

ikea csr

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Introduction

IKEA is a firm that was founded in 1943 by Ingvar Kamprad in Sweden. Initially, their core objective was the sale of furniture locally by the year 1947. IKEA is currently involved in the designing and the sale of kitchen appliances, ready-to-assemble furniture, and other home accessories. Current, IKEA is ranked as the largest retailer of furniture globally. The Headquarters of the company are in Leiden, Netherlands. IKEA has over 411 locations globally where they continue to sell homeware and the ready to assemble furniture. The firm is responsible for about 1 % of the global commercial consumption of wood and hence making it the world's largest wood users. The company has over 194,000 employees. The company has for years been involved in various Corporate Social Responsibility (CSR) initiatives around the globe with the aim of giving back to the society. This paper will expound on challenges that IKEA is facing in regards to the Corporate Social Responsibility and the measures that are undertaken by the company to mitigate against these adverse effects. The paper will also offer remedies to the remedies that ought to be undertaken by IKEA or even the government in efforts to eliminate these CSR issues which are already having effects on the supply chain of the firm.

IKEA's Corporate Social Responsibility issues relevant to Supply Chain

IKEA's Chief Sustainability Officers is the person who is responsible for leading CSR efforts, and Steve Howard is currently holding the position. Some of the CSR initiatives that the company has been involved in include the supporting the local communities, educating and even playing an important role in empowering the workers. The company has also been concerned with the addressing of gender equality as well as the minorities in the company. Sustainable sourcing is another CSR issue that IKEA is constantly addressing with its operations.

Major Problems or Challenges facing IKEA's CSR

The first issue related to the CSR of the IKEA can be viewed as the pressure the company receives when dealing with multiple stakeholders. The business model that the IKEA utilizes is that of facilitating its costs effectiveness. As a result, the company at times is forced to operate in developing countries where the resources are available cheaply, and the cost of labor is relatively low. One of the issues or problems that are facing the company is that at times they have engaged in some unethical practices such as forced labor and child labor in an effort to adhere to their low-cost model. Such practices have continued to ruin the reputation of the company over the years. Similarly, the company has been involved in obtaining wood from areas that are questionable and

hence leading to the questioning of such motives by the stakeholders who are primarily responsible for setting the CSR policies that are applied by the company. As a result, they require full commitment from the IKEA. The lack of collaboration between diverse stakeholder and the company has continued to rock havoc in the company. Regularly, the stakeholder has continued to accuse the company of not following the required laws and also disrespecting the social, environmental, and human rights responsibilities which are core mandate of the company. That conflict is playing a part in distorting the operations of the company as well as creating an environment that is in not favorable for the company to thrive. The conflict with the stakeholders has also continued to bar the success of other Corporate Social Responsibility initiatives of the company from ever succeeding. The impacts of these negative issues have also been demonstrated through the increase in the challenges that are being experienced in the company's supply chains (Andersen and Skjoett-Larsen, 2009. p.75).

The second problem that is linked with the CSR at IKEA and affecting the operations of the supply chain is the fact that various independent organizations have been tasked with assessing as well as challenging the types and the forms of the environmental measures that have been undertaken by the company. The communication of these groups regarding CSR and the activities conducted by the IKEA has always appeared to be biased and raising many questions hence influencing the company's supply chain. Robin Wood and the Greenpeace are some of the organizations that have been posing as a threat to the continued success of the company through questioning of various activities and initiatives that the company has been engaged in recently. IKEA has partnered with organizations such as the "Save the Children" whereby they donate some soft toys to these children hence affirming the company's position that they do not support child labor and any other forms of violations regarding the children. However, the interpretation and the differences in the manner in which such issues have been communicated has always posed as a threat to the company's supply chain as well as their success in assisting and doing what is right for the people and the society as a whole. The communication challenges between the company and other organizations that are involved in overseeing the company's operations have significantly caused issues in the implementation process of various CSR initiatives that have been proposed by IKEA. Various concerns were raised by these organizations asserting that IKEA never respected various responsibilities accorded to them. Some of the issues raised were in regards to the freedom of association between the employees, issues to do with the collective

bargaining, workers' rights, working conditions, and the salary levels among other concerns (Maon, Swaen and Lindgreen, 2010, p. 18).

