

Financial Performance, Good Corporate Governance, and Market Resilience in The Furniture Retail Industry: an ARDL Approach with VRIO and Porter's Five Forces Strategic Analysis a Single Case Study of IKEA (Ingka Group)

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Abstract

The global furniture retail industry faces persistent uncertainty arising from inflation, supply chain disruptions, geopolitical conflicts, and changing consumer purchasing power, increasing the importance of market resilience. This study examines how financial performance and good corporate governance influence IKEA's market resilience and explains the internal resources and external competitive pressures that support its strategic responses. A sequential explanatory mixed-methods design was employed using a single-case study of Ingka Group. The quantitative stage applied the autoregressive distributed lag (ARDL) bounds testing approach to evaluate short- and long-run relationships among financial performance, governance, and market resilience, while the qualitative stage employed VRIO and Porter's Five Forces analyses. The findings indicate that IKEA's post-pandemic revenue recovery and its EUR 2.1 billion investment in price reductions reflect a long-term resilience strategy despite declining revenue and profitability in FY2024. Its foundation ownership structure, financial independence, and reinvestment of 85% of net profit provide valuable, rare, and difficult-to-imitate capabilities. Meanwhile, intense industry rivalry and strong buyer bargaining power explain the strategic emphasis on affordability. However, the proposed econometric relationships require confirmation through complete ARDL estimation. The study concludes that IKEA's resilience is supported primarily by governance flexibility, long-term reinvestment, adaptive capabilities, and strategically managed financial resources rather than short-term profitability alone.

INTRODUCTION

The global furniture and home goods retail industry has, over the past five years, faced a series of structural shocks that have tested the resilience of even its largest players. The COVID-19 pandemic disrupted store-based retail operations and global supply chains simultaneously, while the subsequent recovery period introduced additional volatility, including raw material cost inflation, shipping and logistics bottlenecks, the impact of the Russia–Ukraine conflict on energy

and input prices, and cost-of-living pressures that have made consumers increasingly price-sensitive. Against this backdrop, the concept of market resilience, defined as a firm's capacity to absorb shocks, adapt its strategy, and sustain its competitive position over time, has become an increasingly central concern in the strategic management and corporate finance literature. This perspective extends beyond a narrow focus on short-term profitability toward a broader understanding of long-term organizational durability (Duchek, 2020).

IKEA is one of the most prominent examples of a firm navigating this challenging environment. Operated by Ingka Group as the largest IKEA retailer, accounting for approximately 90% of global IKEA retail sales across dozens of markets, IKEA maintains a leading position in the global furniture and home goods retail industry alongside competitors such as Wayfair, Williams-Sonoma, and an increasing number of direct-to-consumer furniture brands. What distinguishes IKEA from many large-scale competitors, however, is not solely its product strategy or store format but also its ownership structure. Ingka Group is owned by Stichting INGKA Foundation, a Netherlands-based charitable foundation, rather than by public shareholders trading on a stock exchange. Therefore, profits are not distributed to dispersed shareholders seeking quarterly returns; instead, the majority of earnings is reinvested into the business, while a smaller portion is allocated to the Foundation's philanthropic activities (Jensen & Meckling, 1976).

This ownership structure has direct implications for how the firm responds to external pressures. Conventional corporate governance theory suggests that publicly listed firms, subject to continuous market scrutiny and the disciplining, but potentially short-term-oriented, influence of quarterly earnings expectations, may experience constraints when sacrificing near-term profits for long-term strategic positioning (La Porta et al., 2000). A foundation-owned entity such as Ingka Group, by contrast, is structurally insulated from these pressures, raising an important empirical question: does this governance structure contribute to a different and potentially more resilient response pattern toward market shocks? This question lies at the intersection of good corporate governance research and the emerging market resilience literature. However, it remains underexplored because many empirical market resilience studies rely on market-based valuation indicators, such as Tobin's Q or price-to-book value, which require publicly traded equity. These measures are not directly applicable to privately held, foundation-owned entities such as IKEA/Ingka Group (Limited, 2025) .

