

Executive Summary

A Short-Term strategy is to reach a mutual agreement with Venkat. The process of mutual agree must be based on mutual respect and it must not be founded on the ideas of exerting purchasing power to force Venkat into compliance. Long-Term strategy is to form alliances with consortiums to neutralize threat from hostile organizations.

There are three main benefits of redefined relationship between IKEA and its suppliers. They are -

1. Brand-Image improved by appealing to customer's sentiments, 2. Cost-savings improved by increase in control-surface on supplier's business processes, 3. Improved management of risks associated with environmental and social resources.

Three main concerns that can be raised are -

1. Strict compliance requires exhaustive monitoring because compliance is difficult to validate in the real world. I present a supporting quote from a recent research - "central premise is that the total amount of control people are subjected to, relative to the control they can exercise, will affect the probability and type of their deviant behavior." [1]
2. Tighter control on suppliers can lead to coupling of supposedly-independent business models. This is against the fundamental system-architecture principles. 3. IKEA's business model is tightly coupled with geopolitical dynamics. This is a huge accounting liability.

1 Situation

Since 1993, when "Child Labor Deterrence Act" was proposed in US Congress, IKEA has been setting up **policies and practices** to closely **monitor its suppliers**. The efforts of IKEA has lead to its redefined relationship with its suppliers. According to reports, **benefits and concerns** associated with the aforementioned policies and practices, are fundamental to IKEA's business, in particular, and to international socioeconomic structure, in general.

2 Complications

Governance and administrative structures of South Asian countries are unlike those of the Western Civilization. Populous countries like the ones in South Asia have a complex socioeconomic model. The enforcement of IWAY policies and practices has been effective but it can not guarantee compliance. Controlling these models with mandate without accounting for the complexity of the underlying business model is a wishful thinking because of the estimatably large cost of validating the business transactions in a complex socioeconomic model.

3 Questions

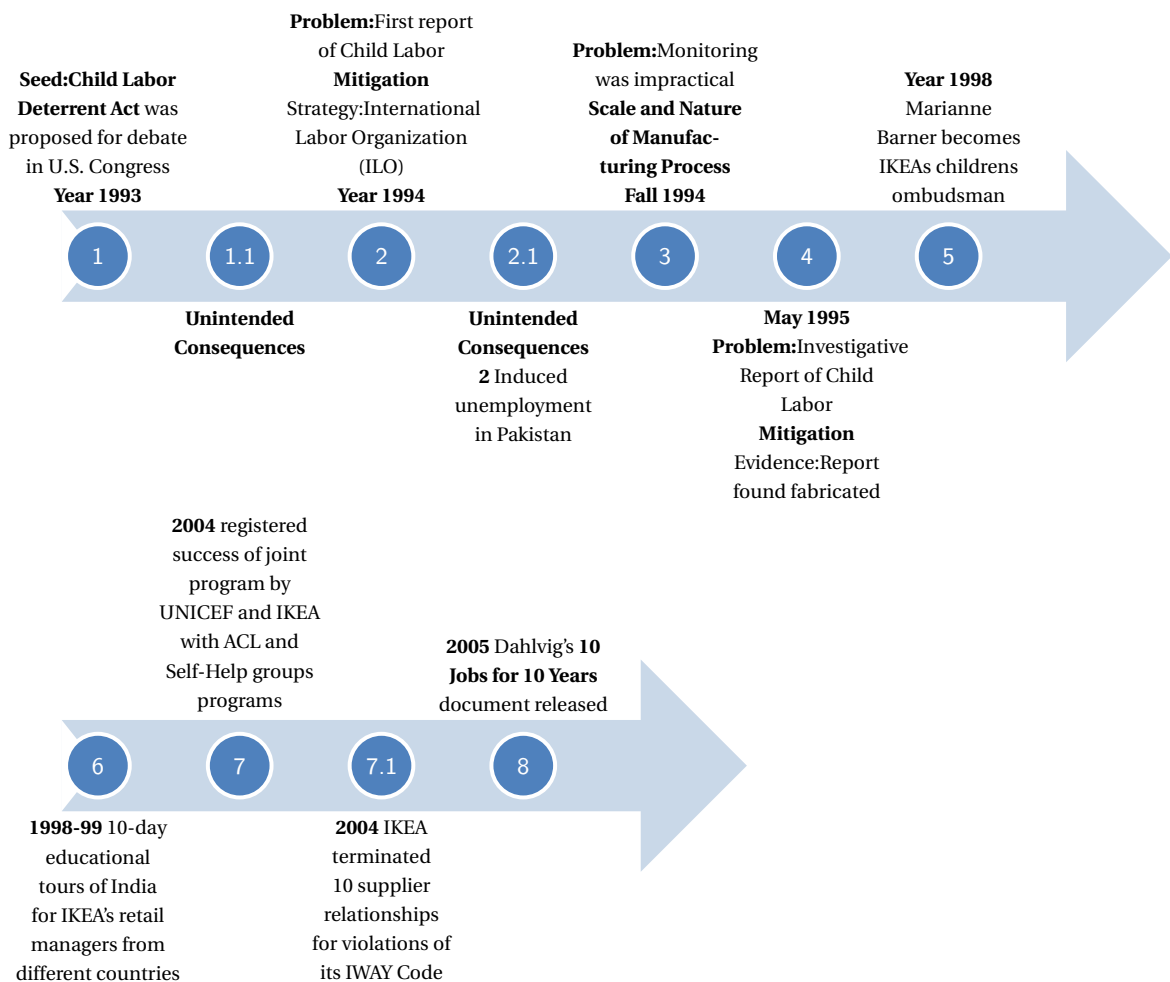
I question IKEA's decision to reject Rugmark Consortium's invitation to join the Consortium. Given the fact that it was the best option of that time. [3] Importance of independent consortiums organized by elite entrepreneurs who drive policy by aligning with the social needs can be presented to support the need of strategic alliances with elite policy entrepreneurs. I present this statement from a research done in 2018 - "...the success or failure of early nineteenth-century child labor laws depended on these actors social skill, pragmatic creativity, and goal-directedness." [2] Here "actors" refers to "elite policy entrepreneurs".

