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Factors Affecting Environmental Performance: A Study of IKEA

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ABSTRACT

IKEA is a Swedish multinational group that provides home services and sells ready-to-assemble furniture, kitchen appliances, and home accessories. Several factors can emphasize the success of a company such as brand loyalty, the company's status, and the products and services. These success factors give various benefits to customers and to the company itself. The purpose of this proposal is to examine the success factor of IKEA in terms of environmental performance aspect. This case picked will be mainly in Asia. The study used secondary data to collect data from the Internet which are journals and articles from the IKEA branches in Malaysia. Also, we want to know how IKEA provides strategic approaches to improve the company.

Keywords: Environmental Performance, Factor, Ikea, Strategic, Sustainability

INTRODUCTION

IKEA was a well-known company, founded in southern Sweden over 60 years ago. After then it has successfully developed to be the world's largest retailer of furniture industry; in year of 2006 it possessed revenue for over 17 billion euros, 12,000 products and 104,000 employees, respectively. The company has historically concentrated on selling goods at relatively low prices. The first purchase was inspired from unsold stocks of producers in the 1950s to assure the decrease of costs. Nevertheless, the success of large sales soon prompted IKEA to start ordering models of its design from local producers.

IKEA introduced ideas and creative transformation, such as flat packs that gave function in production and transportation costs, and the concept of 'showroom warehouse' that reduced retail costs (Enrico Baraldi, 2008). IKEA also assign the foundation for its procurement strategy during its expansion in the 1960s, depending on long-term relationships with hand-pick suppliers as outsources for its offerings. Nowadays, its serve network covers the whole world and has become ever more strategic. However, using this network is still following the same basic strategy as in the 1960s: designing and buying products which involve low cost of production and transport. IKEA does this by cautiously evaluating all the activities carried out within the network, from unprocessed materials to consumer homes, in its design and purchase strategy. Faithful to its original

exterior objective, IKEA carries out only a few of these tasks' interior sides, while using its partnerships with suppliers determinedly to integrate its interior and exterior resources, for efficiency and development purposes. For example, goods and produced in close contact with suppliers, taking into account the effect of the raw materials, parts and facilities involved, as all of these resources are involved (Enrico Baraldi, 2008).

IKEA is a Swedish company registered in the Netherlands, are established by a person named Ingvar Kamprad in 1943. It was established in Sweden. The following assets has been their products and services from IKEA are designing and selling ready-to-assemble furniture like (beds, chairs and desks), appliances and home accessories.

Every company has created with their own vision words. For instance, IKEA's vision is "Making a Better Everyday Life for the People" since its inception by selling lower prices and a broad of variety of well-designed, practical home furnishings and enable many customers as possible can afford them because IKEA believes home is th e most important location in the world. By optimizing their entire value-added chain, building endless relationships from suppliers, investing in highly automated production and producing large volumes, IKEA actives to achieve quality at affordable prices for the customers diligently. Their dream goes beyond furnishing at home, too. They want to build a better daily life for all of the people their business has impacted.

IKEA entered Malaysia in 1996 several years ago with its first store at 1Utama Shoppin g Center in Petaling Jaya, Selangor. The Swedish furniture giant opened the first blue-box in Malaysia stored in Mutiara Damansara in 2003. IKEA is the biggest furniture store and international brand that sells flat pack furniture, bathroom, kitchen, and home accessories items worldwide. IKEA emphasis on sustainability and environmental design that make sure provide better everyday life for the many people. This lead IKEA becomes a well-known furniture seller in the world.

In the modern world business, many company emphases on profit, development, technological and capital investment. The company ignores the importance of environmental performance which has led to a big impact on community life and the young generation. In this research, we will discuss some factors that affect environmental performance, the solution to overcome the impact of environmental performance and evaluation result. It is important to find out the factor that gives an impact on environmental performance and come out with the best strategy which will lead to the success of the IKEA company. Although, IKEA would have stress on improving environmental performance. The term environmental seems easy but not every company can do this well. IKEA needs many raw materials to produce furniture and it needs to cut off many trees. It causes climate change due to the lack of trees to maintain the environment.