Previous research has established organizational resilience as a multidimensional capability rather than a static organizational characteristic. (Linnenluecke, 2017), through a review published in the *International Journal of Management Reviews*, demonstrated that resilience research has developed across several domains, including organizational adaptation, crisis management, supply chain continuity, and responses to environmental threats. Duchek (2020) subsequently proposed a capability-based model consisting of anticipation, coping, and adaptation, emphasizing the processes through which organizations develop resilience before, during, and after disruptions. Hillmann and Guenther (2021) further concluded that resilience involves maintaining or restoring organizational functioning while developing the capacity for

renewal. Collectively, these studies indicate that resilience should be assessed through changes in performance and adaptive actions over time rather than through isolated financial outcomes (Ortiz-de-Mandojana & Bansal, 2016; Thomsen et al., 2018) .

Research has also identified governance and ownership structures as important determinants of organizational responses to crises. Lampel et al. (2014), using performance data from employee-owned and non-employee-owned businesses in the United Kingdom, found that employee ownership combined with employee involvement in governance was associated with greater performance stability and longer investment horizons during economic downturns. Their findings indicate that alternative ownership arrangements may reduce short-term pressures and support resilience-oriented decision-making. More broadly, the G20/OECD Principles of Corporate Governance emphasize board accountability, transparency, stakeholder interests, risk oversight, and corporate sustainability as foundations for organizational continuity and long-term value creation (OECD, 2023). Nevertheless, existing studies primarily examine publicly listed, family-owned, or employee-owned firms, while foundation-owned multinational retailers remain insufficiently investigated (Lampel et al., 2014; Narayan, 2005) .

Studies concerning financial performance and resilience have likewise produced an incomplete picture. Financial liquidity, profitability, asset efficiency, and retained earnings provide the resources required to absorb shocks and finance strategic adaptation. However, strong pre-crisis profitability does not automatically guarantee successful recovery, particularly when governance mechanisms discourage long-term investment or organizational learning. Conversely, temporary declines in profitability may reflect deliberate investments in affordability, digital transformation, sustainability, or customer retention rather than organizational weakness. IKEA's financial pattern illustrates this complexity: revenue recovered after the initial pandemic shock, profitability subsequently fluctuated, and the FY2024 revenue decline occurred alongside deliberate price reductions and increased customer traffic. Consequently, the relationship among financial performance, corporate governance, and market resilience should be examined dynamically and within its broader strategic context (DesJardine et al., 2019; Hillmann & Guenther, 2021) .

A further limitation in the literature concerns the measurement and methodological treatment of market resilience. Many empirical studies use stock returns, Tobin's Q, market capitalization, or price-to-book ratios as indicators of a company's ability to withstand disruption. Although appropriate for publicly listed companies, these indicators cannot be directly applied to Ingka Group because the company does not have publicly traded shares. Moreover, conventional cross-sectional models do not adequately distinguish immediate responses from long-term equilibrium relationships (P. T. H. I. S. Tbk, 2023; P. T. T. P. M. Tbk, 2024) . The autoregressive distributed lag (ARDL) approach developed by (Pesaran et al., 2001) provides a relevant alternative because it can estimate short-run dynamics, test long-run cointegration relationships, and measure the speed at which performance returns toward equilibrium after disruptions. However, its application to composite market resilience measures in foundation-owned furniture retailers remains limited.

This methodological gap is accompanied by a strategic gap. Quantitative financial models can identify relationships and adjustment patterns, but they cannot independently explain the organizational resources that enable resilience or the competitive pressures that necessitate adaptive decisions. The resource-based view and VRIO framework assess whether resources are valuable, rare, difficult to imitate, and organizationally embedded (Barney, 1991; Ditkaew, 2023). Meanwhile, Porter's Five Forces framework evaluates industry rivalry, buyer power, supplier power, threats of substitution, and barriers to entry within an industry (Porter, 2008) (Porter, 1989). Previous studies have generally applied financial, governance, internal-resource, and industry-structure perspectives separately, resulting in limited evidence regarding how these dimensions interact in shaping the resilience of privately controlled global retailers.

