

Corporate Social Responsibility of Multinational Corporations

Lok Yiu Chan
Business
June, 2014

Faculty Adviser: Joseph Lawless

Essay completed in partial fulfillment of the requirements for graduation with Global Honors,
University of Washington, Tacoma

Corporate Social Responsibility of Multinational Corporations

Lok Yiu Chan
Business
June, 2014

Faculty Adviser: Joseph Lawless

Essay completed in partial fulfillment of the requirements for graduation with Global Honors,
University of Washington, Tacoma

Approved:

Faculty Adviser

Date

Director, Global Honors

Date

Abstract

Corporate social responsibilities (CSR) are becoming increasingly important in today's business world. Companies should care about their stakeholders' interests but at the same time, they should place more emphasis on other areas apart from solely profits making. Most people used to think that businesses are taking advantages from consumers. Nonetheless, nowadays stakeholders are not only concern about profits; they are more interested in company regarding various economic, environmental, ethical, governance, and social aspects, since these factors significantly affect the fate of the company in long term. Research has proven that there is a competitive advantage for corporations that have a higher reputation and are more socially responsible in their CSR program. Many multinational companies such as Starbucks, the Body Shop, and Microsoft, establish well-developed code of conduct; they also strive to achieve some social missions in order to do businesses ethically, minimize negative environmental impacts, raise public attention on certain issues, raise funds and donations, increase employees' job satisfaction, and more. The thesis will further demonstrate the significance of CSR and explore what companies have done to contribute to the world by comparing Apple and Microsoft, two well-known multinational corporations in the information technology industry.

Introduction

Corporate Social Responsibility (CSR) is an increasingly essential element in the business world. The first impression many people have towards corporations is that businesses are taking advantage of consumers and society. In their minds, they think businesses are all about profit-making, and they care less about society, the environment, and human rights issues. They do not contribute much to society. In fact, many entrepreneurs want to erase the negative image

of corporations ingrained in people's minds and prove that with their actions. The trend of companies engaging in socially responsible activities is increasing. Businesses, including small and medium sized companies, are now working hard to establish various programs and strategies that can balance both areas of profitability and social responsibility.

In the following sections, I will first define corporate social responsibility and discuss the importance of being a responsible corporate citizen. I will further explain the components of corporate social responsibility. After introducing the conceptual information, I will demonstrate what companies have done to contribute to the world by comparing and contrasting Apple and Microsoft, two well-known multinational corporations in the information technology industry that bring enormous impact to the world. Lastly, I will conclude and summarize the significance of corporate social responsibility through the case studies of the two companies.

Definition of Corporate Social Responsibility

The definition of Corporate Social Responsibility (CSR) varies across the globe and evolves over time. The concept might seem abstract. To simplify and summarize the core idea, CSR is all about "responsibilities to society beyond that of making profits for the shareholders" (Quak, Heilbron & van der Veen, 2012, p.3). During the early 1970s, Dr. Davis, a professor at Arizona State University and a CSR scholar, emphasized the importance of CSR. He mentioned, "CSR refers to the firm's consideration of and response to issues beyond the narrow economic, technical, and legal requirements of the firm" (Sharma & Mehta, 2012, p.2). He implied that businesses should consider carefully the impact their activities and policies bring to society. It is also important to make contributions to society rather than purely focus on profit-making. Archie Carroll, a CSR scholar defined CSR in a more comprehensive way by developing a CSR model.

