

Investigate the Impact of Supply Chain Sustainability Transformation on Enterprises: Case Study of IKEA

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Abstract: In the current international business climate, supply chain sustainable development is a prominent topic. On the other hand, the conventional supply chain model fails to keep up with the shifting demands of the market and causes serious environmental and social issues. The purpose of this research is to examine the theoretical underpinnings of supply chain sustainable development, to examine its various facets, and to incorporate real-world examples. This paper introduces the context and significance of supply chain sustainability and its three main goals: environmental preservation, social responsibility, and economic gain. Second, it emphasizes the significance of important techniques such as good sustainability strategy, green supplier assessment, and community participation through in-depth research of the best practices of leading businesses in sustainable supply chain management. The report highlights the potential advantages of a sustainable supply chain, including decreased operational risk, enhanced competitiveness, and long-term economic growth. To address global concerns and create a more sustainable future, this paper urges businesses and governments to engage in supply chain sustainability actively.

Keywords: supply chain management, sustainability, green supply chain, IKEA

1. Introduction

To meet present requirements without jeopardizing the interests of future generations, supply chain sustainability emphasizes the careful balancing of economic, social, and environmental factors in corporate activity. However, as economic activity and the world's population increase, so do resource consumption and environmental pressure. As a result, serious issues like climate change, resource depletion, biodiversity loss, and other issues that require global action are emerging. As a result, numerous nations and international organizations have created several laws and guidelines requiring companies to use sustainable practices. Legal liability and reputational harm could occur from breaking these rules. Additionally, customers are more likely to choose business goods that uphold the norms of environmental protection and social responsibility because they have higher and higher expectations for the sustainability and social responsibility of goods and services.

Sustainable supply chains are crucial for businesses. Sustainable supply chains can lessen an organization's negative environmental effects, such as greenhouse gas emissions, resource waste, and ecosystem harm [1-3]. They can also help an organization become less reliant on scarce resources, which lowers the risk of supply chain disruptions brought on by events like resource scarcity or

natural disasters. By developing sustainable supply chains, companies can show their dedication to social responsibility, build brand recognition, and attract more customers and investors [4, 5]. Therefore, the sustainable development of supply chains is not only important for the long-term growth of businesses, but it is also a must for businesses to uphold their social obligations and contribute to the sustainable development of the world [6].

2. Dimensions of Sustainable Development of Supply Chain

As an integral component of the macroeconomic system, the supply chain's primary objective is to maximize overall advantage. In economics, sustainable supply chain growth encompasses its development and the combined influence on firms, society, the environment, and resources. Long-term supply chain success requires collaboration between governments, suppliers, distributors, and consumers to develop a harmonic cycle between people, the environment, society, and nature. As a result, the environmental factor lies at the heart of the supply chain's long-term development [7].

The dimension of innovation is a fundamental characteristic of the sustainable development of the supply chain, serving as a valuable asset to overcome developmental limitations and foster vitality. According to economist Schumpeter's theory of technological innovation, innovation entails establishing novel production functions and reconfiguring combinations of production factors. It represents a significant driving force in promoting social progress and economic development, enhancing production relationships, and facilitating economic transformation. Therefore, fostering innovative capabilities is crucial for ensuring the sustainable development of the supply chain. To begin, the supply chain should update its concept, employ new technologies to increase supply chain efficiency, such as the Internet of Things, blockchain, and other technologies, attract and promote rising talent, and stimulate organizational innovation. While developing talent, businesses require ongoing attention and investment to acquire a secure market position through distinct core technologies, improving supply chain sustainability [8].

The social dimension refers to an organization's supply chain influence and social responsibility. Businesses should ensure that all supply chain workers, including those in production and logistics, have a safe, healthy, and inclusive work environment, receive fair pay, and are not subjected to other violations of basic human rights. To encourage employees' professional development, businesses should offer them options for training and development. Additionally, to ensure that suppliers adhere to social responsibility standards, the relationship between businesses and their suppliers should be based on fairness, transparency, and integrity. Meanwhile, businesses can actively participate in social welfare through social investment, funding charitable activities, etc., to benefit society to succeed in sustainable development.

Enterprise sustainability is considered economically, ensuring businesses achieve economic efficiency in their supply chain activities while supporting sustainable development. Businesses need to increase their profitability through increasing productivity, lowering production costs, streamlining logistics, and using other efficient cost-management techniques. Enterprises can gain competitive advantages by reducing production cycles, enhancing product delivery speed, and responding quickly to market demands. Improving supply chain processes, production efficiency, and delivery performance are important aspects of the economic dimension. Additionally, businesses should maintain financial transparency, make sure their financial condition is stable, and increase investor and partner trust [9].

