

Case Study #5: IKEA

The IKEA Group is the world's largest furniture retailer and a leading sustainability-focused corporate brand. IKEA recently promised to make all its 12,000 products from renewable and recyclable materials by 2030. In June, Ikea announced a new strategic partnership with Ellen MacArthur Foundation that will focus on advocating for closed-loop home furnishing designs and methods to promote circular offers to customers.

IKEA has bought forest in Romania and the Baltics, wind farms in Poland and in 2017 invest in a plastic recycling plant in the Netherlands. For the Swedish furniture giant, extending control across its supply chain in this way could help it become more sustainable by avoiding environmentally damaging activities like illegal deforestation and plastic waste. Currently, IKEA diverts around 90 percent of its overall operational waste from landfills and 60% of IKEA's products are made from renewable materials (10% use recycled materials).

Through Ikea's size and reach, the company defends that they can inspire and enable more than one billion people to live better lives, within the limits of the planet. One example is the development of products that can be useful throughout the changing lives of our customers. The company is committed to taking the lead, working together with everyone – from raw material suppliers all the way to our customers and partners.

To have a sustainable supply chain, IKEA make several efforts and has developed different strategies to ensure that the whole supply chain will be less harmful to environment. First of all, Ikea carefully selects suppliers and creates sustainable relationship with them. IKEA works closely with its suppliers, to make sure that raw materials meet its requirements, and uses 42 trading service offices world over, making it a very high-volume retailer.

IKEA has implemented a supplier and service provider's code of conduct called "IKEA Way of Purchasing Home Furnishing Products" (IWAY). From producing home furnishing products and hot dogs, to cleaning an IKEA store, if a supplier is not able to develop its business to fulfil the requirements of IWAY, it is phased out from the IKEA value chain. IWAY contains minimum rules and guidelines that help manufacturers reduce the impact of their activities on people and on the environment. IWAY is based on widely recognised international documents and conventions for human rights, environmental protection, and worker health and safety, as well as on IKEA values and legal compliance and it is continuously being developed. IWAY Must requirements include for example no child labour, no forced or bonded labour, payment of minimum legal wages and accident insurance to all workers.

Ikea's Supply chain managers need to ensure ethical sourcing of how suppliers obtain or produce raw materials to see if they are following sustainability standards. In 2000, IKEA formed a partnership with UNICEF to work on a community programme in Northern India. The aim of the work was to prevent child labour by raising awareness and addressing the root causes.

IKEA believes in using as few materials as possible to make its furniture, without compromising on durability and quality. This, in turn, contributes to costs savings as it cuts down on transportation costs, using less fuel and workforce to receive materials and ship products. Predictive analytics techniques forecast where and when goods will arrive, allowing shipment from various suppliers to be combined to be sent to multiple final destinations. The organisation chooses rail transport where possible and tries to minimise goods going into intermediate storage in distribution centres. IKEA stores often operate free shuttle buses to and from the city centre and aim at promoting sustainable transport for customers and co-workers.

The two primary materials that IKEA uses are wood and cotton. In 2018, 100 percent of the cotton used is sustainably sourced. IKEA is massively investing in sustainable forestry and they are working with organizations like Global Forest Watch. They have made steady progress in the last past years, in 2017 approximately 75% of the wood used by IKEA was sustainably sourced. Ikea defends that sourcing wood from sustainable forests is not only good for the brand but for the business, to ensure the sustainability of their own operations if they want to keep supplying wood-based products.

The 2019 strategy for sustainability at IKEA Group, 'People and Planet Positive,' aims at meeting the needs and interests of many people and the society while protecting the environment. The strategy is intended to also improve the quality of life of people and communities within the planet limits. The company is committed to the right working conditions, uses resources efficiently, and recycles waste into resources. It also promotes renewable energy, responsible stewardship of forests, water and farmlands, and a better society that respects human rights across its integrated value chain.

For more information,, see the following videos to motivate your discussion (https://youtu.be/yv_e1fy3Gsk; <https://www.youtube.com/watch?v=2lxHqtQj1rU>). You can find more details related to Ikea's Group Strategy for sustainability here (https://www.ikea.com/ms/en_JP/pdf/people_planet_positive/People_planet_positive.pdf).

1. Discuss the efforts employed by the Group to build a Sustainable Supply chain, mentioned circular economy practices.
2. Give examples of sustainable measures/KPI's that are and could be applied by the Group, concerning the tree pillars of sustainability.