

Executive Summary

Short term action:conduct recurring meetings with Venkat to reach **mutual agreement**.

The agreement would list the top three concerns that resist compliance with IWAY. **Finer point:**The process of mutual agree must be based on mutual respect [5] and it must be founded on the ideas of exerting purchasing power to force Venkat into compliance. [1] [6]

Long term strategy: IWAY policies and practices should be revised to work with consortiums to neutralize threat to IKEA's value chain.¹ [3]

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

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

Three main concerns that can be raised are -

1. **New cost** to meet the requirements of strict compliance.⁵ 2. **Threat to sales:**stronger control on suppliers would affect IKEA's business. ⁶ 3. **Accounting liability:**IKEA's business model is tightly coupled with geopolitical dynamics. This is a huge accounting liability in terms of potential litigations.

1 Reasoning

1. For ensuring better compliance of IWAY, intensity of supplier-monitoring must scale proportional to IKEA's scale of sales. Scale and complexity of IKEA's supplier base as a whole is directly proportional to IKEA's sales. 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"[4]. 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. 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.

¹from hostile organizations that deploy intended and organized attacks.

²Competitive advantage by forward integration: by appealing to customer's sentiments

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

⁴Sustainability and Collaborative advantage: associated with environmental and social resources.

⁵requires 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." [1]

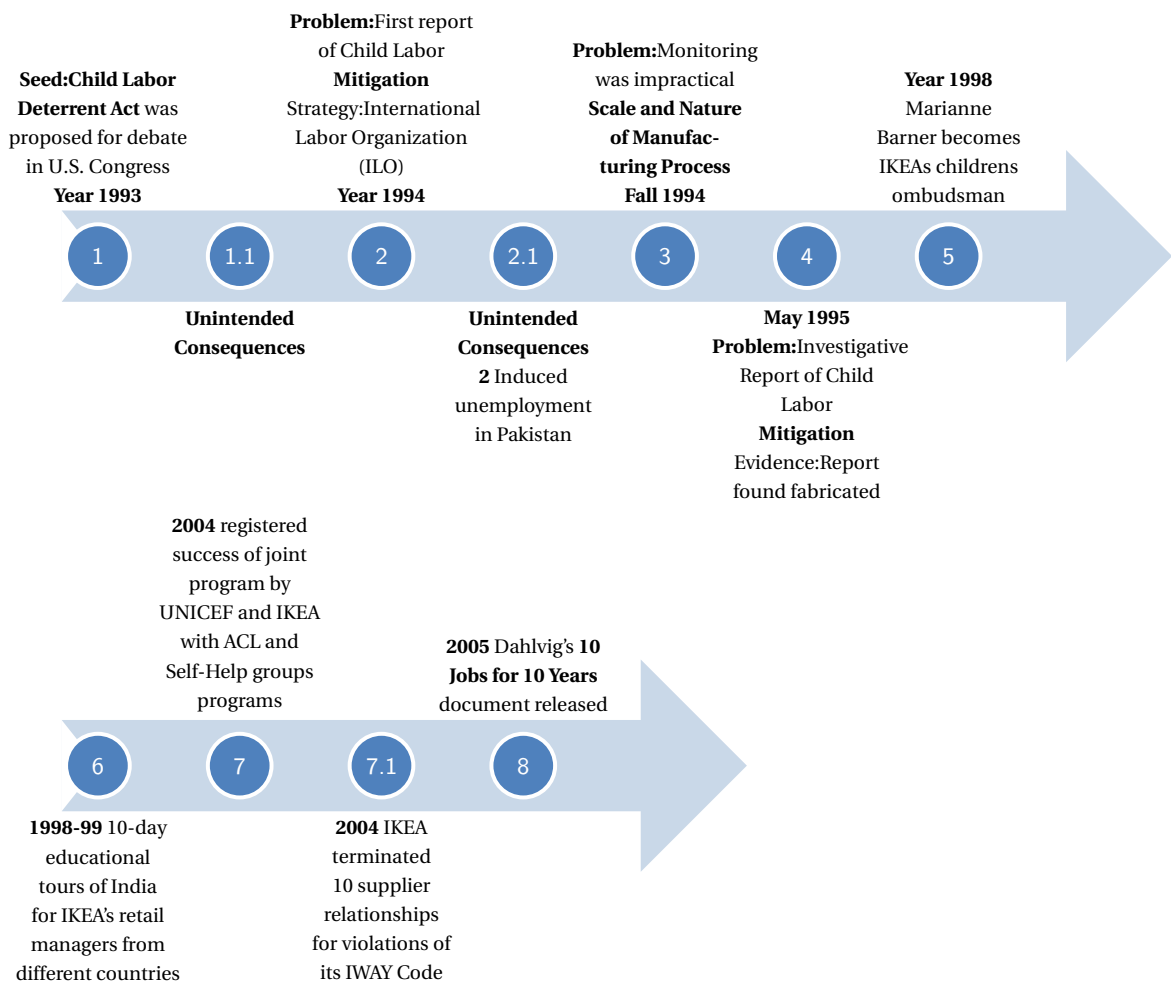
⁶tighter coupling of business models is not recommended. This is against the fundamental principles of system architecture.

