

10

KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS 2021/2022 ACADEMIC YEAR SECOND YEAR FIRST SEMESTER

SPECIAL/SUPPLEMENTARY EXAMINATION

FOR THE DEGREE OF BACHELOR OF COOPERATIVE
AND ENTREPRENEURSHIP MANAGEMENT

COURSE CODE: CMP 211

COURSE TITLE: SUPPLY CHAIN MANAGEMENT FOR
COOPERATIVES

DATE: 22/07/2022

TIME: 8.00 – 10.00AM

INSTRUCTION TO CANDIDATES

- 1) The paper contains FIVE questions
- 2) Attempt THREE questions
- 3) Question ONE is Compulsory

KIBU observes ZERO tolerance to examination cheating

QUESTION ONE

Case study

Mattel Manufacturing Operations Mattel has offices in 43 countries and territories and Mattel products are sold to consumers in 150 countries mainly via retailers but also with some direct sales. Around half of all Mattel's products are manufactured in wholly owned or Mattel managed facilities, located in China, Indonesia, Malaysia, Mexico and Thailand. The remaining products are produced in approximately 75 contract factories or by vendors, with the majority of all products including those outsourced being manufactured in China. Around one thousand licensees produce Mattel branded products such as clothing, software, durable goods and other children's products. Mattel manufactures approximately half of all its products in eleven manufacturing and tooling facilities which it either owns, operates or manages located in China, Indonesia, Malaysia, Thailand and Mexico. The remaining products are either manufactured under license in around one thousand factories worldwide or are manufactured in contract factories or by vendors located mostly in China with some contract manufacturing also taking place in India and Brazil. Some of these contract manufacturers are heavily dependent on Mattel business, with the company estimating that production of Mattel products accounts for between thirty to ninety percent of their vendor's annual production. Licensed products are, however, estimated to account for a much smaller percentage of vendor production at around five percent. Vendor Operations started outsourcing production for Mattel in 1988 following a report by McKinsey and Company¹⁷ that recommended Mattel keep all its core products in-house in wholly owned and controlled manufacturing operations and outsource all non-core products. Barbie™ was originally one of the products designated as core by Mattel with Hot Wheels™ and some Disney™ and Fisher Price™ lines also being added to the list at a later stage. In those early days vendors were selected, based upon their lead time for new toys, manufacturing competence, unique process capabilities and price (ibid). One of the main benefits to Mattel of this approach to manufacturing was that this enabled it to produce toys with relatively short product life-cycles more cost effectively, because it did not need to make an expensive capital investment in new plant. The ability to respond rapidly to changes in demand by producing and supplying new products quickly is a core competence in the toy market and there is a very profitable market related to non-core toys such as those associated with television series or movie characters, for example. Time to market for products associated with a new movie, for example, is critical because the demand may be high initially but it is often relatively short-lived. Having a combination of wholly owned manufacturing, outsourced contractors and licensees provides Mattel with a degree of flexibility and agility in this volatile marketplace. With so many manufacturing facilities located in so many different countries and such a large network of contractors and licensees, Mattel has set itself a formidable task in ensuring compliance to its Global Manufacturing Principles and adherence to every national and regional toy product standard around the world. Monitoring and reporting on factories does take place and detailed reports are published on Mattel's website. Follow-up action in the form of further reports from the independent auditors and management response are also published and the tone of these

reports reflects a desire on the part of Mattel to encourage and help manufacturers located in developing countries to improve rather than to punish or withdraw business. One of the reports published by Mattel concerns the audit of a vendor identified only as 'Vendor Plant 18'. This plant had received an 'informal consultation visit' by ICCA in 2000 with a first formal audit in 2005. The 2005 audit was, however, terminated by ICCA when it discovered that, in the words of the report, 'certain actions on the part of Plant 18's management, immediately prior to the day of the audit, had compromised the integrity of the audit process'.¹⁸ The second formal audit took place in 2006 with some serious concerns identified regarding environmental health and safety standards. The Mattel response report, which is also published on the company website, details a robust response requiring the vendor to adequately address the compliance issues and to sustain this compliance at a satisfactory level before any new business is issued. From the report it is clear that Mattel is also involved with the ICTI, which has also placed the factory 'on probation', and that both organizations have been working with the plant management to help them to try to meet the required standards for compliance.

- a) Explain the importance of purchasing management in supply chain management. (14 marks)
- (b) Discuss, five areas which Mattel as a company should consider when analyzing its supply chain management (10 marks).
- c) Supply management involves various modern integrated activities discuss (6 marks)

QUESTION TWO

- a) Purchase planning is done by a purchase team made up of the partners with an interest in the purchase, including the organization requesting the purchase, the purchasing organization, and other organizations needed to help determine best value discuss the specific role of each function (10 marks)
- b) Discuss the stages of negotiation (6 marks)
- c) Market research is important in purchasing highlight what it helps to determine (4 marks)

QUESTION THREE

- a) Discuss factors to consider when doing international purchasing (8 marks)
- b) Highlight Sources of information about overseas suppliers (5 marks)
- c) What is global sourcing and discuss reasons for global sourcing (7 marks)

QUESTION FOUR

- a). Highlight factors for supplier to consider in determining prices for product or service (8 marks)
- b) Highlight what the purchaser considers in determining prices (7 marks)
- c) Highlight documents used in purchasing (5marks)

QUESTION FIVE

- a. Discuss benchmarking types highlighting advantages and disadvantages (10 marks)

b) Purchasing records are concerned with the storage of information. This information can be filled manually or through computer system highlight ways purchasing records can be managed
(7 marks)

c) Highlight the role of procurement to an organization
(3 marks)