

OUTSOURCING TO CHINA: THE BENEFITS AND CONSEQUENCES OF FOXCONN'S STRATEGY

Christopher M. Cassidy
Renée Gravois
Sam Houston State University

Stanislaus Solomon
Southern Illinois University Edwardsville

Foxconn Technology Group, a multinational Taiwanese company operating primarily out of China, was the world's largest manufacturer and assembler of electronics during the 2007-2014 timeframe. Responsible for a large volume of consumer products, it had customers such as Apple, Dell, HP, IBM, Nokia, and Samsung, and manufactured products such as the Apple iPad and iPhone, Amazon Kindle, Sony PlayStation 3, Microsoft Xbox 360, and Nintendo Wii. Foxconn's success relied on many interlocking practices that included but were not limited to: speed to market through rapid design, prototyping, and production; extreme cost control through efficient resource utilization and waste minimization; adherence to state-of-the-art quality control processes and procedures, and vigorous industrial security to protect each client company's intellectual property. During much of the decade from 2006-2016, Foxconn was accused of employee abuse from a variety of labor rights groups. The tension between its strict management practices and criticisms from labor rights groups reached crisis levels after 2010 when 20 Foxconn employees committed suicide by jumping from the tall buildings in Foxconn's massive industrial complexes. Are the demands for high organizational performance and labor rights incompatible, or is there some middle ground that will provide the benefits of both? This case asks students to consider what Foxconn and Apple should do to ensure the long term success of both companies.

INTRODUCTION

In 2012, protesters in London, England; Bangalore, India; Washington, DC; San Francisco, California; Sydney, Australia; and New York City gathered at Apple stores to deliver petitions to Apple, Inc. that criticized the working conditions at its Chinese subcontractor, Foxconn Technology Group. The petitions, signed by 250,000 people, were intended to force Apple to better control the way Foxconn managed its worldwide labor force of 1.4 million (Kolo, 2011; Bonnington, 2012; Freeman, 2012; Kan, 2012; O'Dell, 2012; Warren, 2012).

We're coming together as fans of Apple, who buy their products, to say, we want an ethical product (Shelby Knox, reported in Saginor, 2012).

The protesters' concerns culminated in 2012, when "150 Chinese workers at Foxconn threatened to commit suicide by leaping from their factory roof in protest against their working conditions" (Moore, 2012). This event followed 29 worker suicides at Foxconn factories in China between 2007 and 2011. Twenty of those suicides occurred in 2010 alone. An additional 10 suicides occurred from 2012-2014 (Lin, Lin, and Tseng, 2015). Exhibit 1 contains data on Foxconn suicides from 2007-2014. Foxconn worker actions, worker suicides, and worker rights protests outside China attracted the attention of electronics companies and customers around the world (Qiang, 2012).

The many accusations levied by protestors against Apple and Foxconn might have been summarized as follows: Foxconn's factories were a technological version of sweatshops, and ultimately Apple was responsible for violating the rights of Foxconn's workers. These accusations were similar to the accusations by labor rights groups in the 1980s and 1990s that criticized U.S. companies, Nike in particular, for using overseas manufacturing subcontractors to produce inexpensive apparel for the U.S. market (Banjo, 2014).

While the ethical issues were salient because of the public protests and worker suicides, both Foxconn and Apple also had to consider the implications and tradeoffs related to their respective company strategies. Meeting the demands of the protesters might have required changes that would add as much as \$800 to the price of the iPhone or force the companies in the supply chain to accept less profit. More importantly, Foxconn's operations provided its customers with market responsiveness unavailable from other suppliers with its rapid manufacturing capabilities. Altering its business operations to accommodate protesters might eliminate the very capability Apple needed, the jobs on which its employees depended, and consequently the products demanded by customers.

An alternative for Apple might have been to forgo some of its profit. Apple earned profit of about 58.2% of the sales price on each iPhone. Foxconn earned significantly less profit per phone at about 1.8% of the sales price (Duhigg, 2012c; Gustin 2012a; Perlin, 2013).

It was conceivable that meeting the protesters' demands for higher wages, less output, and better working conditions might have increased operating costs and reduced the strategic flexibility needed to compete in the global electronics

industry. What should Foxconn and Apple executives do in addressing the strategic and ethical issues related to the production of high-tech electronics?

CONDITIONS IN CHINA

Economics and Culture in China. China embraced modern capitalism in the mid-1970s, with economic reforms intended to give business-oriented entrepreneurs the opportunity to operate for-profit firms outside of state control. Special Economic Zones (SEZs) were instituted in which private citizens could own and operate their own businesses without interference from the government. As these businesses grew and prospered, the SEZs attracted more businesses. Within each SEZ, the wages businesses paid employees increased. The differences in wages between rural Chinese communities and the SEZ incentivized many workers, mostly young adults, to leave rural areas in search of jobs paying higher wages. On average, the reforms gradually improved the economic conditions across China by allowing employees, managers, and owners to accumulate wealth (Coase and Wang, 2013).

Chinese culture had a long history of deeply ingrained loyalty to family and respect for authority stemming from a collectivist culture. Even when people moved from smaller rural provinces to larger cities to gain employment, many of them still supported their families by sending a significant portion of their wages back home. A small surplus earned in the city was worth a lot to the family back home. While the financial conditions of rural families improved when young workers relocated to the cities for work, it was difficult for the young workers. These workers found the working conditions extremely different from farm or rural work, requiring significant adjustments. The benefits of higher wages were offset by: the psychological costs of living in large population centers; the structure, rigor, and working conditions of factory work in large bureaucratic organizations; the monotony and long hours of work; the lack of recreational activities and free time; and the loneliness of being away from family.

The harsh working conditions in large cities and factories is not intended to glamorize working conditions in rural China, especially work on the farm. Farming wages were among the lowest in China. Farm workers routinely put in 80-100 hours per week in planting and harvest seasons, far more than in the most grueling of factories. Chinese labor protections were rarely enforced in rural communities, especially on family owned farms. It was rare for family farms to pay family workers anything at all. Additionally, farm work was one of the most physically challenging and dangerous types of work in the world. Workplace injuries and deaths were far more numerous in farming than in any other industry. Child farm workers in China, like adult farm workers in every country, had been known to work excessive overtime in dangerous situations (Bureau of Labor Statistics, 2014).

The workload during the planting and harvesting seasons was the most intense for farm workers because of the critical need to perform a lot of work in very little time. During the lull between these seasons, workers put in far fewer hours. These lulls provided the workers with rest and recovery that offset the intensity of planting and harvesting. Not only that, farm labor was normally done close to where the worker's family lived, so the worker had family and friends for support. In addition, farming involved many different and varied jobs, which decreased the monotony of work.

China's Legal System. Chinese citizens viewed lawsuits as a means to obtain justice quite differently than citizens in the U.S. In China, lawsuits were required to start at the local level, before they could be heard by provincial courts, and the provincial justice system was required to hear cases before cases were referred to the courts at the national level.

Critics questioned the independence of the Chinese legal system. The economic interdependence of cities and large firms created the appearance of a conflict of interest for local governments (Kolo, 2011). Large firms paid a large share of local taxes. Critics believed that local officials and company managers would attempt to influence or undermine the local legal system to protect large tax-paying corporations if sued by employees that were injured or treated unjustly on the job.

To back up their claim, critics pointed at one example of media censorship. The *China Digital Times* reported that local government officials in Shenzhen requested a media blackout on critical and negative news reporting about Foxconn suicides. Following the government's request, internet news stories were deleted and print news stories were limited to those approved by the government (Chan, 2013; Lucas, Kang, and Li, 2013).

Chinese citizens typically respected and adhered to the decisions made by authority figures, such as juries, judges, bosses, and CEOs, more than did citizens in the U.S. Critics implied that this resulted in few employees, or their surviving family members, who were willing to use the legal system to obtain justice, and the few who did were much less likely to appeal judgments won by the employer at the local level. For these reasons, critics claimed that the only way to protect workers was by aggressively challenging both the Chinese manufacturing companies and the multinational electronics companies that hired them outside legal channels (Wang, 2012; Chan, 2013).