IKEA stressed the bottom line which is people, planet, and environment. Many customers emphases on the awareness of environmental issues of IKEA. There have many wastes from packaging product that produced by IKEA. IKEA still have not emphasis about recycling and reuse product like using plastic to produces table, chair, and some home accessories. Moreover, the transport and distribution that frequently use to deliver furniture to a customer will lead to environmental impact. The purpose of this project is to find the factor that affects environmental performance and ways to overcome which will lead to IKEA's success in ASIA.

IKEA as a responsible company that always implements environmental performance. IKEA has minimized the used of wood to produce furniture and reduce the use of plastic bag, through this it can reduce the impact on the environment. Unfortunately, IKEA companies have faced several challenges when IKEA company meet their goals (Mariya Sklyarova, Tetiana Kobets, 2011). There have several factors that affect environmental performance. In our research, we emphasize some factors that affect environmental performance which are renewable and recycled materials, climate footprint and efficiency of transportation while delivering the furniture and waste management.

Environmental Performance

IKEA strives to minimize the negative impact on the environment by applying innovative thinking in each step of the long chain, from the initial plan for a product to once the client does not have use for it. According to the research, the environmental is emphasis on the pollution, waste minimization, training, and manage the organization effectively. (Steven A Melnyk, Robert Sroufe, and Roger Calantone, 2003). Cost-consciousness is a component of nowadays culture.

Moreover, IKEA has motivated to reduce waste in every form and create more from fewer resources. Operational performance indicators are important for information about the effect of the environmental performance. (Jean-Francois Henri and Marc Journeault, 2008). It includes the transportation, output of the emission, waste, plastic, and materials. We tend to accept that IKEA can provide a better environment. For instance, by giving merchandise or products that facilitate the customers to live a more supportable life and IKEA can help minimize greenhouse gas emissions and minimize waste and water consumption in the community.

Renewable and Recycled Materials

IKEA have widely used the plastic to pack the furniture and sell it to customer. Besides that, IKEA also will provide a plastic bag to the customer to pack inside the things they buy. Plastic bag difficult to disposable, it takes many years. This is the most significant factor that affects the environment. By using more plastic, will be costly to IKEA. IKEA must try to use renewable and recycled materials to produce furniture. It will reduce waste materials and reduce the impact of the environment. The idea of the environmental friendliness is taking the IKEA Group to new levels as its strategies to install solar photovoltaic panels on its Chinese rooftops. The move is part of its objectives of relying solely on renewable energy to power its construction. The Swedish home furniture supplier announced on Wednesday that it has signed an agreement with Hanergy, a personal Chinese clean-energy producer, who will contract

One completed; 10-15 percent of all electricity needed to run IKEA stores will be provided by the solar panels. The panels are also set to meet 100 percent of IKEA's electricity needs in its China-wide distribution centre. According to the Swedish company the project will save around 6,000 tons of carbon dioxide each year. In addition, to using renewable energy, IKEA also continues to use less energy by improving the efficiency of its stores. The store's energy consumption has been reduced by four percent over the last fiscal year, mainly through improvements in store equipment- heating, ventilation, air conditioning systems, and smarter use of commercial lighting.

Climate Footprint

IKEA is a well-known company which sells the product domestically and globally every day. They need to transport a huge volume of products from suppliers to distribution centers or stores. This will release many CO2 emissions that will bring a negative impact on the environment. The way packages the product is important because it will bring an impact when transporting the product to the stores (Merritt, 2014). As regards emissions reduction across the value-added chain, IKEA wants to minimize carbon dioxide emissions from every aspects of its operations. This includes the extraction of the raw materials, the production of products, the transport and the use of energy in IKEA constructions. As well as how people are transported to the stores, how their products are used in customer homes and eventually at the end of the life cycle of a product. This is often a huge issue for IKEA, although IKEA is developing to be better.