He identifies four stages: economic, legal, ethical, and discretionary, which compose the main corporate responsibilities (“CSR-The Shape of A History”, 2014, p.12). His framework places economic responsibility as the base and core function of a company. Discretionary or philanthropy is at the top level, which refers to some voluntary responsibilities that a company is not mandated to commit to. These stages are not mutually exclusive; they do not require companies to achieve one by one. Companies can achieve these stages simultaneously and continuously as a long-term goal (p.11). Thus, corporate social responsibility is defined as “a voluntary way for a company to enhance its public image and reputation by incorporating responsible activities that satisfies a need of society beyond its legal requirements” (Abels & Martelli, 2012, p. 86). Nowadays, stakeholders are not only concerned about profits; they are interested in the various CSR aspects of a company such as environment, ethic, governance, and human rights. These factors also affect the fate of the company in the long term. It is proven that there is a competitive advantage for corporations that have a higher reputation and are more socially responsible; they also result a higher return on investment. (Eccles, Ioannou & Serafeim, 2012, p.28). These types of companies are considered high sustainability firms in the research, and their performances are much better than the low sustainability firms that do not engage in the environmentally friendly or socially responsible programs. The study done by Abels and Martelli (2012) has also discovered that “return on assets (ROA) had a high correlation with social responsibility” (p. 87). Many multinational companies have established well-developed CSR programs and adhere to their code of conduct to do businesses ethically, help the economy grow, create larger job markets, protect the environment, raise public attention on certain issues, and more areas to bring social goods to the world.

Value of Corporate Social Responsibility

Many people question the value of practicing corporate social responsibility. Some people may not notice its long-term impacts on the company. An economist, Milton Friedman, makes a controversial statement in his book, *Capitalism and Freedom*, “there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud” (Friedman, 1970, p.6). Friedman strongly believes that the responsibility of a company is solely about making profits; a company has no obligation to exercise social responsibilities to society at all. However, many research studies have proven that practicing CSR actually benefits companies significantly when they implement it effectively in the long term.

First, CSR helps boost the company’s reputation and increases brand awareness (Kotler & Lee, 2005, p.14). The company becomes more stand out compared to others within the same industry even when they share similar price and product quality. This also increases sales as customers will more likely choose the one that deals with issues they care more about. The 2002 Cone Corporate Citizenship Study has also found that over 80 percent of Americans are willing to switch to another company that supports a good cause and has a positive image (p.12). Second, it reduces the operating costs. Some companies who are good corporate citizens focus their CSR efforts on environmental issues. These companies help protect the environment by reducing, recycling or reusing. They also educate employees to be more environmental friendly. Most importantly, they decrease operating costs in the long term as the company saves water, energy or other overhead expenses that are not noticeable (p.17). Third, these companies become more recognizable in their CSR practice. Eventually they can reduce advertising costs on their CSR

programs (p.17). Lastly, companies with a high reputation and positive image retain employees and attract more talent to work in a socially responsible company (p.16). Current employees feel more honored to work in a company that has implemented a great CSR program than those who do not. Kotler and Lee (2005) have also found that about 80 percent of people prefer not to work in a company with bad reputation on its CSR practice (p.16). Friedman (1970) has argued that companies are not serving the best interests of shareholders, employees, and customers if they choose to invest part of the capital into practicing CSR activities (p.1). Instead, companies should act towards their desires only, which is to be as profitable as they can be. Yet, the trend is changing. It is shown that 90 percent of people expect more from companies apart from making money (Kotler & Lee, 2005, p.12). Shareholders seek to invest in a profitable company with a higher reputation on social aspects. Consumers emphasize more on the value, quality and brand image other than the price (p.11). Thus, it is significant to consider having a CSR program in today's business. "CSR needs to be implemented in the organization not just as an image building exercise, but can be a source of competitive advantage to ensure sustainable business development" (Sharma & Mehta, 2012, p.1). Integrating a socially responsible culture into companies can bring value-added benefits and result in more superior performance; it leads to "a more engaged workforce, a more secure license to operate, a more loyal and satisfied customer base, better relationships with stakeholders, greater transparency, a more collaborative community, and a better ability to innovate" (Eccles, Ioannou & Serafeim, 2012, p.28). These findings support that being a socially responsible company will potentially become a competitive advantage in the long run. It will also create a win-win situation that is beneficial to the development and reputation of the company while contributing back to the community and protecting the environment.