Chinese Labor Law. The differences between China and U.S. worker protection laws were extensive. Similar differences existed between the U.S. and many nations. Companies operating outside U.S. legal jurisdiction used those differences

to their advantage. Worker protections were expensive to companies. Companies that operated outside the U.S. had lower costs or strategic flexibility compared to their U.S. rivals.

Chinese law permitted a regular work week of 49 hours. Employers were required to offer workers an uninterrupted 24 hours off in every work week. Hours over 49 but fewer than 60 were treated as overtime and, if used, were to be compensated at a higher rate. Overtime in excess of 60 hours was to be properly compensated and voluntary (Greenfield, 2012; Nova and Shapiro, 2013; Ong, 2012).

Chinese law recognized workers aged 16-17 as adults. Children under age 16 had significant legal work restrictions with no possibility of overtime. Protections for the youngest workers were in place to limit overtime and prevent them from being assigned dangerous work. In addition, many multinational companies imposed additional labor restrictions on their subcontractors in the form of contractual requirements that were more restrictive than Chinese law (Greenfield, 2012).

THE CONSUMER ELECTRONICS INDUSTRY

The consumer electronics industry produced electronic equipment for individual use, typically in the home setting (Exhibit 4). These goods included entertainment devices, communications devices, personal computers, and home office equipment. These goods were distinguished from commercial and professional grade goods sold to businesses in that consumer goods were less durable, less capable, and less expensive.

Over time, global production trends emphasized manufacturing efficiency in order to lower costs. Automation, improved design, and relocation of production facilities to countries or regions with lower costs were primary methods for achieving efficiency (Deng, 2012). This outsourcing was especially important in lowering labor costs. In addition, some nations, such as China, improved their manufacturing capabilities to levels unavailable in the United States or the European Union.

The consumer electronics industry was a rapidly growing multibillion-dollar industry. Major companies in the consumer electronics industry included Apple, Samsung, Hewlett Packard, Sony, Dell, LG Electronics, and Lenovo. These large electronics companies received their raw materials, intermediate goods, and most of their final products from a supply chain that included a broad variety of global subcomponent manufacturers and product assemblers. Exhibit 5 shows the growth in industry revenues, smartphones sold to end users, and smartphones produced in China. While smartphones were only a small part of the consumer electronics

industry, the smartphone data correlated with revenues and illustrated industry trends.

FOXCONN TECHNOLOGY GROUP

In 2010, Foxconn Technology Group was one of the world's largest contract electronics manufacturers, with 1.4 million employees, and produced an estimated 40 percent of all consumer electronics products worldwide (Duhigg and Bradsherjan, 2012; Chan, Pun, and Selder, 2013). Foxconn was the legal name for Taiwan based Hon Hai Precision Industry Co. Ltd. Founded in 1974, Hon Hai established the first Foxconn factory in China's Shenzhen SEZ in 1988. By 2010, Foxconn was China's largest employer and exporter. The Shenzhen facility alone employed over 300,000 workers. Foxconn provided manufacturing and assembly to a large number of multinational electronics customers. See Exhibit 6 for a list of principal Foxconn customers. By 2012, Foxconn had factories in Brazil, the Czech Republic, China, Hungary, India, Malaysia, Mexico, Slovakia, and Turkey (Gale Group, 2016).

Foxconn's manufacturing practices were efficient and technologically-sophisticated. See Exhibit 7 for excerpts from the Foxconn website which describe its strategy and business philosophy. Foxconn workers assembled iPads, iPhones, and MacBook products by hand in the Shenzhen facility. To manufacture a complete iPhone required 141 hand assembly stations and an iPad required 325 stations.

Outsourcing to China. To illustrate Apple's incentive to outsource manufacturing to China, Baker (2016) points out that the batteries, displays, speakers, semiconductor chips, and wire for mass marketed electronics were all produced in China. These components were no longer produced for the competitive market in the U.S. because of the high cost of production. While the printed circuit board assemblies were manufactured in the U.S., it made more sense to assemble the final products where the other components were manufactured for quality control reasons.

Steve Jobs explained why Apple outsourced iPhone production to China at a White House dinner with Silicon Valley executives. He said, "Those jobs are not coming back..." to the U.S. He explained that while Chinese workers were less expensive, labor cost was not the relevant criterion. It was the vast scale of the factories, flexibility of operations, design skills of foreign engineers, and speed to market that made companies like Foxconn the cornerstone of Apple's strategy. A former Apple executive provided the example of a last minute design change involving the display on an iPhone. The new screens arrived at the production facility near midnight, workers were wakened in their dorms for a 12-hour shift, and production

started within 30 minutes. The plant was producing 10,000 iPhones per day within 96 hours (Duhigg and Bradsherjan, 2012). No U.S. based manufacturer could have responded this quickly.

Foxconn's Workforce. To operate factories on this scale required a large well-educated labor force. Jennifer Rigoni, a former Apple manager stated, "[Foxconn] could hire 3000 people overnight... What U.S. plant could find 3000 people overnight and convince them to live in dorms?" When it came to highly skilled engineers, Foxconn estimated it would need 8,700 industrial engineers. Apple determined it would take nine months to find that many engineers in the U.S. Foxconn found them in China in 15 days (Duhigg and Bradsherjan, 2012).

Foxconn workers were relatively young, ranging in age from the late teens to the late 20s. Most of Foxconn's workers relocated from rural parts of China to the large industrial cities in order to seek employment at companies like Foxconn. In 2012, Foxconn paid wages that were about 20 percent higher than China's minimum wage in the SEZ. Applicants cited the higher wages as one of the attractions of working for Foxconn. The amount of overtime wages available at Foxconn made employment there especially attractive. This attraction was particularly true for job applicants from the poor and economically disadvantaged parts of China where the wages fell far below the national average. Applicants believed that a Foxconn job was one way to get manufacturing experience that might lead to better employment, allowing them to support their families back home, and/or provide a way to save money for school or vocational training.

Intellectual Property Protection. Foxconn implemented state-of-the-art security at its manufacturing facilities to protect the intellectual property (IP) of its customers and to shield its production processes from imitation by rivals. For instance, without Apple's explicit permission, Foxconn prohibited outsiders from observing its plants that produced iPhones and iPads. Entry to facilities was strictly guarded, authorization to enter was difficult to achieve, and the security practices prevented all outsiders from directly observing the working conditions (Sethi, 2012). All reports of working conditions reported by outsiders were originally provided by current and former employees and managers of Foxconn or Apple.

CHALLENGES IN MEETING APPLE PRODUCTION DEMANDS

Throughout the 2007-2014 timeframe, Foxconn struggled to grow fast enough to keep up with growing consumer demand for Apple products. Apple's power in the supply chain was substantial. When consumer demand for Apple products increased, Apple would accelerate Foxconn's production schedules. To meet Apple's revised schedule, Foxconn demanded additional work from its labor force.

For workers, this might translate into 12-hour, 18-hour, or 24-hour shifts, or working 10-15 days in a row without a day off.

Foxconn responded to these problems by indicating that consumer demand for iPhones and iPads was growing faster than it could increase capacity by building factories and hiring employees. This led to a continuous need for employee overtime despite expansion of its facilities and continuous hiring to correct the overtime problem. Critics acknowledged that the practice of overtime itself was not abusive, provided workers were willing to do the work and were not coerced into overtime against their will (Satariano, 2012).

Apple demanded constant efficiency improvements from providers like Foxconn. Apple threatened to switch to another company if any supplier could not annually improve its business operations. An executive for an Apple supplier stated, "The only way you make money working with Apple is figuring out how to do things more efficiently or cheaper...and then they [Apple] will come back next year and force a 10 percent price cut" (Duhigg and Barbozajan, 2012).