IKEA has concerned regarding to waste management issue. IKEA has a huge volume of raw wood to produce furniture, it means that manufacturing has many raw materials. Besides that, manufacturing never put effort to control the use of wood and waste the raw materials. This situation had brought impact to the environment because IKEA needs to cut off trees. Mariya Sklyarova and Tetiana Kobets (2011) had mentioned that only 30 percent of the waste will be recycled, and the left 70 percent will waste. Moreover, the lack of recycling infrastructure and low awareness of the public to manage the waste problem. IKEA takes the initiative to continue to manage the waste problem. IKEA continues to improve recycling waste which can reduce the impact on the environment.

Theoretically, before launching theoretical and experimental examination of its measurement of IKEA would provide a simple clarification of the environmental performance construct. Corporate environmental performance is nevertheless not an easy task to describe. Metcalf etal. (1995, p. 9) found a few articles that discussed systems for measuring environmental performance. Furthermore, this comprehensive review of the literature (Metcalf et al, 1995, p. 9) focused more on the attributes of effective systems rather than explaining and measuring environmental performance. In other Lober articles (1996, p.184) described that while judgments are often made about which companies are the greenest, there is no clear or prescribed clarification of greenness. Through respectable progress has been made towards informative the environmental performance construct through numerous approaches studied below.

Striving for More Efficient Goods Transportation with Fewer Emissions

Since the first Nineteen Fifties, IKEA has accelerated for various kind of solutions with innovative and economical transport ways for their products. A major aspect of achieving a low price is an effective distribution within the entire goods flow from supplier to customer and to reduce the environmental impact of transport. Globally and regionally, IKEA products are required to secure low costs and top quality whereas also trying to avoid redundant transport. They try to reduce products going into intermediate storage in distribution centers. However, they tend to use direct deliveries from suppliers to stores to an oversized extent. The choose rail transport where this is often an additional environmentally adapted option. Truck and container loads are optimized to increases fill rates and decrease the number of transports, and they work actively with transport service suppliers to reduce their environmental footprint.

The other way that would have impacted to minimize the environmental impact of goods transport, which is they labeled as ‘Smart Packaging’. Already at the drawing table,

designers and merchandise developers concern about packaging solutions as part of their assignment. Optimization of product packaging is to maximize those existing filling rates. IKEA works to extend awareness along the value chain. Each IKEA trading area has a filling rate coordinator, and there are analytical tools and training packages for all.

By using more sustainable transport to and from IKEA, IKEA wants to help customers and employees travel to and from IKEA using more sustainable transport modes. While planning new stores and upgrading others, public transport solutions are a vital consideration. For example, several native samples of initiatives geared toward for customers and co-workers was by advocating sustainable transport to them. Stores typically offer their services such as free shuttle buses to and from the town center and also supply received discount home delivery of those IKEA purchases.

Together with WWF, IKEA has created a "toolbox" system where it used to spread more environmentally friendly transport of people by developing ideas and solutions for them. Additionally, it contains a listing of opportunities for promoting sustainable transport and pointers for a way to figure with municipalities External partners on improving alternative transportation access to stores, as well as a model for a way to figure the impact of implemented measures.

There could be reasons applied in terms of helping co-workers meet and travel with fewer emissions. Past few years, there has been a considerable change from business travel to the virtual conference via video, internet, and phone. Regular and same method in coaching and knowledge sessions are commanding all locations to encourage the use and make certain participants get the best possible expertise from virtual conferences.

IKEA coworkers will build familiar selections of native travel alternatives to and from IKEA units once business travel is required. However, looking for data on the IKEA computer network on a way to get to a location, the CO2 footprint for the assorted alternatives such as cars, trains, and buses are listed. In close cooperation with their travel agencies, the work to enhance the CO2 reporting and knowledge on air travel is on-going, both on a company and individual trip level.

RESEARCH METHOD

The quantitative method was used in this research. The success factor is used as a dependent variable while the independent variables are environmental performance. The data were collected via secondary data which are already collected for research by author.

The purpose of the research was to find out environmental performance that can influence the key success factor of IKEA in Asia. Activity-based learning was chosen because of its focus upon students' learning, and as a result of the exercises undertaken, it encourages students to internalize and understand the subject being studied (Bloom, 1956; Gagne, 1965; Reid and Barrington, 1999). Also, this approach prioritizes on getting bigger and splendid of knowledge rather than seeking an extensive understanding only on the problem. The quantitative method is utilized when a researcher wants to measure, describe, or explain the different situation, to see any correlation or patterns.