Components of Corporate Social Responsibility

To become a successful company, building reputation and gaining trust from people are very important. Reputation has become one of the priorities for stakeholders and public to determine whether a company is trustworthy and able to meet their expectation (“CSR RepTrak100”, 2013, p.5). Over 60 percent of people believe that companies should focus more on managing their reputation in the coming years (p.7). Having a distinguished corporate social responsibility program is one way to enhance companies’ reputation and build a good image. Over 70 percent of people would spread positive words out to others when companies obtain higher than 80 points in their CSR score as determined by the Reputation Institute (p.10). The institute is a famous corporate reputation consulting company, which has done extensive studies to rank the top 100 most reputable multinational companies annually; it involves over 55,000 participants in the 15 largest economies across the world (p.9). According to the CSR RepTrak100 in 2013, the institute measures companies’ reputation through seven dimensions including workplace, governance, citizenship, financial performance, leadership, products and services, and innovation. Stakeholders expect successful companies to be the leaders in all seven dimensions. Among these dimensions, citizenship, governance, and workplace are the major components of CSR (p.6). Nearly half of the respondents assess companies by looking at their corporate social responsibility practices; thereby it is significant to prioritize these three components in a company’s CSR practice in order to build its reputation.

Citizenship

Under the citizenship aspect, it is considered whether the “company is a good corporate citizen — it supports good causes and protects the environment” (“CSR RepTrak100”, 2013, p.7);

businesses engage in issues that are happening in the community, country or even the world and contribute their efforts to create changes. Multinational companies have a bigger role in their corporate citizenship as they need to:

“Address issues that have a dramatic impact on the future of the globe, such as climate change, water shortages, infectious diseases, and terrorism. Other challenges include providing access to food, education, and information technology; extreme poverty; transnational crime; corruption; failed states; and disaster response and relief. Each of these problems is global in scope, even if the solutions may be locally focused” (Schwab, 2008, p.114).

One initiative companies often engage in is corporate philanthropy, which is also closely associated with corporate citizenship. It refers to “direct contribution by a corporation to a charity or cause, most often in the form of cash grants, donations and/or in-kind services” (Kotler & Lee, 2005, p.144). Many companies practice their corporate citizenship through philanthropic giving, which ranges from donating money, services, or products to nonprofit organizations, charities and communities, partnering with organizations to raise public awareness on certain issues, granting scholarships to students, offering technical expertise, knowledge, and skills, and more (p. 146). Tom Monahan, the chairman of the 2012 United Way Campaign in Kentucky established a campaign, which was “to blow away the stereotype of greedy companies interested only in the bottom line” (Craig, 2013, p. 25). The campaign encouraged businesses to practice philanthropic social responsibility. The “Partners in Philanthropy” publication encouraged small, medium and large sized corporations to donate money to non-profit organizations in their city; the “Gifts in-kind work” rewarded companies that donated products and gifts to the community to help low-income families. Businesses also highly encouraged their employees to volunteer at

local non-profit organizations, and they would get a double bonus by doing so. The activities brought benefits to the community and drew attention from the public and media; they also aimed to improve the employees' morale, provide career development, and boost their incentive to engage in more volunteering activities in the future (p.26).

Being a good corporate citizen also involves preserving the environment and reducing the harmful impact the company and its supply chain create. It can also be called "corporate sustainability" as it closely relates to a company's environmental practices and policies (Lajoux & Soltis, 2013, p.3). As environmental problems and global warming become more severe, increasing numbers of companies have made commitments and take initiatives by incorporating environmental measures and strategies into their business practices. Some activities include participating in environmental projects, utilizing solar power, reducing materials for packaging, implementing a recycling program, switching to use renewable energy sources, and many other kinds of green strategies (Creel, 2010, p.2). At Cisco, their goal is to conserve energy. They implement the "plan it right" campaign that advocates efficient use of energy when designing plants and facilities. They use new energy saving technology to build their headquarters in San Jose, California. They also go much beyond California's minimum requirement in energy conservation standards. The result is very encouraging and impressive. The energy they save is sufficient to provide power to 5,500 households. With the new plant design and energy saving facilities, they reduce 50 million pounds of carbon dioxide emissions and 14,300 pounds of nitrogen oxide emission per year. Cisco's energy conservation approach lowers their operating costs, and most importantly, minimizes the environmental impact (Kotler & Lee, 2005, p.213).