CRITIQUES BY LABOR RIGHTS GROUPS

During much of the decade from 2006-2016, Foxconn was accused of employee abuse by a variety of labor rights groups. Excessive working hours were a common complaint, with critics highlighting work weeks in excess of 60 hours and work shifts of 11 to 13 hours (Duhigg and Barbozajan 2012; Facing Finance, 2016). The strain of standing for long periods of time was one aspect of the concern about working hours:

At any moment, there were thousands of workers standing on assembly lines or sitting in backless chairs, crouching next to large machinery, or jogging between loading bays. Some workers' legs swelled so much they waddled. 'It's hard to stand all day,' said Zhao Sheng, a plant worker (Duhigg and Barbozajan, 2012).

...one of the workers said that he constantly wanted to drop something on the floor so he could bend down to pick it up while working. Due to the long hours standing (up to 8 hours), if he had the chance to lie or squat down on the floor, it would be the most enjoyable moment during the work day [so] he could get the chance to rest (Chang and Gadget, 2010).

The monotony of the work was another complaint. Workers performed their jobs on automated assembly lines, following computerized verbal instructions, and had little to no human interaction. As one example of a more mundane job, one worker

who deburred aluminum edges on an iPad processed approximately 3000 units in a 12-hour shift at her station (Nightline, 2012).

Two meal breaks, each lasting an hour, provided employees some rest. Most employees tended to quickly eat their meals in the company cafeteria and attempt to nap before their shifts started again. Foxconn executives attributed the nap to a Chinese post-meal tradition rather than to exhaustion (Nightline, 2012).

Typical employees lived in a shared, same-sex, dormitory room with as many as seven other people. The company provided cafeterias, coffee shops, internet cafes, bookstores, educational classes, recreational space, athletic fields and facilities, swimming pools, and medical care. Wages averaged about \$1.78 USD per hour, exclusive of overtime. Typical meals cost about \$0.70 USD. Workers paid rent of about \$17.50 per month for their portion of a dormitory room (Nightline, 2012).

Employee complaints focused on the congested state of the dorm rooms, the lack of personal space, low wages, excessive overtime, and high prices paid at the cafeterias, stores, and other facilities provided by Foxconn. It is ironic that outsiders praised the high quality of employee facilities, while pointing out that employees were generally too tired to ever use them (Nightline, 2012).

Critics compared Foxconn factories to the factory towns present in the U.S. during industrialization in the late 1800s and early 1900s:

Foxconn is famous for his [sic] industrial revolution approach to manufacturing; the workers eat, sleep and live in huge dormitories adjacent to the factories where they work round-the-clock shifts (Chibber, 2012).

Some of the criticisms of Foxconn were inadvertently brought on by the attitudes of Foxconn senior management. Terry Gou, Foxconn's Chief Executive Officer and founder, was famous for his production-oriented aphorisms, such as:

A harsh environment is a good thing (Mishkin and Pearson, 2013).

Work hard on the job today or work hard to find a job tomorrow (Duhigg and Barbozajan, 2012).

Hungry people have especially clear minds (Lucas, Kang, and Li, 2013).

Work itself is a type of joy (Lucas, Kang, and Li, 2013).

Labor rights groups used Mr. Gou's motivational statements to imply that he cared little for the conditions of Foxconn workers. It should be noted that Apple claimed it could substantiate only a few of the worker rights abuses claimed by critics (Times and Democrat, 2010). Sethi (2012) explained that the reason for this

discrepancy is that the managers of Chinese factories were adept at hiding things from auditors, revealing only some of the most easily managed violations, in an attempt to avoid revealing problems that would consume resources or erode profit.

Workers and labor rights groups in the Americas and Europe enjoyed legal systems that made it both easy and lucrative to sue employers and recover losses related to wage theft, workplace injury, unfair treatment, and other violations of the laws intended to protect workers. The western audiences to whom the critics addressed their comments were not always aware that Chinese culture and law were significantly different from their own cultures and legal systems. When labor rights groups claimed that Foxconn violated worker rights, violated worker legal protections, and generally mistreated employees, the critics seemed to be using western cultural and legal systems as the standard by which to evaluate the treatment of Chinese workers.

Security Criticisms. To protect its clients' IP, Foxconn implemented security practices to prevent any person from accidentally or intentionally gaining access to unauthorized areas. Described as militaristic and totalitarian by critics, Foxconn's security practices had led some critics to argue that "management controls every aspect of workers' lives" and "the concept of privacy is even an illusion" (Facing Finance, 2016). Critics pointed to a situation involving an employee accused of stealing a prototype iPhone and who subsequently committed suicide, as an example of excessive security. Other situations involved bullying and assaults by security on workers who failed to show proper identification or for trivial violations of workplace rules (Junmei, 2010).

Suicides and Accidents. The tension between Foxconn management practices and criticisms from labor rights groups reached crisis levels after 2010, when 20 Foxconn employees committed suicide by jumping from the tall buildings in Foxconn's massive industrial complexes. Critics blamed the stress and working conditions at Foxconn for the worker suicides, emphasizing that the combination of excessive working hours, meager pay, overcrowded dormitories, safety problems, lack of human interaction on the job, dehumanizing work, and worker surveillance and containment, led some workers to choose suicide over other options such as returning home, finding another job, or continued employment.

Foxconn's management responded to the increase in suicides by installing nets in an effort to deter suicide jumpers and pressuring workers to sign the anti-suicide pledge shown in Exhibit 10. Labor rights critics, arguing that management's harsh treatment of employees was the cause of the suicides, condemned Foxconn for its callous treatment of the symptoms while doing nothing substantive to correct the

problem, which according to them would be to improve conditions for employees (Perlin, 2013).

The critics also pointed out several major safety issues which they said were symptomatic of management negligence. In May 2011, an explosion occurred at a Foxconn iPad factory in Chengdu, China, where four workers were killed, and 18 workers were injured. The explosion resulted from improper ventilation and removal of metal dust, a problem that should have been detected during the mandatory daily inspections. In October 2011, another Apple supplier in China, Wintek, had 137 workers suffer poisoning by the solvent n-Hexane. While Wintek pressured the affected employees to resign and take a financial settlement, Apple never publicly acknowledged the incident. In December 2011, another explosion occurred at a Foxconn iPad factory in Shanghai, China, in which 23 workers were hospitalized and another 36 suffered minor injuries (Chen, 2012; Perlin, 2013).

At 7.8 suicides per 100,000, China had an annual suicide rate less than the U.S. average of 12.1, and less than the world average of 16.0 (WHO, 2012). Data from several studies suggested that the annual rate of Chinese suicides had been dropping since 1996. Suicide studies found conflicting correlations in the data, with some developed and developing nations with high suicide rates compared with comparative nations with much lower rates. While Foxconn critics were quick to blame suicides on working conditions and management decisions, research could not establish a correlation between variables measuring quality of life for employees and the rate of suicides. After analyzing fifty years of suicide data, researchers drew the single conclusion that the worldwide suicide rate increased 60 percent from 1960 to 2010. See Exhibits 2 and 3 (Suicide.org, 2016; WHO, 2012).

APPLE'S CODE OF CONDUCT

Apple's Code of Conduct governed the operations of its suppliers by requiring suppliers to treat workers in a humane way. Requirements mandated an upper limit on the work week of 60 hours, a six-day work week, regular work breaks, no underage workers, no involuntary labor, no workplace discrimination, no corporal punishment, effective workplace safety rules and procedures, as well as overtime pay for overtime work. In 2007, Apple conducted over 36 audits of suppliers and found that two-thirds showed serious violations of its Code of Conduct or Chinese labor law (Duhigg and Barbozajan, 2012)

Despite the Code of Conduct, operating practices frequently overrode the stated code. A former Apple executive, commenting on how operating constraints would overshadow labor protections, claimed:

We've known about labor abuses in some factories for four years, and they are still going on...Suppliers would change everything tomorrow if Apple told them they didn't have a choice...If half of iPhones were malfunctioning, do you think Apple would let it go on for four years? (Gustin, 2012b).

Another former Apple executive with first-hand knowledge of supplier operations said, "Noncompliance is tolerated, as long as the suppliers promise to try harder next time" (Duhigg and Barbozajan, 2012).

