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Apple: Global Ethics and Transformational Leadership

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Abstract

Apple Inc. is an American technological company that designs, manufactures, and sells various products such as laptops, phones, accessories, streaming services, licensing services, and so much more. The paper explores the corporate responsibility and unethical business practices that arise from the global sourcing of Apple's products. The company established many relationships with suppliers in East Asia to meet the rigorous demands of consumers, promising high-quality products at the expense of factory workers. However, global sourcing comes with unethical business practices. There have been various cases against Apple's suppliers. This research highlights unfair working conditions, overworking employees, and environmental pollution that Apple's suppliers are guilty of.

Keywords: Apple, leadership, ethics, corporate responsibility, global sourcing, unfair working conditions, supply chain management

Introduction

Apple is a publicly traded corporation headquartered in Cupertino, California. The company offers many products and services, including but not limited to iPhones, MacBooks, iPads, Apple Watch, AirPods, AppleTV, iCloud, and licensing services. (Reference for Business, n.d.) Steve Jobs, Ronald Wayne, and Stephen Wozniak founded Apple in 1976. Wozniak and Jobs were high school dropouts and worked from Job's garage, having their first product, a circuit board (Reference for Business, n.d.). Their partnership began years before Apple was established. An electronics engineer, Stephen Wozniak began building boxes that enabled him to make free long-distance phone calls (Reference for Business, n.d.). Jobs and Wozniak wanted to create a more user-friendly computer, a product small enough to be in offices, whether at home or at work (Richardson, 2023). At first, Jobs and Wozniak developed the Apple I, a motherboard for a computer (Richardson, 2023). In 1984, Apple II, a personal computer, hit the market and moved it into the business market office. Major companies found the Macintosh cheaper and more accommodating to the software that linked their computers.

One of the most crucial parts of Apple Inc.'s history is that when Steve Jobs left, the company almost failed. Jobs left the company over an argument about a

product's price, started his own software company, and bought Pixar in 1980. Apple was doing well with the initiatives Jobs implemented; however, within a few years, the company started to lose focus (Weinberger, 2017). Apple bought out Job's startup and asked him for help, who came back to implement recent changes. He partnered with Microsoft to develop similar office software for the Mac, something they were struggling to do. From there, he was able to motivate his company and help them move forward (Weinberger, 2017).

The company operates in four segments: The American segment includes North and South America; the European segment consists of India, the Middle East, and Africa; and the China segment consists of China, Hong Kong, and Taiwan (CNN, 2023). Figure 1 shows the market share of smartphones by Vendors.

