



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Master of Business Administration

Strategic Management [LCMB7003]



Strategic Management Analysis
IKEA Group

Lecturer : Dr. Hoang Nguyen

Student Name : Viren Kapadiya

Student ID : 2431957

Word Count : 5449

Table of Contents

1	SECTION 1: Strategic Analysis Report	4
1.1	Organisational Context and Overview	4
1.1.1	Historical Perspective.....	4
1.1.2	Mission, Vision and Business Model.....	4
1.1.3	Industry Context, Key Competitors and Market Position	5
2	External and Internal Environment Analysis	6
2.1	PESTEL Analysis: Macro-Environmental Forces.....	6
2.2	Porter's Five Forces: The Competitive Dynamics in the Industry.....	8
2.3	Internal Environment: Resources, Capabilities and Core Competencies.	10
2.4	VRIO Framework: Strategic Capabilities.	10
3	CSR and Sustainability Objectives	13
4	Comprehensive and Holistic View: The Balanced Scorecard	14
5	Strategic Choices and Implementation	16
5.1	Business-Level Strategic Choices	16
5.2	Corporate-Level Strategic Choices.....	16
5.3	Change Management and Strategic Implementation.....	17
6	Strategic Evaluation and Recommendations	17
6.1	SWOT Analysis.....	17
6.2	Ansoff Matrix: Strategic Options Evaluation.....	18
6.3	BCG Matrix Assessment.....	19
6.4	Strategic Recommendations	19
6.4.1	Recommendation 1, Accelerate omnichannel digital integration:	19
6.4.2	Recommendation 2, Launch circular subscription model ('IKEA as a Service'): 19	
6.4.3	Recommendation 3, Digital-first emerging-market expansion:	20
6.4.4	Recommendation 4, Strengthen supply-chain resilience:	20
7	SECTION 2: Reflective Account	21

7.1	Stage 1: Description.....	21
7.2	Stage 2: Feelings.....	21
7.3	Stage 3: Evaluation.....	21
7.4	Stage 4: Analysis	22
7.5	Stage 5: Conclusion	22
7.6	Stage 6: Action Plan	23
8	References.....	24

1 SECTION 1: Strategic Analysis Report

1.1 Organisational Context and Overview

1.1.1 Historical Perspective

IKEA was established in 1943 by Ingvar Kamprad in Älmhult, Sweden, a name composed of initials, the name of his family farm (Elmtaryd), and his village (Agunnaryd). IKEA was initially a mail-order company dealing in pens and picture frames, but in 1948 shifted to furniture and in 1956 came across a chance when an employee took the legs out of a table to be able to fit it into a car, which resulted in the game-changing concept of a flat-pack (Torekull, 1999). The original flagship store was in Älmhult in 1958; there are currently 477 stores of the INGKA Group, the largest IKEA franchisee, and more than 220,000 co-workers (INGKA Group, 2023).

The corporate structure of IKEA is intended to be complex. The IKEA concept, brand, and franchise system is owned by the Inter IKEA Group, which receives royalty fees from franchisees, and the INGKA Group runs most of the stores and consolidated financials. It has a Dutch-based structure that offers brand protection and a certain level of taxation optimisation, which has become the focus of regulatory attention in the EU (The Economist, 2023). This distinction is important in the interpretation of financial disclosures of IKEA, which is the operation of the INGKA franchise but not the entire IKEA system-wide revenue.

1.1.2 Mission, Vision and Business Model

Mission: To make many people live a better everyday life, a statement that has remained the same since the company was founded. The statement emphasises the importance of democratising access to good design (IKEA, 2023).

Vision: To provide a comprehensive selection of well-crafted, practical home-furnishing items at prices that are affordable to as many people as possible.

The **business model** is pegged to the democratic design, co-optimisation of form, function, quality, and sustainability, and low price. This is operationalised via a vertically integrated value chain: IKEA manages design (via IKEA of Sweden), sourcing of raw materials, manufacturing (via Swedwood/LLIB) and retail. The flat-pack design lowers the logistics expenses by raising the product density in each shipment and shifts the assembly labour to the customer. The physical retail (76% of FY2023 sales) and online commerce (24%) have contributed to generating revenue, which has been supplemented by food services and the IKEA Family membership programme (200 million members) (INGKA Group, 2023).

1.1.3 Industry Context, Key Competitors and Market Position

IKEA operates within the global home furnishing and décor market, valued at approximately USD 805 billion in 2023 and projected to grow at a CAGR of 5.2% to USD 1.08 trillion by 2029 (Mordor Intelligence, 2024). IKEA has a perceived world market share of 7-9, making it the undisputed market leader in terms of revenue and number of stores.

Table 1: IKEA INGKA Group, Key Financial Performance Indicators (FY2020–FY2024)

Fiscal Year	Revenue (€bn)	Net Income (€bn)	Online Sales (€bn)	Online % of Total	Stores
FY2020	35.2	0.9	4.0	~11%	423
FY2021	41.9	1.7	5.5	~13%	445
FY2022	44.6	1.8	7.7	17%	465
FY2023	47.6	2.0	9.5	24%	477
FY2024 (est.)	~49.5	N/A	~11.0	~22%	480+

Source: INGKA Group Annual Reports (2020–2023); (INGKA Group, 2023; Statista, 2024)

