Solutions Manual

# Chapter 10: Supplier Management

1. Answers will vary. The primary food supplier should meet the quality standards for the restaurant and ensure that the food is delivered on time. The cleaning supplies supplier may be rated on cost minimization.

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| *FOOD SCORECARD* | | | *SUPPLIER NAME:* | |
| *Rating Element* | *Rating* | *Weight* | *Score* | *Comments* |
| Quality performance |  |  |  |  |
| * Food freshness |  | x9 |  |  |
| * Food free from blemish |  | x5 |  |  |
| Cost performance |  |  |  |  |
| * Price competitive |  | x3 |  |  |
| * Price constant |  | x5 |  |  |
| Supplier capability |  |  |  |  |
| * Deliver on time |  | x7 |  |  |
| * Deliver full order |  | x5 |  |  |

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| *CLEANING SUPPLIES SCORECARD* | | | *SUPPLIER NAME:* | |
| *Rating Element* | *Rating* | *Weight* | *Score* | *Comments* |
| Quality performance |  |  |  |  |
| * Clean common stains |  | X5 |  |  |
| * No lingering odor |  | X6 |  |  |
| Cost performance |  |  |  |  |
| * Price competitive |  | X9 |  |  |
| * Price constant |  | X8 |  |  |
| Supplier capability |  |  |  |  |
| * Deliver on time |  | X4 |  |  |
| * Deliver full order |  | X4 |  |  |

Cognitive Domain: Comprehension

Difficulty Level: Medium

2. A sustainability section could be added to the scorecard. Elements could include the following: no genetically altered food; percent organic composition; enhancing the land; use of integrated pest management; and others.

Cognitive Domain: Comprehension

Difficulty Level: Medium

3. The World Fair Trade Organization website indicates that fair trade is “trade that delivers sustainable livelihoods and just economy, and helps Fair Trade Organizations, especially small producers, escape from marginalization.” The party possessing the greater power must build a system in which power is balanced between suppliers and customers so that the smaller organization or person can live with dignity, feeling that their livelihood is secure. This system could include scorecards or external, independent auditors that can objectively assess supply and procurement contracts.

4.

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| ***Type of Supply Risk*** | ***Management and Mitigation Approach*** |
| *Strategy risk* | Choose the right sourcing strategy up front to identify and qualify the right suppliers using reliable market intelligence. |
| *Market risk* | Use approaches such as price hedging, forward contracts, quantity discounts, multiple suppliers, and supplier incentives or postpone decisions to counter volatility in market prices. |
| *Implementation risk* | Identify and select new suppliers quickly to minimize disruptions in production, lead-times, and so forth. |
| *Performance risk* | Continuously monitor all of your suppliers using state-of-the-art technology for early-warning signals to avoid disruptions caused by bankruptcies, performance issues, ownership changes, labor strikes, geopolitical changes, ability to meet compliance regulations, and so on. Use prequalified suppliers and clearly establish tolerances for product quality standards and consequences of quality failures. |
| *Demand risk* | Use multiple suppliers and ensure that suppliers have the capacity flexibility to respond to demand changes. |

Cognitive Domain: Comprehension

Difficulty Level: Medium

5. Of the five types of supplier risks identified in the book, the implementation risk and the performance risk are probably of greatest concern. Implementation risk can be mitigated by rapid identification and selection of new suppliers. Performance risk can be mitigated by continuous monitoring of suppliers and their host countries for early warning signals of political unrest, bankruptcy, labor strikes, instability in the region or in their suppliers.

Cognitive Domain: Comprehension

Difficulty Level: Medium

6a.



Supplier 1 has the highest score.

6b. Supplier 3 would be disqualified; Supplier 1 should be chosen.

Knowledge domain, Difficulty easy

7.



Cognitive Domain: Comprehension

Difficulty Level: Medium

China and Vietnam both fall in the potential range; Singapore is a preferred supplier

Knowledge domain, Difficulty easy