



## **Triple-Profiteability-Bottom Line**

Supplier responsibility in a multistakeholder perspective and the power of the markets in the Apple-Foxconn case

**Peter Seele**

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### 1. Introduction: “Profitability, Profitability, Profitability!”<sup>1</sup>

The suicide series in 2010 at Foxconn’s production sites in China, where components of Apple’s most appreciated products like iPhone or iPad and components for other IT-giants like Dell, HP, Compac or Nokia are being produced, became a public scandal with global media coverage. The attention the case has gained leads to the general question, in how far Business-to-Consumer companies (B2C) are responsible for their suppliers in a Business-to-Business (B2B) relationship and its possible ethical misbehavior – even if from a legal perspective there is most likely no direct accountability with regard to the contracts between corporations. The adverse publicity certainly has to be taken into account for a B2C company in terms of reputation and brand management. However the question of the social responsibility of corporations (CSR) also extends – based on expectations from the public – to spheres, where there is no direct responsibility in terms of accountability. This so-called supplier-responsibility involves ethical and communicational parameters.

The following showcase<sup>2</sup> presents the question in how far a Business-to-Consumer (B2C) company like Apple is responsible for ethical misbehavior of its supplier Foxconn, a Business-to-Business (B2B) company. In legal terms the answer would be, that there is no accountability of a B2C company for possible wrong-doing of its suppliers or even the employees of the supplier. However, the media coverage of the suicide cases brought about a reputation-damage to the B2C company selling the end product containing all parts produced by its suppliers. So the mere legal

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<sup>1</sup> The Apple/Foxconn showcase has originally been presented on 21st of June 2011 with the title: “*Further Down The Apple Strudel: Asian Suppliers between local tragedy, global responsibility reporting (GRI), NGOs, Consumer Awareness and business ethics: Evidence from Foxconn’s and Apple’s responsibility reports*” at the Institute of Advanced Studies in the Humanities, KWI Essen. It has to be added that the showcase presented here presents a selection of involved stakeholders and also a selection of the timeline starting with the suicide series and ending with the announcement of Foxconn’s CEO Samuel Chin and his announcement in May 2011. Not taken into account is the repositioning of Apple with its new CEO, that took place after the paper has been written and presented. As a post scriptum it might be added that on Feb. 13th 2012 Apple announced that “Fair Labor Association Begins Inspections of Foxconn” (<http://www.apple.com/pr/library/2012/02/13Fair-Labor-Association-Begins-Inspections-of-Foxconn.html>).

<sup>2</sup> Showcase here refers to the format of the paper. This piece is better regarded as academic journalism rather than a scholarly research paper. The aim of the paper is to illustrate a specific aspect within a specific timeline to make visible the different stakeholders influence or the lack thereof.

answer to the question of Apple's responsibility and accountability does not solve all questions involved. Firstly, the violation of e. g. human rights can be made part of the contract between the B2C company and its supplier. Secondly, as in the case at hand, Non-Governmental-Organizations (NGOs) and along with them the media draw the public attention to corporate scandals and ethical misbehavior as seen in the Foxconn-Apple case. In the following discussion paper the question is raised in how far different stakeholders (following stakeholder theory of E. Freeman) are involved and in how far they can or cannot influence operations.

As the paper along the showcase starting with the suicide series 2001 and ending with Foxconn's decision for profitability in May 2011 may show, the stakeholder approach might reach its limits in the rather extreme case of Apple-Foxconn and the implicit governance of shareholder value. Foxconn's CEO Samuel Chin when announcing the termination of unprofitable operations in May 2011 came up with the telling line, indicating the actual motives of the corporation's purposes and responsibilities: "Profitability, Profitability, Profitability; that is our drive!"<sup>3</sup>

The showcase presented here sheds light on a specific timeline of the two companies and thus cannot be representative for the complex and ongoing debate of supplier responsibility and its different forms. However the case presented here is an example of how the different spheres of interest interact and how powerful shareholders are, as the last chapter shows.

## **2. The Showcase in a multi-stakeholder perspective**

The stakeholder approach from Edward Freeman dates back to 1984 and has just recently been updated as "Stakeholder Theory: The State of the Art".<sup>4</sup> The idea of the stakeholder approach can be seen as an extension of a mere shareholder perspective and takes other stakeholders into account as well, who have stakes in the process of value creation. Freeman understands stakeholders as primary stakeholders such as employees, customers, communities, financiers and suppliers. Secondary stakeholders are: government, media, special interest groups, consumer advocate groups and competitors.

This multistakeholder perspective in this showcase means to portrait different stakeholder's perspectives separately according to the stakeholders mentioned in stakeholder theory. This selection of viewpoints allows to depict the Apple/Foxconn case according to relevant groups with regard to business in society. Stakeholder theory therefore is a helpful approach to understand the Apple-Foxconn case better in terms of the different players involved and their stakes in the case. In the following the perspective and the communication of different stakeholders is presented with regard to the case of the suicide series at Foxconn.

