

CHALLENGE CASE

IKEA Builds on Its Commitment to the Environment

College students furnishing apartments, young couples setting up housekeeping, and working adults trying to stretch their earnings flock to IKEA for furniture and household goods. Most customers visit IKEA stores and select items packed in flat cartons for easy assembly at home, although a growing number purchase from the retailer's website. IKEA's main attraction is the array of beautifully designed items that are tailored to fit smaller spaces and are priced affordably.

IKEA's managers see the company as much more than a furniture store, however. They have a vision: "to create a better everyday life for the many people." Creating a better everyday life includes enabling people to buy items that make their surroundings beautiful and functional. It also includes taking responsibility for the company's impact on the larger world.

IKEA expresses that commitment in its management decisions. One of those decisions was the appointment of Steve Howard as IKEA Group's chief sustainability officer. Howard is responsible for reducing IKEA's negative impact on the environment and increasing the ways the company cares for the environment. For example, the company constantly looks for ways to reduce packaging, both the size of cartons and the amount of materials used in packaging. These changes lower shipping costs by reducing the paper, wood, and fossil fuels used in transportation. Better planning of distribution, such as shipping items directly to stores instead of to regional warehouses, also lowers the use of transportation resources. IKEA is also cutting its use of energy in factories and stores. By constructing energy-efficient buildings and installing solar panels and efficient lighting, the company is pursuing a goal of producing as much energy from renewable sources as it consumes from all sources by 2020.

Under Howard's leadership, IKEA extends its concern about the environment to relationships with its suppliers. The company has established a supplier code of conduct in which, for example, it forbids child labor. Employees also help suppliers reduce their use of energy, water, pesticides, and other resources—changes that help the suppliers become more efficient.

IKEA's managers see the company's role as a corporate citizen extending beyond environmental issues. Acting on the belief that the company has "a responsibility to help build a better future and have a positive impact," the



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Steve Howard, IKEA Group's chief sustainability officer, is responsible for reducing IKEA's negative impact on the environment and increasing the ways the company cares for the environment.

company established the IKEA Foundation, which partners with organizations such as the World Wildlife Fund (WWF) to promote sustainable forestry and the United Nations High Commissioner for Refugees (UNHCR; also known as the UN Refugee Agency) to provide relief to displaced persons.

IKEA's experience in innovative design allows the company to give helpful advice about challenges such as how to house refugees or provide lighting where electricity is unavailable (for instance, it can provide solar-powered lamps). All of these efforts relate to the management employability skill of ethics and social responsibility. Howard and other managers at IKEA are using appropriate guiding principles to influence the way individuals and the organization behave within the society in which IKEA operates.

Can a business thrive by pursuing goals beyond profits? IKEA's commitment to social responsibility encourages innovation that gives the company a competitive edge. When IKEA saves money by using resources wisely (efficient lighting alone saves more than \$20 million a year), it passes on some of the savings to consumers, thereby cementing its position as an affordable place to shop. Helping suppliers save money strengthens those business relationships. IKEA has enjoyed growing revenues, market share, and profits even in regions struggling with economic stagnation. No wonder Howard calls sustainability the "future of business."¹

THE SOCIAL RESPONSIBILITY CHALLENGE

The Challenge Case illustrates social responsibility, sustainability, and ethics issues related to managing IKEA. The remaining material in this chapter explains social responsibility concepts and helps develop the corresponding social responsibility skill you will need to meet such challenges throughout your career. After studying chapter concepts, read the Challenge Case Summary at the end of the chapter to help you relate chapter content to meeting social responsibility challenges at IKEA.

Managers strive to accomplish organizational goals. The way in which managers accomplish those goals, however, is extremely important. Contemporary management theory emphasizes that managers, in accomplishing goals, should be good corporate citizens. A manager who is a **good corporate citizen** is committed to building an organization's local community and environment as a vital part of managing. This chapter focuses on how managers can be good corporate citizens by upholding the principles of corporate social responsibility. Discussion begins by covering the fundamentals of social responsibility, the target skill for this chapter.

Fundamentals of Social Responsibility

3-1 A thorough understanding of the term *social responsibility*

The term *social responsibility*, also referred to in the management literature as *corporate social responsibility*, means different things to different people. For the purposes of this chapter, however, **social responsibility** is the managerial obligation to take action that protects and improves both the welfare of society as a whole and the interests of the organization. According to the concept of social responsibility, a manager must strive to achieve societal as well as organizational goals.² This obligation is important for managers worldwide, including those in emerging economies.³

Michael E. Campbell is the top manager at Arch Chemicals.⁴ Campbell has thoroughly explained how his company focuses on social responsibility through its production of water sanitization products. According to Campbell, water supplies are undergoing extreme swings in developed and underdeveloped countries around the globe due to violent storms and floods. Campbell believes that water shortages are increasing and in the near future will affect more than 450 million people. Also, according to Campbell, even when water is available, it is not unusual to find water sources that are too contaminated for people to drink without the risk of serious illness. Following the spirit of the social responsibility concept, Campbell emphasized that by considering both human need and, someday at least, profits, companies in the chemical industry are beginning to develop a wide range of technologies that can help secure safe drinking water for the world's poor.

The amount of attention given to the area of social responsibility by both management and society has increased in recent years and probably will continue to increase.⁵ The following sections present the fundamentals of businesses' social responsibility by discussing these topics:

1. Areas of social responsibility
2. Varying opinions on social responsibility
3. Conclusions about the performance of social responsibility activities by business

Areas of Social Responsibility

The areas in which business can act to protect and improve the welfare of society are numerous and diverse. Perhaps the most publicized of these areas are urban affairs, consumer affairs, community volunteerism, and employment practices. The one area that is arguably receiving the most attention currently is the area of ecology conservation, popularly called "going green."⁶ An international effort sponsored by the United Nations is currently under way and growing to get large companies to start thinking seriously about ecosystems and how to maintain them. And