



The Impact of Internal and External Environmental Factors on Human Resource Management at IKEA: A SWOT Analysis

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Introduction

Human Resource Management is an important aspect of the successful operation of any company. People management comprises several activities aimed at attracting employees, improving their skills and making sure that their efforts correspond to the corporate goals. Recruitment and selection, training and development, performance management, and employee relations are the functions carried out by the HR managers and enabling them to help not only employees but also meet other needs of the organisation (Armstrong and Taylor, 2014). In turn, strategic HRM deals with aligning people management processes and strategies with the strategy and performance of the organisation.

This report considers IKEA, a globally operating furniture company. The company operates in many international markets, which makes it possible to see how managing people across different countries is affected by various cultures, labour markets, etc. On the other hand, IKEA is known for its strong emphasis on shared organisational values and culture in all its international operations (Inter IKEA Group, 2026).

For the purpose of this report, the SWOT model is used in order to evaluate the influence of internal and external environmental factors on the efficiency of the HR managers at IKEA. First of all, the report analyses IKEA's internal and external environment, then it considers its major HRM practices. Afterwards, the SWOT analysis model is applied for identification of its strengths, weaknesses, opportunities and threats and assessment of their influence on HRM in different national contexts (Hill and Westbrook, 1997)

Internal and External Environment

Organisations are affected by internal and external factors, which can have an impact on the performance of an organisation and how employees are managed. It is necessary for HR managers to consider internal and external factors as they can affect recruitment, training and development, performance management and employee relations (Torrington et al., 2020). This report analyses the internal and external factors of IKEA using SWOT analysis. SWOT stands for strengths, weaknesses, opportunities and threats. Strengths and weaknesses are internal factors, while opportunities and threats are external (CIPD, 2026).

Internal Environment

The strong organisational culture is one of the internal strengths of IKEA.

Organisational culture is the core of the business and the company has values such as togetherness, simplicity, cost-consciousness and continuous improvement (Inter IKEA Group, 2026). HR managers will be able to use organisational culture in their recruitment process in order to recruit employees, who are suitable for the organisation's culture. Furthermore, the organisational culture can be strengthened through training and performance management of employees.

However, some internal weaknesses make the job of HR manager more difficult.

Firstly, IKEA is an international company, which employs a large number of employees with different cultural backgrounds. Large size and diversity of the workforce make it difficult to ensure consistent HR management practice in different countries. According to Marchington et al. (2025), expectations of the management, communication and working conditions can vary from country to country. Thus, HR managers should take into consideration the global culture of the company and the needs of employees in every country.

External Environment

Opportunities and threats arise due to the external factors. Technological advances are among external factors, which can give some opportunities to the company. In particular, technology can provide opportunities for employee learning and professional development of employees. As IKEA US (2026) reported, employees had an average of 13.6 hours of learning in FY2025 in comparison with 3.5 hours in FY2024. Also, social factors can provide some opportunities to the company and improve working practices of employees. In particular, IKEA UK gives employees an opportunity to request flexible working from their first day of employment and offers part-time working, job sharing and compressed hours (IKEA UK, 2026).

However, some external factors, such as inflation, labour shortages, competition for employees and changes in employment legislation, can make the recruitment and retention of employees more difficult. In particular, these factors may lead to increasing the expectations of employees related to pay and benefits (Pilbeam and Corbridge, 2010).

SWOT is advantageous, as it provides an easy method of structuring of internal and external factors. Moreover, SWOT can be useful in the process of strategic planning (CIPD, 2026). Nevertheless, the model of SWOT has some disadvantages.

According to Hill and Westbrook (1997), SWOT can result in long lists of factors,

where priorities and actions are not defined. Therefore, HR managers need to use SWOT as a framework in decision-making supported by additional evidence and analysis.

Organisation Application

IKEA is a home-furnishing multinational corporation which was established in 1943 in Sweden. At the moment, the IKEA brand operates globally under the franchise model and has stores and other customer meeting points in various countries. Ingka Group is the biggest IKEA retail and operates in 31 countries, having more than 160,000 co-workers (Ingka Group, 2025). Thus, the fact of operating globally requires that the organisation has HR practices in line with the values of the company, yet taking into account different demands of the employees in different countries.

Regarding recruitment, the company seeks to hire people who have the required skills but also those who share its values. In particular, according to IKEA, it tries to find people who will fit the values of the organisation and invites applicants "to be yourself" in the course of recruitment process (IKEA, 2026). It may help the organisation hire people who would fit into its corporate culture.

Training and development practices are also essential in order to ensure that the employees develop the necessary skills in the process of organisational change. For instance, IKEA US reported that the average learning time per co-worker increased from 3.5 hours in FY2024 to 13.6 hours in FY2025 (IKEA US, 2026).

Moreover, performance management is ensured by such processes as communication between co-workers and their managers, development practices and sharing the goals of the organisation. Values of IKEA such as togetherness, taking responsibility and renewing and improving give guidance about how co-workers should perform and contribute (Inter IKEA Group, 2026). Furthermore, employee relations in IKEA are affected by the company's commitment to equality, inclusion and co-worker's wellbeing. Nevertheless, the HR managers of the organisation need to take into account the differences in national legislation, culture and employees' demands, thus causing a problem for IKEA.