APPLE REQUESTS A SOCIAL AUDIT

In 2012, Apple invited the ABC News *Nightline* program host, Bill Weir, and a film crew to participate in the first-ever independent social audit of Foxconn's facility in Shenzhen by the Fair Labor Association (FLA). The FLA was an independent auditor of overseas manufacturing companies whose purpose was to detect, document, and solve abusive labor practices (FLA, 2016).

Primarily involved in auditing the garment manufacturing industry, the FLA was founded by U.S. President Bill Clinton to improve factory working conditions through cooperation between management and labor. Adversarial labor rights groups were hostile to the business needs of companies and frequently made expensive demands that might bankrupt a business. For this reason, businesses generally avoided dealing with the more adversarial labor rights groups. The key to FLA's success was its partnership with both companies and labor, striking a balance between the needs of both groups. This partnership ensured both an unbiased audit focused on correcting abusive labor practices while respecting a company's need for profit.

FLA certification was one way that companies like Apple could prove they were enforcing worker treatment policies imposed on subcontractors. The invitation to *Nightline* to join the FLA on the audit was a response to growing complaints about the Apple-Foxconn partnership and the public criticisms of the two companies. Despite ABC's strong financial relationship with Apple, Mr. Weir promised an independent audit (*Nightline*, 2012; Reisinger, 2012).

The FLA audit was paid for by Apple, involved 3,000 staff hours investigating three Foxconn factories, and surveyed 35,000 workers. The FLA also inspected two of Apple's other suppliers in China: Quanta Computer and Pegatron Corporation.

Upon his arrival, Aurret van Heerden, the president of FLA and lead investigator in the Foxconn audit, was asked about what he'd seen on the first day. He relayed that the "facilities are first class" and "Foxconn is not really a sweatshop." While

the context of his statement and his audience is not known, the statement was widely quoted in the press and interpreted by critics as a defense and justification of Foxconn's supposedly abusive practices. In an attempt to recover the impression of objectivity, the FLA's number two official, Jorge Perez-Lopez, made a public statement the next day that the audit was not about first impressions. "The proof... will be when the report comes out" (Greenhouse, 2012b).

Social Audit Findings. The FLA published its findings in March of 2012 and listed a number of violations that centered on two major criticisms of Foxconn's Shenzhen facility: 1) management seemed to under-report the number of workplace accidents and 2) the company seemed to require its employees to perform an excessive amount of overtime. In some cases, workers were found to have worked seven days a week without the required 24 hours off. Other irregularities involved overtime compensation, such as withheld wages and the failure to pay for overtime work. These problems were consistent with reports by other critics. While workers made a range of confidential criticisms to suggest that their wages were inadequate, little evidence was found to corroborate the more extreme accusations of abuse by critics (Gustin, 2012c).

Among the subtle findings in the published report related to Foxconn's corporate culture, Mr. van Heerden stated, "I was very surprised...how tranquil it is compared with a garment factory... the problems are not the intensity and burnout and pressure cooker environment you have in a garment factory. It's more a function of monotony, of boredom, of alienation..." (Greenhouse, 2012b).

One of the outcomes of the FLA's social audit was that Foxconn raised wages by 18-25%. Foxconn also agreed to lower the number of working hours to comply with Chinese law. The combination was expected to reduce working hours without changing worker compensation. An unintended outcome was concern by employees that fewer hours at higher wages might actually reduce the total wages, thereby reducing the amount they could send home.

Criticism of the FLA Social Audit by Labor Rights Groups. Before the social audit was even complete, a number of competing labor rights groups began to criticize the FLA for going too easy on Apple and Foxconn. Debby Sze Wan Chan, of the labor right organization Students and Scholars Against Corporate Misbehavior (SACOM), repeated workers' claims that Foxconn made multiple changes at the last minute, before the FLA arrived, to hide violations. Worker breaks were increased from one per shift to three per shift (Lowensohn, 2012).

All underage workers, between 16-17 years old, were not assigned any overtime work and some of them were even sent to other departments (Ong, 2012).

In its early days, the FLA was criticized by corporate critics, labor unions, and anti-sweatshop activists “as toothless and too cozy with its corporate members”. Jeff Ballinger, director of Press for Change, criticized the FLA as “largely a fig leaf” serving the purposes of the large corporations (Greenhouse, 2012a; FLA, 2013).

Teresa Cheng, of United Students Against Sweatshops, criticized the FLA by pointing out that the FLA missed several violations detected and corrected by the companies that hired the FLA to conduct social audits. Scott Nova, of the Workers Rights Consortium (WRC), criticized the FLA by questioning its independence from its corporate members: “...we don’t think it’s appropriate for them to call themselves independent investigators because they’re in part funded by the companies... The only way...to measure the success of monitoring efforts is whether things are getting better for workers, and we are not seeing this....” (Greenhouse, 2012a). Similar criticisms were leveled against Mr. Weir and *Nightline* because of their close financial relationship with Apple.

AN ECONOMIC DEFENSE OF OFFSHORING

The term sweatshop, as used by labor rights groups, referred to factories characterized by “poor working conditions, unfair wages, unreasonable hours, child labor, and a lack of benefits for workers” (dosomething.org, 2016). The U.S. Department of Commerce defined a sweatshop as a factory that violated two or more labor laws. The U.S. government’s definition was not clear on whether those were violations of U.S. Laws or violations of host nation laws, leaving a lot of room for creative interpretation by critics.

In the 1990s, Nike and other U.S. companies faced criticism for using offshore subcontractors to manufacture their products. A large, organized, and well-funded protest movement formed to oppose Nike’s business model, which characterized offshore subcontractors as sweatshops. Funded largely by U.S. labor unions, sweatshop critics acted primarily in the interest of organized labor in the U.S. (Powell and Skarbek, 2004).

Critics of overseas manufacturing factories repeatedly tried to apply the sweatshop label to Foxconn. While the critics willingly imposed their own normative and cultural expectations related to work and labor on other nations, many Chinese workers were seemingly less willing to allow outsiders to dictate cultural norms for them. The sweatshop label did not stick to Foxconn.

Following the FLA visit to the Shenzhen facility, Aurret van Heerden, president and CEO of the FLA, restated that the Foxconn facility was not a sweatshop. Despite this judgement by a neutral outside party, the critics continued to use the sweatshop label and continued to allege that Foxconn was guilty of managerial misconduct, malfeasance, lawlessness, and unethical behavior.

A significant number of scholars and global trade supporters stepped forward to defend the practice of offshore outsourcing to lower the manufacturing costs of companies as a strategic practice to better serve customers. Foreign manufacturing companies provided many of the stakeholders in the value chain better options than those that might have existed in the absence of offshore outsourcing. Employees earned better wages in safer factories, while attracting foreign investment that ultimately improved the host nation's standard of living. Trade supporters based their arguments on economic theory and empirical evidence that showed the beneficial impact of trade on the workers in developing nations. As long as workers had other alternatives, trade supporters argued that employees ought to be allowed to make their own choices. Trade supporters argued that the supposedly beneficial practices advocated by U.S. labor rights groups ultimately harmed the intended beneficiaries more than allowing employers and employees to make their own choices (DiLorenzo, 2006; Zwolinski, 2012; Bowman, 2015).

On the subject of wages, the defenders of competitive markets argued that companies and workers should be free to negotiate wage rates based on a variety of working conditions. For instance, an employer might pay higher wages to workers to offset undesirable or unsafe working conditions. Another example might include an employer's willingness to pay a higher wage to work at night, on weekends, and on holidays. The defenders argued that as long as companies and employees had the freedom to enter into and leave agreements, both employers and employees could make decisions with the greatest net benefit (Mejia-Zaccar, 2013). The defenders pointed out that millions of Chinese workers chose employment at Foxconn because that choice gave them greater benefits than the alternatives.

CONCLUSION

As Apple and Foxconn managers considered the controversies involving the suicides and accidents, the accusations by the labor rights groups, and the protests by consumers, the managers needed to determine how best to proceed. What actions can Foxconn and Apple take to ensure the success of their strategy and the long-term viability of their respective companies? Should they respond to the critics' accusations? How should they treat their workers? Should they make changes to their human resource management practices? How can they best manage their companies?

