

# Decouple Yet Control

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## Executive Summary

**Short term action plan:**conduct recurring meetings with Venkat to reach **mutual agreement**. The agreement would list the top three concerns inhibiting compliance with IWAY. **Finer point:**The process of mutual agreement must be based on mutual respect [7] and it must be founded on the ideas of Authoritative, Affiliative and Democratic style of leadership [1] to nudge [2] Venkat into compliance. [3] [8]

**Long term strategy:** IWAY policies and practices should be revised to work with consortiums to neutralize threat to IKEA's value chain.<sup>1</sup> [5]

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

1. **Brand-Image Improved**<sup>2</sup>, 2. **Cost Savings Improved**<sup>3</sup>, 3. **Improved management of risks**<sup>4</sup>

Three main concerns that can be raised are -

1. **New cost** to meet the requirements of strict compliance.<sup>5,6</sup>[3] 2. **Threat to sales:** misalignment of IKEA's goals with those of the media that influences customers would affect IKEA's business. 3. **Accounting liability:**IKEA's business model is tightly coupled with geopolitical dynamics. This is a huge accounting liability in terms of potential litigations.

## 0.1 Reasoning

1. To ensure **better yet cost effective IWAY compliance**, intensity of supplier-monitoring must not scale proportional to IKEA's sales. **Scale and complexity of IKEA's supplier base as a whole is directly proportional to IKEA's sales**. IKEA should **aim to decouple from complexity of its suppliers to keep cost of monitoring independent**. One practical solution to mitigate the proportional rise of cost is to **collaborate with local organizations that understand local socioeconomic structure**. This reasoning feeds into short time actions that IKEA must undertake. 2. In order to mitigate threat to sales, IKEA works with other organizations like - "Swedish Work Group for Abolishment of Child Labour in the Carpet Industry", "Swedish Save the children", and "International Labour Organisation"[6]. IKEA must actively collaborate with the activism groups in Sweden and those that operate at international organizations. This will ensure competitive advantage by forward integration [9]. This reasoning feeds into long term strategy along with the next and final point. 3. IKEA must look at IWAY as a control system that evolves with appropriate deployment of a feedback from geopolitical events.

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<sup>1</sup> from hostile organizations that deploy intended and organized attacks.

<sup>2</sup>Competitive advantage by forward integration: by appealing to customer's sentiments

<sup>3</sup>Competitive advantage by backward integration : by increase in IKEA's control-surface on supplier's business processes

<sup>4</sup>Sustainability and Collaborative advantage: associated with environmental and social resources.

<sup>5</sup> requires exhaustive monitoring, which is expensive in many dimensions. 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."

<sup>6</sup>tighter coupling of business models is not recommended. This is against the fundamental principles of system architecture.

## 0.2 Appendix A

I present a timeline in "Figure 1", which shows chronological events in the case. I also show the %-change in sales YoY (in "Figure 2").

By observing these diagrams in juxtaposition one can observe relationship between the geopolitical events mentioned in the timeline and dip in %-change in sales. Between the years 1995 to year 2000 large amount of change in sales is observed and during the same time frame, as observed in the timeline from circle marked to that marked 6, one can observe negative coverage in media were reported. This shows the interdependence of consumer perception of a brand, the media agencies that influence this perception and phenomenon that how these factors interact with a business's performance.