Limitations: It has to be added that not all stakeholders are presented here, only those who actively engaged in the case. Communities e. g. is a stakeholder group that does not play a major role in the case here. Furthermore it has to be stated that the perspectives presented here represent a selection of publicly available information. Other important stakeholders, organisations, groups, individuals or information might be equally important even if they are not mentioned here.

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<sup>3</sup> [http://www.chinadaily.com.cn/hkedition/2011-05/19/content\\_12536430.htm](http://www.chinadaily.com.cn/hkedition/2011-05/19/content_12536430.htm) (20.12.2010)

<sup>4</sup> Freeman, Edward; Harrison, Jeffrey; Wicks, Andrew; Parmar, Bidhan; Colle, Simone de (2010): Stakeholder Theory: The State of the Art. Cambridge University Press.

### **3. The case: From human tragedy to post-human production**

A series of suicides at a production site in China of Taiwan based IT-supplier Foxconn in 2010 attracted a lot of media attention also focussing on Foxconn's clients – major companies in IT like Apple, HP, Dell or Nokia. Terry Gou, the founder of Foxconn did not admit any accountability or responsibility. He pointed out, that the suicides are not related to the working conditions at the production site, but stem from 'social problems' and problems of 'adjustment' which arise when young people start working (NZZ 30.5.10). However, the suicides continued and horrific pictures from dead bodies with their faces down covered in blood somehow found their way out of the gated production sites to the public via the internet by blogs<sup>5</sup> and the story of the suicide series was told by international media and NGOs giving a name and fact to one of the workers who committed suicide.<sup>6</sup>

Foxconn came up with different immediate actions to prevent further suicides. It has been reported that so-called suicide nets have been installed at the production site in order to prevent the case of death even if persons try to commit suicide by jumping from the roof.

In the following, again without admitting any legal liability Foxconn decided to increase wages by 20 %. Also the working conditions have been improved and workers were supposed to leave production site every now and then. It was also reported that Foxconn came up with contracts for its workers where the workers sign not to commit suicide. What might be interesting from a philosophical point of view if someone breaks a contract and the cause for breaking it produces the situation that the person who in the following will be accused of breaking the contract by breaking the contract does not exist anymore. However, the paradox and almost comical situation has a grave background as it has been reported that those who did break the contract will get no compensation and neither will their relatives be compensated.<sup>7</sup>

As a consequence in the communicational dimension some NGOs came up visualizing the link between the suicide series and the B2C company with a picture using the well-known typographics and visualisations of Apple with the title "iQuit".

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<sup>5</sup> <http://blog.foolsmountain.com> (10.6.11)

<sup>6</sup> <http://blog.foolsmountain.com/2010/05/26/translation-profile-of-a-foxconn-suicide-jumper/> (10.06.11)

<sup>7</sup> [http://www.qingdaonews.com/gb/content/2010-05/26/content\\_8387551.htm](http://www.qingdaonews.com/gb/content/2010-05/26/content_8387551.htm) (10.06.11)

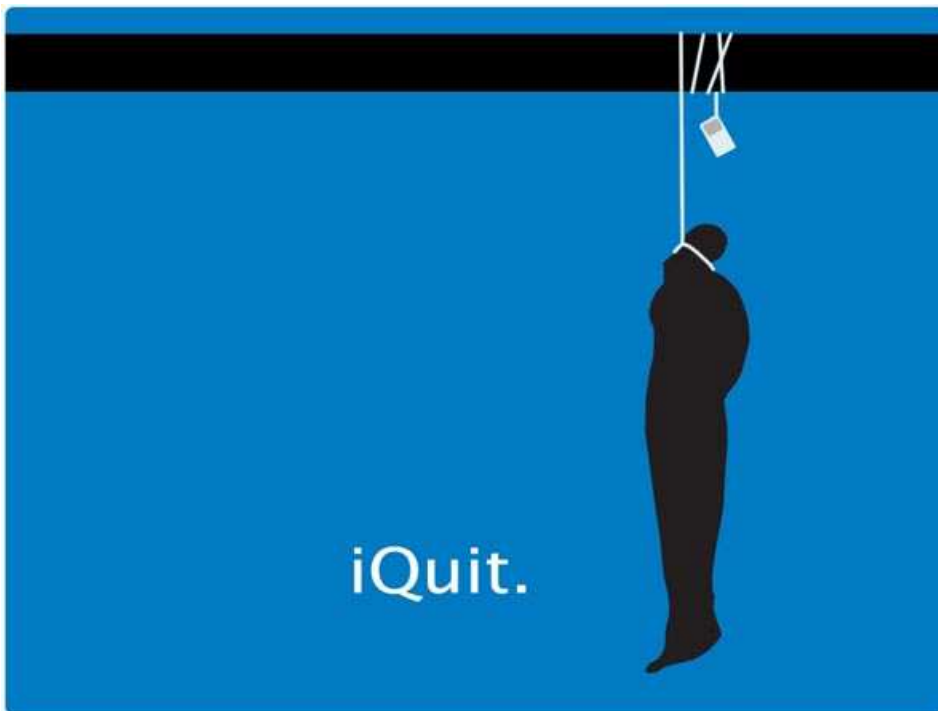


Abb. 1: "Chinese say iQuit"<sup>8</sup>

#### 4. The Firms' perspective and statements

As indicated, this paper refers to Freeman's stakeholder theory. In the center of the attention of primary and secondary stakeholders we find the firm. Therefore first of all this paper addressed the firm's perspective individually. As a matter of fact the documentation can be found in the CSR-reports and related reports of the companies indicating Apple's as well as Foxconn's responsibilities as well as the responsibility Apple takes up for its suppliers as indicated in the "supplier progress report".