EXHIBITS

EXHIBIT 1

History of Suicides at Foxconn Factories, by Year, from 2007-2014

Year	Number of Suicides
2007	2
2008	1
2009	2
2010	20
2011	4
2012	2
2013	4
2014	4
Total	39

Source: (Lin, Lin, and Tseng, 2015)

EXHIBIT 2

International Suicide Statistics and Frequently Asked Questions (FAQ)

Statistics

Over one million people die by suicide worldwide each year.

The global suicide rate is 16 per 100,000 population.

On average, one person dies by suicide every 40 seconds somewhere in the world.

1.8% of worldwide deaths are suicides.

Global suicide rates have increased 60% in the past 45 years.

Approximately 30,000 people die of suicide each year in the USA.

Approximately 750,000 people attempt suicide each year in the USA.

FAQs

How many people die by suicide each year in the U.S.? Approximately 30,000.

Do most people who attempt suicide actually die by suicide? No. It is estimated that 1 person out of 25 who attempt suicide die by suicide.

Is it true that more people die by suicide than by homicide? Yes. More people die by suicide than by homicide. (The United Nations Office on Drugs and Crime, UNODC, report titled Global Study on Homicide 2013 estimated an average intentional homicide rate in the USA of 6.2 for 2012, and 7.6 in 2004)

What is the number one cause for suicide? Untreated depression.

Source: <http://www.suicide.org>

EXHIBIT 3

Comparative National Suicide Rates for U.S. and China

Nation	Suicide Rate	Male Suicide Rate	Female Suicide Rate	Data Source and Year
USA	12.1	19.4	5.2	WHO, 2012
China	7.8	7.1	8.7	WHO, 2012
USA	11.0	17.9	4.2	WHO, 2002
China	22.5	20.4	24.7	WHO, 1999

Source: World Health Organization (WHO); World Atlas, 2016

EXHIBIT 4

Examples of Consumer Electronics

Communications	Computing	Home Office
Telephones and cellular telephones	Laptop and desktop computers Smartphones GPS receivers	Fax machines Paper shredders
Entertainment		
Radios and stereo equipment	Remote control cars	DVD movies
Cameras and camcorders	Musical instruments	Televisions
Video game players	DVD players	iPods

Sources: Blau, 2016; Wetfeet, 2012

EXHIBIT 5

Consumer Electronics Industry, Smartphone Production

Year	U.S. Revenue (USD billions)	World Revenue (USD billions)	Units sold to end users, worldwide (millions)	Units produced in China (millions)
2007			122.32 (1)	
2008		335.2	139.29	
2009	169.79	320.7	172.38	
2010	180.98	351.9	296.65	
2011	197.1	356	472 (2)	87.9
2012	206.1	361	680.11	237.2
2013	210.7	344.4	969.72	466.1
2014	218.8		1244.74	723.1
2015	220.9		1423.9	771.4
2016	224.3			832.4
2017				901.2

Source: Statista, 2016 (<https://www.statista.com>)

Note 1. The first smartphone, the iPhone, was introduced in 2007.

Note 2. In 2011 Q3, 52.5% of all smartphones sold to end users were loaded with the Android operating system.

EXHIBIT 6

Major Customers of Foxconn Prior to 2016:

Acer Inc. (Taiwan)	InFocus (United States)
Amazon.com (United States)	Microsoft (United States)
Apple Inc. (United States)	Motorola Mobility (United States)
BlackBerry Ltd. (Canada)	Nintendo (Japan)
Cisco (United States)	Nokia (Finland)
Dell (United States)	Sony (Japan)
Google (United States)	Toshiba (Japan)
Hewlett-Packard (United States)	Vizio (United States)
Huawei (China)	Xiaomi (China)

Sources: Blau, 2016; Wetfeet, 2012

EXHIBIT 7

Excerpts about Foxconn Technology Group (<http://www.foxconn.com>)

Group Profile
<p>Guided by a belief that the electronics products would be an integral part of everyday life in every office and in every home, Terry Gou founded Hon Hai Precision Industry Company Ltd, the anchor company of Hon Hai / Foxconn Technology Group in 1974 with US\$7,500, a devotion in integrating expertise for mechanical and electrical parts and an uncommon concept to provide the lowest "total cost" solution to increase the affordability of electronics products for all mankind.</p> <p>Today, Hon Hai / Foxconn Technology Group is the most dependable partner for joint-design, joint-development, manufacturing, assembly and after-sales services to global Computer, Communication and Consumer-electronics ("3C") leaders. Aided by its legendary green manufacturing execution, uncompromising customer devotion and its award-winning proprietary business model, eCMMS, Hon Hai has been the most trusted name in contract manufacturing services (including CEM, EMS, ODM and CMMS) in the world.</p> <p>Focusing on fields of nanotechnology, heat transfer, wireless connectivity, material sciences, and green manufacturing process, besides from cooperating with the establishment of the research institution for nanotech, new material, and optical electric, Hon Hai also sets up several research centers and testing laboratories for mechanism, material, electronics to conduct the services of science research and technology development worldwide.</p> <p>Furthermore, Hon Hai's devotion to develop nanotech, thermal treatment, nano measure, wireless network, environmental protection, CAD/CAE, optical plating technique, precision/nano processing, SMT, and network CMOS chips, in terms, allows Hon Hai to accumulate over 55,000 patents granted worldwide by 2012.</p>

This made Hon Hai a recognized leader of innovation and technical know-how in rankings such as MIT's or IPIQ's patent scorecard.

Aside from hardware related technology research and development investment, Hon Hai also relentlessly seeks to provide customers ever fuller menu of end-to-end services to choose from. Logistic planning and e-supplying system adopted for the global supply chain management, computer software development and computer programming, sales channel solutions are just some of the latest investment and involvement that have continued to gain appreciation from the worldwide customers.

Hon Hai's commitment to continual education, investing in its people long term and localization globally not only leads to the deep collaborating relationships with leading institutions of higher learning, but also helps to make this Fortune Global 500 group's global operations including the largest exporter in Greater China and the second largest exporter in Czech Republic.

Foxconn's Strategy: Connecting the Dots

Since our company was founded in 1974, Foxconn's vision has always been to provide technological products and solutions that bring convenience to people's everyday lives.

As a leader in all areas of information processing, Foxconn's current technology development framework covers the entire spectrum of "11 screens, 3 networks and 2 clouds". By this we mean that the end-products and devices Foxconn provides cover a wide range of 11 screens, ranked from screens that are held at the nearest to end-users to screens displayed at the furthest, including wearable, smartphone, tablet, notebook, desktop computing, portable TV, digital whiteboard, digital signage, electric vehicle, and robot. The network products and solutions we offer are widely applied in the three realms of Internet, Internet of Things and Smart Grid. We also enable our customers to tap opportunities that extend beyond cloud computing to the edges of the network in what is now called "fog computing". Collectively, the "11 screens, 3 networks and 2 clouds" represent the comprehensive portfolio of system solutions that Foxconn offers.

Information processing technology continues to be a cornerstone in Foxconn's sustainable business strategy. In addition, to deliver on our strategic business blueprint, Foxconn is seizing the immense opportunities presented in the new era to ensure that our company remains at the core of the ICT ecosystem, driving synergy and opportunities across the industry value-chain, from hardware to services and other technology solutions. Our business roadmap will guide Foxconn's horizontal expansion and integration of key growth sectors, which will see our company augmenting our existing IIDM-SM (integration-innovation-design-manufacturing and sales-marketing) base. We are also expanding into content creation, cloud data management services – such as software, platform and infrastructure as-a-service – and wireless 4G-LTE and broadband network transmission services.

Foxconn will continue to invest in the research and development of new products, technologies and applications. Our company has charted a long-term research direction in key growth areas across the information technology sector, including such areas as telecommunications, consumer electronics, robotics and automation, optoelectronics and precision machinery, among others. We have established agile, broad-based production capabilities from components, modules, and product assembly to integrated services. With 5G technology becoming a reality in the near future, the potential for greater innovation and the development of business opportunities are limitless.

