, and development space, so as to help us better study the sustainable development of other industries.

**Keywords:** Sustainable development · Furniture industry · Triple bottom line · Organization culture

## 1 Introduction

The theory of sustainable development has been applied to many different business fields and exerts significant influence on the survival of enterprises. The triple bottom line provides suggestions not only to global organizations but also to multinationals operating worldwide. Previous studies mainly focused on the environmental side of sustainability, but investigators haven't systematically analyzed sustainable developments in a specific firm from social, economic, and environmental dimensions before. Besides, there is a close connection between the success of the organizations and the theory of sustainable development.

Therefore, we conducted research on the current situation of IKEA and evaluated its sustainability with the sustainable development theory. We further discussed the defects of IKEA's sustainable development and further related strategies.

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The furniture industry is one of the fast-growing industries in the world since more furniture enterprises penetrated emerging markets, especially second-tier cities and more remote areas in developing countries. In recent years, the industry went through plenty of transformations to enlarge the market and develop new businesses. In 2020 and 2021, it was significantly hit by the Covid-19 pandemic. IKEA is a representative enterprise in the furniture industry all over the world, with a high reputation and huge customer base, which is worthy of deeper analysis.

IKEA is a Swedish furniture company established in 1943. It became the largest furniture retail globally in 2008. Up to now, it distributes in 61 countries and opens 458 stores throughout the globe [1]. It is a corporation that operates under an eco-friendly business model, with cost management, a precise operation and service strategy, and a commitment to ongoing improvement.

In 2021, the continuing effects of the global pandemic forced a large number of IKEA stores to shut down. When most stores re-opened in late spring, customers returned, and in 2021 IKEA stores welcomed 775 million visitors. Despite reduced store sales, total retail sales were 5.8% higher, driven by online sales and increased interest in home furnishing. Online sales increased by 73%, and there was high demand for office furniture and other multifunctional solutions for the home [1].

Apart from the low-price strategy combined with function, quality, and design products, IKEA has worked hard to become a climate-positive firm by 2030 by increasing the usage of sustainable materials, plant-based foods, and renewable energy sources. It hoped to inspire and enable as many people as possible to live more sustainably and to make products easier and more affordable, aligned with the principle to create a better everyday life for many people [2, 3].

For more than 15 years, IKEA has made its annual sustainability report public, as an attempt to show efforts toward being circular and environmentally friendly. Since IKEA's founder Ingvar Kamprad always cared for people and the planet, IKEA had a long vision to become a sustainable company from the economic, social, and environmental aspects.

## 2 Three Dimensions of IKEA's Sustainable Development

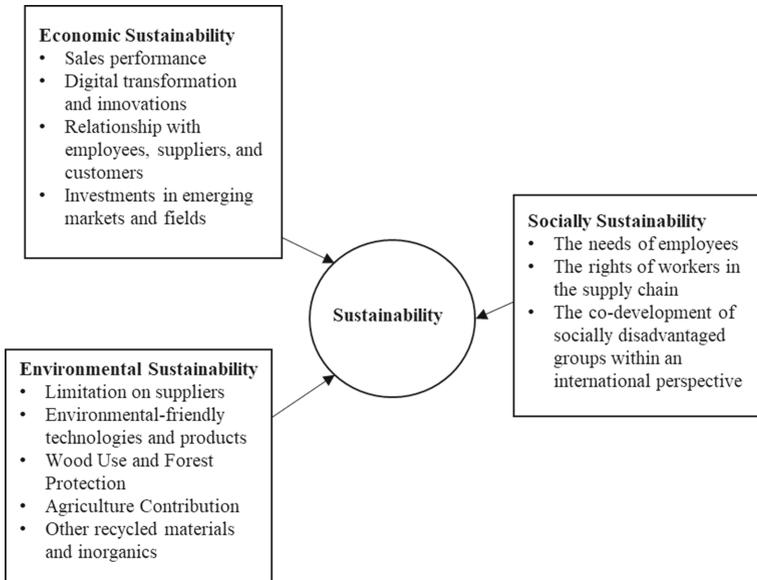
### 2.1 Economic Sustainability

Economic sustainability is the ability to support a defined level of economic production indefinitely, which mainly focuses on the financial situations and the potential for future growth [4]. It is the predominant factor because every corporate requires steady cash flow to survive the drastic change in the market and environment in the short and long term (Fig. 1).