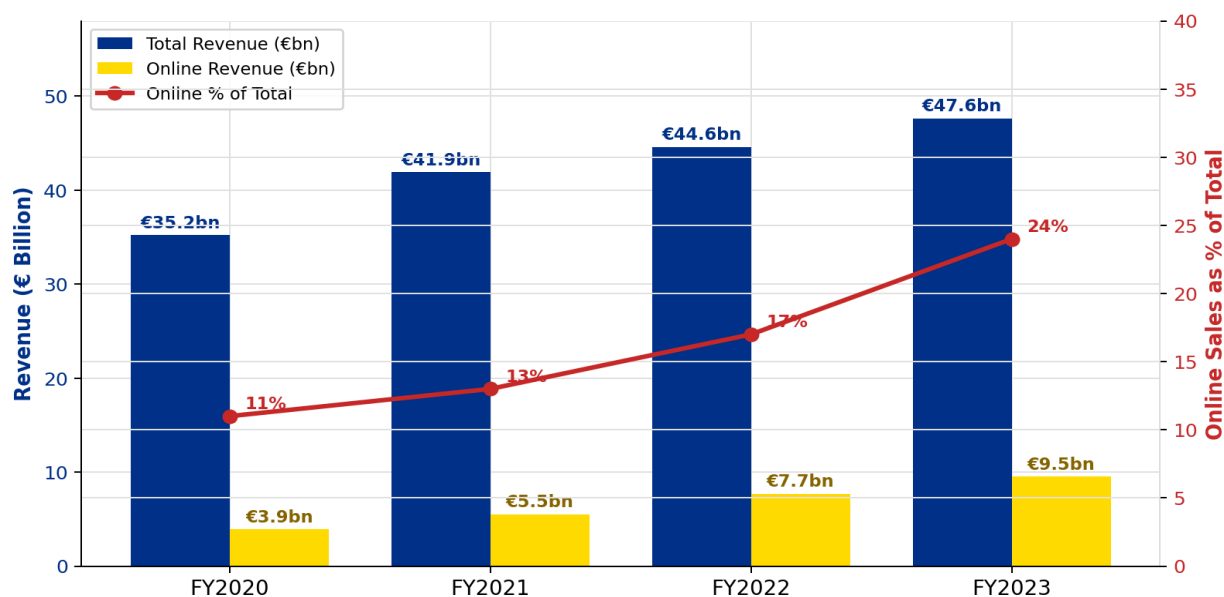


Figure 1: IKEA Revenue Growth and Digital Commerce Acceleration (Statista, 2024)

IKEA has seen a steady rise in revenues over four years since FY2020, as shown by Figure 1, with a 35% growth to €47.6bn in the most recent FY2023, despite vast geopolitical headwinds such as the Russia exit and post-pandemic supply disruptions. More crucially, the secondary axis indicates a structural turn in digital commerce: online sales expanded to 24% out of total revenue in the identical timeframe, indicating a compounding yearly growth rate of around 34, which is by far higher than the growth in headline revenues. This information confirms the strategic priority of digital transformation in the 2030 roadmap of IKEA and supports the gap in digital capabilities revealed in the VRIO analysis in Section 2.4.

Wayfair (digital-native, USD 12bn sales in 2023), Ashley Furniture (market leader in North America), Jysk (value retailer in Europe), and, increasingly, Amazon Home, are key competitors. The integrated model, brand equity and cost-engineering discipline of IKEA maintains its pre-eminent market leader status, especially in Europe and North America, despite increasing competition.

2 External and Internal Environment Analysis

2.1 PESTEL Analysis: Macro-Environmental Forces

The PESTEL model offers a methodical prism through which macro-environmental forces that influence the strategic choices of an organisation can be observed (Johnson et al., 2017). In the case of a global retailer working in 63 different political and economic environments, macro-environmental scanning is not just a good practice, but a matter of life and death. A critical PESTEL analysis of IKEA is given in Table 2.

Table 2: PESTEL Analysis, IKEA Group

	Factor	Key Issues & Evidence	Strategic Implication
P	Political	Trade tariffs; EU regulatory changes; geopolitical risk (Russia-Ukraine war; IKEA exited Russia in 2022 incurring €1.4bn write-down); varying political stability across 63 operating countries	Supply chain diversification; regional sourcing strategy; ongoing ESG-driven political risk assessment (Reuters, 2022)
E	Economic	Persistent global inflation (EU CPI peaked 10.6%, 2022); rising energy/raw-material costs; post-pandemic consumer spending	Price-investment strategy on 1,700+ products in FY2023; value-for-money

	Factor	Key Issues & Evidence	Strategic Implication
		normalisation; emerging-market growth in India, Southeast Asia	positioning through downturns resilient economic (Statista, 2024)
S	Social	Urbanisation driving smaller living spaces; growing DIY and 'homebody' culture post-COVID; Gen Z prioritising sustainability; ageing demographic in Europe needing accessible products	Democratic design philosophy; Family loyalty programme (>200 million members); inclusive product range (INGKA Group, 2023)
T	Technological	E-commerce acceleration; AI-driven personalisation; AR and virtual showroom technology; smart-home product convergence; cybersecurity and GDPR compliance	IKEA Place AR app; DIRIGERA smart-home hub; €1.4bn investment in digital transformation 2023-2026 (INGKA Group, 2023)
EN	Environmental	EU Green Deal obligations; deforestation regulations; plastic reduction mandates; carbon-border adjustment mechanisms; rising ESG investor scrutiny	Climate Positive by 2030 commitment; 98% renewable electricity in operations; 920+ IKEA-owned wind turbines (IKEA, 2023)
L	Legal	GDPR data-protection compliance across 63 markets; product safety directives; EU Digital Markets Act; labour law variation; competition law in multiple jurisdictions	Robust compliance teams in each jurisdiction; IWAY Supplier Code of Conduct (IKEA, 2023)

Source: IKEA (2023); INGKA Group (2023); Edelman (2023)

Critical Success Factors (CSFs): Based on the PESTEL synthesis, three CSFs become apparent, which determine the further competitiveness of IKEA. First, the price leadership in the face of inflationary times must be based on unrelenting cost-engineering and purposeful sourcing, and IKEA intentionally lowers prices on 1,700+ product lines in FY2023, which

shows this dedication but challenges margin strength (Alzghool, 2020). Second, there can be no compromise on accelerating digital channels; the structure of consumer behaviour has been altered to o-channel expectations and the 11%-to-24% increase of online revenues in four years that IKEA achieved underlines the opportunity and the urgency. Third, sustainability credibility has become a licence-to-operate concern due to the expanding EU regulatory requirements and consumer ESG inquiry (Johnson et al., 2017).

Strategic Challenges: Essentially, there is a geopolitical paradox in IKEA: The global character of the company is both its most significant strategic strength and its most important weakness. The Russian withdrawal in 2022 resulted in a €1.4 billion asset write-down and displacement of 15,000 co-workers (Reuters, 2022). This exemplifies the way a geopolitical risk can turn an influence on the macro-environment immediately into an operational and financial crisis, which confirms the claim of Teece et al. (1997) that the capacity to sense and respond to environmental disruptions, known as dynamic capabilities, is the key to long-term competitive advantage.