True to our vision of enhancing people's lives, Foxconn will endeavor to provide solutions, products and services, and drive strong synergy within the ICT ecosystem. That will support our goal of helping people leverage technology throughout all aspects of their lives. We will continue to combine our expertise in hardware and software, mapping these against gaps and opportunities across the technology value-chain, to build a holistic, 360 degree framework for how we serve our customers and consumers.

At Foxconn, we refer to this as "connecting the dots" for our customers, partners and consumers.

Competitive Advantages

Hon Hai/Foxconn's competitive advantages stem from the award-winning eCMMS business model and an unique Foxconnian culture. By defining herself as a service company rather than a manufacturing concern, Hon Hai / Foxconn defines company products as Speed, Quality, Engineering Services, Flexibility and Monetary Cost Saving. Foxconnians devote to customer's long term success and pride in our hardworking culture.

Hon Hai/Foxconn's revolutionary eCMMS model:

eCMMS stands for e-enabled Components, Modules, Moves and Services. eCMMS is the vertical integrated one stop shopping business model by integrating mechanical, electrical and optical capabilities altogether. It covers solutions ranging from moulding, tooling, mechanical parts, components, modules, system assembly, design, manufacturing, maintenance, logistics ... etc. Through eCMMS model, Hon Hai / Foxconn's Shenzhen campus is not only the world's largest 3C manufacturing base, but also the shortest supply chain at the same time.

Source: Foxconn Technology Group (<http://www.foxconn.com>)

EXHIBIT 8

Timeline

Date	Event
Jan 2010	137 Workers injured by inhalation of nHexame at Wintek factory in Eastern China. Wintek is a supplier to Apple.
May 2011	1 st Explosion at a Foxconn iPad factory in Chengdu, China. Four workers were killed, and 18 injured. Explosion was due to combustion of aluminum dust due to faulty ventilation.
5 Oct 2011	Death of Steve Jobs. Jobs resigned as CEO of Apple on 24 Aug 2011 and Tim Cook took over as CEO.
Dec 2011	2 nd Explosion at a Foxconn iPad factory in Shanghai, China. 59 workers were injured, of which 23 were hospitalized.
2 Jan 2012	Workers demand more entitlements at Foxconn's Shenzhen factory. Stage mass suicide attempt.
19 Jan 2012	<i>New York Times</i> article published criticizing Apple and Foxconn for abusive working conditions.
Feb 2012	Apple joins the FLA and requests an independent social audit of Foxconn.
9 Feb 2012	Petitions from Change.org and SumOfUs.org with 250,000 signatures delivered to Apple offices around the world protesting working conditions.
Mar 2012	FLA audit published.

Source: Gustin, 2012b

EXHIBIT 9:

Critics of Foxconn and Labor Right Groups

Name	Description
<p>Fair Labor Association (FLA) http://www.fairlabor.org/</p>	<p>FLA is a collaborative effort of universities, civil society organizations and socially responsible companies dedicated to protecting workers' rights around the world. Funded by its members, the FLA conducts independent social audits primarily of companies in manufacturing industries. The only labor rights organization with industry support, the FLA works with its client companies to correct their violations of FLA's Workplace Code of Conduct and to ensure compliance with partner codes of conduct. Criticized by more militant labor rights groups that have taken an adversarial position with respect to industry, the FLA is one of the only groups granted access by companies to interact with their workers and audit their manufacturing operations. Other labor right groups rely solely on accounts from workers, whistle blowers, labor rights advocates, business critics, and other external sources.</p>
<p>Workers Rights Consortium (WRC) http://www.workersrights.org/</p>	<p>The WRC is an independent labor rights monitoring organization, conducting investigations of working conditions in factories around the globe. The membership of the WRC is primarily made up of labor rights advocates, students, and faculty at colleges and universities.</p>
<p>Change.org https://www.change.org/</p>	<p>Change.org is an open source petition generating website used by special interests to advance their agenda. Some of the general activities organized through change.org include creating and distributing petitions, crowdsourcing, and contacting the media.</p>
<p>SumOfUs.org http://sumofus.org/</p>	<p>SumOfUs is a movement of consumers, workers and shareholders speaking with one voice to counterbalance the growing power of large corporations. SumOfUs is a grassroots advocacy group that sees corporations as the cause of most social ills and sees government as the solution to corporate problems in areas related to climate change, workers' rights, discrimination, human rights, animal rights, corruption, and corporate power grab.</p>
<p>Students and Scholars Against Corporate Misbehavior (SACOM)</p>	<p>SACOM is a Hong Kong based NGO aimed at bringing concerned students, scholars, labor activists, and consumers together to monitor corporate behavior and to</p>

http://sacom.hk/	advocate for labor rights. Formed in 2005, SACOM has been researching labor rights violations in the electronics industry since 2007.
China Labor Watch (CLW) http://chinalaborwatch.org/home.aspx	CLW views Chinese workers' rights as inalienable human rights and is dedicated to workers' fair share of economic development under globalization. CLW increases transparency of supply chains and factory labor conditions, advocates for rights, and supports the Chinese labor movement. Founded in 2000, CLW collaborates with unions, labor organizations, and the media to conduct in-depth assessments of factories in China that produce toys, bikes, shoes, furniture, clothing, and electronics for some of the largest multinational brand companies. CLW's New York office creates reports from these investigations, educates the international community on supply chain labor issues, and pressures corporations to improve conditions for workers.
Facing Finance http://www.facing-finance.org/en/	Facing Finance e.V. is a non-profit organization headquartered in Berlin that takes a stand against corporate violations in the areas of environment and climate change, labor and human rights, corruption, and any use of weapons that are against international law. Facing Finance attempts to influence investors to prevent them from supporting violating companies.
Academic Consortium on International Trade (ACIT) http://fordschool.umich.edu/rs/ie/acit/	ACIT is a group of academic economists and lawyers who are specialized in international trade policy and international economic law. ACIT's purpose is to prepare and circulate policy statements and papers that deal with important, current issues of international trade policy. Material disseminated by ACIT covers a broad range of perspectives and is generally considered nonpartisan.
iLabor Action Group (formerly "The new generation migrant workers concern programme" research team) http://ilabour.org	Published by the National Metal Workers Union in Seoul South Korea, iLabor Action Group is a labor advocacy group. The main webpage is written in Korean.
Press for Change – ACORN International http://www.acorninternational.org/	ACORN International is a federation of member-based community organizations. The Press for Change campaign works to put an end to sweatshop practices in the United States and abroad.

Sources: Organizational websites

EXHIBIT 10

Foxconn's Anti Suicide Pledge

Should any injury or death arise for which Foxconn cannot be held accountable (including suicides and self-mutilation), I hereby agree to hand over the case to the company's legal and regulatory procedures. I myself and my family members will not seek extra compensation above that required by law so that the company's reputation would not be ruined and its operations remain stable.

Source: Chan, 2013

REFERENCES

- Academic Consortium on International Trade (ACIT), 2016. Organizational Website, accessed 12 Nov 2016, <http://fordschool.umich.edu/rsie/acit/>.
- Acorn International, 2016. Press for Change Campaign. Accessed 2 Dec 2016. <http://www.acorninternational.org/>
- Baker, Phil, 2014. Why Can't The U.S. Build Consumer Electronic Products? *San Diego Source*, 11 Aug 2014. Accessed 28 Sep 2016. http://www.sddt.com/Commentary/article.cfm?Commentary_ID=140&SourceCode=20140811tbc&_t=Why+cant+the+US+build+consumer+electronic+products#.V-uPDSSgxpN.
- Banjo, Shelly, 2014. Inside Nike's Struggle to Balance Cost and Worker Safety in Bangladesh. *The Wall Street Journal*, 21 Apr 2014. Accessed 1 Dec 2016. <http://www.wsj.com/articles/SB10001424052702303873604579493502231397942>
- Blau, Gavin, 2016. *Global Consumer Electronics Manufacturing* - IBIS World Industry Report C2525-GL, Jun 2016. <http://clients1.ibisworld.com.ezproxy.shsu.edu/reports/gl/industry/default.aspx?entid=970>.
- Bonnington, Christina, 2012. Protesters crash Apple stores, demand Apple 'Manufacture Different'. *Wired*, 9 Feb 2012. Accessed 12 Jun 2016. <http://www.wired.com/2012/02/apple-petition-san-francisco/>.
- Bowman, Sam, 2015. Sweatshops make poor people better off. *Adam Smith Institute*, Jul 29, 2015. Accessed 16 Oct 2016. <http://www.adamsmith.org/blog/international/sweatshops-make-poor-people-better-off>.
- Bureau of Labor Statistics (BLS), 2015. *National Census of Fatal Occupational Injuries in 2014 (Preliminary Results)*. 17 Sep 2015. Accessed 13 Nov 2016. <http://www.bls.gov/news.release/pdf/cfoi.pdf>.
- Chan, Jenny, 2013. A suicide survivor: The life of a Chinese worker. *New Technology, Work and Employment*, 28:(2): 84-99. Accessed 5 Sep 2016. <http://ssrn.com/abstract=2296286> or <http://dx.doi.org/10.1111/ntwe.12007>.

