

Case Study: Apple's Supply Chain in Asia

- Foxconn manufactures many of Apple's products (e.g., iPhones, iPads) in China. Apple negotiated a highly favorable deal with Foxconn: thin margins for Foxconn and high profits for Apple.
- In part as a result of its thin margins, Foxconn imposed “inhumane” working conditions: 12-hour shifts, six days a week; monitoring and controlling workers' every movement; corporal punishment; crowded dorm conditions; separating workers in their dorms from others hailing from the same geographic area; and prohibiting socialization among workers ([Xu & Li, 2013](#): 375). Such conditions are unethical ([Arnold & Bowie, 2003](#)).
- Because of its power and size, Apple had no business case to negotiate a deal that would allow Foxconn to treat workers ethically ([Clarke & Boersma, 2017](#)).

Q: Can ethics drive firms to do the right thing if there is no business case?

A: No.

1. The right thing for firms to do is increase their profits.
2. It is unethical for firms to act in ways regarding which there is no business case.
3. Ethics can only drive individuals; ethics cannot drive firms.

Point 1: The right thing for firms to do is increase their profits

- Managers are legally obligated to pursue shareholders' directives, which generally are to increase profits ([Friedman, 1970](#)).
- Without a single-valued measure (such as increasing profits) as a goal, managers have no way to make principled or purposeful decisions ([Jensen, 2002](#)).

Point 2: It is unethical for businesses to act in ways regarding which there is no business case

- From a Kantian perspective, ethical actions must “respect humanity” by refraining from using people as instruments to benefit others ([Arnold & Bowie, 2003](#)). In seeking non-business ends with shareholders’ capital, managers used shareholders as instruments. Therefore, it is unethical according to Kantian ethics for businesses to act in ways regarding which there is no business case.
- From a virtue ethics perspective, the virtues that constitute business ethics include business excellence ([Solomon, 1992](#)). Therefore, it is unethical according to virtue ethics for businesses to act in ways regarding which there is no business case.

Point 3: Ethics can only drive individuals; ethics cannot drive firms

- Ethics cannot drive firms, according to Kantian ethics, because being driven by ethics involves doing an action for the sake of duty, which is something that only people can do ([Altman, 2007](#)).
- Most managers, though, are so far from being driven by ethics that business ethicists should not even hold this up as an ideal. Rather, business ethicists should strive to develop markets that produce ethical outcomes ([Boatright, 1999](#)).

Closing Slide: Research Questions

- One research question we should be asking:
 - How should businesses respond, ethically speaking, when there is a business case for acting unethically and no business case for acting ethically?
- One research question we should avoid:
 - Is there a business case for ethics?

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