

IKEA's Corporate Social Responsibility

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ABSTRACT

Corporate Social Responsibility (CSR) is an evolving business practice that helps the company to be socially accountable. It appears to play an important role in enhancing the economic, social, and environmental performances. IKEA is an internationally known home furnishing retailer that has grown rapidly since the year 1943. IKEA maintains a sustainable business by implementing CSR as a global supply chain. The purpose of this research is to analyze CSR practices in global supply chains. Our investigation will examine how CSR brings benefits to the three indicators while the organization boosts its brands. The results of the study indicate that CSR practices bring a positive impact on the organization.

Keywords: Corporate Social Responsibility, Economic, Environment, Global Supply Chains, Social, Sustainability

INTRODUCTION

Most of the time, beautifully designed home furnishings are created for the few who can afford them (IKEA, 2019). IKEA's foremost mission since the establishment of the company is to offer high-quality products at a low price that is affordable by everyone. This will not only enable the consumers to have products which they can afford but also at the same time it enables the company to compete with other business rivals with products which are not only similar in quality but also at a similar or even lower price.

IKEA is a multinational group of companies founded in 1943 in Sweden by Ingvar Kamprad. They sell ready-to-assemble furniture, appliances, and home accessories. IKEA has grown from a simple entrepreneur into a cluster of companies with over 76,000 associates. They have developed quickly into a global furniture retailer by applying marketing mix throughout their journey to success. As marketing mix is a foundation model for a business that focuses on cost reduction by comprising the company's product, price, promotion, and place.

The event that marked the true turning point of the business is due to the variety of products provided by IKEA. They aim to satisfy all range of customers by adjusting to a specific atmosphere and national traditions of the country in which there's an outlet are operating. The number of company's products depends on the size of the outlet where it can range from 8,000 to 10,000 items. Besides, IKEA transformed itself into a one-

stop furniture retailer where consumers can look for everything they needed in that particular place.

IKEA is not only competent in cost controlling but also efficient in operational details. It is what makes them different as compared to the other home furnishing retailers. IKEA packs everything flat to save on storage and transportation cost as their goods are packed in pieces where the customers have to assemble it themselves after they bought it. They target customers that are looking for value in the products and are willing to serve them.

Having a sustainable relationship with a supplier is the key to the company's success. It helps to gain the best price on what they need to manufacture their products. Besides, using the flat-pack method makes the items to be stackable. It gets to saved space and delivered with great efficiency. Meanwhile, IKEA will estimate the number of products delivered to the customers to prevent additional delivery shifts. The promotion aims to stimulate demand for a company's goods and services. IKEA put great effort into advertising their products. They create a different advertisement that adapted to the countries' cultures and always put the company's slogan in it. Furthermore, IKEA offer sponsorship for the event's function by providing them with equipment

Throughout the rapid growth of IKEA has let the company realize that with the marketing mix comprising the 4Ps, product, price, place, and promotion are not strong enough to compete with other companies nowadays. Corporate social responsibility (CSR) has implemented in IKEA to help the company which evolved from being economic capitalist to an economic environmentalist. CSR is a sustainable solution that can generate social, economic, and environmental benefits in IKEA where it has integrated it into its operational practices (Laurin & Fantazy, 2017). The CSR implementation in IKEA can create a balance between economic target and social responsibilities. It is applied by committing to society and stakeholders to contribute values for social upliftment.

IKEA emphasizes heavily on its people, planet, and profit perspective ("IKEA Sustainability Strategies – People & Planet Positive", 2017). CSR is the sustainable key indicators and embedded in IKEA's operational policy and values. The sustainable policies help in branding the image of corporations as 'green brands' that not only wants to optimize its profit but also have a social consciousness. As CSR implementation in IKEA is yet to be mature, to prevent some of the issues happened, IKEA has conducted a consumer survey to identify the consumers' awareness about the CSR practices in IKEA. They have developed key performance indicators to assess the achievement of social objectives and CSR issues.