The CSR performance of a company is measured by the triple bottom line, which consists of three areas: social, financial and environmental. The social bottom line mainly measures the

company's performance with respect to employees, suppliers, and society. The financial aspect assesses the company's profitability by examining their financial statements. The environmental area looks at the company's sustainability in their operations by measuring their carbon emissions, water and power usage, product recycling and so forth (Creel, 2010, p.5).

Governance

Governance is defined as “company is a responsibly-run company — it behaves ethically and is open and transparent in its business dealings” (“CSR RepTrak100”, 2013, p.7). Some of the key practices include creating a positive relationship with the community, taking stakeholders' interest into consideration when making business decisions, conducting fair and transparent business transactions, and other measures (Crane, McWilliams, Matten, Moon, & Siegel, 2008, p.526). Nonetheless, an ethical company not only does business ethically in front of the public; it also requires an ethical corporate climate and consistent actions behind the scenes. Each company has a unique organizational culture where it brings huge influences to subordinates' behaviors, the decisions they make, and the goals they strive to achieve. Crane et al. (2008) explain that, “culture holds the key to charting a socially responsible path for the firm” (p.526). Having an ethical corporate climate requires a company to integrate these principles inside the company as well. They can incorporate the principles and rules explicitly into their code of ethics and mission statements. They also provide ethics workshops for employees, channels for reporting internal unethical behaviors, and rewards for being an ethical employee in the company. These help foster a positive organizational culture inside the company, so employees have a stronger sense of what behaviors and actions are considered appropriate, right, and ethical (p.527).

Aspen Skiing Company (ASC) would be an example of a company demonstrating their ethical behaviors to the public. ASC is the “Go Green” initiators in the skiing industry in sustaining the environment. The company believes that it is part of their corporate principles and important values to be socially responsible to society. ASC participated in a boycott with Greenpeace and the Natural Resources Defense Council against Kimberly Clark tissue products, which was a supplier to ASC and was engaged in environmental malpractice. It is unusual to see a company willing to take action to boycott their own supplier and report what the other company has done wrong. Although it was risky for ASC, the company believed that it is far more important to follow ethical standards when doing business. This also creates a positive role model for other companies to follow (Michelson, 2010, para. 4).

Workplace

Workplace, in the context of CSR, refers to “an appealing place to work — it treats its employees well” (“CSR RepTrak100”, 2013, p.7). It is especially important not to omit employees in the CSR program as employees are an important stakeholder in carrying out the company’s CSR program (McElhaney, 2008, p.102). Companies that care about their employees help increase employees’ satisfaction and morale, lower turnover rate, attract more talent, ensure workplace safety, and establish excellent work relations with employees. (Kotler & Lee, 2005, p.218). According to the study done by the Great Place to Work Institute, employees are more willing to take risks and bring more creative and innovative ideas to the companies (McElhaney, 2008, p.36). The study discovers that companies that pay more attention to their employees and their well-being “enjoy higher levels of customer satisfaction and customer loyalty” (p.36). Establishing employees’ loyalty to the company is as important as building customers’ loyalty because employees are representing the company and the brand. Employees also have more

interactions with customers, so they often have higher chances to listen to the customers and know their tastes better. Therefore, companies should not only focus on the external side of CSR such as supply chain, environment, human rights, philanthropy, and so on. They also need to include internal CSR, which refers to diversity, employee's privacy, health and wellness, job satisfaction, and more (p.102-103).

Intel ranks the top on employee relations in the world according to the 100 Best Corporate Citizens List done by the *Corporate Responsibility Magazine* ("CR's 100 Best Corporate Citizens 2013", 2013, p.1). Apart from building good relationship with employees, Intel also places high emphasis on workplace safety; one of their goals is to create an injury-free workplace. Through continuous process changes, promotions, employee and manager commitment, their active involvement, and partnering with suppliers, Intel's Design for Environment, Health, and Safety program has established the world standard. They also increase employees' safety practices and keep up with the zero-injury record. Intel's managers are committed to achieving the goal together with their teams as well. As a result, Intel is renowned for having the safest workplace and environment for their employees (Kotler & Lee, 2005, p.219).