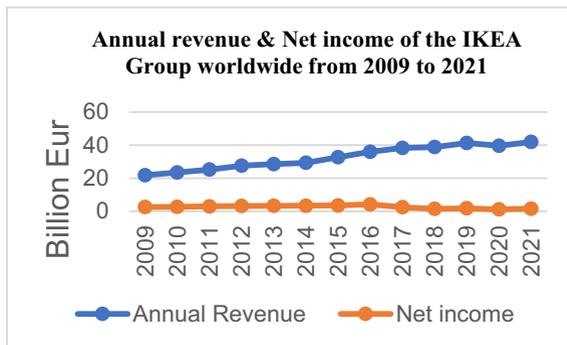
There are four aspects to analyzing the economic sustainability of IKEA-- sales performance, innovation, relationships, and investments.

#### 2.1.1 Sales Performance

The retail sales of the IKEA Group worldwide saw a constant increase in the past 10 years. After a recent breakdown in 2020 due to the pandemic, the figure shows a positive recovery (from 39.6 billion EUR to 41.9 billion EUR) [5] (Fig. 2).



**Fig. 1.** Triple bottle line theory in IKEA



**Fig. 2.** Sales performance of IKEA

However, net profits experienced a sharp decline after 2016 and have not yet returned to their previous level. The current difficulty is a possible mixture of business transformation, growing competition, and changing global environment.

In 2021, with two new markets (Mexico and Slovenia) being entered and 13 new stores being opened, IKEA continued to expand its business into emerging markets in developing countries [1].

Low pricing and high quality have always been the principle to support its economic growth. IKEA pushed suppliers to purchase cheap raw materials and lower the cost through large volume and lean production, which results in lower prices than more

consumers can afford. It served as an incentive for sales and thus a basis for sustainable growth.

### 2.1.2 Digital Transformation and Innovations

As a company based on traditional physical stores, IKEA fell backward in e-commerce. To catch up with the times, the company rolled out its own APP and hired talents from IT giants to lead the online business. Meanwhile, with the outbreak of the pandemic, behavioral change toward online shopping took place more tremendously. From 2018 to 2021, IKEA's e-commerce levels nearly tripled, and its revenue increased from 7% to 31% [6]. At the same time, social media operation and online customer communications increased [7].

IKEA also remains a trailblazer in innovation from different aspects. Technology innovation is a key driver for economic sustainability. Consumers can use VR applications in physical stores to visualize the furniture by scanning. The use of AR technology improves shopping experiences. The IKEA Place APP was released in 2017 to provide lifelike versions of over 2000 IKEA products in their rooms, which enables customers to make more reliable choices during furniture shopping [8].

Besides, IKEA has also made innovations in design and service. Each year IKEA kept launching new products, including sustainable new products. For instance, IKEA developed a new type of joint called a wedge dowel to replace traditional Allen keys, which makes it much quicker and simpler to assemble wooden products. It also worked with famous designers to launch capsule collections for young city dwellers. Furthermore, the Space10 innovation lab was established to invest to boost the health and wellbeing of the company's consumers in the future, which is a long-term strategy [9].

Innovation in IKEA was not ground-breaking, but it optimized the service and helped the company to create a more sustainable competitive advantage, thus a more sustainable economic development.

### 2.1.3 Relationship with Employees, Suppliers, and Customers

Up to now, IKEA creates 225000 jobs around the world, especially helping people in underdeveloped areas [1]. It is well-known for its employee base by providing high benefits and opportunities for employees to try different work in different functions. It promotes employee loyalty and working capability, leading to higher work productivity and profit.

Maintaining a long-term relationship with suppliers is another sustainable act. Instead of letting suppliers work in their own ways, IKEA paid close attention to supplier management and developed together with their suppliers. The outcome is that IKEA consolidated its supply chain and acquired a large-scale effect [10].

The customer-centric strategy is at the core of IKEA's service conception. It aims to satisfy the requirements of customer segments and ensure customer satisfaction through localization. For instance, Chinese people are not used to assembling furniture on their own, therefore more home delivery and assembly are provided in IKEA in China [11].

### 2.1.4 Investments in Emerging Markets and Fields

IKEA continued to invest in emerging marketing such as Mexico, India, and China. It planned to establish stores, offices, and warehouses in order to help IKEA continue to advance. For example, IKEA invested more than 1.5 billion USD in India and 170 million USD in Mexico in 2019. A 100-million-yuan program was planned in China to conduct lower price input [12, 13].