In conclusion, the purpose of our project will be analyzing the CSR practices in IKEA and examine how CSR brings advantages to give a boost to its brands. At the end of the project will indicate through the result of the study that CSR practices bring a positive impact on the organization.

Background Idea

There are some fundamentals to look into when implementing corporate social responsibility (CSR) into a company. We will be discussing a few of them in our research, which is the diagnosis, strategy and action plan, evaluation, and recommendation ("Goodwill Management", n.d.). Diagnosis is the first stage a company will come across when implementing CSR into their organization. It is important to find

out the best strategy for the relevant sector and stating out the reason for implementing the action.

IKEA is a well-known global brand that expert in selling stylish and modern furniture. They focused on a low-price strategy, where it serves the product in the best quality to the customer. IKEA leads in front of the furniture retailer where it produces product adapt with the country and generation. They are very successful in the aspect. Meanwhile, the marketing trend will be changing year over year. We would recommend IKEA to stress on other strategies to enhance their strength.

We think that IKEA should emphasize their marketing strategies that adapt to the current trend that is corporate social responsibility (CSR). The term CSR seems to be new but research predicts that there has been an evolution of its concept throughout many decades. Way back in the '30s of the last century, the focus of marketing was initially on distribution and logistics, which was about how to provide some products at a minimal cost. With the total marketing, the center of attention is to set on the selling systems on the marketing mix comprising the 4 Ps: Price, Products, Place, and Promotion. Social marketing emerged in the '70s whereby the company decides on the long-term interests of stakeholders internally as well as externally. A stakeholder could be an individual or a group, who can influence or get influenced by the behavioral impacts of an organization. CSR is a crosscutting topic under numerous issues where it can be looked into more detailed such as environment protection, health and safety, working conditions, stakeholder, and government engagement (Fordham, & Robinson, 2018).

The idea of implementing CSR into IKEA came from the environmental issue that is concerned in these few years. We should start doing something to protect the environment so that future generations are not compromised and have access to the same resources that we have (Tan, 2016). Hence, choosing to enforce CSR in a global retailer helps to spread awareness among all the industries around the world. Meanwhile, enforcing CSR in a company is not an easy job where it involved in the long run that many prospects need to be considered. Every company approach CSR in some different ways. It depends on the company's resources, available assets, and corporate culture.

IKEA stressed the economic bottom line which is people, planet, and environment. We suggest IKEA indicate CSR more on communities, employees, and environmental benefits. Forming a community is essential when building a healthy business. They exist as mutual support to an organization. When an entire community supporting one another, the chances are higher to get through the marketing competition. Besides, CSR is linked to employee retention, productivity, and engagement (Glassdoor Team, 2017). It has a positive correlation between job satisfaction and productivity. The employee would prefer an organization that shared the same value appreciate their effort. They will be motivated, and it increases their productivity. Implementing CSR benefits in preserving the environment and save costs at the same time.

In conclusion, implementing CSR in the current marketplace brings more advantages to compare to a company that focuses on 4P's marketing strategy.

RESEARCH METHOD

The research used in this study is descriptive research design by analysing how important CRS is in IKEA.

RESULTS AND DISCUSSION

CSR is important for a company operates in a way demonstrates social responsibility. Although is not a legal requirement it is a good practice for a company into account social and focuses on environmental issues. CSR can define as a self-regulating business model that helps a company be socially accountable to stakeholders and the public (Chen, 2019). It efforts a company practice that incorporates sustainable development to better the lives of the society, economic and the environmental in whatever capacity. The purpose of CSR is to give back to the community, which takes part in philanthropic causes and provides positive social value. CSR brings a lot of benefits for employees, society, business, and non-profits. CSR also can help the company stand out from the competition such as committed to going one step further by considering social and environmental factors. IKEA's CSR efforts and activities comprise supporting local communities, educating and empowering workers, addressing the issues of gender equality and minorities, energy consumption, reducing waste and sustainable sourcing within the company.