### Timeline

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

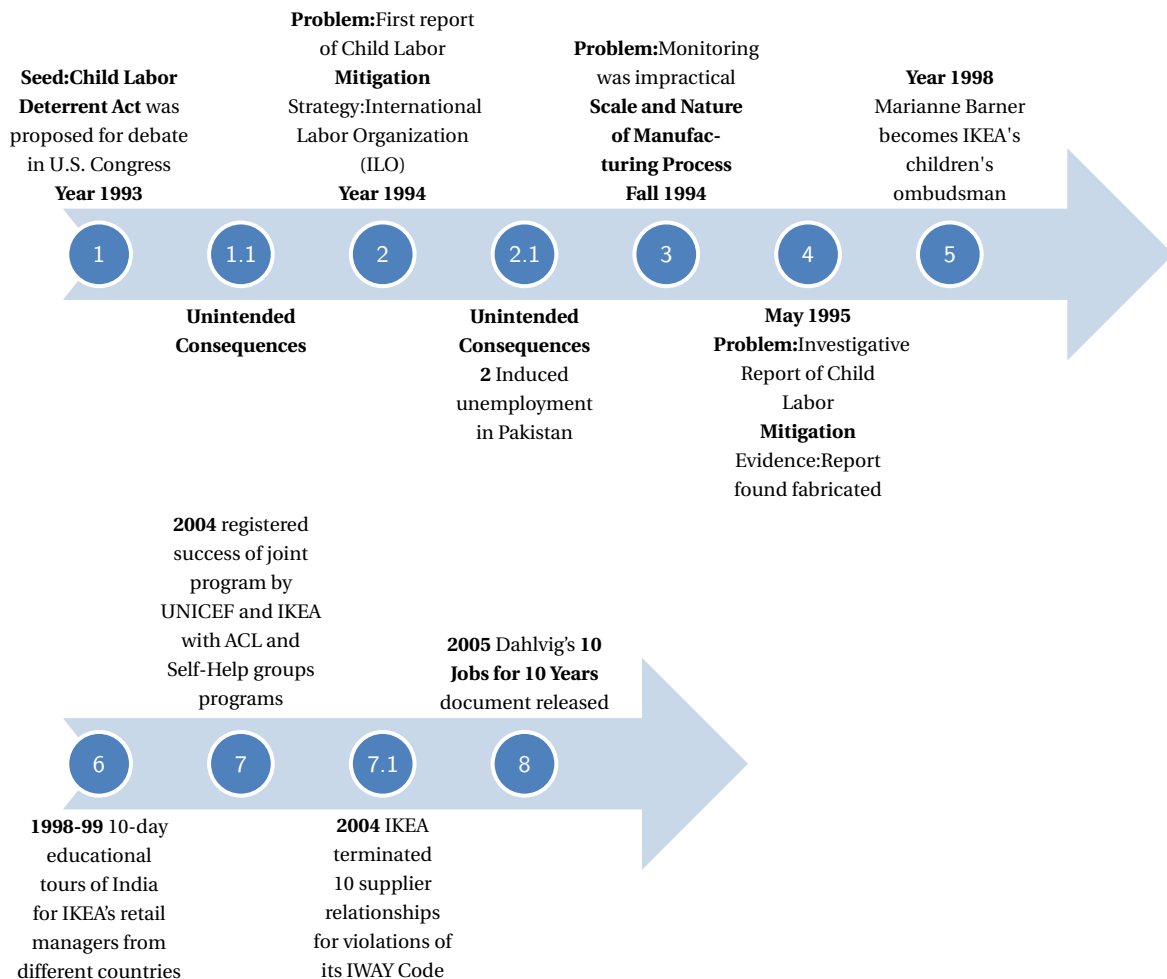
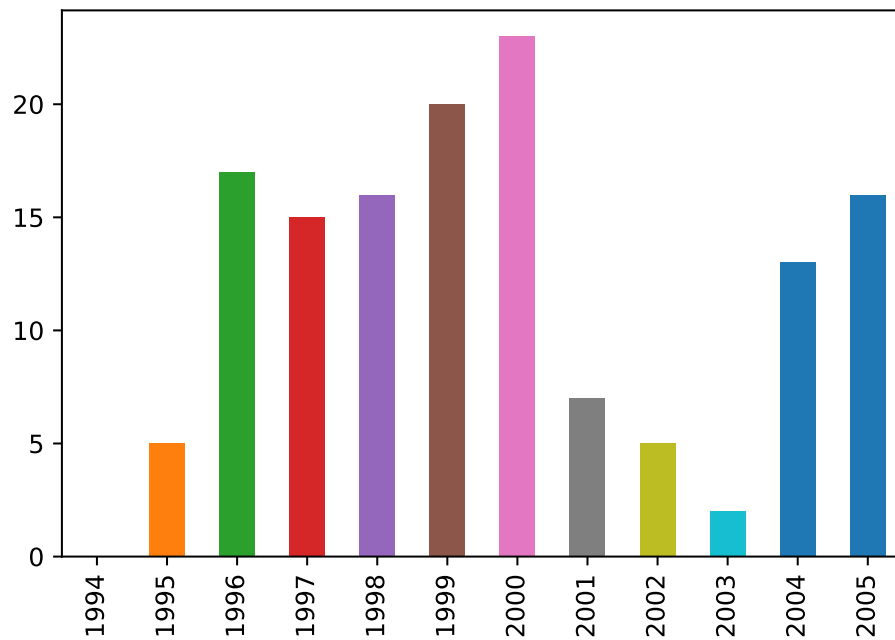
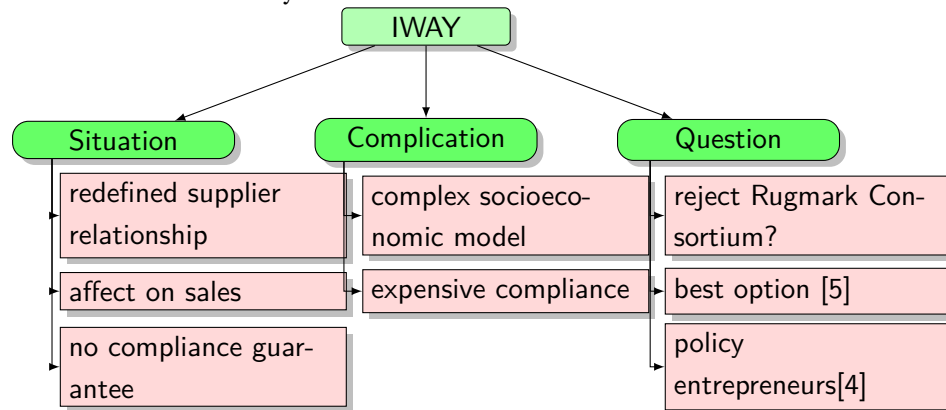


Figure 2: % -Change in Sales



### 0.3 Situation/Complications/Questions

Here's a short summary of the case:



# Bibliography

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