

A Ruthless Penalty of Fair-trade Chemical Sdn Bhd

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Abstract: *Fair Trade Chemical was established in 1993 and it has become one of the biggest adhesives and sealants company in South-East-Asia today. The total manufacturing area of Fair-trade chemical Sdn Bhd over 300,000 square feet and it is increasing day by day. Recurrent investment in highest technology and modern facilities, their goals are to exceed customers' expectations by providing wide range of innovative adhesives and sealants solutions for various market categories: Construction and Hardware, Automotive After Market, Professional Trade & Industry, Do-It-Yourself (DIY). Throughout the last two and half decades, their brand has been exported globally to more than 40 countries with full customers' satisfaction. Over the period of time, the demand of their products increased significantly so that the company had to expand their production in larger volume and shifted in their new manufacturing plant to fulfil global demand. Due to the excessive focus on quantity of production the manufacturing company couldn't ensure the quality of their every shipment equally. Recently, in Bangladesh shipment about 10% of cartridge got frozen owing to the over use of chemical in the time of chemical mixing at their manufacturing plant.*

INTRODUCTION

Fair Trade Chemical Sdn. Bhd. was established in 1993 and it has become one of the "Pioneer" formulator & compounder of sealants and adhesives in South-East-Asia today. The company's main goal is to exceed customer expectations by offering wide range of innovative adhesives and sealants solutions for various markets. With a total production area of over 300,000 square feet and continual investment in latest technology and modern amenities, their goals are to surpass customers' expectations by offering wide range of sealants & adhesives products for various market categories:

- Construction and Hardware
- Professional Trade & Industry Users
- Automotive After Market
- Do-It-Yourself (DIY Blister Pack Products)

They produce and export different types of cartridges to the market. Their common Sealants and Adhesives are: Structural Sealant, MS Polymer, Neutral, Acetic, Acrylic, Pu Sealant, Construction Adhesives Sealant, Adhesives, Epoxy Adhesive, Super Glue, Filler, etc.

HUMAN RESOURCE AND JOB DESIGN

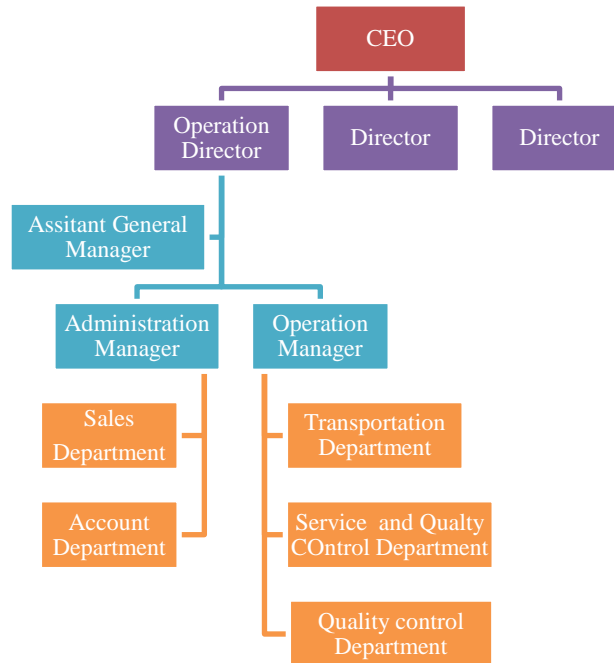


Figure 1: Organizational Hierarchy of Fair-trade Chemical Sdn Bhd

In Figure 1, we can see the hierarchy of Fair-Trade Chemical Sdn Bhd where Chief executive officer (CEO) holds the highest administrative power and he is the person who is responsible for monitoring the entire organization. From assistant general manager to quality control manager all are accountable to the top management for their department's function.

JOB SPECIALIZATION & JOB DESIGN

Fair Trade Chemical recruited best employees for the company. The company's top management does weekly meeting to discuss and update about sales, operations and other issues with the general employees. They encourage the employees to give their opinions and ideas to improve Fair Trade Chemical's products quality. This is proved that employee empowerment is implemented by engaging them and let them do their own decision making, planning, and monitoring of the sales while still under Director's supervision.

LOCATION

Fair Trade Chemical is located in Johor Bahru, South of Malaysia and Shah Alam/Kuala Lumpur with 4 manufacturing plants. They also export and operate their business more than 60 countries. Some of the countries are: Australia, Bangladesh, Brunei, Fiji, Hong Kong, India, Indonesia, Iran, Iraq, Jordan, Kenya, Lebanon, Maldives, Nigeria, Pakistan, Philippines, Singapore, South Africa, Syrian Arab Republic, Taiwan, Thailand, United States, Vietnam, Yemen. However, the company has four different

branches in Malaysia which are located in Johor Bahru, Shah Alam, Perak, and Penang with a total of 8 manufacturing plants and offices.

