

The Corporate Social Responsibility of IKEA

Challenges with the Implementation of the IKEA Code of Conduct (IWAY)
At its First Tier Suppliers in North China

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Abstract

Due to steadily increasing (price-driven) competition among companies over the years, more and more transnational corporations have shifted their production to developing countries in order to lower production costs and increase retail profits. In the second half of the nineties customers, investors, non governmental organizations and other stakeholders have become increasingly interested and concerned about the circumstances under which these products have been manufactured and if this has been done in compliance with the environmental and social standards as considered acceptable in the West.

In order to answer these questions, a growing number of transnational corporations have set up a Code of Conduct, a set of criteria related to the environment and the social working conditions, which all their suppliers need to comply with. However experience has shown that problems are not solved merely by having the suppliers sign such a document.

This research brings the case study of IKEA, a large international home furnishings company, who in order to honor its corporate social responsibility launched IWAY, “The IKEA Way on Purchasing Home Furnishing Products”, to be implemented across its suppliers worldwide. Audits have however shown that the compliance with this western set of environmental and social demands entails a number of challenges for companies in developing countries such as China.

The purpose of the research is to make an analysis of the current implementation level of IWAY at the IKEA suppliers located in Northern China and explain the origin of the problems currently obstructing full achievement of the IWAY requirements.

It is essential to have the full commitment and support of the management team in North China. This could be improved by linking business perspectives closer to the goals of IWAY. Communication of the reasons motivating the launch of IWAY, as well as its requirements and implementation procedures to the teams (especially the business developers) is essential to ensure the message is conveyed professionally to the suppliers. Effective training, of the teams (and their suppliers), is an excellent tool to achieve this goal. These two improvements could greatly enhance the motivation of the teams and eventually the suppliers to implement IWAY.

In addition more attention should be focused on following up and guiding the suppliers towards complete IWAY compliance. Some of the requirements are either demanding large investments from the supplier or can temporarily not be implemented due to the lacking infrastructure. An internalization of some of the implementation costs in the production price for the former and a specific time schedule to achieve compliance for the latter could solve these problems. Finally, as IWAY embodies a set of western values, the importance and the influence of the local (cultural) standards should not be overlooked and given the right consideration when introducing IWAY to the suppliers.