##### *Foxconn's CSER Reports*

Foxconn e. g. also publishes besides its reports to investors what they call "Corporate Social and Environmental Report". This first of all is unusual compared to other companies and how they name their reports related to matters of responsibility and sustainability. Foxconn subscribes to a direct way of addressing the issues being discussed critically in the media. In their policy-statement<sup>9</sup> Foxconn points out:

*Foxconn was founded decades ago on the dream of making the comfort of 3C products usage an affordable luxury to all mankind. Today, Foxconnians still remember how these commitments to values had propelled the group into the leadership and continues to place the highest priority on Social and Environmental Responsibility. In addition to meeting or exceeding regulatory requirements, Foxconnian also abides by the Foxconnian Code of Conduct that is widely studied and memorized by all levels of employees.*

*Being the leader of manufacturing services providers in the 3C industry, Foxconn has been*

<sup>8</sup> <http://yash1229.wordpress.com/2011/05/09/chinese-say-iquit/> (29.11.11)

<sup>9</sup> [http://www.foxconn.com/Policy\\_3.html](http://www.foxconn.com/Policy_3.html) (19.06.2011)

*presented with unique opportunities to observe her social and environmental standards throughout a significant part of the overall supply chain. Being a proud member of Electronic Industry Code of Conduct and an advocate of the SER issues, Foxconnian SER Policy serves as an important bedrock for our ongoing efforts to promote compliance and to ensure relentless improvement into our supply chain throughout 3C industry.*

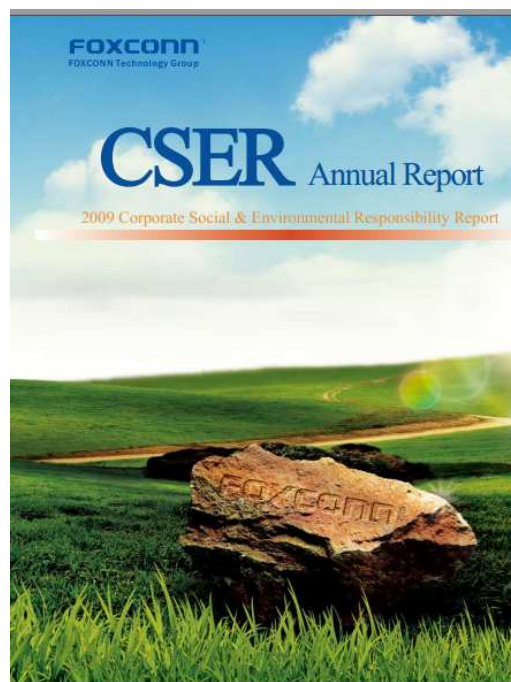
*Today, Foxconnian SER Policy has evolved into a broad coverage of issues that focus on environmental protection and energy conservation, the health and safety of communities around the world, education and employee empowerment, social harmony and equality and arts and culture.*

*Foxconn's legendary commitment to partnerships extends well beyond strategic partner customers. The long standing partnership with communities and environment had made Foxconn an asset to her communities. Foxconnians had been recognized in their community involvement in areas including education, environment, health and human services, and arts and culture just to name a few.*

*Foxconn's continuous striving to improve environmental conditions worldwide includes her effort in supporting its customers and suppliers through services, products, trainings and Overall, alsowith regard to new technologies that minimize environmental impact. Foxconnians' pride in their highest ethical standards and strive for social harmony and equalilty to make the world a better place for all.*

It might be interesting to note here that the company refers to its members as “Foxconnians” giving them something that comes close to a tribal name maybe aiming at promoting a sense of belonging and identity. Altogether it might be stated, that Foxconn communicates its social and environmental engagement rather ambitious and enthusiastic. As common for transnational companies Foxconn also has a ‘code of conduct’ that is discussed and applied on all levels. And the commitment to its partners and communities is qualified to be ‘legendary’, which of course opens space for speculation and interpretation about what legendary might mean.

If it comes to the frontpage of the CSER-Report of Foxconn one might find that the pictures used seem to be rather artificial.