- Chan, Jenny, Ngai Pun and Mark Selden, 2013. The politics of global production: Apple Foxconn and China's new working class. *New Technology, Work and Employment*, 28(2): 100-115.
- Chang, Chris and M.I.C. Gadget, 2010. The Shocking Conditions Inside China's Brutal Foxconn Factory. *Business Insider*, 19 May 2010. Accessed 26 Nov 2016. <http://www.businessinsider.com/the-shocking-conditions-inside-chinas-brutal-foxconn-factory-2010-5>.
- Change.org, 2016. Organizational Website. Accessed 12 Nov 2016. <https://www.change.org>.
- Chen, Hanqing, 2012. Who's Really to Blame for Apple's Chinese Labor Problems? *The Atlantic*, 2 Mar 2012. Accessed 12 Jun 2016. <http://www.theatlantic.com/international/archive/2012/03/whos-really-to-blame-for-apples-chinese-labor-problems/253892/>.
- Chibber, Kabir, 2012. Foxconn: 'Hidden dragon' out in the open. *BBC*, 24 September 2012. Accessed 26 Nov 2016. <http://www.bbc.com/news/business-19699156>.
- China Labor Watch (CLW), 2016. Organizational Website. <http://chinalaborwatch.org/home.aspx>. Accessed 12 Nov 2016.
- Coase, Ronald, and Wang, Ning, 2012. *How China became Capitalist*. Palgrave MacMillan.
- Deng, Mike, 2012. China moves to automate Electronics manufacturing. *Quality Insider*. 23 Oct 2012. <http://www.qualitydigest.com/inside/quality-insider-news/china-moves-automate-electronics-manufacturing.html#>.
- Dilorenzo, Thomas J., 2006. How Sweatshops help the poor. *Mises Institute: Austrian Economics, Freedom, and Peace*. 9 Nov 2006. Accessed 20 Sep 2016. <https://mises.org/library/how-sweatshops-help-poor>.
- Dosomething.org, 2016. 11 Facts About Sweatshops. Accessed 16 Oct 2018. <https://www.dosomething.org/us/facts/11-facts-about-sweatshops>
- Duhigg, Charles, and Bradsherjan, Keith, 2012a. How the U.S. Lost Out on iPhone Work. *The New York Times*, 21 Jan 2012. Accessed 12 Jun 2016. http://www.nytimes.com/2012/01/22/business/apple-america-and-a-squeezed-middle-class.html?_r=0.

- Duhigg, Charles, and Barbozajan, David, 2012b. In China, Human Costs Are Built Into an iPad. *The New York Times*, 25 Jan 2012. Accessed 12 Jun 2016. http://www.nytimes.com/2012/01/26/business/ieconomy-apples-ipad-and-the-human-costs-for-workers-in-china.html?pagewanted=all&_r=0.
- Duhigg, Charles, and Daisy, Mike, 2012c. Apple, Accustomed to Profits and Praise, Faces Outcry for Labor Practices at Chinese Factories. *DemocracyNow.org*, 10 Feb, 2012. Accessed 12 Jun 2016. http://www.democracynow.org/2012/2/10/apple_accustomed_to_profits_and_praise.
- Facing Finance, 2016. Foxconn: Working Conditions in Chinese Factories. *Facing Finance*, Accessed 28 Sep 2016. <http://www.facing-finance.org/en/database/cases/working-conditions-in-foxconn-factories-in-china/>.
- Fair Labor Association, 2013. *Final Foxconn Verification Status Report*, Dec 2013, Accessed 1 Oct 2016. http://www.fairlabor.org/sites/default/files/documents/reports/final_foxconn_verification_report_0.pdf.
- Fair Labor Association, 2016. Organizational Website, Accessed 1 Oct 2016. <http://www.fairlabor.org/>,
- Freeman, Kate, 2012. Apple Hit With 250,000 Signatures Protesting Labor Conditions in China. *Mashable.com*. 9 Feb 2012. Accessed 12 Jun 2016. <http://mashable.com/2012/02/09/apple-foxconn-petitions/#DkoXECeWxZq0>.
- Greenfield, Rebecca, 2012. There Are Still Underage Workers at Foxconn. *Wire*, 16 Oct 2012. Accessed 8 may 2018. <https://www.theatlantic.com/technology/archive/2012/10/there-are-still-underage-workers-foxconn/322523/>.
- Greenhouse, Steven, 2012a. Critics Question Record of Monitor Selected by Apple, *New York Times*, 13 Feb 2012, Accessed 12 Nov 2016. <http://www.nytimes.com/2012/02/14/technology/critics-question-record-of-fair-labor-association-apples-monitor.html>.
- Greenhouse, Steven, 2012b. Early Praise in Inspection at Foxconn Brings Doubt, *New York Times*, 16 Feb 2012, Accessed 12 Nov 2016.

- http://www.nytimes.com/2012/02/17/business/early-praise-in-foxconn-inspection-brings-doubt.html?_r=0.
- Gustin, Sam, 2012a. Apple Reports Record Sales, Profit on Massive iPhone, iPad Sales. *Time*, 24 Jan 2012. Accessed 12 Jun 2016. <http://business.time.com/2012/01/24/apple-reports-record-profit-on-huge-iphone-ipad-sales/>.
- Gustin, Sam, 2012b. Should Americans Care About Apple's iPhone-Factory Conditions? *Time*, 26 Jan 2012. Accessed 12 Jun 2016. <http://business.time.com/2012/01/26/should-americans-care-about-apples-iphone-factory-conditions/print/>.
- Gustin Sam, 2012c. Apple Agrees to Labor Reforms After 'Serious' Foxconn Violations. *Time*, 29 Mar 2012. Accessed 12 Jun 2016. <http://business.time.com/2012/03/29/apple-agrees-to-labor-reforms-after-serious-foxconn-violations/print/>.
- Gale Group, 2016. *Hon Hai Precision Industrial Company, Ltd.* Company Profile, retrieved from Business Insights: Global Database, Accessed 12 Nov 2016. <http://bi.galegroup.com/global/company/1244047?u=txshracd2543>
- iLabour Action Group, 2012. An open letter from the iLabour Action Group to Foxconn Technology Group. 6 Feb 2012. Original Chinese text: <http://ilabour.org/Item/Show.asp?m=1&d=3665>. English Translation: <http://sacom.hk/open-letter-not-only-not-perfect-aware-of-wrongs-yet-unwilling-to-change-an-open-letter-from-the-ilabour-action-group-to-foxconn-technology-group/>.
- Junmei, Fan, 2010. Foxconn confirms guards beat up workers. *China News*, 21 May 2010. Accessed 12/12/2018. http://www.china.org.cn/china/2010-05/21/content_20091811.htm.
- Kan, Michael, 2012. Foxconn builds products for many vendors, but its mud sticks to Apple. *IDG News Service*. 24 Oct 2012.
- Kolo, Vincent, 2011. China's "Rotten Apple": Worldwide protests against IT giant's labour abuses. *Socialistworld.net*, 14 May 2011. Accessed 12 Jun 2016. <http://www.socialistworld.net/print/5056>.
- Lin, Thung-hong, Yi-ling Lin, and Wei-lin Tseng, 2015. Manufacturing Suicide: The Politics of a World Factory. *Chinese Sociological Review*, 48(1): 1-32.