The topic of environmental performance was amazing and understandable for the author. IKEA was selected as the topic of the study since it is hugely popular and been the world's largest furniture retailer since 2008. The research was decided to conduct in the Asia market. The research sources for our project were generated by materials, annual reports, newspapers, articles, journals, and observation. The internet, as an information source.

Generally, data are collected by two ways. They are the primary data collection and secondary data collection methods. The data already collected for specific studies or investigations are the secondary data. The data collection process used in this study is secondary method which is data from IKEA sustainability report of FY19 and FY18 as we are not being able to do a questionnaire because of the current issue.

RESULTS AND DISCUSSION

Findings are based on the quantitative method which are the author of IKEA sustainability report of FY19 and FY18 conducted the home visits and survey, workshops, reviewed assessment reports and scientific report. It presents an overview of the findings in our research. Author's best suggests is to include both key activities from FY19 as well as an update on the ongoing work to further assess that renewable and recycled materials, climate footprint, and product transport with fewer emissions are the most significant factor that affects environmental performance.

Figure 1. Renewable and Recycle Materials

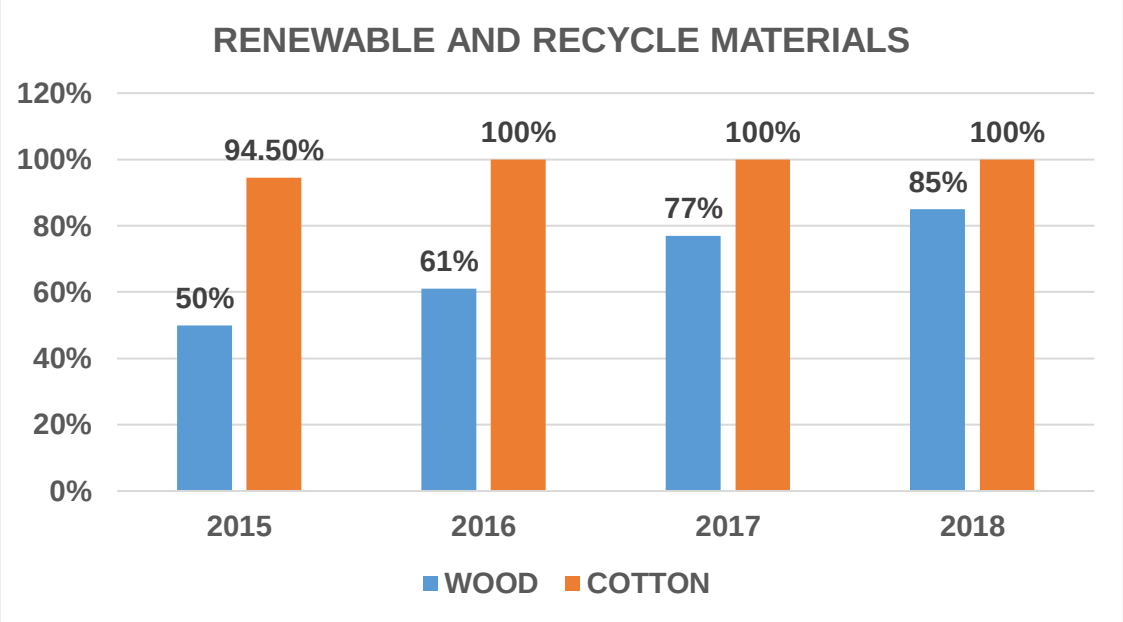


Figure 1 shows that the renewable and recycled materials for wood in IKEA show an increase from the year 2015 to the year 2018. The year 2015 shows the lowest percentage which consists of 50% of wood, while in the year 2018 have represented the highest which is 85% of the wood in IKEA. Also, cotton shows the increase and remains

100% in four years which are 94.50% in the year 2015 and the remainder is 100% for the years 2016, 2017 and 2018.

