

# Individual case analysis: "ikeas global sourcing challenge: indian rugs case stu...

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## **Analysis**

- Marianne Barner, Business Area Manager for Carpets for IKEA, is currently concerned with the accusation of the exploitation of child labour, while sourcing carpets from India. IKEA representative was invited to speak on child labour during the airing of the program, concerning this issue. In respect of the invitation Marianne got from a German producer she can either accept or reject it. To my mind, she should accept it. According to the facts of the study, IKEA's vision lies in the fact that company is taking responsibility for social and environmental issues across the globe. Rejecting the invitation to have the representative of IKEA participating in the airing of the program, despite clear aggressive attitude, expressed by the producer of the program, contradicts openness, which is an important prerequisite for taking the responsibility. In response to accusations of IKEA's making profit of child labour exploitation the representative of the company, engaged in the airing of the program, should state that the company does not see refusing from sourcing carpets from India as the way to combat child labour, while it sticks to acknowledging existence and importance of the issue under study and committing to IKEA's contribution into resolution of the issue.

During the airing of the program representative of IKEA should refer to company's previous experiences of participating in resolving environmental and social issues in different parts of the world. It is important for IKEA to understand the invitation not only as apparent threat for company's brand image, but the opportunity to improve it by being engaged into the dialogue with other stakeholders and committing to implementing company's obligations, stemming from acknowledging the importance of its role as

world's leading furniture retailer.

- Here it is important to mention that the legal relations between IKEA and Rangan Exports are manifested in the form of the contract, which contains the provision, obliging Rangan Exports not to use child labour. In other words, the fact that Rangan Exports used child labour with regard to supply chain relations with IKEA is an apparent severe violation of the contract, which was concluded between IKEA and Rangan Exports. In my view, IKEA should suspend contractual relations with Rangan Exports for two reasons. First of all, it should not make another party convinced of the fact that IKEA can put up with severe violations of contract, committed by the party. In case Rangan Exports understands that IKEA does not pay attention to the fact that its business partners violate their contractual obligations, it can further expand usage of child labour and start up with introducing other abusive practices into implementation of its contractual obligations. Secondly, publicly announcing the fact that IKEA refuses from conducting business with the exporter, who was admitted to have been engaged into the exploitation of child labour is going to exert positive impact on the image of IKEA as the company, which sticks to its commitments and is even ready to experience losses in order to implement its commitments regarding dealing with social issues.

- There are several long-term strategies, which can be applied by IKEA with regard to designing its long-term sourcing in India. Firstly, IKEA can discontinue sourcing from India, so that no further accusations can be made of company's making use of child labour exploitation. Secondly, the company can continue sourcing relations with Indian partners. While discontinuing

sourcing relations is connected with such important drawbacks as losing profitable supply chain relations the company enjoys, potentially losing carpet sector of the business (due to the fact that IKEA will not be able to maintain relatively low prices for its carpets after discontinuation), company's acting with the lack of respect to its responsibility-related vision, it is worth continuing the relations, putting emphasis on IKEA taking actions against child labour. Furthermore, IKEA should investigate the situation concerning human rights in other companies it works with, so that it can take actions to prevent further accusations of being involved in contractual relationships with other enterprises, which tend to use practices and procedures, contravening international human rights law.

- I would like to recommend that IKEA continues sourcing in India, simultaneously modernizing and increasing its monitoring initiatives. In case IKEA does not continue its monitoring initiatives, while continuing supply chain relations in India, it will lose its image of responsible company and a pose a threat to the operation of other sectors of company's activities/ IKEA child labour monitoring initiative should be developed the way to emphasize IKEA's commitment to combat child labour and maintaining the image of IKEA as corporate socially responsible enterprise. I adhere to the vision that it is better for IKEA's image to, first of all, committing to eliminating exploitation of child labour within its supply chain. In case IKEA is confident that its suppliers do not use child labour, it can proceed with further actions, going beyond its supply chain. Nevertheless, it is still worth stressing the fact that it will be hard for IKEA to introduce its monitoring initiative in

enterprises, which do not have contractual relations with IKEA as sufficient legal background is necessary to get the initiative implemented.