**Abb. 2: Foxconn CSER Reports 2008 und 2009**

### ***Apple's Supplier Responsibility Progress Report***

Apple being a B2C company selling the products that have been discussed with regard to the suicide series came up with an additional report to explain in how far they take the responsibility serious with regard to their suppliers. Apple as one of very few companies decided although there is no binding liability to publish in how far their suppliers took up responsibility. Yet, it is interesting to look at the precise use of words. Apple does not address its supplier responsibility, but “Apple and Supplier Responsibility” (2009, p. 3). It reads:

*Apple is committed to ensuring the highest standards of social responsibility throughout our supply chain. The companies we do business with must provide safe working conditions, treat employees with dignity and respect, and use environ-mentally responsible manufacturing processes wherever Apple products are made. For the past several years, Apple has required suppliers to commit to a comprehensive Supplier Code of Conduct as a condition of their contracts with us. We drive compliance to the Code through an aggressive monitoring program, including factory audits, corrective action plans, and verification measures.*

*Apple's approach to supplier responsibility extends beyond compliance monitoring. We also provide detailed standards and ongoing training support to help suppliers continue to meet our expectations. And by making social responsibility part of the way we do business, we ensure that suppliers take our standards as seriously as we do.*

Apple refers to the necessity of its suppliers to engage in social responsibility. Therefore Apple has introduced a “Supplier Code of Conduct” which is part of the supplier contract and therefore counts to be ‘with teeth’. To additionally enforce standards apple as increased audits from 39 to 83 from 2007 to 2008 (dto. P. 4).

If we look at the three different frontpages of the reports from 2009, 2010 and 2011 we might find that the verbal commitment and identification of Apple with supplier responsibility becomes more and more visible.



**Abb. 3: Apple Supplier Responsibility 2009, 2010, 2011**



In the 2009 edition the reader only gets the information of “Supplier Responsibility – 2009 Progress Report”. The frontpage does not give the name of the company, only the logo is on the upper right corner. The 2010 edition in addition to the 2009 edition has three products that might for consumers be easily identified as Apple products. However also in the 2010 edition the name Apple does not appear on the frontpage. It is only in the 2011 edition where the title changes into a self-conscious “Apple Supplier Responsibility – 2011 Progress Report”. And in addition the picture shows (probably) East-Asian workers giving supplier responsibility a face. It seems as if Apple has developed a sense of urgency and understanding that the legal specifications of “Apple and Supplier Responsibility” (giving the name Apple only in the text, not on the frontpage) does indicate more distance and therefore maybe public relations than the grammatically unambiguous “Apple Supplier Responsibility” of 2011.

## 5. The NGO perspective: SACOM: Students & Scholars Against Corporate Misbehaviour

The first NGO to be portrayed here is Hong-Kong based SACOM (Students & Scholars Against Corporate Misbehaviour). On the 6<sup>th</sup> of May 2011<sup>10</sup> they published a document “Foxconn and Apple Fail to Fulfill Promises” addressing the suicide series explicitly. SACOM writes:

*Predicaments of Workers after the Suicides*

*A big question is how this hidden electronics supply chain really works. SACOM is interested to track the working conditions of the new Foxconn production sites to ascertain the workplace improvement in place, if any. (p. 1)*

*While Apple commends the measures taken by Foxconn to improve working conditions, SACOM finds predicaments of workers remain. Workers always have excessive and forced overtime in order to gain a higher wage. Workers are exposed to dust from construction site and shop floor without adequate protection. Even worse, they are threatened by potential harm of occupational diseases in various departments. Additionally, military-styled management is still in practice, characterized by “military training” for new workers. (p.2)*

*Conclusion: It is hypocritical that Foxconn hires a number of counselors, opens up care centres and launches hotline service for workers after the spate of suicides, but imposes harsh management on workers at the same time. (p.3)*

With regard to the corporate reports mentioned above one might conclude with SACOM that all that is written there is overambitious and that especially Foxconn is “hypocritical” in its endeavors to actually improve the situation.

But the NGO not only criticizes the corporations. In addition SACOM presents specific demands to Foxconn (p. 20f.):

*SACOM’s demands to Foxconn:*

- 1. To provide a living wage for all the workers so the workers do not have to earn a living from overtime work;*
- 2. To reform management methodology to respect workers’ dignity;*

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<sup>10</sup> [http://sacom.hk/wp-content/uploads/2011/05/2011-05-06\\_foxconn-and-apple-fail-to-fulfill-promises1.pdf](http://sacom.hk/wp-content/uploads/2011/05/2011-05-06_foxconn-and-apple-fail-to-fulfill-promises1.pdf) (11.6.11)

3. *To abolish stand operation and ensure workers can have meal breaks regularly;*
4. *To provide adequate training, protection and health examination to workers on occupational health and safety; and*
5. *To reform the existing unions and enable workers to select their representative in accordance with the Trade Union Law;*

But not only Foxconn is addressed: SACOM also has specific suggestions for Apple:

*SACOM's demands to Apple: (p.20)*

*Apple should also improve the communication between workers and the management at Apple suppliers and engage with (local) labour rights organisations to make sure that working conditions improve. Besides, Apple should provide consumers transparency and inform them about the steps they take to make improvements.*

## **6. Consumer advocate groups: makeITfair**

The two presented NGOs actually were Asian-based and focusing on either social (SACOM) or environmental (GCA) issues. A crucially important group of stakeholders can be seen in the consumer, here the consumer of endproducts. Therefore the third portrayed NGO deals with consumer issues focused on the IT-Industry. The Amsterdam-based NGO is called "makeITfair".<sup>11</sup> The NGO takes as a starting point the many benefits that IT has brought by improving our lives. Thus they are not an enemy to the industry. But what they want is to improve the conditions how IT-products are being made. In their self-description it reads:

