Mattel inc

Business, Management

Mattel Inc. In the last three years, in Mattel Company, the quality of their productshas had issues, with most of the customers complaining of low value of the products. Notably, the company is the single largest producer of toys in the world, the company risks losing the market threshold, if the management does not take necessary actions, in improving the quality (Wooten and Erika 3). The research gives an insight on the problems, which the company has faced over the three years, and outlines the strategies that may have caused the issue.

First, the expansion strategy that resulted to the acquisition of the Leaning Company reduced the management ability to carry out the normal quality inspection of the company products (Erika 28). This was the strategy that reduced the company success and quality of the products than the anticipated. In essence, the company thought that the diversification of its business would give it a lead in the manufacture of communication materials, not knowing that the cost of operation would be tremendously increase.

As well, the expansion increased the operation cost, making the company to spend billions of US dollars in running the daily activities (Wooten and Erika 7). When the Leaning Company started registering losses, Mattel had to make an effort to rationalize the impacts that this would cause in the company (Segundo 1). They had to pay the debts that the acquired company made, thereby, affecting their financial position. As a result, the company accumulated losses, amounting to $475 million, in 1997 (Erika 33). This was the beginning of the company’s nightmare in maintaining the cost of operation and quality of the products.

Secondly, the expected boom in the internet sales of the toys did not yield the outcome (Segundo 1). Indeed, the internet sales targeted the world market, and steady customer demands. Instead, the company recorded loss from the venture, thereby worsening its financial position.

Third, the raised labor requirement also did not work well for the company. Therefore, the company embarked on a job cut, to reduce the expenses. In further reducing the cost, the company opted to use cheap materials in making the toys. In fact, the materials did not meet the quality requirements, making the products to be an environmental and health hazards to the users (Erika 39). Specifically, the coloring element that the company used in making the toys contained high amount of lead that exceeded the limit that the government had set.

In summary, the problem that resulted to the production of low quality goods was the expansion strategy that the company thought, would increase the revenue base and develop it. In fact, the company used a lot of money in re-structuring the acquired company to ensure that the production was not affected, in terms of quantity and quality. However, this was not the case. In addition, the expected boom in the internet sales strategy did not live its usefulness. Instead, it caused additional expenditure to the company. Finally, the increased labor, to meet the expanded network did not work for the company. Instead, the company reduced the number of workers, to cut on the operational cost that was increasingly becoming unbearable.

Works Cited

Erika, James. Organizational Science. New York: John Wiley & Sons, 2000. Print.

Segundo, E. L. Mattel Inc. 2011. Retrieved from

Wooten, Lynn and Erika James. Leading Under Pressure. New York:

Routledge, 2010. Print.