

# 'Good citizen' IKEA turns its back on SMEs

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The story about IKEA's discussions with the government for relaxing the "local sourcing" clause for it to invest in India has come as a surprise to many of us. IKEA, the Swedish home-furnishing multinational — the world's largest — wants to enter the Indian market with an investment worth €1.5 billion (₹10,500 crore). At a time when the government's coffers are strained, it is quite likely that it will give in to IKEA's demand over reducing dependence on local small and medium enterprises (SMEs) in the first 10 years of its operation. India requires all single-brand retail firms to source 30 per cent of the merchandise they sell locally from small vendors. IKEA has indicated that it will need the whole period of 10 years to meet this requirement, and hence requested the government to relax this stipulation on a yearly basis.

The government till now has shown considerable resolve in dealing with the matter. It's not often easy balancing the interest of the economy or industry with that of the people.

The degree of concern from this development has been greater among those cognisant of the company's commitment to sustainable development and inclusive growth globally. (Even a casual visitor to IKEA's website could not miss this.) This commitment seems to have been integrated in the way it does business.

For some, this concern has turned into awe, especially among those who follow the work of Unicef and Save the Children in India, two organisations committed to protecting the interests of people and their communities across the country. Unicef India has been given over \$200 million by IKEA over the past 10 years to support their developmental work in the country. Save the Children's work on disaster response (Bihar floods) has also been supported by IKEA. Save the Children India is currently discussing bigger and longer-term partnership programmes with the company.

On IKEA's website you can navigate to a section (People and Communities) that provides these and other details of their work in addressing issues pertaining to sustainable development and inclusive growth in India and elsewhere. In addition to Unicef and Save the Children, IKEA has also supported the work of the World Wildlife Fund in many countries. The headline on this page says: "Putting people first".

It is difficult to imagine that a company as big and internationally renowned as IKEA would maintain such double standards on sustainable development and inclusive growth. Indeed Sweden — and Scandinavia, of which it is the heart — is where the term sustainable development originated.

This is, however, not the only case of double standards in the course of a Scandinavian company's operations in India. Around the year 2000, it was

revealed that Electrolux (a Swedish refrigerator manufacturer) did not want to use climate-friendlier hydrocarbon technology in India in its refrigerators, in spite of using this technology for its refrigerators in Europe. In India, Electrolux resorted to using the more polluting hydrofluorocarbon technology.

IKEA has supported development work for over 10 years now in this country. One can assume that it has developed some understanding about the needs of India's local communities, and the fact that the SME sector drives rural and semi-urban employment in India. Their decision to not be compelled to buy from local vendors would have negative implications for the families of these vendors and their communities.

IKEA has defended its position by saying that it would invest in building restaurants, cafes, children's play corners, etc., in and around its outlets, as a mark of upholding its commitment towards society. It is disturbing to note that IKEA makes a commitment to support the "haves" of society while ignoring the "have-nots" — the opposite of what it has been doing through philanthropy in India for over a decade now. This is somewhat like giving fish to the poor and hungry, but not a fishing net to enable them to catch fish and earn a living.

It is not unusual though, for firms to have distinctive standards for their "for-profit" and "not-for-profit" operations. Social, environmental and economic responsibilities often take a backseat while corporations pursue their for-profit line(s) of business. After having reaped enough profits like that, and ultimately being driven by pressure from certain relatively stronger quarters (such as consumers in their home countries), firms take out some funds from their kitty to support community work for promoting their image as a good corporate citizen.

This is an age-old model of Corporate Social Responsibility (CSR) that is prevalent even today. We need to move away from demanding and supporting such short-sighted and vacuous models of CSR, to more comprehensive and holistic models that firms should follow for meeting their societal expectations. Business responsibility should be entrenched in the core-model of doing business in a country like India, and not treated merely as a public relations function by firms here.

We hope that voices emerge both within and outside IKEA leading them to reconsider their stand, so local vendors can benefit from their investments in India. If IKEA is able to get away on this conditionality, then the government will hardly be in a position to apply the same to other companies who are lining up to enter India's retail market.

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