Addressing this gap is important because IKEA's recent performance presents a strategic tension between short-term financial outcomes and long-term market positioning. The company's decision to invest EUR 2.1 billion in price reductions lowered reported revenue and income but increased physical and digital customer engagement. Interpreting this decision solely as declining financial performance would overlook its potential role as a resilience-building response to inflation, price-sensitive consumers, intense rivalry, and increasing buyer power. The novelty of this research lies in integrating ARDL bounds testing with VRIO and Porter's Five Forces frameworks to examine market resilience through temporal, governance, resource-based, and industry-level perspectives. It also adapts market resilience measurement for a foundation-owned company where capital market indicators are unavailable.

Accordingly, this study aims to examine the short- and long-run effects of financial performance and good corporate governance on IKEA's market resilience, determine whether a cointegrating relationship exists among these variables, and estimate the speed of adjustment following crisis-related disturbances. It also seeks to identify the valuable and difficult-to-imitate resources underlying IKEA's resilience and evaluate how competitive forces within the furniture and home goods retail industry shape its strategic responses. This study contributes theoretically by connecting governance, financial performance, dynamic resilience, the resource-based view, and industry-structure analysis; methodologically by combining ARDL estimation with qualitative strategic frameworks in a single-case design; and practically by providing evidence to assist managers, foundation-owned firms, and other retailers in balancing profitability, affordability, reinvestment, and long-term competitive durability.

METHOD

Research Design and Object

This study employed a single-case study design based on (Yin, 2018) using a mixed-methods sequential explanatory approach. The quantitative stage applied ARDL bounds testing, followed by qualitative strategic analysis using VRIO and Porter's Five Forces frameworks to interpret the quantitative findings. The research object was Ingka Group, the largest IKEA operating entity, selected due to the availability of annual data spanning more than a decade and covering the COVID-19 crisis period.

Table 1. Data and Data Sources

Data Type	Source	Use
Annual financial data	Ingka Group Annual Summary and Sustainability Report (FY11–FY24); Ingka Holding Annual Report via the Dutch Chamber of Commerce	To calculate profit margin, equity growth, MRI components
Governance data	Ingka Group Annual Summary (Supervisory/Management Board structure), Tax Report	To construct the GCG index
Furniture/home goods industry data	Furniture retail industry research reports, sector publications	Basis for Porter's Five Forces analysis
Qualitative corporate documents	Annual Summary, Life at Home Report, Ingka Group press releases	Basis for VRIO analysis

ARDL Empirical Model

The Unrestricted Error Correction Model (UECM) estimated:

$$\Delta MRI_t = \alpha_0 + \sum \varphi_i \Delta MRI_{t-i} + \sum \beta_j \Delta FinPerf_{t-j} + \sum \gamma_k \Delta GCG_{t-k} + \lambda_1 MRI_{t-1} + \lambda_2 FinPerf_{t-1} + \lambda_3 GCG_{t-1} + \theta DummyCrisis_t + \varepsilon_t$$

The coefficient λ_1 (normalized as the ECT) represents the speed of adjustment of Market Resilience toward long-run equilibrium. The significance of the long-run relationship is tested via the F-statistic bounds test (Pesaran, Shin, & Smith, 2001). Because the data are annual and the number of observations is relatively limited (± 14 years using FY11–FY24), the model is specified with a parsimonious maximum lag ($p = 1-2$) to preserve degrees of freedom.

VRIO and Porter's Five Forces Analysis

The VRIO analysis is conducted within-case, tracing Ingka Group's resources and capabilities during periods of relatively high Market Resilience (e.g., FY21) and relatively low Market Resilience (e.g., FY22) based on corporate documents. The Porter's Five Forces analysis is conducted at the level of the furniture/home goods retail industry on a historical-comparative basis, covering the five competitive forces, to explain the external pressures affecting the trajectory of IKEA's Market Resilience.

RESULTS AND DISCUSSION

Table 2. Descriptive Statistics of Ingka Group's Financial Performance

Fiscal Year	Revenue (EUR billion)	Revenue Growth	Net Profit (EUR billion)	Net Profit Margin
FY19	39.1	n/a	not published	n/a
FY20	37.36	-4.5% (COVID-19 impact)	1.19	3.2%
FY21	39.78	+6.5%	1.60	4.0%
FY22	42.0	+5.6%	0.30	0.7%
FY23	44.3	+5.5%	not published in the public summary	n/a
FY24	41.8	-5.5% (price-reduction investment)	not published in the public summary	n/a

Source: Ingka Group Annual Summary and Sustainability Report FY20–FY24; Ingka Group press releases ([ingka.com/newsroom](https://www.ingka.com/newsroom)); Wikipedia/INGKA Holding (FY20 total assets and equity data). Values marked 'not published in the public summary' require tracing the full Ingka Holding Annual Report via the Dutch Chamber of Commerce to obtain exact figures.