2.2 Porter's Five Forces: The Competitive Dynamics in the Industry.

The Five Forces model by Porter (1980) is a supplement to the PESTEL analysis, since it looks at the industry structure and the forces that IKEA must deal with in its home-furnishing industry (Orlovic, 2003). The five forces and their implications to IKEA are summarised in Table 3.

Table 3: Porter's Five Forces Analysis, IKEA

Force	Intensity	Analysis for IKEA
Competitive Rivalry	HIGH	Wayfair, Amazon Home, Ashley Furniture, Jysk. The global furniture market is fragmented, but IKEA's scale insulates it. Digital entrants are intensifying price competition.
Threat of New Entrants	MEDIUM	High capital requirements for physical retail reduce the threat. However, digital-native entrants (e.g. Made.com, Article) can enter with low capex. IKEA's brand moat is a substantial barrier.
Bargaining Power of Suppliers	LOW–MED	INGKA's scale (~1,800 suppliers) gives significant leverage. IWAY code enforces compliance. However,

Force	Intensity	Analysis for IKEA
		raw-material shortages (2021-22) demonstrated supply-side vulnerability.
Bargaining Power of Buyers	MEDIUM	Low switching costs in furniture retail; price-comparison easy online. IKEA Family programme and experiential retail reduce churn. Democratic design creates perceived uniqueness.
Threat of Substitutes	MEDIUM	Second-hand/circular furniture marketplaces (Vinted, Facebook Marketplace) are growing. Custom bespoke furniture at the premium end. Rental/subscription models are emerging. IKEA's circular strategy partially addresses this.

Source: Porter (1980)

The Five Forces analysis shows that although the competition in the market is high, especially with the entry of digital-native competitors, the competitive advantages of IKEA in terms of its structure, brand equity, economies of scale, and integrated supply chain continue to lead the industry. The most urgent pressure is the increasing threat of digital substitutes and platform retailers. The decision by Amazon to enter home furnishings using Prime logistics service and AI-based search is a qualitatively new threat to competitors (Uçmak and Arslan, 2012). The reaction of IKEA, which aims to spend 1.4bn on digital transformation by 2026, is correct, but should be implemented within a short time frame to avoid the loss of its market share in the digital channel.

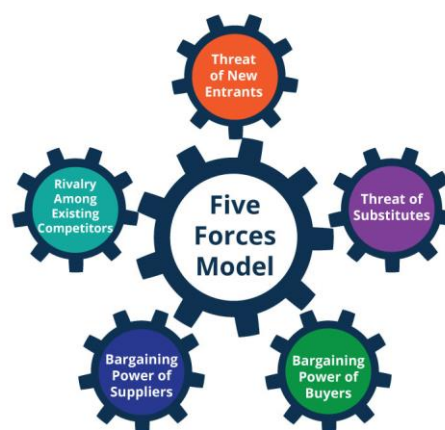


Figure 2: Porter's Five Forces Analysis; Source: Porter (1980)

2.3 Internal Environment: Resources, Capabilities and Core Competencies.

Grant (2021) opines that long-lasting competitive advantage is based on the utilisation of the unique internal resources and capabilities of the organisation and not on the structure of the industry. This 'inside-out' perspective is particularly pertinent for IKEA, whose internal architecture is the primary driver of its strategic differentiation.

Tangible Resources: The 477 large-format stores of IKEA are a massive, fixed capital investment, located at the edges of the cities to ensure the greatest amount of car-owning footfall. The stores in warehouse format, with an average of 28000 m², enable in-store stocks, a distinguishing factor compared to competitors that use centralised distribution only. The financial resources (net income of 2.0bn in FY2023) are the source of long-term investment in digital and sustainability transformation.

Intangible Resources: The company has the most valuable intangible asset, which is the IKEA brand, ranked 38th in the world by Forbes (2023) with an estimated value of USD 23.5 billion. The IKEA Family loyalty scheme (200 million members), complemented by proprietary design capability (800+ in-house designers at IKEA of Sweden), and the knowledge gained in the 7-decade legacy of supply-chain relationships, intangible resources make up the core of the IKEA competitive moat.

Core Competencies: IKEA has core competencies based on Prahalad and Hamel (1990), which are: (1) integration of design, sourcing, manufacturing and retail in a single cost-optimised system; (2) cost-engineering discipline that encompasses frugality at every design and production decision without compromising functional quality; and (3) an egalitarian co-worker culture that is based on Scandin.

2.4 VRIO Framework: Strategic Capabilities.

The VRIO framework of Barney (1991) measures strategic resources on four dimensions, Value, Rarity, Inimitability, and Organisation, to identify whether they are a source of sustained competitive advantage. Table 4 uses this framework on the key strategic assets of IKEA.

Table 4: VRIO Framework Analysis, IKEA Group

Resource Capability /	V	R	I	O	Competitive Implication
Global Brand Equity (ranked #38 globally, Forbes 2023)	✓	✓	✓	✓	Sustained Competitive Advantage
Flat-pack / Democratic Design System	✓	✓	✓	✓	Sustained Competitive Advantage
Vertically Integrated Supply Chain (1,800+ suppliers, 50 countries)	✓	✓	✓	✓	Sustained Competitive Advantage
IKEA Family Loyalty Programme (200m+ members)	✓	✓	✓	✓	Sustained Competitive Advantage
Scale & Global Purchasing Power	✓	✗	✓	✓	Temporary Competitive Advantage
In-store Experiential Retail (showrooms, restaurant)	✓	✓	✗	✓	Temporary Competitive Advantage
Digital / E-commerce Platform	✓	✗	✗	✓	Competitive Parity
Smart Home Product Ecosystem (DIRIGERA)	✓	✗	✗	✗	Competitive Disadvantage (developing)

Source: Barney (1991); Forbes (2023).