To boost developments in key areas, IKEA also made full use of its liability and asset values. Loads of fund was spent on logistics, shopping malls, forest, renewable energy, design platforms, and tech start-ups throughout the world [14]. The returns of investment were significant short-term improvements and potential long-term sustainability. It has not only created more jobs but also led to more sustainable economic growth in different markets. More importantly, IKEA's investment was consistent with the green policy of different governments, its present situation, and its own business ambition.

## 2.2 Environmental Sustainability

Environmental sustainability necessitates an enterprise's awareness of the environment's fragility and relevance to humans, including climate, energy, recyclable materials, and so on. It determines if a company can contribute significantly to environmental conservation while focusing on its own growth [15]. Furthermore, many multinational corporations are shifting their business practices to be more environmentally friendly and circular, which has become corporate ethics trend [16].

IKEA has worked to achieve environmental sustainability over the last ten years, focusing on climate protection and waste reduction, and has set a goal for the next ten years in its sustainability report for 2021 [17].

### 2.2.1 Limitation on Suppliers

Suppliers must comply with IKEA's high environmental criteria, which include the following: 1) Suppliers must make efforts to reduce energy use. 2) The supplier must limit pollution of the air, land, and water. 3) Chemicals and hazardous waste must be handled, stored, and disposed of in an environmentally responsible manner by suppliers. 4) Suppliers should ensure that staff handling chemicals and hazardous waste have the necessary skills and training [18, 19]. From 2010 through 2020, these regulations are aggressively enforced.

IKEA collaborates with approximately 2,100 suppliers to reduce the company's environmental impact while also improving working conditions [20].

### 2.2.2 Environmental-Friendly Technologies and Products

IKEA collaborated with WWF to develop kitchen, waste management, and lighting solutions. 1) In the kitchen, IKEA was looking for more energy-efficient gadgets and cooking methods that used less water. 2) In terms of trash management, IKEA is committed to assisting with smarter waste management in the home and contributing to a reduction in overall household waste. Meanwhile, there was a lot of room for improvement just by making it easier to properly classify waste and prevent wasting it. 3) In terms of lighting,

IKEA has focused on developing new items with a more sustainable lighting range. CFL (compact fluorescent lighting), halogen, and LED (light-emitting diode) are just a few examples from 2010 [18].

In February 2017, IKEA released Kungsbaka, a new line of kitchen cabinets built from reclaimed wood planks and laminated with recycled PET bottles. According to IKEA, billions of PET bottles are consumed each year, but only a small percentage of them are recycled, leaving the remainder as garbage. The plastic bottles were converted into laminate sheets using a specific melting technique. Cleaning the bottles, grinding them down to flakes, and then fusing them together to make quarter millimeter thick foil sheets was the entire procedure. This foil is painted after being laid over the boards with mild adhesive. These cabinets are made out of 99.9% recycled materials once they're finished [16, 20].

Now, more than 9,500 products have been assessed for circularity and more than 18 million spare parts were offered to customers in FY21 to extend the life of IKEA products [17].

### 2.2.3 Wood Use and Forest Protection

IKEA has been devoted to the best use of wood and adheres to the toughest sourcing requirements as one of the major merchants of wood used, with a long-term objective of totally switching to wood from sustainable sources by 2020, including recycled or forest-derived wood Stewardship board-certified wood. IKEA uses acacia wood from Vietnam that has been certified by the Forest Stewardship Council. IKEA collaborates with suppliers, small farmers, and organizations like the World Wildlife Fund to guarantee that acacia trees are grown in a way that benefits the environment and local communities. In addition to suppliers adhering to the strict "IKEA Product Sourcing - Forestry Standard," IKEA increased the proportion of wood from sustainable sources (recycled wood and wood from Forest Stewardship Council certified forests) to 77% in 2017 and aims to increase the proportion of wood from sustainable sources to 100% by 2020 [21].

IKEA collaborates with the WWF and other organizations to stop illicit logging and promote the ethical wood trade. Since 2002, WWF and IKEA have collaborated to protect and improve forest management, combat illegal logging, minimize water and pesticide use, and boost cotton farming livelihoods [22]. The alliance is also collaborating with freshwater programs to develop shared water-use solutions for a more sustainable textile sector, as well as expediting business climate action. IKEA worked with other companies and networks to help establish progressive rules and spur sector-wide innovation [21].

### 2.2.4 Agriculture Contribution

Since 2015, the IKEA business has used exclusively cotton from more sustainable sources and recycled cotton in its supply chain, phasing out all conventional cotton. Cotton teams working all around the world are in charge of ensuring that every cotton used in IKEA goods complies with the company's supply chain compliance requirements [23].