The data pattern shows two notable phenomena. First, Ingka Group's revenue fell 4.5% in FY20 due to COVID-19, then recovered with consecutive positive growth in FY21–FY23 (+6.5%, +5.6%, +5.5%), indicating a relatively rapid recovery pattern after the shock a pattern conceptually consistent with the error-correction mechanism in ARDL, although the formal speed of adjustment (ECT) can only be confirmed through estimation. Second, the net profit margin fluctuated sharply and did not move in the same direction as the revenue trend: the margin fell from 4.0% (FY21) to just 0.7% (FY22) even though revenue continued to grow by 5.6%, due to interest-rate pressure on financial-market investments and the impact of the Russia-Ukraine conflict. This pattern reinforces the argument that Market Resilience needs to be measured as a composite construct (not solely from revenue growth), because revenue stability does not guarantee profitability stability.

In FY24, Ingka Group management explicitly chose to reduce revenue (-5.5%) by investing EUR 2.1 billion to lower selling prices, with an official statement prioritizing 'affordability and long-term business resilience.' This decision is strong qualitative evidence that Ingka Group's foundation ownership structure free from the quarterly profit-target pressure of public investors enables a long-term strategic orientation that explicitly invokes the term 'resilience,' which is relevant to testing H2.

Table 3. ARDL Results Reporting Framework

Testing Stage	Reported Output	Interpretation Criteria
Unit root test (ADF/PP)	Order of integration of each variable (I(0)/I(1))	No I(2) variables, so that ARDL is valid
Bounds test (F-statistic)	F-statistic value vs. Pesaran et al. (2001) critical bounds	$F > \text{upper } I(1) \text{ bound} \rightarrow$ cointegration confirmed
Long-run coefficients	Estimated effect of FinPerf and GCG on MRI	Significant ($p < 0.05$) supports H1/H2 in the long run
Short-run coefficients	Estimated $\Delta \text{FinPerf}$, ΔGCG on ΔMRI	Significant ($p < 0.05$) supports H1/H2 in the short run
Error Correction Term (ECT)	Normalized coefficient $\lambda 1$	Negative and significant supports H3
Diagnostic tests	Breusch-Godfrey, ARCH-LM, Jarque-Bera, Ramsey RESET, CUSUM/CUSUMSQ	Model passes all assumption tests

The actual numerical cells for the ARDL estimation (coefficient values, F-statistic, p-value) have not yet been filled in, as they require the complete time-series dataset (ideally FY11–FY24 or longer) processed through statistical software. The framework above serves as the reporting-format reference once the estimation is run.

Table 4. VRIO Analysis Results

Resource/Capability	VRIO Assessment	Implication for Market Resilience
Foundation ownership structure (Stichting INGKA Foundation) and 85% profit reinvestment	Valuable, Rare (rarely held by other large furniture retailers), Costly to Imitate (structural/legal in nature, cannot be replicated in the short term), Organized (explicitly reflected in the FY24 strategic decision)	Source of sustained competitive advantage; enables a long-term orientation free of quarterly investor pressure
Flat-pack design and self-assembly model	Valuable, moderately Rare, partially imitable by competitors, Organized throughout the supply chain and store format	Logistics cost efficiency supporting the low-price strategy
Integrated forestry and renewable-energy investments (Ingka Investments)	Valuable, Rare, Costly to Imitate (requires large capital and a long investment horizon), Organized through a dedicated business unit	Supports long-term raw-material supply-chain resilience
Separation of the franchisor (Inter IKEA Systems) and the retail operator (Ingka Group)	Valuable, moderately Rare, difficult to imitate in a short time, Organized	Operational flexibility alongside global brand consistency

The most notable VRIO finding is the foundation ownership structure itself: with only 15% of profit distributed as dividends to Stichting INGKA Foundation (for IKEA Foundation's philanthropic activities) and 85% reinvested into the business, Ingka Group has the strategic flexibility to sacrifice short-term profit (as seen in FY24) for long-term market resilience a structural resource that is practically impossible for publicly owned furniture retailers bound by investors' quarterly profit expectations to imitate.