SUPPLY CHAIN MANAGEMENT

Supply chain management is a process which transforms raw materials and workings into finished products that is transported to the end customers and users. Fair Trade Chemical's core business is producing chemical like sealants, adhesive, glue etc, their supply chain is not as complex as many production companies. Fair Trade Chemical closely monitors supply chain of its operations through transportation department for delivering the sealants and adhesive on time and it is one of the main responsibilities of operations manager. Fair Trade Chemical is Singapore's green award winner. It has also ISO 9001:2000 certification.

THE STORY

In February 2013, Mr. Jein, an international sales manager of Fair Trade Chemical Sdn Bhd was beckoned to Bangladesh by Tawakkul Engineers Ltd (an importer of Fair Trade chemical in Bangladesh) to inspect their last shipment that Fair-Trade Chemical had made to the Bangladesh. Tawakkul Engineers had filed a complaint against Fair-trade mentioning that approximately 10% of their recently exported products were found in a frozen mode inside the cartridge.

It was initially identified by one of the customers of this product then informed it to the company's sales executive. Later, the sales executive informed it to the Manager of the company. After hearing this issue, manager randomly collected 100 cartridges of adhesive and sealants from the inventory and checked all of the 100 products. Finally, the manager found that the average 10% of adhesive and sealant cartridge were frozen. The company management immediately compared those products with their other previously imported products and found there is no products with frozen issue. Finally, they reached a conclusion that the sample noticed a significance number of cartridge were frozen (which was around 10%). Fair Trade Chemical, was then contacted and an engineer was sent to investigate the complaint and finally Fair-trade chemical issued almost 50% of the price of the products as a compensation against this claim of Tawakkul engineers Ltd. In addition, they apologized for the incident and promised to Tawakkul this kind of issue will not be occurred in future.

Twakkul Engineers Management, however, was not fully satisfied with only the issuance of 50% payment of their shipment cost. As they had to suffer a lot in terms of their reputation so that Tawakkul Engineers Ltd. was bound to throw a notice to the Fair-trade if they find the repetition of similar incidence they will be bound to seek another supplier of the same products.

After this incident, Fair Trade Chemical management team was so worried and called a meeting. In the meeting they summoned all those who are responsible in that shipment. The quality control department of Fair Trade Chemical assumed that the frozen cartridge may have resulted from over use of chemical at their Johor Bharu manufacturing plant. Because of the global increased demand for their products, they had to expand their production shift from two to three shifts in their Johor Bharu

manufacturing plant. In the additional shift they had to hire some new labours which had limited knowledge of handling this kind of critical work issues. Before adding chemical, double check and highly technical work force is required but it was suspected that they were not that much concerned when they were adding chemical by the help of newly recruited work force in their extended working shift. The primary objective was for the company to mitigate the immediate demand but unfortunately, they only emphasized on the quantity neglecting the quality for which finally they had to pay huge penalty and suffered an image crisis.

MAJOR CHALLENGES FACED BY FAIR-TRADE CHEMICAL SDN BHD

Globalization of manufacturing operation

Nowadays, in the age of globalization, supply chain management plays an important role in the manufacturing activities. A big challenge for present world is to produce quality product to meet the global demand of their products. Fair Trade Chemical somehow failed to keep pace with global demand and needs.

Safety and quality products

To ensure quality production is one of their motto but unfortunately, they couldn't endure the temptation of selling huge bunch of products. To provide best quality product with safety is also a big challenge for Fair-trade chemical. The number of products and recall cases is growing each day. It can compromise a company's status and maybe detrimental to its bottom line.

Shorter lead time, less inventory

A company can be successful when they manage to shorten lead time and minimise carrying cost. Through shorter product life cycles and changing market demands, companies are forced to embark on a slender journey. It is obvious and important to note that the supply policies in a lean atmosphere support the operations strategy. The challenge is always to find not just a lean concept, but an occupied lean solution in the company.

Supplier base consolidation

Fair Trade Chemical exports their adhesive and sealants more than 40 countries. So, they need to consolidate their suppliers once a year. Consolidation of the supplier base can entail rewards. This process can eradicate supply base adjustments and expenses. The main challenge for them is to find a supplier with solutions and experience in supplier-based consolidation procedures.

Access to latest technology

Nowadays technology controls most of the deeds of a manufacturing company. So, Fair Trade Chemical must deploy the latest technology in their manufacturing plants. When they have access to the latest technology in various fields by having the right experts then that can provide a great support in new product development with less error in production.

DISCUSSION QUESTIONS

1. What procedures would you recommend maintaining proper quality control?
2. Analyse how the supply chain procedures can be made more effective for Fair Trade Chemical Sdn Bhd from national to international perspective.
3. How Fair Trade Chemical Sdn Bhd operation's design is different from conventional operational system that exists in this industry and what is the uniqueness of Fair Trade Chemical Sdn Bhd operations that makes them successful?