Improvement of an HR priority area

MODULE NAME: Human Resources Management

BMMB7007

STUDENT NAME: Jiangcheng Gu

STUDENT ID: 2203409

TUTOR'S NAME: James Moore

Table of Contents

Executive Summary 3
1 Introduction 4
1.1 Research Background 4
1.2 Research Objectives 4
2 Organizational Overview 5
3 Main Discussion 6
3.1 Priority of Human Resources Management in Foxconn 6
3.2 Current Shortfalls in Employee Well-being 6
3.2.1 Lack of Humanistic Care under Semi-Militarized Management 6
3.2.2 Shortage of Respect for Employees under Centralized management 7
3.2.3 Lack of Corporate Social Responsibility 7
3.3 Negative Outcomes 8
3.3.1 A High Turnover of Staff 8
3.3.2 Reduced Team Moral 8
3.3.3 Increased Management Costs of Human Resources 9
4 Solutions 10
4.1 Strengthen the Role of Corporate Culture 10
4.2 Establish Mechanisms to Train Talents and Map out Career Planning 10
4.3 Create a Human-Based Environment 10
4.4 Promote Exchanges and Mutual Learning 11
5 Conclusion 12
6 Reference List 13

Executive Summary

Foxconn is one of the most famous contract manufacturers in the world. However, it has always been troubled by poor employee well-being, even notorious as sweatshops. In 2010, a series of suicides happening at factories of Foxconn in mainland China shocked the country as well as the world, which also stoked the outcry of the public. Five years later, the company was once slammed by the All-China Federation of Trade Unions for issues including overtime working. All these have cast a shadow on the company.

This paper regards employee well-being as one of the most urgent issues in Foxconn. First, the lack of humanistic care and the shortage of respect under central management are the primary causes of poor employee well-being. Second, its extensive management model is harmful to employee health, both mentally and physically.

Due to the above factors, Foxconn has witnessed a bitter pill in the following aspects. On one hand, Foxconn has a very high employment turnover and reduced team morale, which is disastrous to its core business —— contract manufacturing. Because it may fail to achieve the delivery schedule. On the other hand, its human resources management costs are on the rise.

In order to solve these problems, Foxconn must make changes in these aspects. First, it needs to leverage the role of business culture to strengthen the cohesion between employees and the company. Second, it should establish mechanisms to train employees and help them map out career plans. Third, the company is committed to fostering a human-based environment to improve the loyalty of employees. Fourth, unequal treatment should be removed to retain those middle managers in mainland as they are one of the most important treasures of the company.

Key words: Foxconn, employee well-being, human resources management

1 Introduction

1.1 Research Background

Around 2010, more than a dozen cases of suicides drew intense public attention that grassroots employees jumped from buildings of Foxconn factories in mainland China (Malcolm M, 2010). Outsiders criticized Foxconn as a sweatshop exploiting labor without any sense of humanity. After that, Foxconn made changes that temporarily calmed down the outcry of the public. But good things don't last long. In 2015, the All-China Federation of Trade Unions slammed Foxconn in public again, noting that overtime working was rather serious at the company (Michael K, 2015). A senior official of the organization said that Foxconn and other companies had been illegally arranging workers to work overtime for long periods of time, leading to frequent karoshi or suicides. Since then, the topic of employee wellbeing, in particular for those working on the frontline, has been hot again, causing heated discussions till now.

1.2 Research Objectives

This paper aims to study what weaknesses Foxconn now has in human resources management and the negative outcomes caused by these pitfalls. In doing so, the organization can better manage human resources to improve employee wellbeing. Besides, this paper is expected to provide general experience for other companies, especially manufacturing ones.

2 Organizational Overview

As the world's largest service provider of electronics technology and smart manufacturing, Hon Hai Technology Group (Foxconn) was established in Taiwan, China in 1974, and invested in mainland China in 1988 (Foxconn, 2021). Currently, it has more than 40 industrial parks in mainland, and over one million employees at its peak. One of its core businesses is to provide original equipment manufacturing services for smartphone companies such as Apple. In 2022, it ranked 20th in the Fortune Global 500 (Ward Zhou, 2022).

Foxconn has an independent department of human resources, which is located in the “surrounding departments” of its internal division. The working pressure and importance are lower than those of “manufacturing departments”.

3 Main Discussion

3.1 Priority of Human Resources Management in Foxconn

Employee well-being is a priority area of human resources management in Foxconn. Employee well-being is an important indicator measuring the overall life quality of employees. It not only involves work satisfaction, but also work-life balance, emotional health as well as family happiness (Gallup). As Dong Mingzhu, president of Gree, once said, the primary responsibility of a business was to ensure the well-being of its employees.