- Lowensohn, Josh, 2012. FLA-led Foxconn audit finds violations, fixes promised. *CNET.com*, Mar 29, 2012. Accessed 16 Oct 2016.
<https://www.cnet.com/news/fla-led-foxconn-audit-finds-violations-fixes-promised/>.
- Lucas, Kristen, Dongjing Kang, and Zhou Li, 2013. Workplace Dignity in a total Institution: Examining the Experiences of Foxconn's Migrant Workforce. *Journal of Business Ethics*, 114: 91-106.
- Mejia-Zaccar, David, 2013. Sweatshops benefit poor, provide employment; American humanitarianism does more harm than good. *The Collegian*, 3 May 2013. Retrieved 20 Sep 2016.
<http://www.kstatecollegian.com/2013/05/03/sweatshops-benefit-poor-provide-employment-american-humanitarianism-does-more-harm-than-good/>.
- Mishkin, Sarah, and Samantha Pearson, 2013. Foxconn challenged as global reach grows. *The Financial Times*, 3 Jan 2013. Accessed 12 Jun 2016.
<http://www.ft.com/cms/s/0/17af9b64-485d-11e2-a1c0-00144feab49a.html#axzz4BOpB9bnP>.
- Moore, Malcolm, 2012. 'Mass suicide' protest at Apple manufacturer Foxconn factory. *The Telegraph*, 11 Jan 2012. Accessed 12 Jun 2016.
<http://www.telegraph.co.uk/news/worldnews/asia/china/9006988/Mass-suicide-protest-at-Apple-manufacturer-Foxconn-factory.html>.
- Nightline, 2012. Inside Apple: Changes Made at Foxconn. ABC News video news story, 29 Mar 2012. <http://abcnews.go.com/Nightline/transcript-nightlines-bill-weirs-interview-fla-head-auret/story?id=16029204>
- Nova, Scott and Isaac Shapiro, 2013. Apple's self-reporting on suppliers' labor practices shows violations remain common. Mixed results on labor and human rights, no overall progress in health and safety. Economic Policy Institute. 12 February 2013. Accessed 29 Sep 2016.
<http://www.epi.org/publication/apples-reporting-suppliers-labor-practices/>
- O'Dell, J., 2012. Apple customers protest factory worker abuse, will present petition tomorrow. *Venturebeat.com*, 8 Feb 2012. Accessed 12 Jun 2016.
<http://venturebeat.com/2012/02/08/apple-factory-worker-petition/>.
- Ong, Josh, 2012. Factory workers claim Foxconn hid underage employees before FLA inspection. *AppleInsider.com*, 22 Feb 2012. Accessed 12 Nov 2016.

http://appleinsider.com/articles/12/02/22/factory_workers_claim_foxconn_hid_under_age_employees_before_fla_inspection.

Perlin, Ross, 2013. China's 99%: Chinese Workers Foxconned. *Dissent*, Spring 2013.

Powell, Benjamin, and Skarbek, David, 2004. Sweatshops and Third World Living Standards: Are the Jobs worth the Sweat. *Independent Institute* Working Paper, #53, 27 Sep 2004. Accessed: 28 Sep 2016.
http://www.independent.org/publications/working_papers/article.asp?id=1369
.

Qiang, Li, 2012. As Millions Buy iPhone 5, Chinese Workers at Apple Plant Foxconn Protest Workplace Conditions. *Democracynow.org*, 10 Oct 2012. Accessed 12 Jun 2016.
http://www.democracynow.org/2012/10/10/as_millions_buy_iphone_5_chinese
e.

Reisinger, Don, 2012. Apple launches Fair Labor inspections of Foxconn. *CNET.com*, 13 Feb 2012. Accessed 16 Oct 2016.
<https://www.cnet.com/news/apple-launches-fair-labor-inspections-of-foxconn/>.

Saginer, Jeff, 2012. Trouble in iParadise: Protesters target Apple, hackers target Foxconn. *Digital Trends*. Feb 10, 2012. Accessed 12 Jun 2016.
<http://www.digitaltrends.com/apple/trouble-in-iparadise-protesters-target-apple-hackers-target-foxconn/>.

Satariano, Adam, 2012. Apple Profit Doubles on iPad, iPhone Demand. *Bloomberg Technology*, 25 Jan 2012. Accessed 12 Jun 2016.
<http://www.bloomberg.com/news/articles/2012-01-24/apple-posts-record-quarterly-profit-sales>.

Sethi, S Prakash, 2012. Two Faces of Apple. Carnegie Council for Ethics in International Affairs, 2 Apr 2012, Accessed 28 Sep 2012.
http://www.carnegiecouncil.org/publications/ethics_online/0068.html.

Statista.com, 2016. Smartphone Industry Data. <https://www.statista.com/>

Students and Scholars Against Corporate Misbehavior (SACOM), 2016. Organizational Website, accessed 12 Nov 2016. <http://sacom.hk/>.

- Suicide.org, 2016. Organizational Website, Accessed 12 Nov 2016, <http://www.suicide.org>.
- SumOfUs.org, 2016 Organizational Website, Accessed 12 Nov 2016, <http://sumofus.org/>. .
- Time and Democrat, The, 2010. Foxconn defends labor practices after 8th suicide *The Times and Democrat*, May 12, 2010. Accessed 29 Sep 2016. <http://infoweb.newsbank.com/resources/doc/nb/news/12FABA1572023F00?p=WORLDNEWS>.
- Wang, Helen H., 2012. Blind Activist's Blind Faith Reveals Chinese Attitude toward Authority. *Forbes*, 19 Jun 2012, Accessed: 12 Dec 2018. <https://www.forbes.com/sites/helenwang/2012/06/19/blind-activists-blind-faith-reveals-chinese-attitude-toward-authority/#461d76997b92>.
- Warren, Christina, 2012. Petitions Demand Apple Improve Foxconn Conditions. *Mashable.com*. 31 Jan 2012. Accessed 12 Jun 2016. <http://mashable.com/2012/01/31/apple-supplier-petitions/#6JaixuSFxaqo>.
- Wetfeet, 2012. Industry Overview: Consumer Electronics. *Wetfeet.com*, 3 Dec 2012. <https://www.wetfeet.com/articles/industry-overview-consumer-electronics>.
- Whitney, Lance, 2012. Apple supplier employee describes working conditions, *CNET.com*, 7 Feb 2012. <https://www.cnet.com/news/apple-supplier-employee-describes-working-conditions/>.
- Wikipedia, 2016. Suicide Rates. *Wikipedia*. Accessed 29 Sep 2016. <https://en.wikipedia.org/wiki/Foxconn>.
- Workers Rights Consortium (WRC), 2016. Organizational website, Accessed 12 Nov 2016, <http://www.workersrights.org/>.
- WorldAtlas.com, 2016. Suicide Rates By Country. *WorldAtlas.com*, 19 Sep 2016, Accessed 27 Sep 2016. <http://www.worldatlas.com/articles/countries-with-the-most-suicides-in-the-world.html>.
- World Health Organization (WHO), 2016. Organizational Website, Accessed 27 Sep 2016, <http://www.who.int/en/>. .

Xu, Kaibin, and Li, Wenqing, 2013. An Ethical Stakeholder Approach to Crisis Communications: A Case Study of Foxconn's 2010 Employee Suicide Crisis. *Journal of Business Ethics*, 117: 371-386.

Zwolinski, Matt, 2012. Three Reasons Sweatshops are Good for the Poor. 8 Jun 2012. *Bleeding heart Libertarians: Free Markets and Social Justice*. Accessed 20 Sep 2016. <http://bleedingheartlibertarians.com/2012/06/three-reasons-sweatshops-are-good-for-the-poor/>.