The third issue/problem facing the IKEA's CSR were the presence of various violations that IKEA's supply chain as per SOMO study that was conducted. Studies revealed that IKEA has continued to use products that are supplied by firms that are still involved in massive human rights violation. IKEA was accused of purchasing their products of some Bangladesh and Vietnam firms that did not uphold the employee's rights. The engagement was in violation of the code of conduct that is usually used and upheld by the IKEA of IWAY. Some of the concerns that were raised were that the firms in Bangladesh exhibited a massive violation of the workers which was done on a large scale. Similarly, the Vietnam firm had continued to violate the code of conduct of IKEA although some improvement had been done from 2002. The violations regarding the working hours of employees were better in Vietnam compared to Bangladesh which was on the lower level. Regarding the wages, factories in both regions paid their workers minimum wage although in Bangladesh factories the overtime pay was always late for either a month or even few weeks. These violations had an impact ³ on the supply chain of the company. As a result of their association with these suppliers, the company's CSR was significantly affected (Morsing and Roepstorff, 2015, p. 409).

Remedies / Solution taken to address these Issues

IKEA has been operational for many years hence making it one of the most stable and dominant company in furniture and homeware sector. In efforts to address the issue of the pressure from the stakeholders, there is a need for the company come up or devise proactive and reactive actions that will specifically be involved in countering such issues. Creating a department that will deal with all the CSR issues is a major step towards systematically addressing these issues that are usually faced by the company. The firm will also need to engage with the stakeholders in constructive dialogue as well as strategizing on the best way forward on countering these negative happenings in the company. The reputation of the company is likely to be preserved through a concerted effort by both IKEA and organization. The government can play an oversight role in monitoring the operations of the company and the interactions with various stakeholders (Andersen and Skjoett-Larsen, 2009. p.77).

The second issues are the collaboration of the company with various agencies monitoring the company's operations. As a result, the solution available is for IKEA to start enforcing the

code of conduct and adhering to all regulations. Violations such as child labor and disrespecting the human rights are some of the areas that IKEA should emphasize in its promotion of their CSR. The company should strategize on the way forward and engage various stakeholders who will independently monitor whether the company's operations adhere to the desired standards. The company should also continue to support the management review body that will be tasked with the responsibility of making sure that everything has been conducted as expected. Finally, there is a need for the company to engage with the consumers through a platform where they will share knowledge and practices that are exhibited by the company. This ensures that the company has continued to adopt sustainable practices for a healthy company (Morsing and Roepstorff, 2015, p. 396).

The third solution to the problem of various violations that IKEA's supply chain. IKEA should take part in ensuring that all their suppliers have met IKEA's primary requirements. This goal is likely ¹ to be achieved through the enactment of environmental policy that will continue to value the overall relationship of IKEA, its suppliers, and the consumers. The company should also consider engaging in a strategic production model that is likely to be sustainable in the long-run. Most importantly, the company should enforce strong policies that will ensure that the suppliers who do not adhere the code of conduct as per IWAY their engagement are terminated with immediate effect. The government should also take the oversight role and restraining the forced labor, child labor, and also minimal pay and worse working conditions (Edvardsson and Enquist, 2008, p. 50).

Conclusion

A strong CSR is important for all companies that would wish to succeed in various activities. IKEA has been struggling with various CSR issue namely the pressure from various stakeholders, conflicts with the independent organization on responsible practices, and various violations in the supply chain. The proposed solutions include designing reactive and proactive actions to counter such issues, collaboration with various agencies, and enforcing their regulations strictly.

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