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Business



Read the case entitled “ Who Makes theApplephone? ” on page 33. 2.

Answer the following questions in three pages. 1. What are the benefits to Apple of outsourcing the assembly of the Phone to foreign countries, and particularly China? What are the potential costs and risks to Apple? Lower labor cost is one of the most basic reasons but as the case points out, that was only a small consideration. Apples ability to scale production up/down very quickly and even with short based on demand and based on product cycles seems to be one of the greatest benefits.

China has more capacity, flexibility and seems to be ailing to take larger risk to win business. This is evident in the article with the plants willingness to begin scaling out for production to produce glass even before winning the bid.

The plan chose to take a big risk to win the business and was successful in doing so. Accessibility / availability of technical engineers that are critical to the development and production of the products is also a large benefit. As the article mentioned, It took days rather than months to find highly qualified engineers.

Another great benefit was the ability to have the entire supply chain all in one geographic area. This quickens the research and development as well as the production processes dramatically and streamlines the manufacturing process. 2.

In addition to Apple, who else benefits from Apple’s decision to outsource assembly to China? Foxing company obviously benefits because they won

the bid for the work that Apple needed completed and by successfully producing the goods, most likely ensured a continued partnership with Apple.

The China economy benefits as this work not only contributes to taxable trade but also provides income to workers who will spend within the local economy for various goods and services. The workers in China obviously benefit because they have opportunity to work and provide for themselves and their family. Depending on other opportunities that may exist the competency may also be a factor in improving the quality of living for them as now manufacturers in China may need to increase compensation to attract and retain workers.

China Tech and manufacturing industries are benefiting because of the need to use highly skilled workers for research and development and to be innovative as they produce products for Apple.

In doing this, it raises their competency levels and ability to remain technically competitive. China in general benefits as they develop a good reputation as a provider of goods and services for major companies such as Apple. 3. What are the potential ethical problems associated with outsourcing assembly jobs to Foxing in China?

How might Apple deal with these? Reputation damage for Apple is the largest issue in my opinion. Apple needs to be careful to not partner with an organization that treats their workers poorly, underpays them or takes advantage of their economic situation.

If this were to happen, Apples reputation would be In jeopardy just like other companies have struggled with in the past (such as Nikkei and allegations with Foxing to ensure that they maintain good, safe and ethical work operations.

The perception may be that outsourcing the work to China is taking advantage of the poor economic conditions where Chinese employees mistreat employees with low pay, long hours, mandatory overtime (often for little or no extra pay) and subject them to poor working conditions that can lead to safety issues. Apple should visit and manage these operations and Foxing as if it were their own plant to ensure this is not the case.

Additionally, there could be negative backlash in that what was previously a proud American made produce is now made in China. There is risk that consumers might view this in a negative way.

To address this, I think Apple needs to focus on product quality and ensuring that product deadlines are met and that they can go to market with a quality product on time.

In doing this, Apple can fairly safely defend their position by saying they needed to go to China and Foxing to provide a superior product on time. While Apple may still lose some customers as a result of going offshore with their production, they most likely will win new customers with their delivery of innovative and reliable 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? On one hand it is bad because of the loss of Jobs. It is never a good thing at least for an American companies perception to send Jobs offshore. Unfortunately times, it is necessary for a company to remain cost competitive to do so.

Also, because of the unique nature of the product being made and the fact that the parts and the product itself are so highly technically advanced, it is also a negative thing to see those types of opportunities going to other countries as it leads people to believe (and perhaps there is truth to it) that the American industries cannot compete at a technological level.

On the other hand perhaps it is good because American companies can learn from what China is doing both from successes and mistakes and improve their own operations and service offerings in an effort to remain competitive. Additionally, by sending these particular Jobs offshore, Apple can focus their efforts on their core business which is the technical innovation of their phones and computer systems themselves rather than the components that they are made of.