The idea for implementing CSR into IKEA is IKEA can support local communities (Dudovskiy, 2017). IKEA can look for non-profits to be the recipient of grants, volunteer grant programs and other initiatives to help non-profit find beyond individual donors. Giving back to the community is an excellent way to promote business and get the word out about product or service. As an example, the local newspaper is filled with photos of business people presenting checks to the directors of charitable organizations. Some of the non-profit organizations also will recognize donors on websites or at their published literature. If a company gives enough to communities, it will be able to use the charitable deduction on income tax. Supporting local communities such as charities and attending charitable events also can gain more customers. This is due to potential customers like the patronizing business that reaches out to help others. The company has the opportunity to meet other business people and develop strong relationships with complementary businesses during charitable events. There are many ways to support the community such as sponsor a youth sports team, enter afloat in an annual parade or help decorate the town, donate to a food bank, and donate a portion of sales to charity on a particular day or sales in short period and other to support local communities. No person is an island and no business is in isolation. Although business is a purely virtual enterprise that operates on the internet it still part of a community.

Also, IKEA can educate and empower employees to improve in CSR by training and development employees. Training is a program help employees learn specific knowledge or skills while development focuses on employee growth and future performance. Training and development are important because it can improve employees' performances in their current roles and immediate job role. A company needs an employee that can get the job done and employee performance is critical to the overall success of the company. Employees like working for a company that has a good public image and is constantly in the media for positive reasons (Schooley, 2019). When employees are proud of their company's social responsibility are engaged in

their works and more effort to achieve substantial results. CSR companies also tend to attract employees who are eager to make a difference in the world. At the same time, the company is showing that they are committed to things like human rights and more likely to attract and retain the top candidates. There is also a range of benefits for employees when embracing CSR which is workplace become moral and productive to work. Thus, it promotes things like volunteering and encourages personal and professional growth. IKEA can educate and empower employees with opportunities to further their education and gain new skills not only improve in the job but also improve stick to the company. The company can invest in hiring educated employees and provide employee continuous education opportunities like experience return on their investment and higher profitability. In process training, employees develop their capacity to observe, analyse and act on information. When this ability transfers to the workplace, employees exhibit a greater aptitude for handling the more complex and large project in more productive and efficient.

IKEA also can improve CSR by addressing the issue of gender equality and minorities within the company. Women in society struggle against the forces of inequality. The objective gender equality is women and men enjoy the same opportunities, rights, and obligations in all spheres of life which can share equally in the distribution of power and influence, enjoy equal access to education and enjoy equal opportunities for financial independence through or business. Gender equality is important because it provides designing and implementing population and development programs. There are differences in roles between men and women. Empowering women to work have benefits not just for the individuals, but also for the wider economy. This is due to the gender employment gap was close caused by an increase in GDP. Gender equality can have better communication between a manager with workers and increase productivity company (Clapon, 2018). Unequal societies or companies are less cohesive and have higher rates of anti-social and violence. The majority of IKEA employees are women which are 54% of all IKEA employees. There are also 48% of the manager and 33% of group management are women. The employer should prevent gender discrimination and maintain equality regarding hiring, salary, opportunities, and promotion including economic participation and decision making.

Furthermore, energy consumption also can as an idea to implement CSR into IKEA. The company can reduce its carbon footprint by purchasing green power and generating electricity or renewable sources. As an illustration, the most common renewable power technologies include solar which is photovoltaic and solar thermal, wind, biomass, geothermal and biogas which is landfill gas. Environment and economic benefits of using renewable include no greenhouse gas emissions from fossil fuels, energy supply and reducing dependence on fuels and creating economic development. As a suggestion, IKEA can install wind turbines around the world and solar panels in a building owned by IKEA. IKEA also can invest money into a program to reduce energy and produced renewable energy equivalent. Renewable energy has a major role to play in putting the world on a sustainable path as it will cut emissions, improve air quality, create paid job and save lives.