4 Appendix

I drew a timeline that shows chronological events. I also plotted the %-change in sales YoY. There is a clear relationship between the geopolitical events mentioned in the timeline and the dip in %-change in sales. This shows the interdependence of consumer perception of a brand, the media agencies that influence this perception and how these factors interact with a business's performance.

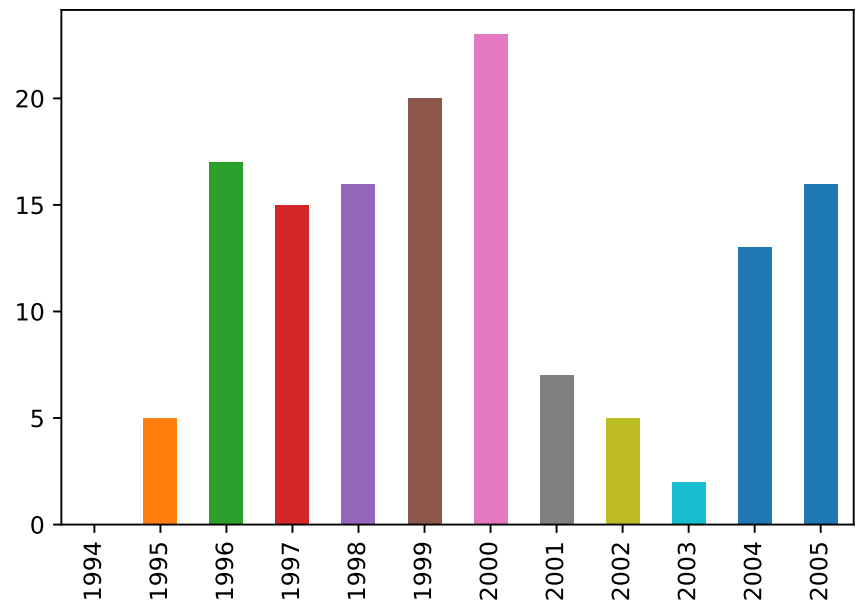
4.1 Timeline

Figure 1: The Chronology of Events for IKEA's Child-Labor Ordeal



4.2 Visualizations

Figure 2:%-Change in Sales



4.3 References

References

[1] Tittle, C. R. (2018). Control balance: Toward a general theory of deviance. Routledge.

[2] Anderson, E. (2018). Policy Entrepreneurs and the Origins of the Regulatory Welfare State: Child Labor Reform in Nineteenth-Century Europe. *American Sociological Review*, 83(1), 173-211.

[3] United States. International Child Labor Program. (1998). Public hearings on international child labor. United States:Page:183