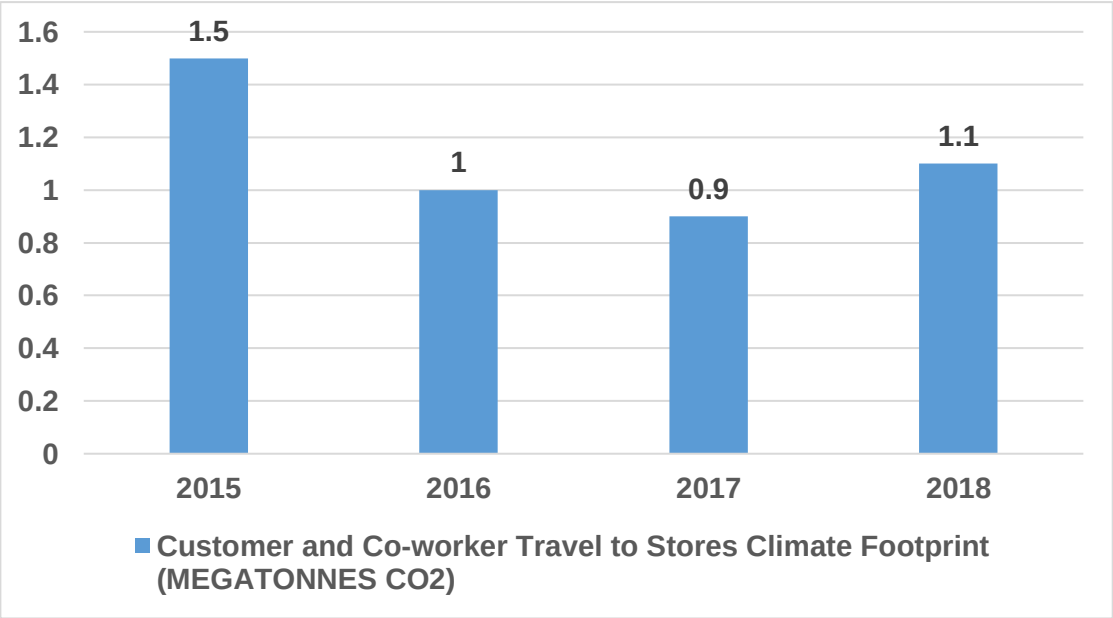
According to the quantitative method used by the author on their research, they have conducted the home visits and surveys to understanding the consumers behavior and how the people live in their life. Ikea have done the home visits and surveys for those thousands of people every year to make sure their life about the behavior renewable and recycle materials. Through this, they always keep improve and think the effectively way to solve the wasting problem of the materials.

Based on the home visits and the survey done by them. We know that the IKEA have improve and enable the people to recycle and renewable the materials. Besides that, they also have conducted workshop to provide the effective way regarding to the waste food, plastic, metals, and papers. They had contributed the partnerships and collaborations with WWF on the recycled paper in India.

The percentage of the renewable and recycle materials have improved every year which are from the year 2015 to the year 2018. It seems that people would become more care and emphasis about the renewable and recycle materials. It has a large impact to the IKEA and it will lead IKEA become more successful in their business.

Figure 2: Customer and Co-worker Travel to Stores Climate Footprint (Mega tonnes Co2)

Figure 2 shows that the climate footprint that will affect the efficiency of transportation in IKEA. In 2015, the climate footprint is 1.5 and decrease to 0.9 CO2 in 2017. Besides, the climate footprint shows 1.1CO2 in 2018 while the climate footprint in 2016 is 1CO2.



Besides that, they had conduct workshop in India. They try to improve and change the market. According to the research, the author had conducted the two transport services by using bio diesel which are made from non-edible oil sources in India. Through this,

they could reduce the transport emissions effectively. Unfortunately, there have some ineffective strategies which influence them because it increases in year 2018. This have affected the successful of the IKEA company by lowest the transport emission to make sure it not affects the environment.

Based on the research, IKEA implemented a tool for their product transportation to improve the accuracy of emission calculations in 2018. The ways calculated and collected the data through the weight of goods transported, the distance travelled, the method of transportation and the fuel used. Through this, it could assist us analyse and develop IKEA Transport & Logistics Services' road map which allows for more precise measurements.

