In 2010, Foxconn Technology Group (Foxconn), the largest and fastest growing multinational company in the Electronic Manufacturing Services (EMS) industry and major manufacturer of the Apple iPhone, came under public scrutiny after a string of employee suicides in its Chinese plants reached the international press.

The EMS industry had historically been very competitive. In comparison to the multinational OEMs that could earn gross profit margins of 40%, their suppliers in China had an average margin of only 5-8% due to high customer and supplier power. Companies that wanted to manufacture the iPhone had to participate in a bidding war in which their only distinguishing factor was price.

Some place blame directly on Apple. With its extraordinary margins, much of which are due to using suppliers like Foxconn, the company could sacrifice a bit of them to let Foxconn pay higher wages. Some people think that Apple is being duplicitous and not taking full responsibility by doing an audit and finding nothing wrong.

Luis Dau is an assistant professor of International Business and Strategy at the D’Amore-McKim School of Business at Northeastern University in Boston. He teaches courses in International Management and his research interests are on the strategic response of emerging market firms to institutional processes and changes such as pro-market reforms. His research has appeared in the top academic journals in the field. Professor Dau received his MBA from the joint ITESM-Thunderbird program and his Ph.D. in International Business/Strategy from the University of South Carolina, Moore School of Business. Prior to his Ph.D. studies Luis Dau had management experience and was a successful entrepreneur in Guadalajara, Mexico.