

## SUSTAINABILITY AT INGKA GROUP (IKEA): BREAKING PARADIGMS DOWN<sup>2</sup>

*"We hope to prove that a sustainable business is a good business and the only way for us and the planet to prosper in the long-term."*

*Juvencio Maeztu, Deputy CEO, CFO and Management Board Member, Ingka Group (IKEA)*

IKEA was undertaking the most significant overhaul in its history under the principles of becoming more affordable, accessible, and sustainable. Juvencio Maeztu, Deputy CEO and CFO of Ingka Group, said: *"When we ask ourselves if what we do today can be done better tomorrow, the answer is always yes."* In 2022, Ingka group had just launched a new strategic plan that outlined the ten initiatives that would guide the next three years to make IKEA more affordable, convenient and people and planet positive.

One of Ingka Group's main challenges in creating value was how to be omnichannel, i.e., how to create a business model that, on the one hand, optimized the company's existing assets and, on the other, made it possible to develop new channels. Online sales had grown from 4 percent in 2015 to 11 percent in 2019 and 30 percent in 2021. This channel needed to be profitable and compete with companies such as Amazon and Alibaba. IKEA's website and app had some 3.5 billion visits, and 80 percent of those customers had engaged with IKEA through these media in 2021. In an attempt to move forward in this challenge, Ingka acquired companies such as Task Rabbit in 2017, a marketplace that helped consumers install furniture in their homes. Juvencio said:

*"One has to be clear on the business model, not just on how to be profitable and sustainable; we must also be unique. Omni-channel capabilities will be a commodity in the future. We need to think more in the long term. IKEA succeeded in being unique before selling online, but how will we achieve this with the growth of the online business? We must be consistently relevant to life at home. The world moves very fast, today people experience their lives at home in many ways, and we have to be present in every aspect, in every city, and for most people in the world."*

---

<sup>2</sup> This is a case of the Research Division of San Telmo Business School, Spain. Written by professors Enrique Garrido Martínez, Rocío Reina Paniagua, and Antonio García de Castro.

Copyright © March 2022, Fundación San Telmo, Spain.

The reproduction of all or part of this document or its storage and/or transcription in any form and by any means, whether electronic, mechanical, photocopying, recording or otherwise, without express authorization from San Telmo Business School is hereby strictly prohibited. If you would like to order copies or request permission to use this case, please contact the Case Publishing Department at +34 954975004 or send an email to [casos@santelmo.org](mailto:casos@santelmo.org).

However, the greatest challenge was climate change. IKEA had committed to being climate positive by 2030 and, as Juvencio said:

*"We don't want to leave everything to the last minute; it's too risky. We have been working very actively since 2016 and must keep taking action in the short term, even if we are aware that it will cost more or that the necessary technology is not available yet. It is important to sequence intermediate objectives; it helps to be specific in the short term as the best way to meet the long-term goals. If we commit, we deliver. We cannot fail. I have no doubt that we will succeed, but the how is not a smooth road."*

In addition to the challenge of operating in a changing environment such as retailing, we must consider that:

*"Global society has become digitized very quickly, and everything is much interconnected. This puts us in a situation of vulnerability with cybersecurity on the one hand and pandemics on the other, not to mention climate change and geopolitical relations. We are a people centred business. The war between Ukraine and Russia is a clear example where millions of people are affected and this also has consequences for Ingka Group and all its businesses: IKEA Retail, Ingka Centres and Ingka Investments."*

Having identified the challenges and risks of the coming years, it was only a matter of facing them to continue to realize IKEA's purpose: to create a better everyday life for the many people. Find the Testament of a Furniture Dealer in Exhibit 1. Ingvar Kamprad founded IKEA in 1943 and passed away in 2018 at the age of 91. He wrote this document about a furniture dealer in 1976, illustrating the company's philosophy.

## **INGKA GROUP**

Ingka Group was a holding company and the largest IKEA franchisee. It consisted of three businesses that worked closely together: IKEA Retail, Ingka Centers, and Ingka Investments. With a turnover of 39.8 billion EUR in 2021 (39.1 billion EUR in 2019 and 37.4 billion EUR in 2020), it employed more than 170,000 people. Its net profit in 2021 was 1.6 billion EUR (1.8 billion EUR in 2019 and 1.2 billion EUR in 2020), and online sales grew by 75 percent in 2021 (2019: 48 percent), reaching 30 percent of total sales. Capital expenditure in 2021 amounted to 3.2 billion EUR, including extensive investment in brick & mortar stores, distribution and customer service networks, omnichannel transformation, digital customer experience, renewable energies, and zero-emission vehicles. Find Ingka Group's balance sheet and income statement evolution in Exhibit 2.

Ingka's strategy focused on four big movements: helping more people to have better homes, contributing to better lives for co-workers, customers, and communities, playing its part in creating a better planet, and creating a better company for today and future generations. At the same time, there was a new three-year strategic plan called "Next

10 Jobs in Three Years," focusing on the next steps of the company's transformation. These ten initiatives are listed in Exhibit 3.

The Stichting Ingka Foundation, headquartered in the Netherlands, was the sole owner of Ingka Holding. The company had its roots in Sweden, but it changed its headquarters to honor the founder's declared intention to provide long-term stability and continuity. There was no fiscal reason for this change.

The Foundation's governing body comprised five people, of which a maximum of two must belong to the founding family. Each one was responsible for appointing their successor, who had to be unanimously accepted by the rest of the trustees when the incumbent stepped down. The Foundation's Board of Trustees was a passive shareholder that approved the Holding's accounts annually. It also approved the appointment of Ingka's Management and Supervisory Board.

In 2022, Ingka Holding's Senior Management consisted of two executives who had been appointed in 2017, both with long careers at IKEA: Jesper Jordin, CEO of Ingka, and Juvencio Maeztu, Deputy CEO and CFO. Decisions had to be unanimous, and they were the only members of the Management Board, which was the highest management and governing body of the holding company.

There was a Supervisory Board comprised of eight independent members who were elected by the Appointments Committee of the Supervisory Board based on the multinational's needs and the candidates' professional backgrounds. The Foundation's Board of Trustees subsequently ratified them.

The Management Board was the highest decision-making body. To support Jesper and Juvencio, the Supervisory Board and the Management Board met three times a year. The Audit Committee and the Nomination Committee were part of the Supervisory Board.

Exhibit 4 lists the members of the Foundation's Board of Trustees and the Supervisory Board. Also listed are the members of the Management Board, appointed by Jesper and Juvencio to lead purchasing, finance, systems, business development, risk and compliance, people and innovation, and product development.

Lastly, the holding company had eight committees; half were led by Jesper and half by Juvencio. The CEO led the following committees: People, Product Development, Procurement, Supply Chain, and Systems. Juvencio led Investments, Finance, Risk, and Sustainability.

The Management Board was responsible for the three groups or business units. IKEA Retail, which had a turnover of 40 billion EUR and some 400 stores in 32 countries, Ingka Center, which was a business with 47 centers in 16 countries, and Ingka Investments, which invested 25 billion EUR in financial products, forestry, renewable energy, venture capital, investments in companies, and real estate. See the Ingka holding organization chart in Exhibit 5.