However, IKEA found that an up and coming combination points in South China which helps to manage the transport distances in IKEA. It had relationship within the suppliers, and goods move from one way to another ways. They try to prevent the use of diesel trucks. It could conserve 650 tonnes of CO2 per year. The manner has also cause variety suppliers to integrate products in the same container. Besides that, they keep avoid using separate containers, minimize the wasted space and needless emissions.

Figure 3: Product Transport with Fewer Emissions

Figure 3 shows that the IKEA product transport with fewer emissions that will affect the efficiency of transportation in IKEA to reduce the absolute greenhouse gas emissions. In 2019, around 5% of the total GHG emissions from the IKEA value chain came from product transport with 1.1 million tons of CO2 emissions.

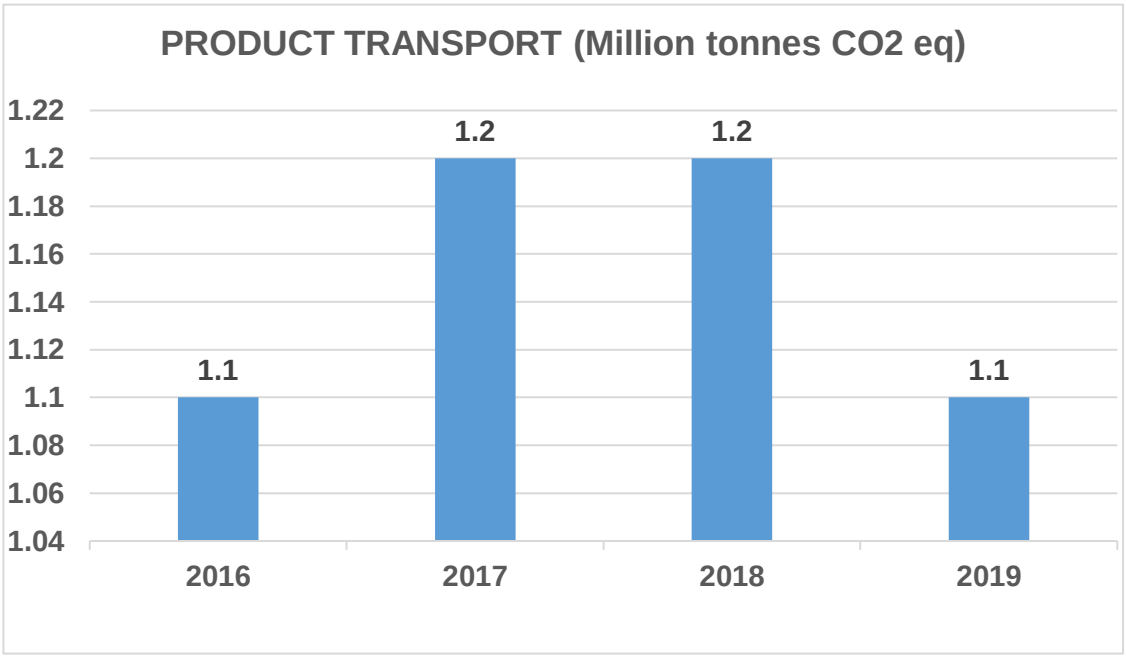


Figure 1 shows that the renewable and recycled materials for wood in IKEA show an increase from the year 2015 to the year 2018. The year 2015 shows the lowest percentage which consists of 50% of wood, while in the year 2018 have represented the highest which is 85% of the wood in IKEA. Also, cotton shows the increase and remains

100% in four years which are 94.50% in the year 2015 and the remainder is 100% for the years 2016, 2017 and 2018.
Besides, absolute product transport with fewer emissions decreased compared to the previous year, mainly due to a decrease in the average transport distance. The product transport dropped slightly in 2019, but the relative CO2 emissions remained stable.