The dangers and adverse effects encountered when implementing a sustainable strategy are covered by the risk dimension, which may even impact the entire supply chain. Natural disasters and a lack of resources rank first and last in terms of controllability, and these factors can substantially disrupt the supply chain, cause losses, and restrict production capacity, which hurts production costs and product delivery. Additionally, businesses must make sure that their supply chain operations

comply with all applicable laws and compliance standards; otherwise, they run the risk of fines, legal action, and other dangers. It is likely to harm the company's reputation, brand value, and the confidence of customers and investors in the city if the business violates labor laws, manages suppliers improperly, or engages in reckless purchasing. Businesses must safeguard the security and privacy of supply chain data in light of the quick growth of information technology to stop data breaches and cyberattacks. The dangers and adverse effects encountered when implementing a sustainable strategy are covered by the risk dimension, which may even impact the entire supply chain. Natural disasters and a lack of resources rank first and last in terms of controllability, and these factors can substantially disrupt the supply chain, cause losses, and restrict production capacity, which hurts production costs and product delivery.

Additionally, businesses must make sure that their supply chain operations comply with all applicable laws and compliance standards; otherwise, they run the risk of fines, legal action, and other dangers. It is likely to harm the company's reputation, brand value, and the confidence of customers and investors in the city if the business violates labor laws, manages suppliers improperly, or engages in reckless purchasing. In the context of the rapid development of information technology, enterprises need to protect the security and privacy of data related to the supply chain to prevent information leaks and cyberattacks.

The institutional and strategic dimensions are also important. The neo-classical school of institutional economics believes that the economic organization and control system does not only include market factors but also the arrangement of various institutions. The institutional dimension of the supply chain is mainly composed of core capabilities, management, organization, culture, etc. A perfect and standardized system can make the internal division and cooperation of the supply chain reasonable and clear and effectively integrate the limited resources of the supply chain. At the same time, formulating a correct business strategy is an important factor in developing supply chain sustainability, which is related to the long-term interests of development. If the strategic positioning is accurate, it is conducive to seizing opportunities and obtaining competitive advantages in the market. Simultaneously, reasonable risk assessment and management in the supply chain, including market and supply risk, can assure economic sustainability.

3. Product Analysis - IKEA

The business and competitive models of firms are changing significantly in global trade. Enterprises must combine their internal conditions with the external environment to create long-term, stable, comprehensive planning and strategies to establish a strong foundation, adapt to the environment, and outperform competitors. Faults are quickly identified and promptly corrected to ensure the supply chain's upgrade and sustainable transformation.

IKEA's supply chain sustainable development strategy has drawn much attention from the industry as a well-known corporation. Ingvar Kamprad created IKEA in 1943, and in 1958, he unveiled the company's first location in Sweden. The IKEA Group introduced its "Good for People, Good for Planet" sustainability plan in 2012 to reduce its global supply chain's carbon footprint to zero by 2030 and become carbon-negative by 2050. They will implement the goals in three focus areas: healthy and sustainable living, recycling and climate-positive benefits, and equity [10].

First and foremost, IKEA is dedicated to assisting and motivating consumers in creating a sustainable home living environment. Ikea will continue to innovate and design environmentally friendly products and services to assist consumers in creating a more resource-efficient and sustainable home environment. For example, their new SOLHETTA LED lights are more energy efficient and affordable than Ikea's standard incandescent bulbs, saving millions of households up to 85% on energy expenditures.

Second, IKEA is dedicated to increasing resource efficiency, decreasing waste, and lowering carbon emissions. The firm uses renewable and recyclable resources such as wood, cotton, and paper to create furniture and products. Over 60% of IKEA products are made from renewable materials, and over 10% contain recycled materials. In fiscal year 2012, IKEA used wood from Forest Stewardship Council-certified forests, which grew to 23% of total wood use. Furthermore, by fiscal year 2021, all global manufacturers, packaging, and distribution units will use 100% renewable electricity and no longer sell disposable alkaline batteries. Still, they will instead sell LADDA Lada rechargeable batteries. IKEA opposes resource waste and always seeks methods to provide value while using fewer resources. The raw resources, energy, and space are examples of this. They also think that garbage could be a lucrative resource. After all, repurposing waste can make it into a treasure. In the long run, this aids in the transition to circular enterprises that benefit the environment, protect ecosystems, and increase biodiversity. IKEA also promotes a circular economy by encouraging customers to purchase high-quality furniture, emphasizing the furniture's durability, and extending the usable life of products by providing repair and recycling services. These actions help to reduce resource waste.