Research has shown that employee well-being not only affects employees' attitudes and behaviors, but is also important for the success of an enterprise. An adverse experience of well-being negatively influences employees' physical and mental health, resulting in increased healthcare expenses of the company and reduced productivity. According to statistics, employees tend to perform better when they feel happy, 13% more productive (Oxford University, 2019). One wellness program points out employee wellbeing leads to less absenteeism, lower stress and infrequent illnesses. These issues typically cost companies far more money and are less obvious (Robert H.,2019).

In addition, employee well-being is vital to attracting smarter talents. For instance, 38% of Gen Z job seekers choose a sound working environment as their number one factor when seeking a job (Rea, R., 2022). Benefits such as increased sick days and mental health services go a long way toward enticing top talent from this generation to apply.

3.2 Current Shortfalls in Employee Well-being

3.2.1 Lack of Humanistic Care under Semi-Militarized Management

Foxconn has industrial parks all over mainland China, where sit factories, dormitories, supermarkets, canteens and so on. In the industrial parks, the basic needs of daily life can be met. Ordinary workers on the assembly lines start working at 8 am, have a one-hour lunch break at noon, and get home from work at 8:30 pm. But the basic salary only ranges from 2,000 RMB to 3,000 RMB. If you want to earn more, you have to volunteer to work overtime. In addition, once you choose "voluntary overtime", you must work overtime for a certain period of time, and you cannot give up halfway.

Foxconn's management philosophy originated from economist Taylor. Taylor regards human beings as "economic animals", believing that all human behaviors are for the maximum satisfaction of their own interests, and the purpose of working is just to get economic rewards (Adam Smith, 1982). He advocated a strict separation of managers from production workers and opposed the participation of workers in enterprise management.

Admittedly, semi-militarized management has laid a solid foundation for Foxconn's high efficiency and rapid expansion (Yumpu, 2105). But, to employees, they are just insignificant individuals in a closed environment. There is no doubt that this system of semi-militarized management reveals the culture "economic man" inside Foxconn. Perhaps the culture of "economic man" is not the direct cause of employee suicide, but it is certainly an important trigger.

3.2.2 Shortage of Respect for Employees under Centralized management

Foxconn practices a rational centralized management model. Specific to the grassroots, each assembly line has several line leaders, responsible for ten to dozens of employees. One of their rights is to assign overtime workers, because overtime pay means a lot to an assembly line employee, typically accounting for half of their monthly income.

Moreover, under this system, the daily output of assembly lines is arranged by leaders. Everyone has his own production tasks and must achieve it without exception. Everyone is pushed by the demand for production, which trumps everything else (CKGSB Knowledge, 2012).

This centralized management mode enables managers to have absolute authority from top to bottom to ensure the high efficiency. However, if the grass-roots managers are not competent, it will have a great negative impact on the employees. In this system, managers treat employees as simple "economic man", ignoring the respect for employees.

3.2.3 Lack of Corporate Social Responsibility

According to Maslow's need theory, when people meet their basic survival needs, they will require higher needs, namely, security needs and social needs (Maslow, 1954)). Unfortunately, the internal communication mode of Foxconn is command. Managers tend to ignore the basic psychological needs of the most ordinary workers. Some former Foxconn employees

interviewed by the media recalled a "lack of respect among people", "apathy among employees" and "insufficient attention to the spiritual life of employees". Therefore, many voices point out that the frequent suicides at Foxconn are due to the lack of "humanistic care" in the corporate management culture. For Foxconn, although the employee suicide is not legally responsible, but it cannot escape the moral condemnation (Christos, K., 2015).

There is nothing wrong with enterprises pursuing profit maximization. To seek development, enterprises cannot but consider interests. The ultimate goal of the enterprise is to obtain reasonable profits by meeting the needs of customers and the market. But companies should not overemphasize their own economic interests and ignore their social responsibilities. As an integral part of an enterprise, enterprise management culture plays a crucial role in the cohesion and centripetal force of the enterprise. Employees will enhance their cognition and sense of mission of the enterprise unconsciously.

3.3 Negative Outcomes

3.3.1 A High Turnover of Staff

According to statistics, the monthly turnover of grassroots employees was around 10%- 20% of the total (ProPublica, 2012). The average annual turnover rate of the so-called “Qing Gan Class” (a reserve of managers) once reached 30 percent.

The media points out that the majority of the resigned employees are from the grassroots. They quit for various reasons, including personal affairs, poor enterprise management, and unsatisfied salaries. In addition, a sizeable portion are middle-level employees, usually mainland employees with advanced degrees. They quit because of their dissatisfaction with the management system and the different treatment between Taiwan and mainland cadres. Moreover, a considerable number of them do not have a sense of belonging to Foxconn, and they always want to leave Foxconn as long as they find ripe opportunities.

