

Ikea case critique essay

[Business](#), [Company](#)



IKEA's Global Sourcing Challenge: Indian Rugs and Child Labor (A) 1) How should Marianne Barner respond to the invitation for IKEA to have a representative appear in the upcoming broadcast of the German Video program? Two months after being hired as a business manager of carpets and rugs, Barner already had to face that kind of problem. Indeed, in 1994, a Swedish television broadcasted a documentary showing children working at weaving looms in Pakistan. IKEA was the only famous name listed in the documentary, the brand image of the company was damaged.

She undertook a lot of actions of her own free will in order to understand what the problem abroad was and find a solution to stop dealing with child labor. The main purpose of those actions was also to be more aware of those practices: “[Barner contacted child associations to expand her understanding and to get advice about the issue of child labor]”. As we've seen in class, two companies faced the same issue: Walmart and Siemens. Walmart's CEO used doublespeak in front of medias: nothing of what he said was answering the main question whereas Siemens managers told the whole truth to the journalists.

According to us, Siemens managers were right in admitting their unethical practices because they took the entire responsibility of this case. That showed to the medias and the customers that they assume and that they can repair their mistakes. That is why we advise Barner to go to the German television and tell the truth to the world: they assume the fact that Rangan Exports was using child labor. Nevertheless, she has to talk about their unawareness about the fact that Pakistan was not signatories to the Convention 138.

Moreover, she should talk about their ignorance regarding all of what happened in the factories because every meeting between IKEA and the supplier was held at the headquarters of Rangan Exports. They never have been visiting the factory, which is the main reason why they were ignoring the child labor. Finally, to show that she was involved in this issue, she should talk about every action she took to “do something that would make a difference in the lives of children she had seen” and to stop the practice of child labor at IKEA’s suppliers.) What actions should she take regarding the IKEA supply contract with Rangan Exports? According to us and from what we learnt in class, brand image is one of the most important things for a business. It enables the company to transmit its own values to its customers and make them buy your products / services. Once the loyal customers disagree with the values and practices of the company, they will directly stop buying products from and related to the company. This is why all ethical problem such as this one has to be solved quickly and efficiently.

So, regarding the IKEA supply contract with Rangan Exports in Pakistan, Barner should take the decision to stop all business activities with this supplier which use child labor, and should end the contract. It would be better for the image of the company to deal with a new supplier, which can be more expensive but which shares the same values than IKEA. On a long term basis, it would be more important for IKEA to improve its brand image and make less money from it. Keep using child labor and make a lot of money would damage IKEA’s brand image and customers won’t be loyal anymore to the company.

That's why break the contract with Rangan Exports would be a good idea, even if it will affect considerably the company's budget. 3) What long-term strategy would you suggest she take regarding IKEA's continued operation in India? Should the company stay or should it exit? (Be prepared to describe the impact of such a decision and how you would manage it.) Regarding the long term strategy IKEA should take in India, we think that they should exit India for a few reasons: * First of all, even if they don't want to deal with suppliers which use child labor, the awareness is still low.

That means that in the future they could sign with a supplier which uses child labor in hiding that to IKEA. * Second of all, even if they sign up with Rugmark, which is a foundation struggling against child labor, those rules won't be respected because laws are poorly enforced and prosecutions are rarely severe in India. Indeed, IKEA, as a Swedish company has to face huge differences of culture with India. The child labor is difficult to solve because of the poverty of families: children has to work to help their parents to recover their debts.

It is a political and social related problem which cannot be solved by a company. * Finally, as we mentioned early, IKEA has to think about its brand image, staying in India and continuing operations with Indian's supplier would not help the company to improve its image, even if it signs for conventions. IKEA has to show to its customers that it is implicated in the child labor issue, so, exiting this country and looking for new suppliers sharing the same values of IKEA would be the best way to start a new strategy on the long term.

A such decision would lead to consequences for IKEA and their suppliers. Looking at the importance of IKEA in the world and how big they are, the stores are located everywhere, if they leave the country, it would lead to a huge loss of jobs in India, which would then have serious impact on the local economy, what are all the employees from IKEA's factory will do after being fired? That is a problem. Exiting India would also have consequences on IKEA finances (budget) because the labor in India is cheaper than in Occidental countries, and that's why they built factories there.

Plus, they would also have to change their whole supply chain, and creating a new and efficient one will take forever; it seems that IKEA deals with suppliers and others businesses involved in the supply chain for a long, and built a strong and reliable relationship with them. To conclude, we think that IKEA has to weigh the pros and cons of its Indian's factories. But it has already enough damaged the brand image of the multinational company.

IKEA has to think on the long term basis, about a strategy that would help them to stop using the child labor to produce its rugs and carpets. We state that IKEA should see the earnings they can obtain in dealing with new and clean suppliers from another country than the money they can save when producing at a low cost. It's all about what the company wants in the future, but we don't believe that signing conventions and keep doing business with this supplier would help the company. Even if managers go often visiting the factories, IKEA cannot change Indians and their culture.