*It's hard to imagine a world without electronic gadgets. We all rely on Information Technology-IT everyday. In fact, IT has improved our lives in many different ways. But it has also created many new problems around the world.*

*On May 7th, people all over Europe and around the world joined us in an international day of action. This action day demonstrated to Apple and to the whole IT sector that we, the consumers, do not accept the unfair working conditions and environmental destruction that the makeITfaircampaign has revealed.*

*"Time to bite into a fair Apple; Call for sustainable IT!"*

*Our goal is to improve the lives of workers around the globe who are working long hours for poor pay to satisfy our constant demands for the latest electronic gadgets.*

What is striking about makeITfair is the focus on Apple giving the campaign an Apple-related name. At the same time they take into account that the consumer, who actually buys the products is the driving force to understand the pressure under which IT-companies operate. However, what is interesting about makeITfair is its legal status. Being an NGO one would expect that it is non-governmental. But if we look that the imprint it becomes clear that resources for the coordinator SOMO comes from the European Commission, which is a transnational and public entity.

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<sup>11</sup> <http://makeitfair.org/> (11.6.11)



**Abb. 4: Imprint "makeITfair"**

In general the NGO wants to “let people across Europe know about the human rights violations, labour abuses and environmental problems that are taking place around the world in the production chain for consumer electronics. And we want young people to get active to improve the situation. Since 2007, makeITfair has mobilised more than 20,000 consumers across Europe – sending a strong message to electronics giants like Dell, Samsung, Hewlett-Packard, Acer and Nokia that we want companies to be part of a sustainable IT sector.”

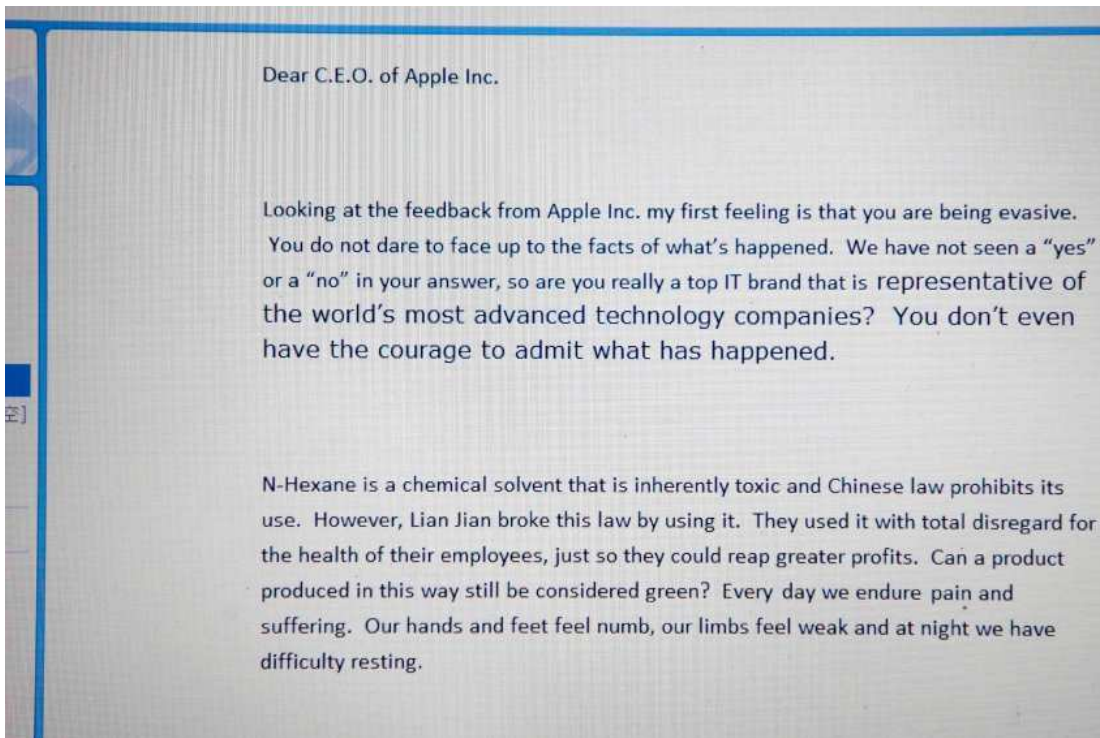
In May 2011 makeITfair released a text again explicitly addressing Apple. It is interesting to note that “The story behind Apple”<sup>12</sup> is “A visit to Foxconn’s factories - a report from the field”. In their report makeITfair identifies several issues that need improvement immediately. Especially the “harsh management” and the “excessive overtime” are factors being criticized. MakeITfair points out that Foxconn is breaking Chinese law, especially when it comes to overtime. This poses questions to 1. Chinese law and 2. to the statements made about “Apples Supplier Responsibility” as mentioned above.