Table 5. Porter's Five Forces Analysis Results (Furniture/Home Goods Retail Industry)

Competitive Force	Condition in the Furniture/Home Goods Industry	Intensity
Rivalry among existing competitors	Intense price competition, marked by IKEA's own EUR 2.1 billion price-reduction investment in FY24, plus pressure from online furniture retailers (e.g., Wayfair) and other home-lifestyle retailers	High
Threat of new entrants	High barriers to matching IKEA's scale and supply-chain efficiency, but low barriers for small niche direct-to-consumer brands	Medium
Threat of substitute products	Second-hand marketplace platforms (e.g., Facebook Marketplace) and furniture rental services, including IKEA's own resale program	Medium
Bargaining power of suppliers	Raw-material cost pressure (wood, textiles) and global supply-chain disruptions (e.g., shipping disruptions) increase supplier bargaining power	Medium–High
Bargaining power of buyers	Online price transparency and cost-of-living pressure increase consumer bargaining power, driving price-reduction strategies	High

The structural pressure most relevant to the trajectory of IKEA's Market Resilience is the combination of intense price competition and rising buyer bargaining power, directly reflected in the FY24 decision to lower prices despite sacrificing revenue growth a strategic response to external pressure that can only be sustained by a company with an ownership structure and capital base like Ingka Group's (directly linked to the VRIO findings in Section 4.3).

Integrated Discussion (Triangulation)

Linking the descriptive results, the ARDL framework, and the strategic findings: the post-COVID revenue-recovery pattern (FY20–FY23) and the FY24 strategic decision to sacrifice growth for affordability show early indications consistent with H1–H3, although formal statistical confirmation requires the full ARDL estimation. The VRIO findings (H4) particularly the foundation ownership structure and profit-reinvestment pattern explain why IKEA is able to pursue such a strategy, while the Five Forces findings (H5) explain why that strategy is necessary (price pressure and high buyer bargaining power in the furniture/home goods industry). This triangulation suggests that IKEA's Market Resilience appears to be supported

more by structural-strategic advantages (ownership and governance) than by short-term financial-performance momentum alone.

CONCLUSION

This study concludes that IKEA's market resilience was shaped by the interaction among financial performance, good corporate governance, internal strategic resources, and external competitive pressures. The post-pandemic revenue recovery and the FY2024 decision to invest EUR 2.1 billion in price reductions demonstrated that short-term declines in revenue and profitability did not necessarily indicate weakened resilience. Instead, IKEA's foundation ownership structure, financial independence, and policy of reinvesting 85% of net profit provided strategic flexibility to prioritize affordability, customer engagement, sustainability, and long-term competitiveness. The VRIO analysis indicated that these characteristics represented valuable, rare, and difficult-to-imitate resources, while Porter's Five Forces analysis showed that intense rivalry and increasing buyer power encouraged IKEA to maintain competitive pricing strategies. Nevertheless, because the ARDL coefficients, bounds-test statistics, and error-correction estimates had not yet been calculated, the proposed short- and long-run relationships could not be statistically confirmed.

Future research should complete the ARDL estimation using a consistent and sufficiently long annual or quarterly dataset to test cointegration, short-run effects, long-run coefficients, and the speed of adjustment following market shocks. Subsequent studies may strengthen the findings by developing and validating a multidimensional market resilience index for privately held or foundation-owned companies and incorporating indicators of liquidity, profitability, revenue stability, governance quality, digital engagement, sustainability, and customer retention. Comparative research involving publicly listed furniture retailers, family-owned companies, employee-owned businesses, and other foundation-owned enterprises could further clarify whether IKEA's resilience primarily results from its governance structure or firm-specific capabilities. Additional longitudinal and cross-country studies are recommended to improve generalizability and evaluate how inflation, geopolitical disruptions, supply chain risks, and changing consumer preferences influence corporate resilience over time.

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