IKEA's efforts to create more sustainable food systems for food ingredients are in line with the company's efforts in responsible sourcing and its goals of assisting people

in living a healthier and more sustainable life at home. Better nutrition, better proteins, less food waste, and better packaging are all priorities for IKEA, as are more responsible agriculture, production, and supply [24].

IKEA is aiming to enhance animal welfare by improving the settings in which they are raised, how they are handled, and on-farm techniques that prioritize excellent physical health, good mental health, and the expression of natural behaviors [25].

### 2.2.5 Other Recycled Materials and Inorganics

In FY21, the IKEA business and Pact, an NGO and IKEA partner, examined 14 raw materials to identify hazards and gain insight into the long-term effects of inorganic extraction and mining [24]. The study looks at the IKEA business and supply chain, as well as society and the environment, to identify risks, key players, and viable sustainability initiatives. In the case of polyester, IKEA achieved a milestone of 90% recycled content in the polyester used in IKEA's textile products in 2020. IKEA's measuring scope has now been expanded to include all polyester and fiber applications, eliminating hard plastic but including all fiber-based applications such as foam. Despite this greater breadth, IKEA has ensured that 88% of the polyester used in their supply chain is recycled [26].

IKEA already uses 60% renewable materials and 10% recycled materials in its operations. For example, the HIDRASUND mattress features lyocell, a wood pulp-based fabric. IKEA uses a lot of wood as a raw material since it's renewable and a good environmental choice if it originates from well-managed forests. IKEA's goal is to solely utilize wood from more environmentally friendly sources. The mattress also includes recycled steel springs as well as renewable elements like natural latex and coconut fiber. Natural fibers help to regulate body temperature, making it a very comfortable place to sleep [17].

## 2.3 Socially Sustainability

IKEA also focuses on socially sustainable development and promotes an equity-centered approach to development [27]. IKEA places great importance on the development and practice of social responsibility. To this end, it has refined its ethical business requirements through a range of actions that reflect an honest approach to social sustainability.

### 2.3.1 The Needs of Employees

When it comes to hiring employees, IKEA insists on judging them based on good character and outstanding workability. It values diversity in its workforce and rejects unfair discrimination based on race, nationality, gender, age, and other grounds as a requirement for selecting employees [28]. It adheres to fair and equitable selection and organizes the Backpacking program to establish a more transparent selection process [29]. The program aims to select capable young people for national training. The program is fine, with information on recruitment and progress tracked on the website, facilitating a fair and equitable selection process.

In addition, IKEA places emphasis on fostering positive and open corporate values, which provide room for creative thinking. A positive and open corporate culture shows respect for employees' personal opinions and facilitates the expression of those opinions [30]. It encourages employees to question unreasonable management practices and provides an accessible and creative work environment [31].

IKEA also attaches great importance to the welfare of its employees. In addition to food, clothing, housing, and transport, IKEA requires set individual benefits. It is committed to providing benefits tailored to each employee's needs. In addition, benefits are designed to be in line with social values, local laws, and regulations and reflect a sense of social responsibility [27]. It is important to note that at least one of IKEA's benefit requirements is above the average market level. For example, it will offer benefits in overtime pay and vacation time. This provides good incentives for employees [31].

### **2.3.2 The Rights of Workers in the Supply Chain**

IKEA is concerned about how its supply chain workers work and has launched the Better Cotton Initiative to this end. The initiative calls for helping to maintain 'decent work' for workers, arguing that producing better quality cotton requires a focus on the needs and rights of workers in the production chain [32]. It introduced advanced technology and machinery and trained workers to learn and use it. The new way of producing cotton frees up workers' hands, making it easier and quicker to do the job by operating the machines than by picking in the field, reducing the burden of production, and improving workers' health [29].

'Decent Work' also prioritizes how well workers will be compensated. IKEA does not tolerate dishonest practices such as deductions or non-payment of wages and values workers' fair work in return [28]. Furthermore, workers are expected to work voluntarily, and IKEA and its suppliers do not force workers to conduct productive work, violating their human rights [33].

IKEA also takes workers' safety rights seriously and is committed to creating a safe and healthy working environment for workers. It visits several wood supply factories to ensure a uniform and good working environment. In the Slovakian sawmill, for example, IKEA has followed up on the production environment of the factory, using the excellent factory environment as a benchmark to develop standardized rules and guidelines [30]. In addition, it has worked with suppliers in Bangladesh to provide formal work centers for workers and improve their working conditions [31].