## **7. Employee’s perspective: Who benefits? Who suffers?**

A major stakeholder-group in this showcase are the employees, who actually suffer from the existing conditions most. In the following Wintek is presented to show that not only Apple and Foxconn are involved in the discussions around corporate social responsibility, but also other suppliers. Wintek is a Taiwan-based supplier mostly of touchscreens. Especially the story of the iPhone touchscreen became well known in the media world wide. Wintek made its workers use a chemical called n-Hexan instead of water to clean the touchscreens. In addition the workers had to work in windowless rooms without air circulation and as a consequence became sick. Without the (known) help of NGOs the workers wrote a letter to the CEO of Apple, establishing a link between their poor and dangerous working conditions and the billions of Dollars of quarterly profits Apple has made selling its products. The letter was also published on the blog “9to5mac” and reads:

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<sup>12</sup> <http://makeitfair.org/makeitfair-1/the-facts/news/the-story-behind-apple> (29.11.2011)



**Abb. 5: Letter of Wintek employees to Appel's CEO<sup>13</sup>**

However it has to be made clear that initiatives like the one from the Wintek workers are rather unusual. Given the fact that most workers who enter into their life as employees are between 16 and 20 years, the skills of reasoning and the lack of education and of course the hard working hours prevent workers from being critical and undertake actions to change something.

## **8. Media: Responsibility or “Act of God”?**

The media being a secondary stakeholder following Freeman (2010) is very much involved in the case presented here as it is the media that conveys the different pieces of information to the public. However the different media outlets are in a complicated, sometimes conflicted position as media companies also do business with apple in at least two ways: first of all Apple functions as an exclusive outlet to media products selling newspapers and magazines through its exclusive online shop. Secondly Apple places substantial advertisement in media outlets which is an important source of income for media companies. And maybe thirdly Apple is an interesting topic to report about as consumers follow very closely news on new products and stories about the company and its executives.

In the following the paper presents some selected newspaper articles. In the light of the two factors influencing the role of the media with regard to its client and business partner special emphasize will be placed on the fact, if the news outlets attribute responsibility to Apple or not. Some articles are more critical than others.

The New York Times for example follows the argumentation of apple not arriving at an own judgment when they print the headline: “Apple Says Chinese Supplier Made Changes After Suicides”<sup>14</sup>. German newsmagazine Der Spiegel titles: “Der Fluch des iPhone (the curse of the

<sup>13</sup> <http://9to5mac.com/2011/02/22/poisoned-wintek-employees-make-direct-appeal-to-steve-jobs/> (29.11.11)

<sup>14</sup> <http://bits.blogs.nytimes.com/2011/02/15/apple-says-chinese-supplier-made-changes-after-suicides/?ref=foxconntechnology> (07.05.2011).

iPhone)”. This is interesting with regard to the question of responsibility as a ‘curse’ in legal terms belongs to the sphere of influence of no one who is responsible being an “act of God”. The question of responsibility thus is solved elegantly not blaming anyone but attributing it to laws beyond nature.

Conservative German newspaper FAZ also just reports what has been said by different players. However they give room for the voice of environmentalists: “Umweltaktivisten halten Apple für einen faulen Apfel (environmental activists call apple a bad apple)”.<sup>15</sup> A second article uses the strategy of giving the news a story and face: “Apple und die Menschenrechte - Am 7. Januar sprang sie in den Tod (apple and human rights – on the 7th of Jan she jumped into death)”.<sup>16</sup>

Left newspaper TAZ comes up with strategy of using a strong picture associating the blood of the suicide-jumpers with the products sold at the other end of the world: “Besuch bei iPhone-Hersteller Foxconn - Blut am Apfel (Visiting iPhone producer Foxconn – bloody apple)”.<sup>17</sup>

Swiss conservative newspaper NZZ also reports about the suicide series but in a rather neutral way: “Rätselhafte Selbstmordserie in China (mysterious suicides in China)”<sup>18</sup>. By calling it a mystery any question of responsibility is avoided, neither Apple, Foxconn nor NGOs or other stakeholder are judged. However one might add that for the workers and their working conditions it might not be as ‘mysterious’ as claimed in the headline. However it does not hurt anyone to report about a mystery, a riddle that invites to be solved one day.

The last media headline comes from the free daily Swiss newspaper 20min. The headline reads: “Unhaltbare Zustände bei iPhone-Hersteller (unbearable conditions at iPhone producer)”<sup>19</sup> and with only very few words explains the situation and calls the situation unbearable in order to point at circumstances that need adjustment.

In sum the different media outlets made use of different strategies communicating the tragedy of the suicide series at Apple’s supplier Foxconn. Given the fact that Apple is not only a valuable customer booking advertisement space in different media outlets, but also a distributor of media products to consumers via its online shop, the reserved or neutral strategy of the media outlets might be more understandable.