IKEA also need sustainable sourcing and waste-reducing to implement CSR in a company. Sustainable sourcing is the integration of social, ethical and environmental performance factors into the process of selecting (Collie, 2018). There are many benefits of sustainable sourcing include long term efficiency savings, more efficient and effective use of natural resources, and reducing the harmful impact of pollution and waste. As an example, IKEA can supply role materials such as cotton and wood from

more sustainable sources. IKEA also can educate and support suppliers in setting their business standards such as cotton and wood suppliers. Waste reducing is an important issue that alleviating the burden on incinerators and other waste disposal facilities. It includes 3P which is reduced, reuse, and recycle. Reducing waste is important because it can affect finances and social impact by creating more jobs for people in industries developed to recycle goods. Reducing waste can save energy and helping to build a more sustainable future for our children and grandchildren. As some suggestion, The IKEA catalogue is the largest print production to be printed, IKEA can choose the paper with FSC labels which is helping to take care of the world's forests. IKEA also can start reducing waste from the office such as save documents to hard drive or email to save paper, pay bills via e-billing, reuse the paper and so on.

In conclusion, a company can show CSR in many ways including support local communities, employee volunteering, environmentally conscious production processes and more. CSR is more attractive images to both consumers and shareholders which serve to positively affect their bottom lines. CSR is best for a company to implement into business both large and small and this was the environment, as well as a society, can be treated.

CSR is an evolving business practice that helps the company to be socially accountable. It appears to play an important role in enhancing the economic, social, and environmental performances. It is generally accepted that corporate social responsibility is a way of managing and reducing risks ("CSR Create Risk, n.d.). But on one hand, it may bring benefits; on the other hand, CSR also brings risks.

IKEA maintains a sustainable business by implementing CSR as a global supply chain. If a company performs its social responsibility well, it can effectively reduce the risk of being involved in a scandal. Otherwise, it will only increase the risk of the company. That is to say, only after the real implementation of CSR, the company get to reduce the risk in today's severe market competition. If it is just a front for public relations, it will only increase the risk, because its fraud will be exposed at any time. Only if their actions stand up to scrutiny will they gain a lot of credibility. Therefore, CSR will urge enterprises to improve internal control, so that it can be fulfilled, to bring expected benefits to the company (Liu, 2018). IKEA is known as an international company, there will be many unknown challenges which have to face:

1. If the CSR is insincere or superficial, the company will be damaged through it. As an international company, IKEA has a good reputation for many years. But if the company lacks a sincere CSR and collaboration, then the employees will soon understand that the high level of customer care is not true. It will simply find a corresponding way to deal with this regulation, only on the surface to make customers get good services.
2. Financial profits can be spent on the cover of CSR, but not much benefit. If in the realistic market competition environment, the CSR investment cannot obtain the corresponding return, resulting in the reduction of the company's profit level and market share loss, and then lost the existing competitive advantage, in the long run, this is undoubtedly a disaster for the company.
3. Managers can use the profits of shareholders to satisfy their interests, which is the agency cost. Employees are the creators of corporate profits. Enterprises have the obligation and responsibility to create a safe and comfortable working environment for employees and provide a sound social security system, However, the unfair phenomenon of weak labor and strong capital in some localities has not been fundamentally solved. Labor disputes still occur from time to time.

4. CSR creates an internal bureaucracy that may slow down the pace of business. There is research illustrates that managers who concentrate on balancing the needs of multiple stakeholders have achieved better financial performance for the company than managers who place more emphasis on profit and cost control. Moreover, these managers are often seen as geniuses or visionaries, while those who place too much emphasis on profit are considered dictators.