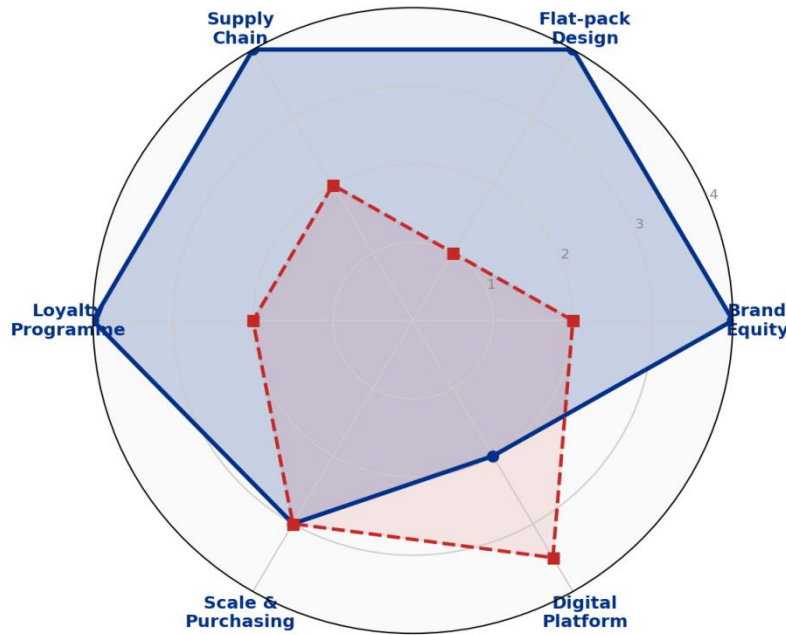


Figure 3: VRIO Framework; Source: Forbes (2023). Score: 1 = no VRIO criteria met; 4 = all four criteria met

Figure 3 provides a visualisation of the VRIO capability profile of IKEA in comparison with a best-competitor benchmark estimate. The radar chart further supports the tabular VRIO analysis: IKEA has maximum scores (4/4) in brand equity, flat-pack design, supply chain integration, and loyalty programme, which are all sources of sustainable competitive advantage. The left quadrant (brand, design, supply chain) is the least competitive moat gap between IKEA and the competitors, which validates these as the deepest sources of the competitive moat. Importantly, the right quadrant indicates that IKEA is weak: the competitor capabilities in the development of digital platform are approaching and based on some estimates, even outperforming the capabilities of IKEA, a graphic depiction of the strategic necessity to bridge the gap (Teece et al., 1997).

According to the VRIO analysis, IKEA has several sustainability sources of competitive advantage. But the digital and e-commerce platform now provides only competitive parity; other competitors, including Wayfair and Amazon, have invested much more in digital commerce infrastructure. This is the most urgent strategic weakness of IKEA, in line with the dynamic-capabilities argument of Teece et al. (1997), which states that the company should be constantly reorganising its resource bases to maintain a competitive edge in unstable environments. Importantly, the low-cost design-to-retail integration, low prices, high volume, high volume, supplier relationships, purchasing power, and the low-cost supplier relationships, purchasing power, and costs are all mutually reinforcing, which creates a self-sustaining

competitive system, and hence, critical, IKEA internal strength contributes to competitive advantage.

3 CSR and Sustainability Objectives

The company of IKEA has defined its corporate social responsibility approach as the framework of People and Planet Positive, which specifically incorporates sustainability into the business model instead of considering it as a marginal philanthropic requirement (Carroll, 1991). Such strategic congruity echoes the stakeholder theory of Freeman (1984): IKEA explicitly recognises that the long-term business sustainability of the company relies on the management of the interests of employees, communities, suppliers, and the natural environment in addition to the shareholders.

Climate Positive by 2030: IKEA has pledged to take more greenhouse gas out of the atmosphere in the year 2030 than all its value chain emits. By FY2023, 98% of the electricity used throughout IKEA operations will be renewable, backed by an owned portfolio of more than 920 wind turbines and solar panels on more than 90% of store rooftops that were eligible (IKEA, 2023). The investment is an actual operational change and not based on offset-based accounting.

Circular Economy Transition: IKEA is launching a Buy Back and Resell program, which allows customers to send used furniture back to the store to obtain store credit and offers a second-hand section and recycles the product. It will be implemented in 27 countries by 2023. By 2030, all products will be designed to be disassembled, reused, and recycled (INGKA Group, 2023), in line with the Circular Economy Action Plan by the EU, but providing the company with a new source of revenue, estimated to reach 1.4 billion by 2026.

Social Responsibility: The IKEA programme, Bright Lives, has given more than 100,000 refugees and vulnerable women in 13 countries employment training and skills development. The IWAY Supplier Code of Conduct applies minimum labour standards, environmental compliance and child-protection requirements to 1,800+ suppliers, which proves that IKEA is prepared to address its CSR requirements throughout its supply chain.

Critical Assessment: Despite these real commitments, it is not the case that the sustainability strategy of IKEA does not have fundamental tensions. According to Scholtens (2008), the idea of responsible business practice can only focus on the structural logic of the business model and not just its operational efficiency. The fundamental offer that IKEA makes, which is high-

volume sales of low-priced products, is structurally incompatible with the concept of degrowth sustainability. Opponents like The Guardian (2023) claim that the IKEA sustainability discourse is prone to serving as brand legitimization instead of actual ecological investment, especially since the company is continuing its store expansion. This contradiction between increasing the volume of business as the environmental leader is a strategic conflict that IKEA does not yet sufficiently discuss in its sustainability reporting.

4 Comprehensive and Holistic View: The Balanced Scorecard

The Balanced Scorecard (BSC) introduced by Kaplan and Norton (2005) helps to resolve a basic shortcoming with purely financial performance measurement, namely its backwards-looking nature and failure to encompass the sources of value creation in the future. The BSC is a tool for presenting a balanced view of organisational performance by marrying financial measures with customer, operational and learning views that enable operational activities to be aligned with long-term strategic goals (Kaplan and Norton, 2005, p.71).

