Background

In 2009, Apple Inc. (Apple) was accused of allowing labor rights violations in a major manufacturing plant in China that supplied a majority of Apple products at the time. After working to overcome these accusations, in 2014, another accusation was made against Apple for the same issue at another manufacturing plant in China that supplied Apple products and specialized in iPhone production.

Less than a month before the 2014 accusations, Jeff Williams took on the role of senior vice president for Operations at Apple. He was placed in charge of end-to-end supply chain management, which Apple said was "dedicated to ensuring that Apple products meet the highest standards of quality." Most of the operations Willaims oversaw involved outsourced manufacturing with independent suppliers located overseas, mostly in China.

For the second time, Apple is facing labor rights violations allegations, which puts It in a unique position of choice: use the same strategy as before or create a new strategy to combat the allegations and maintain its positive reputation in terms of corporate social responsibility (CSR).

Foxconn

Foxconn, an original design manufacturer based in Taiwan, was one of Apple's leading suppliers. Before 2009, Foxconn was unfamiliar to the public as it did not produce its products but rather products for major tech companies like Apple. In 2009, Foxconn became a public topic of discussion after a factory worker reportedly committed suicide and faced torture-like interrogation after making a mistake during production. In the following year, another 18 Foxconn employees attempted suicide, and 14 employees died at the Foxconn facilities. These incidents thrust them into the limelight and brought pressure from stakeholders such as Apple to improve working conditions at the facility.

Pegatron

One of the ways Apple responded to the Foxconn situation was by moving some business to a separate supplier. Pegatron, the new supplier also located in Taiwan, began producing Apple products in 2011. In 2013, a report published by the China Labor Watch revealed that the working conditions at the Pegatron factory were worse than those at Foxconn, with 36 legal and 50 ethical violations. After the report was published, Apple again promised to address the issues. The following year, a British Broadcasting Corporation (BBC) documentary revealed employees were working excessive hours daily with no breaks, among other labor and human rights violations. In response, Williams said, “We know of no other company doing as much as Apple does to ensure fair and safe working conditions, to discover and investigate problems, to fix and follow through when issues arise, and to provide transparency into the operations of our suppliers.”

CSR Challenges

Apple is notorious for its customer loyalty. The launch of the iPhone in 2007 helped build this loyalty, along with several other innovative products that Apple designed and produced. A survey conducted by Simonlycontracts.co.uk found that almost 60 percent of iPhone users said they had “blind loyalty” to the product. Would the issues with Apple suppliers cause customers to rethink their loyalty, or will their blind loyalty cause them to look the other way?

On the other side, Apple needed close relationships with its suppliers to produce the inventory required to keep up with customer sales. On-demand that Apple continued to make their suppliers following the labor rights issues was higher working standards and increased safety. At the same time, Apple offered lower and lower prices to the manufacturers. This accounts for one reason Apple switched from Foxconn to Pegatron: Prgatron was willing to accept smaller margins, which allowed Apple to produce products at a lower price and make a more significant profit.

Conclusion

In 2015, Apple topped *Forbes'* list of "The World's Most Valuable Brands," was highly ranked in the "Global 2000," and was declared 55th in America's Best Employers despite all of the challenges it faced in years prior. Apple retained its customer loyalty and continued to have remarkable business performance.

Apple's response was minimal, and it was not apparently thought out as a crisis plan. Despite this, however, Apple did not experience a long-lasting negative impact from the labor rights violations accusations. They are still one of the leading tech companies, and many people do not know about the Foxconn and Pegatron crises ten years later.

Has Apple swept its issues under the rug and hoped that blind customer loyalty would carry it through any future crisis it may encounter, or has it learned from the past and has a crisis plan at the ready if needed?