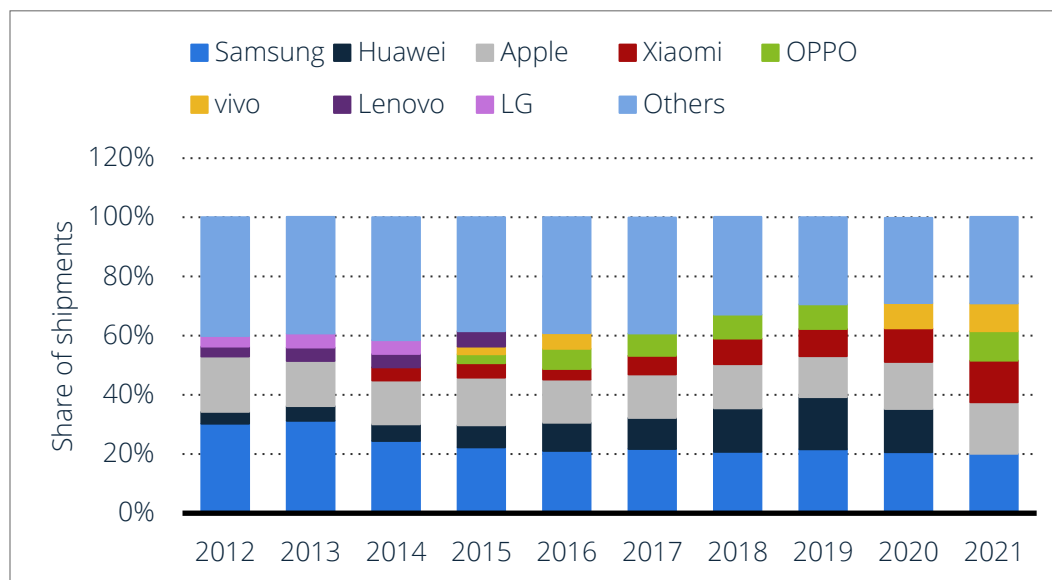


Figure 1. Market share of smartphones by Vendors.

Source: Statista

Figure 2 shows the company's global revenue.

Global revenue of Apple from 2004 to 2021 (in billion U.S. dollars)

Apple's revenue worldwide 2004-2021

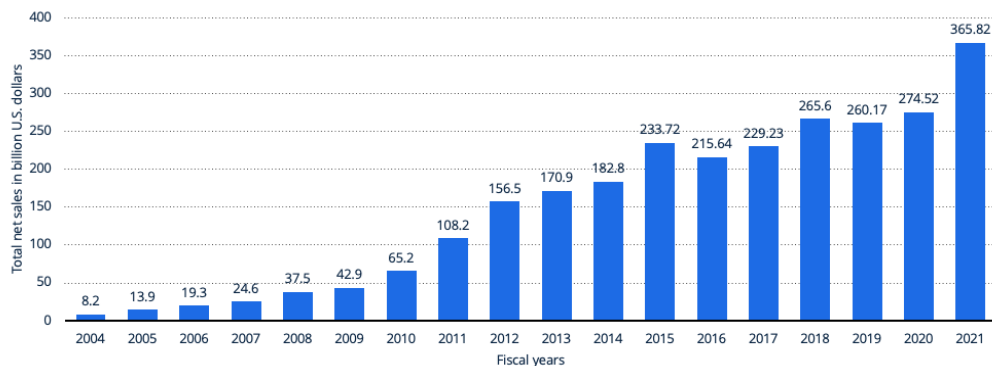


Figure 2. Apple Inc.'s global revenue.

Source: Statista

Apple sells its products and services in various markets directly to consumers, small to big businesses, education, and governments (CNN, 2023). They offer discounts to consumers buying their products for educational or government purposes. Apple's products are marketed toward middle-class and upper-class customers (Reuters, 2023). These customers are loyal to Apple because of their experience with the company, making them more likely to spend more money on the company's products.

Apple has minimal promotional strategies in the industry. In the article "Why Apple is Still a Great Marketer and What You Can Learn," Christine Moorman breaks down the strategies Apple uses that make them a success. They developed a consistent experience ecosystem where consumers interact with Apple daily, whether using their phones to pay or controlling home electronics from a screen's touch. Their stores do not even have the traditional experience, either. It enables potential and loyal customers to experience new products before purchasing (Moorman, 2019). Another strategy they use is controlling the price and not offering many discounts on major holidays, like luxury brands (Moorman, 2019). Instead, they may offer an incentive such as a gift card or free headphones if they

purchase a laptop. One of the most critical strategies Apple uses is simplicity; even their advertisements on television or billboards are simple, nothing over the top (Moorman, 2019).

Corporate Governance

It is crucial for multinational enterprises such as Apple to build an effective framework of corporate governance. Chikhale and Mansouri (2015) discussed such frameworks in their article “An agile and collaborative framework for effective governance to enhance management in large-scale enterprise business systems: The case of Apple Inc.” Effective governance ensures the corporation’s sustainability while expanding into different markets. Apple is a notable example of how important it is to be agile in today’s market and assimilate to the changes in markets and threats that arise. The article highlights that building trust between each branch of the supply chain, the values that each stakeholder brings, the capabilities of Information Systems/Informational Technology, and an effective business strategy is what helps reinforce effective corporate governance (Chikhale & Mansouri, 2015). Figure 3 shows the conceptual model for effective governance.