Table 5: Balanced Scorecard, IKEA Group Strategic Performance Framework

Perspective	Objective	KPI	Target	Key Initiative
Financial	Growth & margins	Revenue %, EBIT %	+5% YoY; $\geq 12\%$ EBIT	Pricing, new stores, digital sales
Customer	Loyalty & satisfaction	NPS, repeat rate, membership	NPS >58; >70% repeat; +10% members	Loyalty programme, AR tools, service upgrades
Internal	Efficiency & sustainability	Lead time, renewable %, circular %	-15% lead time; 100% renewable; 50% circular	Lean logistics, supplier audits, circular design
Learning & Growth	Skills & innovation	Engagement, digital skills, new SKUs	>80% engagement; 90% upskilled; 500+ SKUs	Training, AI learning, innovation programmes

Source: Kaplan and Norton (2005)

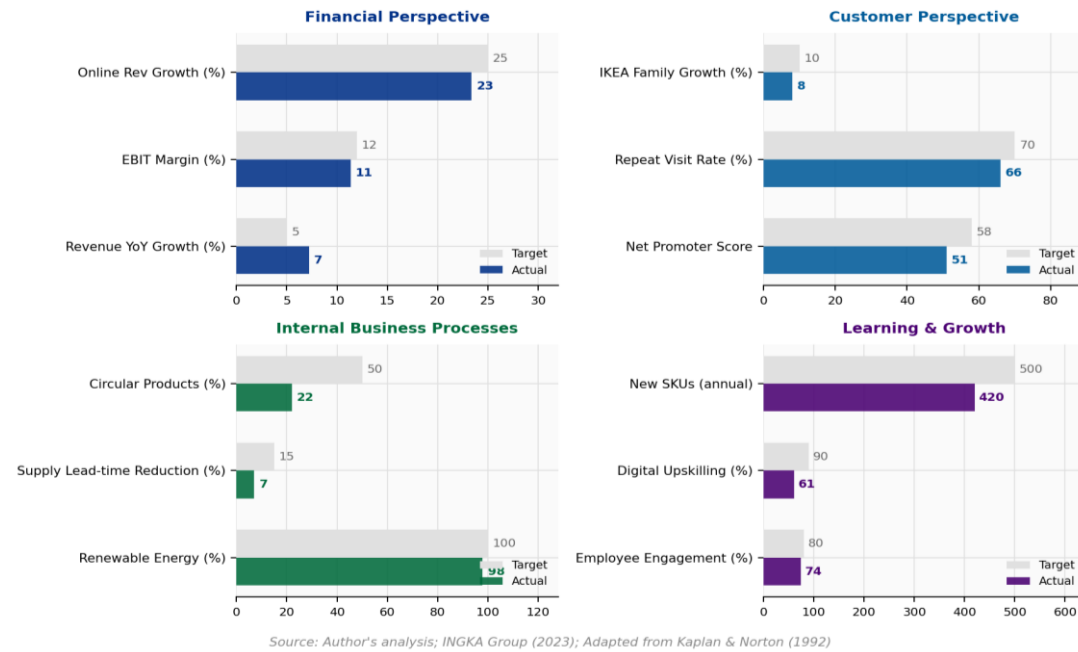


Figure 4: IKEA Balanced Scorecard, KPI Performance vs. Target Dashboard; Source: Kaplan and Norton (2005)

As Figure 4 indicates, IKEA overperforms on its revenue target (7.2% vs. 5%) but slightly underperforms on EBIT (11.4% vs. 12). Customer Metrics Lag (NPS 51 vs. 58; repeat visits 66% vs. 70%). Renewable energy use is high (98%), but the supply chain efficiency and circular products are below target. Learning & Growth is the most important area with the largest gaps: low engagement (74) and digital skills (61), and is where capability development is a priority, according to Robert S. Kaplan and David P. Norton (Alzoubi et al., 2023).

Financial Perspective: The main financial goals of IKEA are to maintain high profitable revenue growth and to deal with inflationary cost pressure. The planned price-investment plan, where the prices of more than 1,700 products will be dropped during FY2023, is a willed margin trade-off aimed at keeping volume and market-share leadership. Kaplan and Norton (2005) warn against financial metric optimisation against the other three perspectives; IKEA, balancing digital capability with sustainability, indicates this systemic awareness.

Customer Perspective: Customer-centricity is realised in the form of the IKEA Family loyalty programme, IKEA Place augmented-reality application, and post-purchase service improvement by the TaskRabbit assembly partnership (acquired 2017). The NPS goal of >58 indicates awareness that in the age of online comparison shopping, customer loyalty needs to be proactively fostered.

Internal Business Processes: Lean supply-chain management, nearshoring of production (accelerated post-COVID) and IWAY supplier sustainability auditing are applied to achieve

operational efficiency. The move to a dual-source approach to critical materials mitigates the risk of geopolitical concentration, but at the expense of the efficiency on which the IKEA model of competitive advantage is based.

Learning and Growth: The goal of 90% of 220,000+ co-workers becoming digitally competent will increase operationally challenging and strategically critical by 2026: without digitally competent employees, IKEA will not be able to make the operationally complex technology investments in AI, AR, and e-commerce pay off in terms of competitive advantage (Oberländer, 2023).

5 Strategic Choices and Implementation

5.1 Business-Level Strategic Choices

Cost Leadership: On the business level, Porter (1980) defines three generic competitive strategies: cost leadership, differentiation and focus. Cost leadership as the primary strategy of IKEA is clearly defined: the firm systematically designs the lowest possible costs in design, production, logistics and retail, converting the savings into low consumer prices based on the flat-pack, standardised world product lines, and customer assembly of products.

Hybrid Differentiation: A naive description of IKEA as a cost-leader, however, lacks a key strategic subtlety. The company also simultaneously follows the hybrid differentiation: Scandinavian minimalist design, in-store immersive retail (showrooms, serving 660 million meals in its restaurants every year), and sustainability credentials, make IKEA stand out of pure-discount substitutes. Johnson et al. (2017) suggest that hybrid approaches are becoming an option in markets where consumers are becoming more sophisticated in terms of value and quality.

Recommendation: IKEA needs to strategically expand its hybrid approach by investing in digital personalisation (AI-based interior design consultants, 3D room planners) and high-end sub-ranges within the core business portfolio. The strategic risk, which Porter (1980) referred to as stuck in the middle, can be avoided through the strict separation of cost-reduction programmes and value-adding innovation programmes.

