

CASE

Foxconn Technology Group

Have you ever heard of Foxconn Technology Group and its founder and CEO Terry Gou? It is the largest exporter out of China. Gou started Hon Hai Precision Industry Company, the anchor company of Foxconn Technology Group, in 1974 at age 23 with a \$7,500 loan from his mother to provide the lowest “total cost” solution to increase the affordability of electronics products for everyone. Foxconn has been the most trusted name in contract manufacturing services.⁴⁴ Some of the major companies Foxconn makes contracted products for include IBM, Cisco, Microsoft, Nokia, Sony, Dell, Hewlett-Packard, and Apple. If you have a PlayStation, computer, or smart phone, there is a good chance that all or part of it was made by Foxconn.

Terry Gou has been characterized as always thinking about a way to shave another nickel off the cost of a product, as a charming salesman, as a daring strategist, as a ruthless taskmaster, and as a reincarnated Henry Ford. Gou is a billionaire, but he says, “I think for me, I am not interested in knowing how much I have. I don’t care. I am working not for the money at this moment, I am working for society, I am working for my employees.”⁴⁵

Although Terry Gou’s story is interesting, in this case we focus on lower-level manager Li Chang. (Please note: Foxconn is an existing company. However, Chang and Jackie Lee are not the names of actual managers at Foxconn; they are used to illustrate contingency leadership.)

Li Chang worked her way up to become the manager in a department making parts for the iPad. Chang’s job was to supervise the production of one part that is used as a component in other products. Running the machines to make the standard parts is not complicated, and her employees generally find the job to be boring with low pay. Chang closely supervised the employees to make sure they kept production on schedule. She believed that if she did not watch the employees closely and keep them informed of their output, they would slack off and miss production goals. Chang’s employees viewed her as an okay boss to work for, as she did take a personal interest in them, and employees were productive. Chang did discipline employees who did not meet standard productivity, and she ended up firing some workers.

Jackie Lee, the manager of a larger department that made instruments to customer specifications, retired, and Chang was given a promotion to manage this department because she did

a good job running her old department. Chang never did any design work, nor supervised it. The designers are all engineers who are paid well and who were doing a good job according to their prior supervisor Lee. As Chang observed workers in her usual manner, she realized that all of the designers did their work differently. So she closely observed their work and looked for good ideas that all her employees could follow. It wasn’t long before Chang was telling employees how to do a better job of designing the custom specifications. Things were not going too well, however, as employees told Chang that she did not know what she was talking about. Chang tried to rely on her authority, which worked while she was watching employees. However, once she left one employee to observe another, the workers went back to doing things their own way. Chang’s employees were complaining about her being a poor manager behind her back.

The complaints about Chang being a poor manager got to Terry Gou. Gou also realized that performance in the design department had gone down since Chang took over as manager. Gou decided to call Chang into his office to discuss how things are going.

GO TO THE INTERNET: To learn more about Terry Gou and Foxconn, visit its Web site (<http://www.foxconn.com>).

Support your answers to the following questions with specific information from the case and text or with other information you get from the Web or other sources.

1. Which leadership style would Fiedler say Li Chang uses?
2. Using Exhibit 4.3 on page 115, Fiedler’s contingency leadership model, what situation and leadership style are appropriate for the production department and for the custom design department?
3. Why isn’t Chang doing an effective job in the design department?
4. What would Fiedler and Kerr and Jermier recommend that Chang do to improve performance?
5. Which of the two basic continuum leadership styles would Tannenbaum and Schmidt recommend for Chang and other managers of the design department?
6. Which path-goal leadership style would House recommend for Chang and other managers of the design department?