## 9. Shareholder’s perspective

As E. Freeman’s approach of stakeholder theory also can be seen as a critique of a prevalent shareholder view: the yet not entirely answered question still is, if at the end of the day in terms of the economic bottom line there are other stakeholders to a corporation than shareholders, being its owners and financiers. After Foxconn’s CEO as reported above initiated changes at the production sites like increasing wages, introducing more breaks and leisure time as well as allowing workers to leave the production site more often, the public drama was reduced substantially. However, as the following chapter shows, Foxconn relates its decisions to relocate production sites to entirely economically driven motives of its stockvalue imposing questions to its social responsibility and

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<sup>15</sup> <http://www.faz.net/aktuell/wirtschaft/netzwirtschaft/china-umweltaktivisten-halten-apple-fuer-einen-faulen-afel-1577815.html> (20.12.11).

<sup>16</sup> <http://www.faz.net/aktuell/feuilleton/medien/apple-und-die-menschenrechte-am-7-januar-sprang-sie-in-den-tod-1594684.html> (20.12.11).

<sup>17</sup> <http://www.taz.de/1/zukunft/konsum/artikel/1/blut-am-afel/> (06.05.2011).

<sup>18</sup> [http://www.nzz.ch/nachrichten/politik/international/raetselhafte\\_selbstmordserie\\_in\\_china\\_1.5829666.html](http://www.nzz.ch/nachrichten/politik/international/raetselhafte_selbstmordserie_in_china_1.5829666.html) (20.12.11).

<sup>19</sup> <http://www.20min.ch/digital/dossier/apple/story/18367744> (20.12.11)

the engagement taken up earlier.

In 2010 Foxconn started with a net loss of 218 million USD.<sup>20</sup> At the same time a NGO study showed that working conditions at the world's biggest IT-supplier did not improve. So the starting point after the media drama of the suicide series actually was rather negative. As the stock's value did not substantially improve something had to be done. Therefore in the following the charts<sup>21</sup> of the Foxconn shares are presented to understand a shareholder's logic of how to evaluate a corporation and the relevance of supplier responsibility from a shareholder perspective: In a three years perspective the market value of Foxconn after the slump in 2008 due to the financial crises recovered until the end of 2009. But after 2010 the market value decreased constantly.



**Abb. 6: Foxconn market value: 3 years**

However, if we take a closer look at a three month chart, it becomes obvious that due to the substantial loss of value between March 2011 and May 2011 something had to be done:

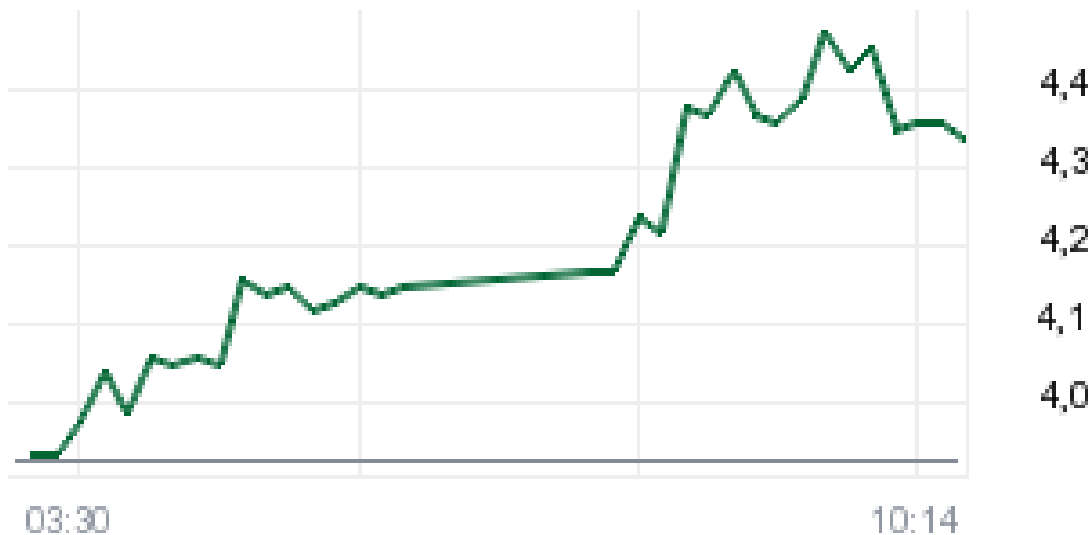


**Abb. 7: Foxconn three months chart: March 11 to May 11**

<sup>20</sup> <http://www.ftd.de/it-medien/it-telekommunikation/:apple-zulieferer-foxconn-belegschaft-droht-neue-sparrunde/60053919.html> (18.05.2011)

<sup>21</sup> All charts are taken from [www.ftd.de](http://www.ftd.de) (18.5.11).

Given, that most corporations have to present quarterly reports an increasing market value for over three months demands action from the executives as shareholders might sell their shares. On May 18<sup>th</sup> 2011 – if we look at an eight hours chart, something happened what made the market value rise again:



**Abb. 8: Market value of Foxconn 18. May 2011**

On May 18<sup>th</sup> 2011 the stock price for Foxconn shares within only a few hours increased rapidly (about 15 %): This development goes back to the announcement of Foxconn’s CEO Samuel Chin, who declared that Foxconn will substantially cut costs and terminate unprofitable operations. He promised ‘dramatic improvements’ and is reported to have said: “Profitability, Profitability, Profitability; that is our drive!”<sup>22</sup>

This *triple profitability line* as we might call in with regard to the rather idealistic approach of a triple bottom line taking people, planet and profit into consideration (Elkington 1998)<sup>23</sup>, shows, how decisions are being made.