Third, IKEA is committed to working with suppliers who share its values and objectives because ethical business practices can only be followed when all parties agree. At the same time, IKEA may obtain goods, services, resources, and parts ethically by adhering to the IWAY Standard. Ikea accomplishes this through the Supplier Code of Conduct, which strives to lessen the environmental impact of all areas of the supply chain and construct a more moral supply chain by establishing long-term sustainable relationships with suppliers who adhere to the IWAY Standard.

Ingvar Kamprad, the creator of IKEA, famously remarked, "IKEA is not the work of one person, but the result of years of hard work and enjoyment by many people." They could even be said to be "an integral part" of who they are because their values represent what they hold to be most significant. All elements of IKEA employees' everyday lives and work, including how they treat people and the environment and make major and minor decisions, are guided by their core principles. IKEA continues to display strong development momentum, excellent performance growth, and stable financial position, as seen by the retail sales it generated in the most recent fiscal year, which totaled 39.5 billion euros (or roughly 38.6 billion US dollars), an increase of 5.6% from the previous fiscal year's 37.4 billion euros. It enables it to maintain long-term steady operations regardless of the state of the economy, seizes the initiative in the fiercely competitive global home furnishings market, and rises to the position of largest home furnishings retailer in the world. IKEA's active and distinctive sustainability strategy, sustainable supply chain management, and dedication to environmental, social, and economic sustainability are all to thank for this, and they will support IKEA as it moves further in the sustainability path.

4. Challenge and Chance

IKEA, one of the world's biggest home furnishings merchants, needs help developing a sustainable supply chain. IKEA's supply chain is made up of thousands of goods and hundreds of suppliers from around the world. IKEA can increase the transparency and efficiency of the supply chain to better monitor and manage sustainability performance at every step by introducing advanced supply chain technologies and systems. Managing such a large and complex supply chain will be difficult, especially ensuring sustainability.

Second, due to the intense competition in the global market, IKEA must continue offering its products at competitive prices while covering the costs of sustainable development, including using environmentally friendly materials and production methods. By increasing supply chain efficiency and minimizing resource waste, IKEA can do both while lowering the additional costs associated with sustainable development.

Additionally, Ikea has a chance to boost its brand premium thanks to how important sustainability is to modern consumers. IKEA will have to cope with the complexity of complying with numerous rules because it is a worldwide corporation, and there may be discrepancies in environmental standards and legislation in different nations and areas. In addition to lowering compliance risk for businesses, responding favorably to legislative changes positions Ikea as a sustainability leader, drawing in additional customers who care about the environment.

Finally, IKEA may have to deal with the dangers brought on by crises or changes in the market. Ikea must build early warning systems and crisis response procedures, undertake routine assessments of potential hazards in the supply chain, and guarantee prompt and active response to disasters or emergencies.

5. Conclusion

Sustainable supply chain development has emerged as one of the most important elements to guarantee the long-term prosperity of businesses as the globe faces more serious environmental concerns. This paper delves deeply into the significance of supply chain sustainability and the techniques for implementing it to advise businesses on how to get better outcomes in this area.

First, this study recognizes that sustainable supply chain management is an act of environmental protection and a strategic business decision. By optimizing resource utilization, reducing costs and improving efficiency, enterprises can gain sustained competitive advantages in the highly competitive market to stand out in the market competition. At the same time, this has also won the trust and reputation of consumers for the company, forming a positive brand image.

Second, this study understands that worldwide cooperation and coordination are necessary for sustainable supply chain management. To create a transparent and ethical supply chain structure, multinational corporations should actively encourage the engagement of partners and suppliers. Additionally, governments, non-governmental organizations, and academics should each do what they can to help advance the understanding and application of sustainable development. In the meantime, technological advancement is a potent force for the supply chain's sustained growth. Supply chain management has benefited from the ongoing advancements in science and technology, including the Internet of Things and artificial intelligence. Enterprises should utilize these technical tools to their fullest potential to streamline production, increase resource utilization effectiveness, and lessen their environmental impact.

On a practical level, we provide several useful suggestions to help businesses advance significantly in sustainable supply chain management. Organizations should establish a competent supply chain evaluation system to thoroughly comprehend the environmental, social, economic, and other influencing variables and strongly support future improvement. Second, we should focus on supply chain education and training, improve employee environmental consciousness and understanding of sustainable development, and organize a combined advocacy force. Using cutting-edge technology and intelligent systems by businesses can increase the effectiveness and sustainability of the supply chain. Scientific and technical innovation promotes sustainable supply chain management.

Finally, this study wants to underline the value of awareness and education. Promoting sustainable development within the company can be done through extensive publicity and education and by growing the sustainability awareness of stakeholders and employees.

In conclusion, managing a sustainable supply chain is a complicated and critical issue that is both a company strategy and a duty. We can create a more affluent and peaceful future by cooperating. May our work lay the groundwork for sustainable development and improve the globe for coming generations.

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