3.3.2 Reduced Team Moral

The departure of one employee can affect the morale of multiple employees, as it is easy for a former employee to spread negative words about the company (Bloomfire Admin, 2022). At the same time, the departure of several employees influences the morale of the whole team. As

employees are easily influenced by the surrounding people, the departure of one person is likely to cause a turnover wave.

3.3.3 Increased Management Costs of Human Resources

According to some studies, every time a business replaces a salaried employee, it costs 6 to 9 months' salary on average, which includes recruitment, training and work handover (Chase, C., 2023). If the core employees leave the company, the loss is even greater. When there is a large number of grassroots staff quit their jobs, the impact on the enterprise is limited to production activities and output. However, for Foxconn, an contract manufacturers, the impact is also huge as it may affect the schedule of delivery (Yin Yeping, 2021). Once middle and senior managers or core technical personnel leave, the enterprise has to carry out new recruitment, selection and training of talents at the corresponding level. In this process, the output and consumption of human, financial and material resources will undoubtedly increase. Therefore, when there is a serious brain drain in an enterprise, the cost of human resource management will inevitably rise.

4 Solutions

4.1 Strengthen the Role of Corporate Culture

Corporate culture is the value concept recognized by the vast majority of talents in an enterprise and behaviors, habits, ways and codes formed under the domination of this value (Denise Lee Yohn, 2021). Different from the material resources that can be exhausted, the dynamic corporate culture is a strong pillar for the sustainable growth of enterprises, which guides the future direction of the corporate in an invisible way.

It is necessary for Foxconn to establish a people-oriented working atmosphere, improve the working environment, and establish a value concept of respecting, understanding and caring for people. Managers should communicate well with talents. Foxconn Group should develop a set of its own corporate culture according to its own history and management style, improve its brand culture, image publicity and strengthen talent cohesion.

4.2 Establish Mechanisms to Train Talents and Map out Career Planning

Employees at all levels want their jobs to have a bright future. If a talent training mechanism can be established to plan their career, they will be more passionate about working and willing to stay in the company. Career planning means that after employees enter the enterprise, employees and human resource managers formulate development plans for employees according to their personal conditions and backgrounds. Through career planning, employees' personal development is integrated into the enterprise's development strategy (Wharton of Pennsylvania University, 2021). On the one hand, employees can see the huge stage provided by the enterprise to clarify their goals and become more loyal to the company. On the other hand, the development of employees also promotes the greater development of the enterprise, which is a win-win situation between the two sides.

4.3 Create a Human-Based Environment

For workers on the assembly lines, it should be more appropriate to adjust the work form. Shift changes should be made to ensure that grassroots employees won’t feel that the work is monotonous and boring. Because it may result in boredom, reduce labor efficiency, create greater pressure and more overtime labor consumption. Challenging work also gives employees a sense of accomplishment and supports them to be challenged to accomplish more.

4.4 Promote Exchanges and Mutual Learning

The strict hierarchy in Foxconn not only gives people pressure but also makes people feel no dignity. In a company without dignity, everyone wants to escape. Therefore, the first step is to eliminate this strict hierarchy and train managers so that they can take the right way to manage workers. It is also necessary to convey to workers that the company cares for them and loves them, so that they will be loyal to the company. In addition, Foxconn treats employees from different regions separately. If the unequal treatment is removed, the hostile sentiment between "Taiwan managers" and "middle managers from Mainland" is reduced. In doing so, it will be more conducive to creating a suitable working environment and better environmental stickiness.

5 Conclusion

For Foxconn, it should be fully aware of the importance of talents in the current situation. Only the joining of talents can bring the prosperity and development of the enterprise. The excessive brain drain not only causes the increase of recruitment costs and training costs, but also brings away the experience and enterprise secrets. Besides, the unpraticised new employees hinders the development of production quality and efficiency. The loss of a large number of talents is more damaging to the reputation of the enterprise, which is not conducive to the long-term development. Therefore, Foxconn needs to provide employees with appropriate positions and targeted career planning so that they can find the soil for growth. By providing humanistic care, strong support and harmonious atmosphere, Foxconn makes employees psychologically unwilling to leave.

To sum up, Foxconn should change the original management philosophy, enterprise systems, and unreasonable regulations. On the other hand, it must respect knowledge and respect talents. Only in this way can Foxconn find an invincible position in the fierce market competition.

6 Reference List

Bloomfire Admin. (2022) ' The Real Cost of Losing an Employee', *Bloomfire*, 1 March. Available at: https://bloomfire.com/blog/cost-of-losing-employee/#:~:text=Reduced%20employee%20morale%3A%20Turnover%20can%20create%20uncertainty%20for,create%20low%20morale%2C%20decreased%20motivation%2C%20and%20lost%20productivity (Accessed: 15 February 2023).