In addition, they also have conduct workshop in year 2016 by joined an alliance to the companies which are Philips and Nestle. By conducting workshop, they have tried to improve and encourage the high transportation emissions standards. By the way, reducing the product transport with fewer emissions is very difficult and it need high technology to help in the business. Seo Young Wook and Lee Yoo Hwan (2019) explained that the external partnerships, which are technology are important and it brings the information and provide to enhance the business skills and management practices. Moreover, they had tried it every year. Fortunately, the product transportation had success because it had reduced the emission in year 2019 which are the lowest year compare to other years. This will influence and effect the successful of the business of IKEA.

From the research, we found that renewable and recycled materials, climate footprint, and product transport with fewer emissions are the most significant factor that affects environmental performance. Other independent variables like waste management, deforestation also have affected the environmental performance of IKEA. Climate footprint and renewable, recycled materials and product transport with fewer emissions are also independent variables that affect environmental performance.

As a result, renewable and recycled materials, climate footprint, and product transport with fewer emissions is the most significant factor that affects the environment performance which is confirmed by the research. According to the report sustainability 2018, IKEA has set its goals by a focus on renewable energy and regenerative resources which will enough for future use. They try to decrease greenhouse gas emissions while improve and grow in their business to be a success.

Climate footprint is another factor that affects the environmental performance of IKEA. Based on the research shows that the more efficiency of transportation, the less climate footprint which will affect the environment in IKEA. According to the report sustainability 2018, the climate footprint has a significant factor that will affect environmental performance. This is because frequently transport the product from distribution to customer consists of around 3.9% total greenhouse gas emissions from IKEA. IKEA has tried to reduce the climate footprint from the year 2015 to the year 2017 but increase in the year 2018.

Product transport with fewer emissions is another factor that affects environmental performance for IKEA. Based on the research show that the IKEA product transport with fewer emissions that will affect the efficiency of transportation in IKEA to reduce the absolute greenhouse gas emissions. According to the report sustainability 2018, product transport with fewer emissions has a significant factor that will affect environmental performance. IKEA set a goal to decrease product transport of the greenhouse gas emissions. In year 2030, IKEA aim to reach around 15% gas emissions.

CONCLUSIONS

In conclusion, this study identified the factor that affects environmental performance and ways to overcome which will lead to IKEA's success in ASIA. Several success factors determined the success of a company such as brand loyalty, the company's status, and the products and services which provide various benefits to customers and to the company itself.

By using analysis tools, IKEA provides a strategic approach to improving the company's environmental performance. As we acknowledge, IKEA 's Vision company was "Creating a Better Everyday Life for People" by offering a broad range of well-designed, functional home furnishings at such low prices that as many people as possible can afford to buy IKEA's products because they have their strong beliefs on home is the most important place in the world.

Therefore, IKEA's method in terms of reducing production and transport costs and launched the "showroom-warehouse" concept, which reduced retailing costs (Enrico Baraldi, 2008). IKEA works hard to create a better every day for all people impacted by our business. Also, by optimizing their entire value chain, building long-term supplier relationships, investing in highly automated production, and producing large volumes, to achieve quality at affordable prices for our customers.

IKEA as a responsible company that always implements environmental performance. IKEA has minimized the used of wood to produce furniture and reduce the use of plastic bags, through this it can reduce the impact on environmental performance and come out with the best strategy which will lead to the success of IKEA company. Also, this study was carried out using the quantitative methods. The factors that affect the environmental performance which we emphasize in our research, are renewable and recycled materials, climate footprint and efficiency of transportation while delivering the furniture and waste management.

We tend to accept that IKEA can provide a better environment by minimizing the unfortunate outcome of IKEA on the environment by applying new and contemporary thinking. Other recommendations that we recommend IKEA are to reduce carbon dioxide emissions from all aspects of the operations and strive for more efficient goods transport. For instance, smart packaging is efficient to minimize the environmental impact of goods transport. We suggest IKEA to assist customers and co-workers to travel to and from IKEA by using more sustainable modes of transport. Together with WWF, IKEA developed a "toolbox" to expand objectives and clarifications for more environmentally friendly transport of people.

IKEA emphasis on sustainability and environmental design that make sure provide better everyday life for the many people. IKEA should develop more method that is effective and refer the suggestions given which can lead IKEA becomes the well-known furniture seller in the world.

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