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## **“This Whole System Seems Wrong”: Felipe Montez and Concerns about the Global Supply Chain<sup>1, 2</sup>**

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In 2003 Felipe Montez was hired to be a Purchasing Director and Product Designer for a Spanish electronics company. This company focused on supplying fashion-forward personal electronics (such as cell phones or MP3 players) and had built their reputation by quickly responding to trends in electronics while still maintaining a reasonable price point. In order to keep prices low and produce products quickly, the company outsourced certain elements of their production, most recently to factories in South China.

Until Felipe was hired, the company had a 27 year history of working with a distributor in Hong Kong, during which time no one from the Spanish headquarters had ever visited the actual Chinese factories where their goods were manufactured. Felipe had previous experience working in Asia, and decided to cut out the middle-man by working directly with the factories in China that supplied his company's goods. Working directly with their factories eliminated the distributor's mark-up (which was sometimes as high as 30%) and allowed for faster communication and delivery from the factory.

On Felipe's first trip to China he visited several factories. Conditions varied from one factory to another. A few of them were clean and very organized, but some facilities seemed more chaotic. Felipe was particularly concerned about the conditions in the factory that produced the majority of his company's goods.

Many of the employees at this factory appeared to be very young (Felipe guessed they were 12-16 years old). In response to questions about the youth of the workers, the factory manager told Felipe that younger girls were valued for their precision work: they had small hands and could mount chips on motherboards very carefully. Although younger girls were slower than an assembly machine, the factory manager told Felipe they were cheaper to “run” and “maintain”. The young factory workers had to work for what the foreman claimed to be an 8-hour work day, 6 days a week. In general, the factory manager seemed to regard the workers less as human beings and more as part of a mechanical process. Felipe was shocked to discover that during their shifts the workers were not allowed to look up, because the factory manager did not want them to lose one second of concentration. In spite of these long hours of concentrated work, the young girls installing chips into motherboards did not have magnifying glasses to ease the strain on their eyes.

Felipe was also concerned that working conditions in the factory were unhealthy. He noticed that, in spite of high temperatures in the region (often above 100° Fahrenheit), the only employees working in an air-

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<sup>1</sup> This material is part of the *Giving Voice to Values* (GVV) curriculum. The Yale School of Management was the founding partner, along with the Aspen Institute, which also served as the incubator for GVV. From 2009 to 2015, GVV was hosted and supported by Babson College. Darden Business Publishing is pleased to present this material in its original form.

<sup>2</sup> These cases were prepared for the **Giving Voice to Values** program for Columbia Business School by Mary C. Gentile, Ph.D. and Professor William Klepper, with the assistance of Clelia Peters, Columbia '09 and Miguel Lopez, Columbia '08, and with funding from the Sanford C. Bernstein & Co. Center for Leadership and Ethics. This case is also available through the Columbia CaseWorks collection and appears in that collection as #081803.

conditioned space were the ones working with the assembly machines, because the machines needed a constant room temperature. Felipe was especially troubled by the fact that some factory employees worked in the immediate vicinity of melted lead, while others painted plastic cases with only paper masks for respiratory protection from resulting gasses. (In fact, on a later visit Felipe discovered that these workers were paid more, as it was well-known in the community that these workers would often get seriously ill, and perhaps even die.) The workers' lives outside of the factory also concerned Felipe: all of the workers lived next door in a factory-owned building that did not have windows or running water.

After his visit, Felipe could not stop thinking about what he had seen at this factory. He had visited a number of factories in China, and while there were certainly factories with worse conditions, there were many where conditions were far better. He was uncomfortable about continuing to source the majority of his company's products from the factory with conditions as they were. On the other hand, Felipe knew that this particular factory was prized for the speed and quality of its work and that his job was to maintain the quality of his company's goods. Felipe was unsure if he had the expertise to find a suitable replacement factory, and he reasoned that even if he took his company's business elsewhere, it would do nothing to change the lives of the young people working in the factory.

Felipe knew some representatives for the other companies that sent work to this factory, and he talked to them about his concerns. On the whole, they seemed far less concerned. In fact, many of his colleagues pointed out that without a job in the factory, the young people who worked there would likely be doing more difficult work in the fields, or in the case of the young girls, might be pressured into prostitution. They suggested that working in the factory was a way out of poverty for these young people, even if conditions were a little rough.

He knew that many of these other company representatives were far more senior than he was and had been visiting this factory for years. Faced with their responses to his concerns, Felipe wondered, "If it is okay for them to do nothing about the conditions, maybe it is alright for me to do nothing as well? After all, they seem to know more about the situation than I do." But with more thought Felipe realized he wasn't comfortable with this mentality—while working in a factory may have been better than the alternative for these young people, it did not mean that conditions could not still be improved.

When he returned to Spain, Felipe discussed what he had seen with his manager and detailed his concerns about certain conditions in the factory. His manager encouraged Felipe to follow up on specific issues he had identified, such as the need for magnifying glasses for the young girls doing precision work. However, he was discouraged from raising the larger issues, such as long hours and lack of breaks for the workers, since his manager reasoned that any changes in the factory's policies would increase costs and therefore increase the purchase price of the goods they were sourcing from the factory.

Felipe knew that some larger public companies had more stringent requirements for their factories. He had also heard that some electronics companies were talking about creating an industry group to enforce better labor standards in their factories in Asia. However, most of these companies were placing orders on a much larger scale than his company (often working as the exclusive client of large factories, unlike his company, which worked with factories that were serving a variety of different clients), and he suspected his management wouldn't want to get involved in issues that might ultimately raise prices. He did find out, however, that his company had a small charitable fund that focused on providing micro-finance loans to women in India.

Still, as a junior member of the staff, Felipe was concerned about pressing this issue. He could tell that his manager considered the discussion over, and going above his head seemed like a bad idea. Felipe was also concerned that he could undermine his credibility in the company or be branded as too naïve. However,

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when he thought about things he had seen in China, he felt guilty and sad, even when he tried to tell himself that this was just the reality of the world. He wanted to act prudently and effectively, but how? What could he do and say next?