Case Study on Microsoft and Apple on CSR practices

Microsoft

The CR's 100 Best Corporate Citizens List, conducted by the *Corporate Responsibility Magazine* is known as "one of America's top three most-important business rankings" and "the world's top corporate responsibility ranking based on publicly-available information."

("Corporate Responsibility Magazine's", 2014, para.1) They rank companies on individual

aspects of CSR including environment, climate change, human rights, and employee relations, corporate governance, philanthropy and finance. Microsoft ranks within the top 10 in most areas except climate change (rank 19), and employee relations (rank 82). It gets the top in both corporate governance and philanthropy while ranking second on the list for human rights (p.2).

Based on the Microsoft citizenship report in 2012 reported in the *Marketing Week*, Microsoft “gave more than \$900m in cash and software to nonprofits worldwide last year, reduced its carbon emissions by 30 per cent per unit of revenue, and made the company's biggest ever investment in overall employee compensation” (O’Reilly, 2013, para.4). According to the Reputation Institute’s CSR RepTrak 100 study, this is the second year that Microsoft has been chosen to be the top company with a well-implemented corporate social responsibility program that is renowned in the world. The institute concludes that the top four companies including, “Microsoft, the Walt Disney Company, Google, and BMW all have a strong perception when it comes to Citizenship, Governance, and Workplace” (“CSR RepTrak100”, 2013, p.13). Microsoft is committed to running their business equally, ethically, and openly. For instance, the environmental sustainability director Josh Henretig mentions that the company voluntarily discloses information through the Carbon Disclosure Project (Lajoux & Soltis Martel, 2013, p.6). The company has always scored highly in the CSR ranking. It also receives top rankings on reputation in three regions, including North America, Latin America, and Asia Pacific (Smith, 2013, para.25). Microsoft exemplifies a socially responsible company that is consistent and complies with its CSR commitment.

Apple

On the other hand, Microsoft's rival in the IT industry, Apple, is recognized as the most innovative company in the 2014 Global RepTrak 100 study ("Reputation Institute", 2014, para.2). Nevertheless, other than their high-tech products that capture worldwide attention, Apple is not famous for their CSR practices. It is not found on the list of the 100 Best Corporate Citizens for 2013. Apple also ranks ninth in the 2013 CSR RepTrak 100 study, which ranks lower than Microsoft ("CSR RepTrak100", 2013, p.13).

Apple establishes a suppliers' responsibilities report each year. However, the credibility of their report is much lower since the media constantly reveals news regarding problems found in their supply chain and workforce overseas ("Examining Apple's Core", 2012, p.7). Apple refuses to disclose their carbon emissions and participate in it at all; it is the biggest global IT corporation that is not willing to join the Carbon Disclosure Project, which is an international, non-profit organization that measures and discloses companies' environmental information (Blanchard, 2012, p.22). They also ignored their suppliers' working conditions and standards. It is revealed that over half of the workers in Apple's supply chain work over 60 hours per week and many suppliers do not follow safety standards. They have a bad reputation on regulating or monitoring their supply chain apart from the environmental issues (p.22). The Students and Scholars Against Corporate Misbehavior (SACOM) group protested that "profit maximization is the ultimate corporate principle, under which workers' dignity and well-being are of no concern" after a four-month underground investigation in the Foxconn Factory, the largest supplier of Apple's products. They also mentioned that the working condition there is "life without dignity". Many young workers could not stand the horrible environment and committed suicide (Lucas, 2013, p. 92). These issues have raised public awareness, and they have questioned

Apple's CSR practices ("Examining Apple's Core", 2012, p.8). After Apple's current CEO, Tim Cook, took over from Steve Jobs in 2011, he has brought positive changes, including increasing the transparency of the supply chain, introducing the employee donation matching program, and other charitable contributions (Tyrangiel, 2012, p.64). He is also trying to convince the public that Apple is making continuous improvements on other aspects, especially on the labor practice in the supply chain.