However, with regard to the supplier responsibility, the suicide cases and the working conditions at Foxconn reveal interesting information also with regard to Foxconn’s workers in China and other countries.

Also on May 18<sup>th</sup> “chinatecnews”<sup>24</sup> released that Foxconn will build new factories in Brazil, especially for the production of Apple products. “Foxconn will reportedly invest USD12 billion in the new plant and the company's main demand is that the Brazilian government

will allow iPhones and iPads to enjoy the same preferential tax treatment as computers and laptops. According to reports in local media, electronic components for Apple products have already been shipped to the warehouses in the FazGran industrial area, which is in the suburb of

<sup>22</sup> [http://www.chinadaily.com.cn/hkedition/2011-05/19/content\\_12536430.htm](http://www.chinadaily.com.cn/hkedition/2011-05/19/content_12536430.htm) (20.12.2010)

<sup>23</sup> John Elkington: *Cannibals with Forks: the Triple Bottom Line of 21st Century Business*. Capstone: Oxford.

<sup>24</sup> <http://www.chinatecnews.com/2011/05/18/13347-foxconn-building-new-factory-in-brazil-for-apple-products> (19.12.11)

Jundiai. Foxconn declined to comment on the news.” (dto).

Financial Times Germany in an article links the decision to relocate production sites to Brazil with the rising costs of production in China due to domestic transport and increase of wages and last but not least with the chance to reduce import taxes when shipping from Brazil to the US instead from China.<sup>25</sup>

From a shareholder point-of-view the previously mentioned endeavors to engage in social and environmental responsibility, as the title of Foxconn’s “Corporate Social and Environmental Report” specified, are challenged when due to the increased wages as consequence of the unbearable working conditions production sites are relocated and people might be laid-off.

## **10. Conclusion: Robots to not commit suicide**

As seen: the shareholder view on corporations still seems to be undoubted in terms of operational and strategic decisions with major scale impact. If the suicide series have shown anything in the selected timeline of this paper, it is the powerlessness of individual actors of society such as employees on the social level or voiceless, unlobbied entities such as the abstract environment.

The commitment – and here the singular commitment – of Foxconn to profitability as its only bottom line as stated above by Foxconn’s CEO Samuel Chin raises questions about the seriousness of the measures taken to foster social and environmental responsibility. However, as the different points of view from the above mentioned stakeholders show, and as the business decision of Foxconn to relocate production sites indicates, there is only a limited effect of the campaigns from NGOs and special interest groups. As it seems: What matters most is the shareholder value, which leaves this paper with a rather defeatist baseline with regard to the actual effect of social and environmental responsibilities. Having said so one consequence might be that there is a lot more progress to be made in taking up social and environmental responsibilities as well as a deeply rooted commitment to sustainability.

However, not everything goes on the account of Apple and Foxconn. Another important stakeholder in this context are consumers. As a consequence (if admitted that stakeholder are important in the public debate, in public affairs and public relation) the social responsibility of corporations is limited, when their customers – the consumers – ask for products that not necessarily are related to sustainability and social responsibility. Acknowledging the bias between an anonymous public and the sum of consumers asking for products that not necessarily connect to social responsibilities, there is one group of stakeholders, that indeed could make a difference: The consumer. If consumers did not accept the circumstances under which their products are being produced, if the consumer did not accept that the race to the bottom with regard to the environment and human rights only leads to even more threads to nature and social cohesion, if the consumer did not accept that companies have only one bottom line at the end of the day being profitability, than something might really change with regard to Corporate Social Responsibility. But without the individual consumer who joins forces to become an organised interest to influence the operations and objectives of corporations, the social responsibility of corporations remains wishful thinking and profitability as the only bottom line prevails and influences all decisions following.

However, taking the case further we find ourselves in the challenging position of thinking about

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<sup>25</sup> <http://www.ftd.de/it-medien/it-telekommunikation/:milliarden-investition-apple-zulieferer-foxconn-zieht-es-nach-brasilien/60038794.html> (13.04.2011)



what is good or bad for whom in terms of corporate responsibility. As an additional consequence in November 2011 Foxconn announced that it plans to replace half a million workers by one million robots.<sup>26</sup> One could argue that a corporation is responsible only for its employees and if there are less employees this reduces the total amount of social risks. By replacing human workers by robots, many of the issues discussed under the headline of ‘business in society’ or corporate social responsibility do not apply anymore as the component ‘social’ or ‘society’ is not touched when robots work at production sites. From an ethical point of view this “post-human production” as the author suggests to call the innovation seems to lower risks for the company and prevents harmful conditions for the entire body of workers. Because, one thing is for sure at this stage of technological progress: Robots will not complain about working conditions and environmental side-effects. And: Robots do not commit suicide.

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<sup>26</sup> <http://www.everything-robotic.com/2011/11/huge-employer-in-china-makes-big-step.html> (20.12.2011)