5. CSR practices are designed to deceive consumers and quell criticism that can lead to marketing fraud. The duality of corporate social responsibility will harm corporate governance. Providing healthy and safe products and services for society is the most basic social moral responsibility of enterprises. In the process of using products or receiving services, consumers not only simply satisfy their consumption desire, but also can not suffer any harm to their body or life after consuming products. Some enterprises take the pursuit of profit maximization as the only standard of production and management. For the sake of their brand image and vested interest, they ignore the life and health of consumers and, under the condition of being informed, cause lifelong pain to consumers and bring disaster to themselves.

6. CSR projects can make the society and the government lose sensitivity to CSR, thus leading to diminishing marginal returns of CSR. If there is no strong commitment to CSR, no strong support from governance values, and no coherent processes and activities to advance, just as a marketing trick or means to implement, then companies cannot get economic returns from it. It may even be seen as hypocritical by the outside world. In many cases, the relationship between social responsibility and corporate profits is unclear. Ultimately, corporate managers will feel nothing to do that will not help the company maximize profits.

The case of IKEA illustrates that the premise of CSR management in the supply chain is rooted in the whole supply chain organization. At present, many multinational companies have increased the proportion of their production outsourcing in developing countries. In line with this development, supply chain management has shifted from the operational level that mainly considers procurement price, quality, and reliability to the strategic level that focuses on establishing strategic long-term cooperative relations with suppliers. Transnational corporations are not only responsible for the environmental and social responsibility of their operations, but also increasingly assume the responsibility of managing the environmental and social performance of their suppliers. To manage CSR in the supply chain, the concept of CSR needs to be deeply rooted in the whole supply chain enterprises. It should not be confined to the headquarters of multinational enterprises but spread to all operating areas, affiliated foreign branches, and suppliers.

CONCLUSIONS

IKEA has to constantly adapt changes and aware of customers' demands and preferences trends to survive in the changing environment nowadays. Some recommendations in terms of our business idea will be given to help the company to improve its value proposition as well as to maintain its competitive advantages.

As we know IKEA's mission is to offer a wide range of well designed, functional home furnishing products at low prices that as many people as possible will be able to afford them (Pratap, 2018). This comes to several questions from the customer about the quality and durability problems of the products. Therefore, IKEA needs to leverage its brand relationship with high quality as well as cool design and affordable price. It would not be easy to achieve this goal since quality and price are considered a trade-off

relationship. We recommend that IKEA needs to take effort and focusing on relationships between women and mothers who concerned and focus on quality to some extent. This is because in most cases buying decisions for furniture is commonly based on housewives' decisions.

Also, we suggest that IKEA have to take action to improve not only its product but also the brand image of low quality with current reasonable and cheap price (Trendafilov, 2018). It is important to focus on the quality of children's furniture items to improve the relationship between the company and customers. As CSR practices are implemented in IKEA, we suggest that an eco-friendly image strategy can be implemented to attract the customer's attention on IKEA's product. The reason is customers, most of them are housewives tend to buy eco-friendly furniture for their children rather than higher or relatively cheap prices. Throughout this strategy, it seems will make high loyalty of customers towards IKEA brand furniture and also can produce positive influence through word of mouth.

Other recommendations that we recommend are IKEA should focus on innovation as this is a key in adding value to the development of an organization and it has a very unique innovation perspective compare to other organizations. We suggest that IKEA can broaden its selection base of hiring people by adding a new emphasis on the recruitment of people from a mixed background and personalities, at the same time not changing the core competencies required of key staff. This is due to IKEA's policy of recruit people from the same genre as this leads to inhibiting diversity and innovation when meet changes in a new market. By adding the new emphasis on hiring people, this will promote diversity, infusion of new ideas, and ensure the richness of culture due to adding in fresh blood in the organization. Moreover, we also recommend that IKEA further analyze the segmentation markets, focus on consumer-centric innovation, and organize a more innovative marketing campaign to match local preference, customers' demand, and endure the business grow.

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