5.2 Corporate-Level Strategic Choices

Relevant Diversification: IKEA engages in related diversification at the corporate level by expanding into geographic and service diversification. IKEA has expanded its value proposition to home assembly and handyman services with the acquisition of TaskRabbit

(2017). The pilot affordable-housing projects by INKA Investments are an early move into diversification into the real-estate sector, and whether the IKEA democratic-design mission can be applied to the housing itself.

Recommendation: The most strategically attractive corporate-level alternative is accelerated market expansion into high-growth emerging markets, especially India and Southeast Asia, through a capital-light, digital-first, store-second entry mode. The furniture market in India is expected to expand at a rate of 12% CAGR until the year 2028 (Mordor Intelligence, 2024). Demand is validated by IKEA stores in Mumbai and Hyderabad, which are already profitable. This suggestion is in line with the market development quadrant analysis by Ansoff (1957) in Section 6.

5.3 Change Management and Strategic Implementation

IKEA has demonstrated a high level of change management as e-commerce has grown fast during the COVID-19 period, with online sales rising by 11% to 24%, which indicates a high degree of organisational agility and fit with the model of John P. Kotter. Nonetheless, slower reaction to the 2022 Russia withdrawal and supply chain impacts (more than 15% stock-outs) revealed vulnerabilities in crisis flexibility. Responding to this, IKEA enhanced resilience via nearshoring, dual sourcing, and digital investment and manifested increasing dynamic capabilities in line with the definition given by David J. Teece.

6 Strategic Evaluation and Recommendations

6.1 SWOT Analysis

The SWOT analysis combines the external (PESTEL, Five Forces) with the internal (VRIO, value chain) (Palupiningrum et al., 2023) analysis to create a synthesising strategic framework, and strategic priorities are found at the point where internal capabilities and external opportunities or threats come together (Johnson et al., 2017). A detailed SWOT analysis of IKEA is given in Figure 3.

Figure 3: SWOT Analysis, IKEA Group

STRENGTHS	WEAKNESSES
World's largest furniture retailer; €47.6bn revenue FY2023	Heavy dependence on large out-of-town physical stores

• Iconic brand: #38 globally (Forbes, 2023) • Unique flat-pack model: cost-engineered value chain	• E-commerce capability lags pure-play digital competitors • Self-assembly alienates older / less mobile demographics
OPPORTUNITIES • Rapid middle-class growth in India and Southeast Asia • Circular economy / second-hand furniture market growth • Smart-home and IoT product integration (DIRIGERA ecosystem)	THREATS • Intensifying competition: Wayfair, Amazon Home, Jysk • Raising raw-material, energy and logistics cost inflation • Geopolitical instability: supply-chain disruption risk

Source: Forbes (2023); Mordor Intelligence (2024); The Guardian (2023)

6.2 Ansoff Matrix: Strategic Options Evaluation

Ansoff's (1957) Growth Matrix is a systematic method of analysing strategy options in 2 dimensions: markets (existing vs. new) and products (existing vs. new) that allows a systematic risk analysis of alternative growth strategies (Hussain et al., 2013). IKEA's strategic options are mapped in Figure 2.

Figure 2: Ansoff Matrix, IKEA Strategic Growth Options

	Existing Products	New Products
Existing Markets	Market Penetration (Low Risk): Increase share through loyalty programmes, pricing, store upgrades, and better digital experience. (Primary strategy)	Product Development (Medium Risk): Expand smart-home, sustainable, and space-saving furniture for urban living.
New Markets	Market Development (Medium Risk): Enter new regions via digital channels and small urban stores. (Secondary strategy)	Diversification (High Risk): Explore housing, financial services, and subscriptions. (Not a priority)

Source: Ansoff (1957)

The Ansoff analysis shows that penetrating the market with digital improvements, investment in a loyalty programme, and price optimisation would be the most valuable-creating urgent priority for IKEA: the strategy would be associated with the least strategic risk and the most immediate returns. The best long-term growth opportunity is market development and specifically the digital-first emerging-market entry strategy, where India alone presents a population of 1.4 billion and a fast-growing middle-class population. Smart-home integration Product development is a strategically appealing concept that necessitates IKEA to operate in an area (IoT and AI) in which it currently has no core competency, and where implementation risks are high.

6.3 BCG Matrix Assessment

In a BCG Matrix (Henderson, 1970) context, Core European and North American physical retail is the 'Cash Cow', with a large market share in a market modestly growing, generating consistent cash flows. Digital commerce and the IKEA Family platform are the Stars, with high growth and high share potential and need to be further invested in. Question Marks is an emerging-market operation with high growth potential but a low share today, and it needs strategic resource allocation. The affordable-housing diversification is currently a Dog; it is an initiative that must be considered as a trial long-term alternative and not a strategic principle.

6.4 Strategic Recommendations

According to the above multi-framework analysis, four strategic recommendations are presented based on the theoretical framework and real-life precedents as follows:

6.4.1 Recommendation 1, Accelerate omnichannel digital integration:

IKEA needs to make investments of €23bn in three years in AI-powered personalisation, same-day delivery logistics, and virtual showroom features. This directly addresses the VRIO-identified digital gap and counters Wayfair and Amazon Home. Precedent: The OMNI strategy of H&M shows that it is possible to introduce digital channels into large-format physical stores without cannibalising stores (H&M Group, 2023).

6.4.2 Recommendation 2, Launch circular subscription model ('IKEA as a Service'):

IKEA: Within three years (2026), IKEA should have the opportunity to pilot a furniture subscription model in three European markets, where the consumer can lease furniture instead of buying it at a direct cost. This addresses the structural conflict between mass consumption

and sustainability (The Guardian, 2023), creates predictable recurring revenue, and anticipates the EU's circular-economy regulatory demands.

6.4.3 Recommendation 3, Digital-first emerging-market expansion:

IKEA should proceed with an online-first, store-second approach to Vietnam, Thailand, and the Philippines by 2027. E-commerce presence before any physical capital commitment minimises the risk of market-entry and is consistent with the Ansoff market-development recommendation and the BCG 'Question Mark' investment logic.