Chase, C. (2023) ' Employee retention: The real cost of losing an employee', *People Keep*, 2 February. Available at: https://www.peoplekeep.com/blog/Employee-Retention-The-Real-Cost-of-Losing-an-Employee#:~:text=The%20average%20cost%20of%20losing%20an%20employee%20can,%2430%2C000%20to%20%2445%2C000%20in%20recruiting%20and%20training%20expenses (Accessed: 15 February 2023).

Christos, K. (2015). 'Foxconnian Culture: An Operational Crisis Abetted Suicides', *Procedia - Social and Behavioral Sciences*, 175(2015), pp. 447-454. doi: 10.1016/j.sbspro.2015.01.1222

CKGSB Knowledge(2012) *The risks of Foxconn's model*. Available at: https://english.ckgsb.edu.cn/knowledges/the-risks-of-foxconns-model/ (Accessed: 24 February 2023).

Denise Lee Yohn. (2021) ' Company Culture Is Everyone's Responsibility', *Harvard Business Review*, 08 Feburary. Available at: https://hbr.org/2021/02/company-culture-is-everyones-responsibility (Accessed: 26 February 2023).

Foxconn (2021) *Overview of Hon Hai Technology Group (Foxconn®)*. Available at: https://www.foxconn.com/en-us/about/group-profile (Accessed: 27 January 2023).

Gallup (no date) *What Is Employee Wellbeing and Why Does It Matter*. Available at: https://www.gallup.com/workplace/404105/importance-of-employee-wellbeing.aspx.aspx# (Accessed: 10 March 2023)

Malcolm, M. (2010) ' Inside Foxconn's suicide factory', *The Telegraph*, 20 May. Available at: https://www.telegraph.co.uk/finance/china-business/7773011/A-look-inside-the-Foxconn-suicide-factory.html (Accessed: 29 January 2023).

Maslow, A. H. (1954). *Motivation and personality*. New York: Harper and Row.

Michael, K. (2015) ' Foxconn draws flak from Chinese trade union for overworking employees', *PCWorld*, 3 February. Available at: https://www.pcworld.com/article/431652/foxconn-draws-flak-from-chinese-trade-union-for-overworking-employees.html (Accessed: 30 January 2023).

Oxford University (2019) *Happy workers are 13% more productive*. Available at: https://www.ox.ac.uk/news/2019-10-24-happy-workers-are-13-more-productive (Accessed: 13 March 2023).

ProPublica (2012) *By the Numbers: Life and Death at Foxconn*. Available at: https://www.propublica.org/article/by-the-numbers-life-and-death-at-foxconn#:~:text=3%2C000%3A%20number%20of%20workers%20Foxconn%20could%20hire%20overnight%2C,Group%20in%201974%2C%20according%20to%20the%20company%20website (Accessed: 12 February 2023).

Rea, R. (2022) *Everything You Need To Know About Generation Z In The Workplace in 2023*. Available at: https://policies.google.com/terms?hl=en-US (Accessed: 27 January 2023).

Robert, H. (2019) ' Do employee wellness programs actually work', *Harvard Health Publishing*, 16 August. Available at: https://www.health.harvard.edu/blog/do-employee-wellness-programs-actually-work-2019081317503 (Accessed: 13 February 2020).

Smith A. (1982) *The Correspondence of Adam Smith*. Oxford: Oxford University Press.

Ward, Z. (2022) ' Chinese companies on the Fortune Global 500 list contribute more revenue than US companies for the first time', *Technode*, 4 August. Available at: https://technode.com/2022/08/04/chinese-companies-on-the-fortune-global-500-list-contributed-more-revenue-than-us-companies-for-the-first-time/ (Accessed: 13 February 2023).

Wharton of Pennsylvania University. (2021) *How to Create a Career Development Plan*. Available at: https://online.wharton.upenn.edu/blog/how-to-create-a-career-development-plan/ (Accessed: 15 February 2023).

Yin Yeping. (2021) ' Foxconn faces 200,000 worker shortage prior to iPhone 13 launch in September', *Global Times*, 27 August. Available at: https://www.globaltimes.cn/page/202108/1232655.shtml#:~:text=Foxconn%27s%20Zhengzhou%20factory%20in%20Central%20China%27s%20Henan%20Province%2C,13%27s%20la

unch%20in%20mid-September%2C%20the%20Global%20Times%20learned. (Accessed: 24 February 2023).

Yumpu (2015) Workers as Machines: Military Management in Foxconn. Available at: https://www.yumpu.com/en/document/view/34619138/workers-as-machines-military-management-in-foxconn-pdf-sacom (Accessed: 27 February 2023).