

# Ikea global sourcing case study essay sample

[Economics](#), [Consumer](#)



IKEA is being forced to make a difficult decision after a German documentary maker announced the prevalence of children working at looms at Rangan Exports, a major supplier of the furniture company. Rangan Exports breached a supply contract with IKEA by allowing child labor in their factory. In previous years, IKEA has encountered problems with child labor and has worked diligently to educate themselves and respond to the problem. The filmmaker of the documentary will be exposing IKEA as an affiliate with the supplier and reporting on their usage of child labor in Pakistan. Executive Marianne Barner, business area manager for carpets, is now faced with the task of potentially dropping one of the company's major suppliers of rugs. She must also decide if it is beneficial to speak in the German documentary on IKEA's behalf or find an alternative way to address the situation. The Rugmark Foundation, a company that develops label certification without the use of child labor, is also a resource she could use to combat the problem. Barner must respond to the use of child labor in the Indian carpet industry with a short term decision and long term action. Background

IKEA was founded in by Ingvar Kamprad. Kamprad started the company at the young age of 17, and as the company began to grow and flourish he focused on certain ideals which he later used to build the company's vision statement. Kamprad wanted a business that could " create a better life for the many people". He worked to achieve this goal by offering low prices to consumers whenever possible. Innovation within the company always led to savings for customers which only helped increase his consumer following. Kamprad is no stranger to opposition and developed different ways to refine

his furniture business model after encountering conflict with a cartel of furniture manufacturers and Sweden's large furniture retailers.

He was able to outsource from other countries and develop close ties with suppliers. Kamprad wanted to gain relationships with suppliers that would benefit the company in the long run. He viewed adversity as a business opportunity and an opportunity to correct problems. He emphasized good quality, simplicity, attention to detail, and cost consciousness to the culture and management at IKEA. These values developed by Kamprad became the philosophy of the company and were essential to the company's expansion.

#### Alternatives Considered

At this point in time there are many possibilities to consider. Marianne Barner has the option of dropping Rangan Exports as a supplier. Ridding themselves of this supplier and breaking all ties shows consumers that IKEA is opposed to sweat shops and has no interest in working with individuals who encourage such behavior. Dropping the supplier could also result in dire consequences since consumers might think that IKEA was running away from the problem. Alternatively, the company could work with the supplier to end the use of child labor. Enforcing the law and working with the supplier to attend to the issue tells consumers that although IKEA may have been unaware of the issue, they care about those who are being affected.

This portrays IKEA as a trustworthy brand that consumers can continue to use. In regards to the German documentary, IKEA has the option of speaking in the film or putting out their own statement. Speaking in the film may be dangerous since interviews often get misworded and portray the speaker in

a negative light. IKEA would have very little control if the film were to cut out certain clips. This may result in the loss of consumers. On the other hand, a statement could be made explaining IKEA's lack of knowledge about the conditions in the supplier's factory. Unfortunately a statement like this can easily become misconstrued and perceived as ignorance and carelessness. Releasing a personal statement could benefit IKEA since the company would have no affiliation with the documentary. A personal statement could prevent out lash and the company could proceed by making the issue a public concern.

### Recommendation

IKEA is founded on beliefs that benefit the consumers and has worked in the past through adversity. They aim to lower prices through innovation, not criminal and lawless behavior. That being said, I believe that the best decision for IKEA would be to release a personal statement and keep Rangan Exports as a supplier. A scandal focused on sweatshops and child labor is too controversial to approach through a third party. The finding of the sweatshop in Pakistan is better to be announced by IKEA and IKEA alone. The company does not want to be viewed as supporters of child labor nor do they want to be viewed as insensitive to the workers. That being said, IKEA must take a philanthropic approach to the situation. Rangan should comply to all efforts expressed by IKEA since they breached the supply contract. Traveling to the factory to investigate the situation would be essential.

IKEA would also have to meet with other suppliers to enforce decent working conditions. To facilitate the equality of all workers, IKEA should monitor and

control processes by paying for third party monitoring of all factories that produce merchandise. In the long run the company could benefit greatly from such an investment and avoid a sweatshop scandal altogether. The company should be independent of Rugmak to ensure quality control. I believe that following these guidelines would result in the best outcome for IKEA. Making the choice to release a personal statement and keeping Rangan Exports as a supplier portrays IKEA as an altruistic and competent company.