6.4.4 Recommendation 4, Strengthen supply-chain resilience:

Lessons of the Russia withdrawal and COVID supply disruptions mean it is worth investing in supply-chain resilience by dual-sourcing critical material and nearshoring European supply chains. This minimises geopolitical concentration risk and minimises lead times, both listed as strategic imperatives in the BSC analysis.

These suggestions are both theoretically anchored (Porter, 1980; Ansoff, 1957; Teece et al., 1997; Kaplan and Norton, 2005) and strategically consistent: they all contribute to strengthening the cost-leadership and hybrid-differentiation positioning of the company and help to eliminate the most significant weaknesses in digital capability, sustainability cred

7 SECTION 2: Reflective Account

The following reflective account employs Gibbs' (1988) Reflective Cycle, comprising six sequential stages: Description, Feelings, Evaluation, Analysis, Conclusion, and Action Plan, to critically examine the intellectual and practical process undertaken in researching, analysing, and writing this strategic management report.

7.1 Stage 1: Description

The choice of a globally relevant organisation and the strict use of a set of strategic management frameworks: PESTEL, Porter's Five Forces, VRIO, Balanced Scorecard, SWOT, Ansoff Matrix, and BCG Matrix were necessary to conduct this assessment. IKEA was chosen due to its iconic international brand, unique business model, complicated ownership, sustainability goals, and a well-documented corporate history. The study was conducted during a period of about four weeks and was based on annual reports of INGKA Group, Inter IKEA sustainability reports, academic journal articles, market intelligence reports (Mordor Intelligence, Statista), and reliable media coverage on business (The Economist, Reuters, The Guardian). It was not so much to locate enough material, IKEA produces a large amount of public documentation, but to locate and implement the right critical filters to discern corporate narrative versus strategic reality.

7.2 Stage 2: Feelings

The first interaction with the assessment specification elicited an intellectual trepidation to some extent. The need to synthesise various frameworks in a way that would be coherent, yet not descriptive in its breadth, but in-depth, critical, and analytical, was a major challenge. There was a prior worry that avoiding the typical MBA trap of model-filling, which is the automatic stuffing of structures with organisational facts, but not creating strategic understanding. This concern was phased out, as the research became more in-depth and cross-framework links, such as the VRIO analysis, to support the conclusions made on the basis of the PESTEL analysis, began to form. The discovery of the sustainability paradox (the structural antagonism between the mass-consumption business model of IKEA and its environmental pledges) was an especially invigorating analytical experience, as it was a true critical revelation, and not a restatement of corporate rhetoric.

7.3 Stage 3: Evaluation

Applying several models (PESTEL, Five Forces, VRIO, Ansoff, BCG) allowed for a comprehensive strategic analysis of IKEA. Tables alone showed less clearly than visual techniques, such as the revenue/digital chart and Balanced Scorecard, demonstrated some major insights, in particular Learning and Growth as the principal performance gap. Academic sources were critical and avoided bias.

But the word limits were a limitation to depth, especially in Five Forces and financial analysis. The private structure of INKA Group also restricts detailed financial information. A deeper ratio and comparative analysis would have enhanced the accuracy of the quantitative.

7.4 Stage 4: Analysis

This experience solidified some of the main lessons concerning strategic management as an analytical field. The first is that strategic frameworks are lenses, not formulas: they cannot be used in a mechanical manner, but only in the ability to raise questions and to expose contradictions that descriptive analysis conceals. The VRIO framework, e.g., would indicate that the brand equity and supply-chain integration are long-term sources of competitive advantage; but the Ansoff analysis would at once point out that these same sources of competitive advantage are least relevant, in the digital-first emerging-market settings that are the most promising in the business of IKEA, an efficient paradox that indicates a real strategic dilemma.

The idea of reflection-in-action that Schoen (1983) introduced found operational expression in the writing process: At the first applications of the general frameworks, some insights were generated that led to the reconsideration of some earlier conclusions of the analysis, resulting in an iterative, as opposed to linear, analysis. This is like the experiential learning cycle of Da (1984) in that it is concrete experience (researching IKEA), reflective observation (assessing the framework outputs), abstract conceptualisation (synthesising insights across the frameworks) and active experimentation (developing strategic recommendations), and functions in a recursive dialogue. The analytical scrutiny of the sustainability story of IKEA acquired valuable meta-analytical competencies: how to differentiate between strategic communication and strategic substance.

7.5 Stage 5: Conclusion

The evaluation has enhanced the knowledge of strategic management as an academic subject as well as organisational practice. The critically integrated multi-framework approach employed here, triangulation of the external environment, internal capability, performance

management and strategy options analysis, is a truly holistic and rigorous methodology of analysis that is suited to complex, global organisations like IKEA. This analysis revealed the contradictions between mass consumption and sustainability leadership; between physical-retail heritage and digital-native competitive dynamics; between scale efficiency and supply-chain resilience, which cannot be resolved using any single strategic approach. They need that sort of subtly, evidence-based, multi-perspectival thinking of this report that has tried to model.

7.6 Stage 6: Action Plan

Based on the findings and limitations that this analysis demonstrates, the following developmental priorities can be determined:

- **Build quantitative financial analytical skills:** future strategic analyses will be enhanced using ratio analysis, discounted cash flow analysis and systematic benchmarking against industry comparators. The financial modelling materials of the CFA Institute will be given priority to study independently.
- **Get more systematic knowledge of practitioners:** McKinsey Quarterly, Harvard Business Review, and MIT Sloan Management Review will be part of the reading routine to close the gap between theoretical knowledge and current strategic practice.
- **Incorporate primary research approaches:** where practical, future evaluations will utilise structured interviews with organisational stakeholders or survey data of consumers to give empirical support to the research beyond secondary documentation and corporate reporting.
- **Prior research initiation:** this iterative, recursive analytical process that is reported here must have sufficient time to progress in time; subsequent evaluations will be enhanced with research initiation at least six weeks before submission so that multiple cycles of analysis, reflection and synthesis can be achieved.

