

Closing Case Assignment:

Cases Discussion Questions:

- 1. What are the benefits to Apple of outsourcing the assembly of the iPhone to foreign countries, and particularly China? What are the potential costs and risks to Apple?**

The benefits to Apple of outsourcing the assembly of the iPhone to foreign countries, and particularly China is that Apple is able to mass produce a new design or product more quickly because of more available of people involved in the engineering, building, and final assembly of its products outside of the United States. With China, for example, Apple executives point out that labor costs only account for a very small proportion of the total value of its products and are not the main driver of location decisions. Far more important, according to Apple, is the ability of its Chinese subcontractors to respond very quickly to requests from Apple to scale production up and down. Another critical advantage of China for Apple was that it was much easier to hire engineers there. There are a few potential costs and risks to Apple outsourcing, especially to China. Several of Apple's subcontractors have been targeted for their poor working conditions. Criticisms include low pay of line workers, long hours, mandatory overtime for little or no additional pay, and poor safety records.

- 2. In addition to Apple, who else benefits from Apple's decision to outsource assembly to China? Who are the potential losers here?**

There are many people that benefits from Apple's decision to outsource to China including the Chinese Company(s) that get the bid(s), the people who buy the products, and the workers who get the jobs in China. In China, factories are closer together. When the Foxconn's assembly plant needs more or different supplies they can go next door to other factory. This makes it easy for the manager to make decisions about manufacturing. The potential losers here include American workers that could lose their jobs and the possibility of workers in China to suffer poor working conditions.

- 3. What are the potential ethical problems associated with outsourcing assembly jobs to Foxconn in China? How might Apple deal with these?**

The potential problems associated with outsourcing assembly jobs to Foxconn in China are the subcontractors. Criticisms include low pay of line workers, long hours, mandatory overtime, etc. Apple should discuss with its subcontractors to improve working condition at their plants. Some former Apple executives say that there is an unresolved tension within the company; executives want to improve working conditions within the factories of subcontractors such as Foxconn, but that dedication falters when it conflicts with crucial supplier relationships or the fast delivery of new products.

- 4. On balance, do you think that the kind of outsourcing undertaken by Apple is a good thing or a bad thing for the American economy? Explain your reasoning?**