Applying SWOT Analysis Model to IKEA

SWOT analysis allows understanding how IKEA's internal strengths and weaknesses, as well as external opportunities and threats, may affect HR managers' efficiency. The impact depends on national culture, employment legislation, and economic conditions in a particular country as IKEA operates in an international context. For instance, IKEA's operations in the UK and India may have a different impact on HR managers (Marchington et al., 2025).

Strengths

The main strength of IKEA is its organizational culture. IKEA encourages such values as togetherness, simplicity, cost-consciousness, care for people and the planet, and responsibility (Inter IKEA Group, 2026). These values may help HR managers in recruitment, training, and performance management. Thus, during recruitment, HR managers should consider both candidates' adherence to IKEA's values and professional skills. In addition, common culture will allow employees to understand what to expect from others in different countries.

Diversity and inclusion are also the strengths of IKEA. Women made up 49.8% of Ingka Group employees and 50% of managers and leaders in FY2025 (Ingka Group, 2025). In such a way, IKEA's organizational culture becomes the company's asset in building the reputation of the employer and recruiting diverse employees.

However, IKEA's organizational culture may have a different impact on employees in different countries. Hofstede et al. (2010) state that national cultures vary in terms of such aspects as attitudes to hierarchy and individualism. Consequently, in order to ensure compliance with IKEA's organizational culture, HR managers should communicate it in a different way in the UK and India.

Weaknesses

The complexity of managing the international workforce is one of the weak points of IKEA's HR managers. On the one hand, IKEA requires the same organizational standards in all countries; on the other hand, the difference in employee expectations and working practices makes recruiting, performance management, and establishing good relations with employees more complicated (Cross and Swart, 2022). For example, IKEA UK allows employees to ask for flexible working starting from the first day and provides different forms of flexible working, such as part-time work, job sharing, and compressed working (IKEA UK, 2026). Employees in India may have different expectations concerning flexibility because of different culture, work

practices, and conditions of the labour market. In such a way, HR managers cannot use one and the same strategy in different countries.

Cost-consciousness may create challenges for HR managers of IKEA. The control of costs is necessary for IKEA's business model, but at the same time, it is important to provide competitive salaries and opportunities for development. In case HR managers do not achieve this balance, IKEA will face difficulties in recruiting and retaining qualified employees (Pilbeam and Corbridge, 2010).

Opportunities

Technological innovations open many opportunities for HR managers of IKEA. Digital retailing, automation, and artificial intelligence change the competencies required for workers. In such a way, HR managers should find ways to recruit employees with new competencies and train existing employees (World Economic Forum, 2025). For example, according to IKEA US (2026), the average learning time grew from 3.5 hours per employee in FY2024 to 13.6 hours in FY2025. In this way, the investment in employees' development allowed employees to adapt to changes in business and technologies.

The large labour market in India offers many opportunities for recruiting and developing the workforce of IKEA (International Labour Organization, 2024). However, the strategies for training and recruiting employees should take into account specific conditions of the local labour market. In such a way, IKEA can achieve its goals at the global level, but the way of achieving these goals will be adapted to the conditions of each country.

Threats

Economic conditions represent a threat for HR managers of IKEA. Inflation and increase in the living costs create expectations about higher wages and better benefits. However, HR managers should consider IKEA's cost-conscious approach. The impact will be different in the UK and India because of different wages, living costs, and conditions of the labour market. In such a way, the compensation and retention strategies should consider economic conditions of each country (World Bank, 2026).

Employment legislation creates challenges for IKEA's HR managers. HR managers of IKEA UK should follow national legislation related to minimum wages, discrimination, working hours, and employees' rights. India has its own labour legislation and labour practices (Ministry of Labour and Employment, 2026). IKEA

should adapt its HR policies to remain compliant with the local legislation while maintaining global standards.

Conclusion

In summary, the study has demonstrated how both internal and external environmental issues could affect the effectiveness of HR managers in IKEA. Recruitment, training and development, performance management and employee relations are vital HR activities, which are helpful for IKEA to recruit, develop and retain its employees while achieving organisational goals.

The results of the SWOT analysis have demonstrated that IKEA is characterised by a number of strengths such as good organisational culture, values, diversity and concern about the development of employees. However, the difficulty in managing the company's large international workforce, because of different expectations, culture and working conditions of workers in different countries, is one of the company's weaknesses. There are many external opportunities such as the development of technologies and wider pool of workers available for recruitment and development. As far as threats are concerned, inflation, shortage of skilled workers, competition for workers and changes in legislation are the main obstacles for HR managers.

Comparison of UK and India has proven that the practices of HR cannot be used in the same manner in all countries. Local culture, economic and legal situation should be taken into account while keeping global values of the company. In the future, HR managers in IKEA will need to adjust their actions to changes in technologies and employee expectations and labour market situation.

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