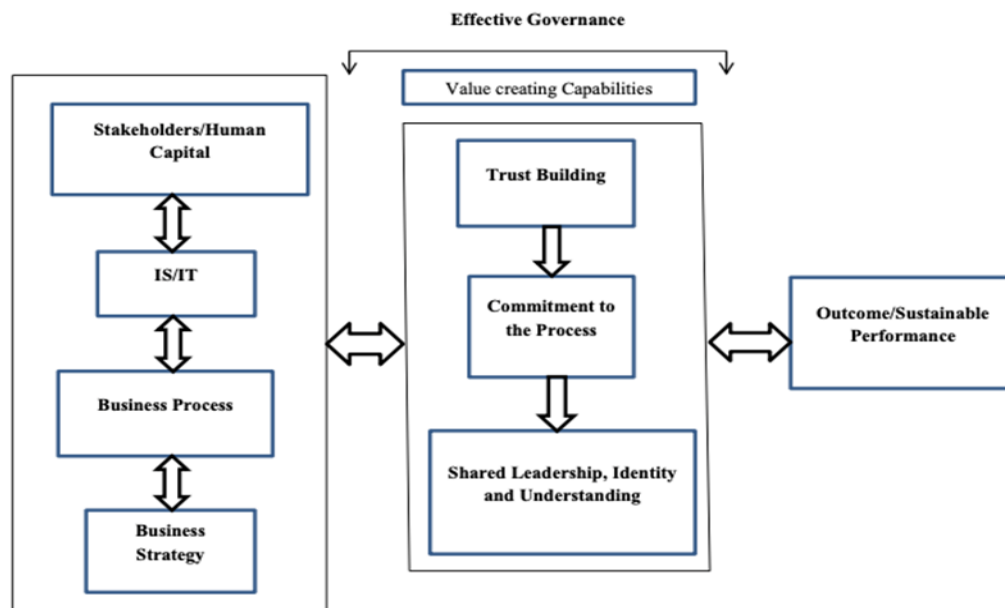


Figure 3. A conceptual model for effective governance at Apple Inc.

Source: Chikhale and Mansouri (2015).

Figure 4 shows the framework for effective development of governance.

