

Sample Case Study: Outsourced Manufacturing

Hundreds of new companies are lured every year by the promise of lower manufacturing costs to set up production in low cost destinations around the world. China, with its large workforce and low wage rates, tops the list of low cost manufacturing centres.

Reportedly, moving production to China could cut the cost of manufacturing by 20 to 40 percent, depending on the type of product. However, regardless of the cost advantages of manufacturing in China, concerns have been expressed in the recent past about the safety and quality of the products made in the country.

In June 2007, RC2 Corporation, a toy company based in Illinois in the US, announced the recall of 1.5 million toy train sets that were sold under the Thomas & Friends name in the US. The reason given for the recall was that the toy was coated with a paint that had a high lead content, which could prove to be poisonous if ingested.

The popular toy was manufactured at one of the company's facilities in China that...

Points to Discuss:

- 1) Summarize the case as per your understanding. What do you think is the real problem out here?
- 2) Do you agree with the steps taken by the company? What other possible steps could have been taken by the company?
- 3) State the advantages and disadvantages of the steps suggested by you above
- 4) What do you was the best step to have taken in the above stated situation? Why?