

# Ingka Group (IKEA)

## From ambition to action



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*Quotes attributable to Håkan Nordkvist, Head of Sustainability Innovation, Ingka Group (IKEA)*

The companies under the IKEA brand recently set themselves the target of becoming 'net positive' by 2030, a goal that places it in the vanguard of corporate climate leadership. Supported by a €200 million fund to encourage suppliers to adopt renewable energy, this hugely ambitious objective emerges out of a preceding commitment to become 'energy positive' by 2020.

### Investment in renewables and energy-saving

A central pillar of IKEA's People and Planet strategy was to produce more renewable energy than it consumed as a company. It achieved this in large part through a €2.5 billion investment in rooftop photovoltaic panels on its stores, factories and warehouses, as well as major investment in industrial-scale wind and solar power generation plants. Other elements of its drive to become energy positive include extensive in-house energy efficiency measures and the development of innovative energy-saving products and a circular manufacturing process.



Source: IKEA

### Challenge: change management

Despite having a clear target with strong board commitment, the companies under the IKEA brand represent multiple business units spread across a range of countries and governed by a relatively flat, decentralised management structure. All these factors present challenges to the implementation of an exacting, group-wide target such as becoming energy positive. Aside from the technical challenges of the commitment, the embedding process requires people within the organisation first to understand what this means and why it is relevant.

*“For large companies, the main barrier to implementation is often people’s resistance to change. However, being a values-based company helps when implementing concrete, purpose-led initiatives that are based on our vision and sustainability strategy.”*

## **Solution: strategic alignment, strict governance and value-based hiring**

Firstly, a clear implementation plan was set that was tied closely to the company’s existing business strategy. This ensured alignment with the overall priorities of management, avoiding the risk of climate goals being viewed as an ‘extra’ or add-on. Strong support for the plan from the chief executive and other board members reinforced this characterisation of climate as a core business concern.

Secondly, the plan was anchored in the governance of the company. Across senior management, level, performance indicators relating to the energy positive goal were integrated into individual remuneration packages. A cross-functional climate innovation team was also set up with a view to advancing the development of new energy-saving products and services. This included senior representatives from the retail, digital and sustainability divisions, among others. In addition, central funding was made available for pro-climate measures, ensuring that operational units did not have to shoulder all the costs of implementation.

Finally, Ingka Group gave considerable thought to its recruitment strategy, guaranteeing that the company’s sustainability commitments and wider values play an integral role in the hiring of new recruits. This made sure people joining were already broadly aligned with the company’s climate ambitions.

*“The topic of climate change is so huge and potentially complex that it is really important to be very specific about what you are trying to achieve. That way, the organization can really focus on doing what most needs to be done.”*

*“It’s one thing to have alignment at board level based on certain long-term targets, but you still need to take this through the organization. That requires helping people to adopt a different kind of mindset.”*

*“To implement your climate ambitions effectively you need the buy-in of the right people, a solid leadership, and to create a clear understanding of why and what we want to achieve throughout the organization, bringing people along in the movement required.”*

## **Result: embedded focus on energy**

The success of Ingka Group’s alignment strategy is evident from the fact that 57 per cent and 43 per cent of the electricity used for its retail and manufacturing activities now comes from renewable sources, respectively. Over the last decade, it has built up a stake in two solar parks in the US, a wind farm in Romania, 534 wind turbines in 14 countries, and nearly a million solar panel units on stores, distribution centres and administrative buildings. Emission removals completed its energy positive commitment. In the embedding

process, the company has also notched up a variety of innovative energy-saving innovations. Among these is a new business offering being developed and rolled out featuring solar panels and renewable energy direct to customers, as well as a leasing-style 'furniture as a service' model in specific markets.

## Next step: government alignment

With the ambition to now move from energy positive to climate positive, the importance of an alignment between its climate goals and those of government is recognised. To achieve its new targets will require an enabling policy environment that actively supports ambitious climate action by companies. One important step in this regard will be to encourage other corporate climate leaders to also speak out in favour of pro-climate measures, thus amplifying the voice of progressive businesses in policy circles.

*“Promoting policy measures that will help decarbonize the economy and shift capital investment into climate solutions is what we really need right now.”*