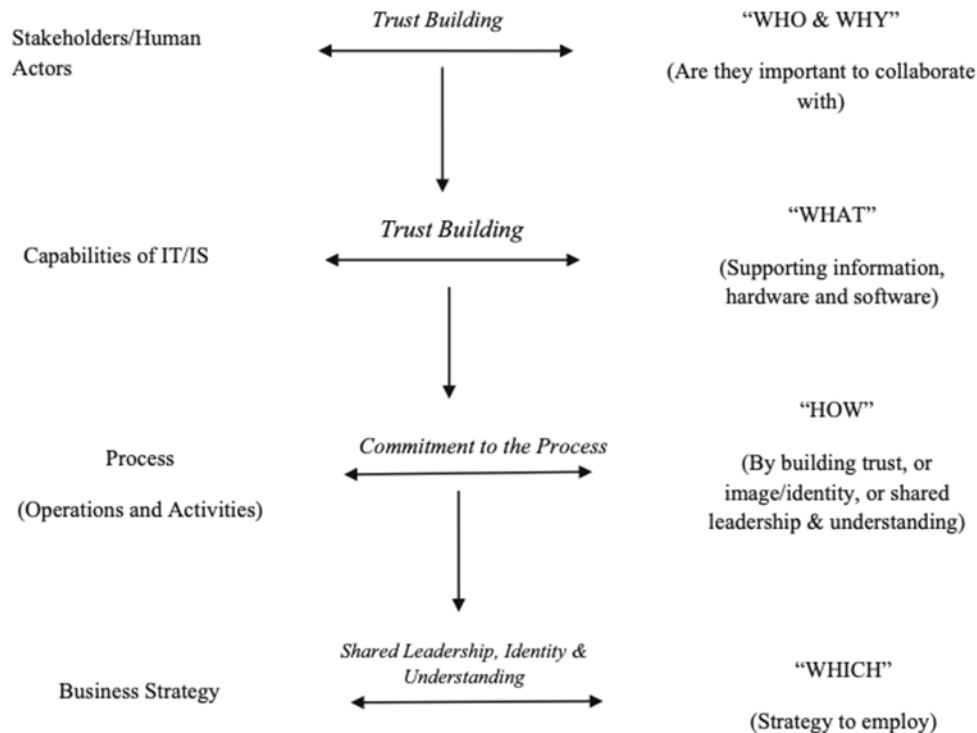


Figure 4. Framework for effective development of governance at Apple Inc.

Source: Chikhale and Mansouri (2015).

It is essential for corporations to implement strategy in their business process because that aligns with their governance. When Steve Jobs spearheaded Apple, he was a charismatic leader who motivated and engaged with consumers and employees. Jobs did a tremendous job redesigning Apple products, increasing the company's value to \$8 Billion (Gehani, 2016). The company discovered that to keep up with the trends, they must constantly study their consumers to ensure their products are compatible with other software, specifically Windows (Ganguly, Nilchiani, & Farr, 2009). Apple redesigned their iPods to be compatible with Windows and the program to download music, iTunes. With the constant redesigning and being knowledgeable about consumer needs, their agility helped them become successful.

However, Apple has been criticized for its corporate governance or lack thereof. CalPERS, the largest public pension fund in the United States, filed a resolution against Apple, emphasizing the necessity of a majority voting system as the criteria for board elections and criticized the company for lacking diversity (Khan, Alam, & Alam, 2015). The company was under criticism again when Apple signed a contract with Bloom Energy, a hydrogen power plant. There was speculation of a conflict of interest because Al Gore was a former board member of Apple, and that he used his influence since he was a stakeholder of the powerplant. There was also criticism of the overcompensation of Apple's executives and under the condition of how well the company was doing (Khan et al., 2015). Apple was under fire when the news of their suppliers violated numerous labor laws in their factories overseas.

Leadership Ethics

In the early years of Apple, it produced its computers. However, they started to outsource to meet the demands of the Apple II computers and developed a supplier relationship with Foxconn, a leading exporter in China. To meet the demands of consumers over the production of the iPhone 5, the manufacturers overworked the workers, forcing them to work more hours in unsafe working conditions and low pay. It sparked protests in China, where workers advocated for the bare minimum. The workers sent images to local media outlets to show the world how they were being treated. However, Foxconn brushed it off as a personal matter between employees. (Chan, Pun, & Selden, 2013) When the phone came out, consumers complained about the quality of the phone, which led to a product quality control investigation. The workers were penalized for not meeting the quality standards, with fights erupting and workers getting injuries. (Chan et al., 2013) In a previous case, Steve Jobs announced that the new iPhone 4 would have a more substantial screen just several weeks before it hit the market. The manufacturers in China had to speed up the production of the phones and ignored all labor laws set in place. One worker named Sun Danyang was held accountable for losing the prototype for the phone, and he committed suicide. (Chan et al., 2013) Apple may be one of the top technology companies known to be the epitome of uniqueness and high quality of their products; they put aside labor legislation and overwork factory workers to meet consumer demands.

Unfair labor practices include not just undercompensating labor wages and unfair working conditions but also child labor. In an article by Information, they discussed

the numerous unethical business practices of the suppliers of Apple. Apple found that one of their suppliers, Suyin Electronics, was hiring underaged workers (Ma, 2021). When Apple confronted Suyin about it, they told Apple they would not do it again. However, an audit done by Apple found more underaged workers. It took Apple three years to finally end the relationship with the manufacturer (Ma, 2021). More suppliers in India and China have been discovered to have withheld compensation for their employees. In 2012, Apple also discovered that its suppliers were exploiting students and using teachers to recruit them under the guise of an “internship” (Ma, 2021, p. 6).