### **2.3.3 The Co-development of Socially Disadvantaged Groups Within an International Perspective**

IKEA has responded positively to the International Labour Organization's (ILO) call for all suppliers, including IKEA, to prohibit child labor. The protection of children's rights has become a key criterion for IKEA's development [35]. It also works with charitable organizations to raise awareness of children's human rights and protect children's rights across the entire industry chain. IKEA has worked with UNICEF to give access to education to impoverished children in India in response to the shortage of education for children in underdeveloped areas. It has also launched a plush toy drive to address

the educational challenges underprivileged children face. Every plush toy sold by IKEA will contribute €1 to the education fund of a child in need, bringing relief to the issue of improving children's rights [27].

To address gender inequality in the international community, IKEA has also joined forces with the United Nations Development Programme (UNDP) to provide women in India with the opportunity to fight for equal rights. It organizes and provides skills training to women in need, increasing their ability to participate in the workforce and raising their awareness of the need to actively fight for their political, economic, and social rights [30].

IKEA also contributes responsibly to the international community's refugee problem. For refugees in Africa who are suffering, it has donated €43.4 million to the United Nations High Commissioner for Refugees (UNHCR), making it the largest donation from a company accepted by UNHCR [32]. The fund has helped to build survival shelters for the refugees and introduced professional survival skills training to help them improve their living conditions [34]. For the refugees in war-torn Libya, IKEA has also donated many household items to help maintain the refugees' daily lives.

From a global perspective, IKEA aims to promote equality in the international community. The IKEA Foundation has been established to help give developing countries a better future. The IKEA Foundation is an excellent example of social responsibility, with a positive sense of helping developing countries to make a difference [35].

### 3 Theoretical Influence and Future Development

#### 3.1 Organizational Sustainability Theory & the Advantages of Theory

Organizational sustainability theory emphasizes the long-term sustainability of corporate development. It is more about the long-term product of an organization than about maintaining short-term survival [34]. In addition, the theory requires organizational decision-makers to dialectically and optimally address both short-term and long-term interests to maximize the overall benefits to the business [36]. Organizational sustainability theory suggests that sustainable enterprises should consider the three aspects of economic prosperity, green ecology, and social responsibility as a hybrid system [27]. It is not practicable to consider only economic efficiency without paying attention to environmental protection and social responsibility. Economic benefits can provide financial support for short-term operations, but in the long run, the lack of social and ecological benefits will inevitably hinder the company's sustainable development [37]. The theory of organizational sustainability seeks economic, social, or environmental effects and a harmonious community that maintains a balance between the three. The theory, therefore, sets out the basic principle of considering the 'triple bottom line', namely economic, environmental and social co-development, which sets out the bottom-line requirements for business operations and is an essential guideline for disciplining companies [34].

Within the context of ecological sustainability, IKEA continuously maintains the proper functioning of social systems on the path of maximizing profitability, which helps to shape IKEA as a good company for long-term sustainability. At the economic level, IKEA is concerned with economic sustainability in local communities, nationally,

and in the global system. To this end, IKEA has set up effective economic performance assessment criteria to understand the interaction between stakeholders' interests and the macro-level economic impact of the business [28]. IKEA's focus on economic sustainability can mitigate conflicts with stakeholders and the environment, which is a positive and sustainable development advantage. At the environmental level, IKEA focuses on environmental protection. From the company's operations to product development, IKEA implements ecological requirements for resource conservation and use and combating environmental pollution [38]. Implementing environmental performance has enabled IKEA to constantly improve its self-assessment, pursue better environmental technologies and enhance its overall competitiveness. By being ecologically conscious and respecting the laws of nature in the pursuit of economic efficiency, the company can restrain its behavior and realize the positive requirements of coexistence with nature [29]. IKEA actively practices social responsibility requirements and maintains equitable development within the global social system at a social level. Internally, IKEA actively safeguards the rights and interests of its employees; globally, it contributes to equal human rights through philanthropic assistance. Corporate social responsibility sets a high ethical standard for the company and contributes to a responsible corporate culture [37]. In addition, fulfilling social responsibility helps maintain relationships between stakeholders and creates good social benefits for the company's development [32]. Overall, IKEA follows the requirements of organizational sustainability theory in three major areas: economic, social, and environmental, which contribute to the establishment of IKEA as a global company with long-term competitiveness.