8 References

- Alzghool, M., 2020. An evaluation of IKEA's global position and marketing standing. *Research Gate*.
- Alzoubi, A., Al-Talib, M. and Al Saad, W.K., 2023, March. Sustainability as a competitive advantage: IKEA as a case study. In *13th International Conference on Industrial Engineering and Operations Management (IEOM)*.
- Ansoff, H.I., 1957. Strategies for diversification. *Harvard business review*, 35(5), pp.113-124.
- Barney, J.B. (1991) 'Firm resources and sustained competitive advantage', *Journal of Management*, 17(1), pp. 99–120. <https://doi.org/10.1177/014920639101700108>
- Carroll, A.B. (1991) 'The pyramid of corporate social responsibility: Toward the moral management of organisational stakeholders', *Business Horizons*, 34(4), pp. 39–48. [https://doi.org/10.1016/0007-6813\(91\)90005-G](https://doi.org/10.1016/0007-6813(91)90005-G)
- Ck, P., 1990. Core Competence of the Corporation.
- Da, K., 1984. Experiential learning. *Experience as the Source of Learning and Development*, 41.
- Edelman (2023). Edelman Trust Barometer 2023: Global Report. Chicago: Edelman. Available at: <https://www.edelman.com/trust/2023/trust-barometer> (Accessed: 15 March 2026).
- Forbes (2023) The World's Most Valuable Brands 2023. New York: Forbes Media. Available at: <https://www.forbes.com/the-worlds-most-valuable-brands/> (Accessed: 10 March 2026).
- Freeman, R.E., 1984. *Strategic management: A stokcholder approach*. Boston, MA: Pitman.
- Gibbs, G., 1988. Learning by doing: A guide to teaching and learning methods. *Further Education Unit*.
- Grant, R.M., 2021. *Contemporary strategy analysis*. John Wiley & Sons.
- H&M Group (2023) H&M Group Annual Report 2023. Stockholm: H&M Group. Available at: <https://hmgroup.com/investors/annual-reports/> (Accessed: 18 March 2026).
- Henderson, B.D., 1970. The product portfolio. *The Boston Consulting Group Perspective*, 66.

-
- Hussain, S., Khattak, J., Rizwan, A. and Latif, M.A., 2013. ANSOFF matrix, environment, and growth-an interactive triangle. *Management and Administrative Sciences Review*, 2(2), pp.196-206.
- IKEA (2023) People & Planet Positive: IKEA Sustainability Strategy FY2023. Leiden: Inter IKEA Group. Available at: <https://www.ikea.com/global/en/newsroom/sustainability/> (Accessed: 10 March 2026).
- Inditex (2023) Inditex Annual Report 2023. Arteixo: Inditex. Available at: <https://www.inditex.com/investors/investors-relations/annual-report> (Accessed: 20 March 2026).
- INGKA Group (2023) INGKA Group Annual Summary FY2023. Leiden: INGKA Group. Available at: <https://www.ingka.com/news/ingka-group-annual-summary-fy23/> (Accessed: 10 March 2026).
- Johnson, G., SCHOLLES, K. and WHITTINGTON, R., 2017. Exploring Corporate Strategy: Text and Cases (11e éd.).
- Kaplan, R.S. and Norton, D.P. (1996) 'Using the balanced scorecard as a strategic management system', *Harvard Business Review*, 74(1), pp. 75–85.
- Kaplan, R.S. and Norton, D.P., 2005. *The balanced scorecard: measures that drive performance* (Vol. 70, pp. 71-79). Boston, MA, USA: Harvard Business Review.
- Kotter, J.P., 2012. *Leading change*. Harvard business press.
- Mordor Intelligence (2024) Global Home Furnishing Market, Size, Share and Trends Analysis Report 2024–2029. Hyderabad: Mordor Intelligence. Available at: <https://www.mordorintelligence.com/industry-reports/home-furnishing-market> (Accessed: 12 March 2026).
- Oberländer, M., 2023. *Digital Competencies at Work* (Doctoral dissertation).
- Orlovic, M., 2003. *Strategies and Structure of the Luxury Clothing and Accessories Sector: A Critical Analysis based on Porter's Five Forces Model*. diplom. de.
- Palupiningrum, A.W., Rapati, C., Sitio, R.P., Wibowo, F.A. and Sari, A.M., 2025. Enhancing Competitiveness in the Indonesian Pulp Industry: A Strategic Analysis and Value Chain Mapping Approach. *Advanced and Sustainable Technologies (ASET)*, 4(2), pp.203-224.
- Porter, M.E. and Advantage, C., 1985. Creating and sustaining superior performance. *Competitive advantage*, 167, pp.167-206.

-
- Porter, M.E. and Strategy, C., 1980. Techniques for analyzing industries and competitors. *Competitive Strategy*. New York: Free, 1, p.76.
- Reuters (2022) 'IKEA takes €1.4 billion hit from Russia exit', Reuters, 16 September. Available at: <https://www.reuters.com/business/retail-consumer/ikea-takes-1-billion-euros-hit-russia-exit-2022-09-16/> (Accessed: 14 March 2026).
- Scholten, B., 2008. A note on the interaction between corporate social responsibility and financial performance. *Ecological economics*, 68(1-2), pp.46-55.
- Statista (2024) IKEA Revenue and Key Statistics 2023. Hamburg: Statista. Available at: <https://www.statista.com/statistics/241395/ikeas-total-revenue/> (Accessed: 10 March 2026).
- Teece, D.J., Pisano, G. and Shuen, A. (1997) 'Dynamic capabilities and strategic management', *Strategic Management Journal*, 18(7), pp. 509–533. [https://doi.org/10.1002/\(SICI\)1097-0266\(199708\)18:7<509::AID-SMJ882>3.0.CO;2-Z](https://doi.org/10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z)
- The Economist (2023) 'How IKEA's complex corporate structure works', *The Economist*, 11 February. Available at: <https://www.economist.com/> (Accessed: 15 March 2026).
- The Guardian (2023) 'Is IKEA's sustainability drive really flat-pack greenwashing?', *The Guardian*, 7 June. Available at: <https://www.theguardian.com/> (Accessed: 15 March 2026).
- Torekull, B. and Tate, J., 1999. Leading by design: the IKEA story. (*No Title*).
- Uçmak, F. and Arslan, C., 2012. The impact of competition conditions on new market entrants in Istanbul hotel industry: an analyse by using five forces of competitive position model of M. Porter. *Procedia-Social and Behavioral Sciences*, 58, pp.1037-1046.