The students were then forced to work to graduate and had their government-issued IDs confiscated (Ma, 2021). Apple explicitly stated that they do not work with suppliers to violate labor laws in the countries in which they outsource manufacturing, eventually cutting ties with the suppliers. They even helped write new standards for the treatment of student workers (Ma, 2021). However, more accusations of Apple working with companies that violate labor laws surfaced again in 2017 and 2018, forcing students to work overtime on the production of iPhones and the Apple watch (Ma, 2021). Some of Apple’s suppliers failed to provide legally required social insurance benefits to factory workers in China. Social insurance benefits are included in the conduct. However, Apple found it costly to reinforce and left it to the local government (Ma, 2021). The outsourcing of Apple’s products versus the cost of the product leaves a large profit margin, which Apple should use to ensure that the suppliers are following and enforcing the conduct. It will raise costs, but they should spend money if Apple wants to be socially responsible. They cut ties with suppliers who have violated labor laws, but it takes time to establish trustworthy relationships and vet every supplier.

The article “Outsourcing and corporate social responsibility: Apple in China” highlights the unethical business practices of Apple’s suppliers in China. They were accused of environmental pollution in China. Numerous non-governmental organizations (NGOs) in China published a report highlighting environmental pollution at five companies (Urakami, 2012). The investigations uncovered that Apple’s suppliers caused detrimental damage to the environment, contaminating water in nearby lakes, and finding heavy metals such as copper and nickel in the water (Urakami, 2012). Residents also complained about the emissions, concerned about the health and safety of their children. Foxconn Electronics was one of the most problematic suppliers of Apple, emitting so much gas that it irritated nearby

residents, making it hard to breathe and open the window. The report even noted hazardous waste being disposed of, but the manufacturer did not state the location of the waste (Urakami, 2012).

Kim (2020) compares the leadership styles of Steve Jobs and Tim Cook. Jobs as more of a charismatic and transformational leader, with Cook following his legacy. They have different personalities, each aligning with their leadership style. While Steve Jobs was known to be a transformational leader, Tim Cook has higher ethical standards than Steve Jobs. Due to a tragic incident in San Bernardino, California, the Federal Bureau of Investigation and Apple were in a legal battle because the FBI wanted access to the suspect's iPhone; however, Tim Cook did not want to release the data due to privacy concerns (Kim, 2020).

On the other hand, Steve Jobs did not hold his suppliers accountable overseas when headlines were made about violations of labor laws, even if they did not affect the company (Kim, 2020). It is also critical to note that Cook has been responsible for the exponential growth of Apple since he became CEO because he is an expert in planning and supply chain management. Figure 4 shows the growth of the company from 2004 to 2001. Figure 5 shows how Apple's shares have performed in five years under Cook.