## **3.2 IKEA's Sustainable Development Has Defects and Space**

### **3.2.1 IKEA's Current Defects**

IKEA embeds the concept of sustainability throughout the organization [39]. Although this is what IKEA managers always emphasize they are practicing the theory, in fact, few employees have a strong perception of sustainability, and most employees think that sustainable development is just a relatively empty concept that has no connection with their daily tasks and goals. Some employees believe that if sustainability becomes an isolated concept, it will cause problems in daily work and company bylaws.

As a result, companies need to introduce specific goals and guidelines for sustainability as part of evaluating managers and colleagues in different areas of the organization. This is highlighted in the discussion of how suppliers are evaluated and key performance indicators (KPIs) that measure and evaluate sustainability performance across the organization. This is seen as a way to create a sense of urgency and relevance for everyone. In addition, the company needs to further deepen the relationship between sustainability and IKEA culture. On the one hand, sustainability may undermine the cost-consciousness that has been a pillar of culture. Efforts have been made to refute this view, demonstrating that sustainability can be good business. On the other hand, managers believe that sustainability is already part of the corporate culture if presented in the right way.

Sustainability is a long-term process that supports the enterprise [39]. The working perspective of business management is much longer. For some groups of employees,

the long-term view of sustainability seems particularly difficult to accept. It, therefore, seems particularly important to establish a long-term perspective in relation to business opportunities when discussing sustainability. IKEA needs to show the public how it can be a sustainable business that uses sustainability of resources rather than exploiting people, strengthens the loyalty of people and communities, and at the same time makes a profit.

Now IKEA is also taking a lot of those profits and putting them back into business and development, and the amount spent and invested in IKEA's sustainability has grown exponentially over the last 20 years. The long-term perspective is not only because of the processes that influence the mindset of colleagues but also because of the long time it takes for the process of change to follow a decision about sustainability. IKEA's sustainability strategy covers three main areas: energy and resources, people and communities, and more sustainable family life. Strategies, therefore, need to be developed based on knowledge of these three areas, such as measures and laws relating to rainforest conservation and development, and an understanding of sustainable development policies in wider society. In addressing the sustainability of people and communities, companies can focus on working closely with social organizations such as pension institutions and UNICEF.

Therefore, the biggest defect of IKEA's development at the present stage is that the concept of sustainable development is too vague in the organization, and the obstacle to sustainable development is in long-term practice.

### 3.2.2 IKEA's Development Space

Expand product features. How to combine products with the concept of sustainable development is the focus of many employees, who hope to feel the positive impact of sustainable development in their daily work, such as production and transportation. In addition, positive incentives are also essential. A set of KPIs related to sustainable development goals should be set up to motivate employees to actively participate in and practice the sustainable development strategy of the enterprise. Expanding product features also means continuous innovation. There is a large space for development to find more energy-saving and safety optimization schemes from existing LED lamps and other products.

Optimize the consumer experience [39]. In the long term, how to retain customers is crucial. Raising consumer experience, deepening consumer understanding of IKEA, and strengthening after-sales service are very important for IKEA, in the process, such as through a tour of the IKEA furniture manufacturing factory, making consumers know IKEA's further experiments and contribution to sustainable development, and spontaneous transfer the environmental protection consciousness, the growth of the realization of the value chain. In addition, IKEA also should be combined with the policies of different countries, different audiences, and they produce more closely linked, for example, the old man and the child welfare by the policy are more groups, IKEA needs to seize the main groups, and for the community physical structure factors such as rigorous and moral considerations. This is where IKEA can go in terms of dealing with consumers.

## 4 Conclusion

IKEA is a good example to study the sustainable development of the furniture industry, which provides a reference for other furniture enterprises to deal with economic, environmental, and social problems. Through the consideration of IKEA's three dimensions, the superiority and strategy of its sustainable development are evaluated, and a high level of affirmation is given. In addition, the theory of sustainable development within IKEA covers a wide range of areas, and there are strategic goals of sustainable development from supply chain to consumer management. Moreover, the organization as a whole has strong implementation efforts, and many partners provide support from natural resources, capital, and human resources.

On this basis, IKEA employees have a sense of belonging and identity to the sustainable development culture. They clearly know the strategic goals of their organization but have no sense of their participation and contribution in this process. In addition, IKEA needs to increase its budget and partners in the future long-term plan, and at the same time rapidly improve the functional range of its products and strengthen customer relationships and their experience.

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