Philanthropy

Microsoft is one of the most notable philanthropic corporations in the world. It ranks first in philanthropy in the 100 Best Corporate Citizens List of 2013 ("CR's 100 Best Corporate Citizens 2013", 2013, p.2). The company demonstrates an action-oriented example, where they are committed to serving the community and educating future generations. They partnered with technology learning centers in the community globally. Microsoft established the Unlimited Potential (UP) program in 2003. They have awarded cash, donated software, provided technical support and training to millions of computer illiterates through the program. The Managing Director of Global Corporate Affairs aspires to "make computer literacy a reality for underserved communities worldwide" (Kotler & Lee, 2005, p. 165). It aims to enhance technology skills, broaden digital inclusion, and help create more job opportunities. This global initiative also aligns with the mission of Microsoft, "to enable people and businesses throughout the world to realize their full potential" (p.165). UP has already granted \$50 million to nonprofits in over 45 countries during the first year. In recent years, the UP program has been ongoing and growing further. It collaborates with Digital Divide Data (DDD), a social enterprise that educates young people on basic computer skills necessary for outsourcing jobs in third world countries, and has donated \$250,000 worth of software to DDD (Newsmakers, 2011, p.6). In Kenya, over 300

young people have an opportunity to learn business process outsourcing skills. The quality software also greatly benefits the outsourcing businesses there, which provide services to companies worldwide (p.6). Other than Africa, Microsoft's UP program brings technology to Asia. UP offers computer trainings to about 2,000 women a year in Japan, implements the program in vocational schools in Vietnam, increases the number of community technology learning centers in Saudi Arabia, the Philippines, and Vietnam ("Microsoft Targets Digital Divide", 2006, p.38).

In comparison, Apple, a world-known company, has not been recognized as a philanthropic corporation. Some Apple insiders said that the former CEO of Apple, Steve Jobs once mentioned in a meeting that he is resistant to giving out money (Vascellaro, 2011, p.1). However, Tim Cook, Jobs' successor as CEO of Apple, has taken a different approach in managing and running the company; he has been looking for ways to be more charitable and build its reputation for philanthropy. According to an internal meeting during the fourth quarter of 2011, Cook announced that Apple has raised \$50 million to support the African AIDS research and poverty relief organizations through the Product RED fund, which originated in 2006 (Patel, 2012, para.1). Apple has donated over \$65 million as of 2013. Cook has also started a charitable matching program for employees in the US to donate money to any non-profit organization of their preference with a maximum amount of \$10,000 per year (Vascellaro, 2011, p.1). Apart from keeping up with developing more cutting-edge technological devices and techniques, Cook has been working on building Apple's reputation on philanthropy.

Environment

Over 80 percent of Americans prefer to work in a company that cares about the environment, according to the National Geographic survey in 2008 (Kauffeld, Mahlotra &

Higgins, 2009, p.3). Some companies are committed to improving the well-being of the community while some of them focus on minimizing the environmental impacts in their production process. Socially responsible corporations strive to be more environmentally friendly by integrating environmental decisions into their business routines and operation (p.3).

Microsoft is placed at ninth in CSR's 100 Best Corporate Citizens 2013 ("CR's 100 Best Corporate Citizens 2013", 2013, p.2). The corporation has embedded various green initiatives into their operations for many years. When the international environmental group, Greenpeace commented in the report, "How Clean is Your Cloud?" about Microsoft and Amazon overly rely on using coal and other nonrenewable energy sources in their data centers and labs, Microsoft responded to it by taking immediate actions and made noticeable changes in their operations (Hernandez, 2013, p.7). In 2012, Microsoft committed to become carbon neutral by charging the business divisions within the company a fee for their carbon emissions. Microsoft is the pioneer in implementing an internal carbon tax across all the operations in the company (p.7). Each division needs to implement effective strategies and pay close attention to minimize their carbon emissions. The company uses newly developed software to track the result of carbon emissions and energy consumption ("Microsoft moves to carbon neutrality", 2013, p.41). Microsoft's chief environmental strategist, Rob Bernard mentioned that, "the fee enables us to invest in renewable energy credits and certified offset projects to meet our carbon neutrality goal" (Hernandez, 2013, p.7). The project could help Microsoft reduce up to 99 percent of greenhouse gas emissions. They also invest over \$4 million in the carbon offset program worldwide through the funds that are collected from the carbon tax project ("Microsoft moves to carbon neutrality", 2013, p.41).