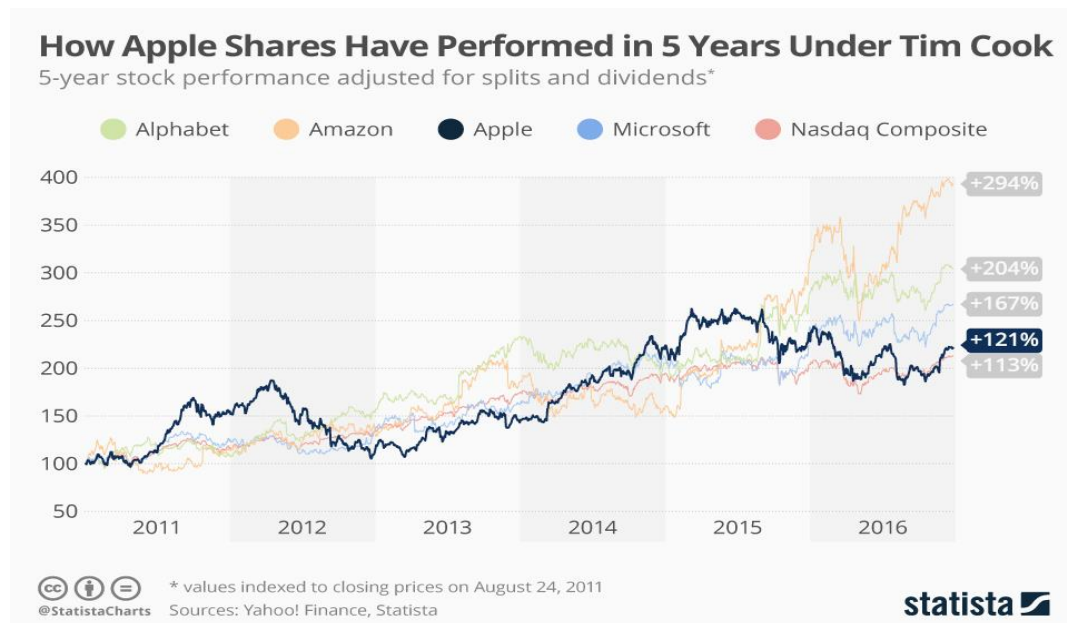


Figure 5. Apple's 2011-2016 Share Performance under Tim Cook

Technological Impact on Leadership

Steve Jobs is known to be a transformational leader. Transformational leaders motivate their followers, using their values, vision, and commitment to energize them. Everyone around Steve admired him for his passion. According to the article “How Steve Jobs reinvented leadership,” Zoe McKay (2012) recollected the legacy of Steve Jobs. Steve’s leadership was known to be “beautiful” and functional. (McKay, 2012) He taught people that they can love what they do and that they define their work, not the other way around. Most importantly, he taught people that not giving up is the best thing they can do, and that success is about how meaningful their work is to them and others. (McKay, 2012)

Steve Jobs changed how consumers interacted with technology, developing a platform where anyone interested in software and content could be successful. (Yu, 2002) Apple followed a “bottom-up” initiative, celebrating lower-level managers and higher management when the company was on a successful path. (Yu, 2002) Steve Jobs’s management style is categorized into three steps - strategic visioning, overcoming resistance, and sustaining momentum. Strategic visioning refers to analyzing customer needs to gain more insights into the market (Yu, 2002). This shows that studying a product’s target market can help the company become successful. Overcoming resistance refers to Jobs ignoring the company’s design and measurement systems and involving himself throughout every design process. His leadership changed the organization’s structure and motivated the company to experiment and learn. (Yu, 2002) Lastly, sustaining change momentum refers to the fact that Jobs created a separate division, allowing him to test different strategies before committing to one. (Yu, 2002)

The article by McNichol explains that a boss like Jobs can motivate their employees and are not jerks all the time. However, it does not mean that was his reason for success; it was part of his personality. This article suggests that there are two sides to everyone: the good and the bad. Most people admire the good in Steve, who inspired, motivated, and forever changed technology (McNichol, 2011).

Apple outsources the manufacturing of its products to different countries in Asia. Their suppliers can produce their products with cheaper labor and at a quicker rate, meeting the company’s deadlines. Unfortunately, global sourcing comes with ethical issues. In the journal article “The politics of global production: Apple,

Foxconn and China's new working class," the authors stated, "electronics suppliers are compelled to compete against each other to meet rigorous specifications of price, product quality and time-to-market, generating wage pressure as well as health and safety hazards at the factory level while shaving profit margins" (Chan et al., 2013, p. 102) This suggests that tech companies such as Apple will do what it takes to meet their deadlines, keep prices low even if there are unfair labor practices in the factories in which their products are manufactured.

Conclusion

Apple is one of the most innovative companies to exist today. At the heart of the company lies the mission, values, core competencies, and morals that Steve Jobs embedded into his organization. Apple would not be the company it is today without Steve Jobs. He was a transformational leader who encouraged and inspired many people. Tim Cook continues Job's legacy as he is the current Chief Executive Officer of the company. However, society must also keep the most admired companies accountable when it comes to ethical standards. Apple has made countless headlines regarding their suppliers' unethical business practices. There are always good and bad when it comes to major corporations such as Apple.

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