2 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.

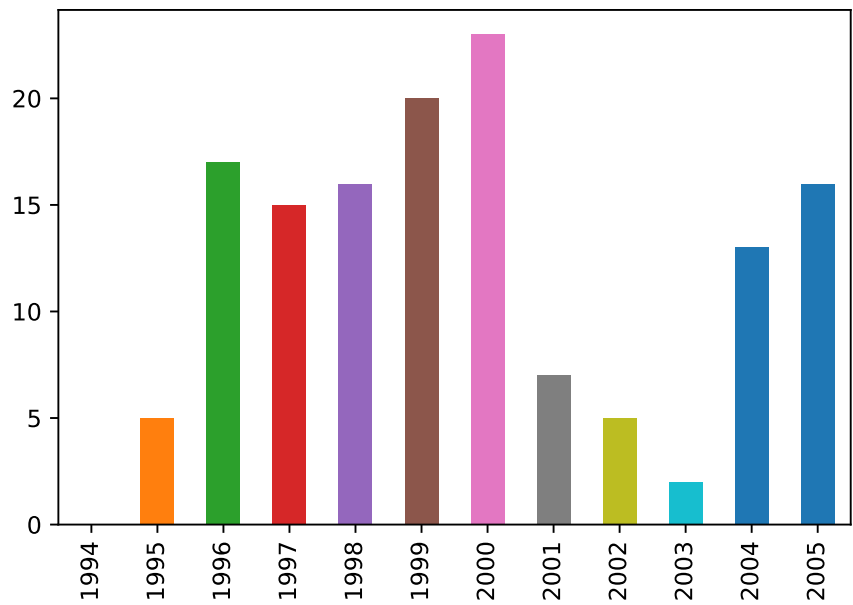
2.1 Timeline

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

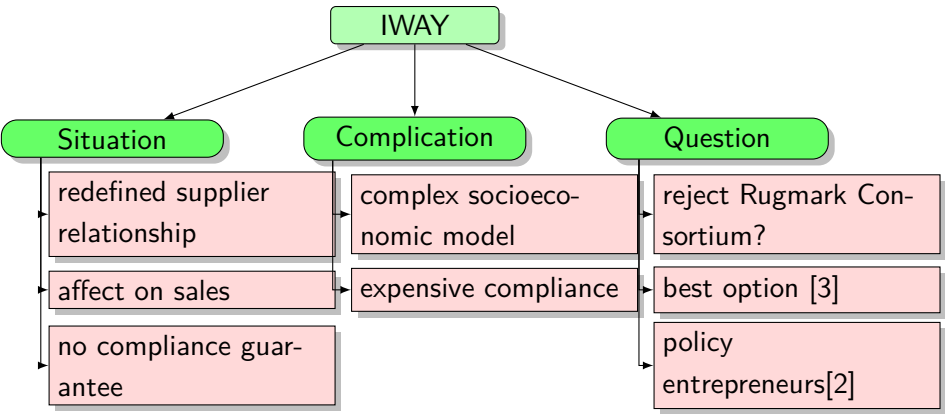


2.2 Visualizations

Figure 2:%-Change in Sales



2.3 Situation/Complications/Questions



2.4 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
- [4] United States. International Child Labor Program. (1998). Public hearings on international child labor. United States:Page:479
- [5] Smeltzer, L. R. (1997). The meaning and origin of trust in buyersupplier relationships. International journal of purchasing and materials management, 33(4), 40-48.
- [6] Inderst, R., & Wey, C. (2011). Countervailing power and dynamic efficiency. Journal of the European Economic Association, 9(4), 702-720.