Microsoft considers green initiatives when they make decisions. Although these projects and strategies increase the costs to the company in the short run, Microsoft understands the

importance of environmental sustainability. Moreover, the operating cost will be lower in the long run because of renewable energy efficiency and reduced usage of electricity, water, and nonrenewable energy resources. Their commitment and efforts are recognized by the Environmental Protection Agency, and they have won the Green Power Partner of the Year Award (Hernandez, 2013, p.7). These endeavors help enhance corporate credibility. They also foster employees to be more responsible to the environment in their daily life and be more persistent in sustainability (“Microsoft moves to carbon neutrality”, 2013, p.41).

Socially responsible companies like Microsoft have been making accomplishments on reducing their environmental footprints but some companies neglect the environment and exploit the natural resources excessively. Greenpeace has been putting pressure on Apple and other companies to revise their policies and regulations on environmental protection over the years. The organization publishes a companies’ ranking list yearly about the companies’ production, operation, and management of electronic waste. Apart from Greenpeace, *Conde Nast Portfolio*, a business magazine has studied the background information, court records and interviews of many companies in the United States. They have listed out the “Green Eleven” and “Toxic Ten” in 2008 based on their research (McElhaney, 2008, p.29). Companies on the “Green Eleven” list are the most environmental-friendly American based corporations. They adhere to the green standards they propose in their reports and also meet the US Environmental Protection Agency’s requirements. In contrast, the list of “Toxic Ten” is those companies that need to put more effort on their CSR practices. *Portfolio* comments that they produce too much pollution and overly consume power, which destroy the environment severely (Detrick, 2008, para.10). Some articles even describe those companies “in a variety of industries, not just the traditional smokestack polluters, complete with skulls and cross bones and exaggerated graphics of pollution” (para.1).

Apple was one of the companies on the “Toxic Ten” list as Greenpeace has revealed that Apple products contained significant amount of hazardous chemicals that could cause birth defects and cancer in 2007 (McElhaney, 2008, p.29). In response to the accusation, Apple has been working on excluding toxic chemicals in the products since then. The 2012 Apple Green Report (p.1) generated by Greenpeace announces that Apple scored higher than before and ranked number six, with a score of 4.5 out of 10. The report mentions that through their investigation, every Apple product now does not contain any hazardous toxins including brominated flame retardants (BFRs), polyvinyl chloride (PVC), and phthalates. Apple has also stopped using PVC and BFRs in computers, and were the first company in the industry to accomplish this goal since 2008 (“Apple Green Report”, 2012, p.3).

Apple is demonstrating to the public that they have been making progress in their practices after being criticized by Greenpeace and the media for years. They have made improvements, especially on their products’ criteria in recent years, in which they receive full points on their products’ energy efficiency in the report. Many Apple products like the MacBook and Mac are more energy-efficient as they have built-in components and software that help save energy (“Apple Green Report”, 2012, p.3). Apple has also done well on their recycling program. They have reached and gone beyond their goal in the global take-back program. Apple originally aimed for 50 percent in the recycling rate in 2010 but it turned out to be over 70 percent in 2011 (p.3). Now they are expanding the program to more countries that have sales records with over 95 percent of Apple’s products. In the US, they encourage customers to recycle their electronic devices. They now offer free recycling for iPods, iPhones and any brand of cell phones that no longer work. For any old Apple devices that are still working, Apple will reuse them, and customers will receive an Apple store gift card (“Apple Recycling Program”, 2014). With the

success of the global recycling program in the past few years, Apple believes that they could continue to keep the high rate of recycling e-waste globally until 2015 (“Apple Green Report”, 2012, p.4).

Yet, Apple’s overall score is below average in the report (“Apple Green Report”, 2012, p.1). There are areas Apple needs to improve on. Apple has the lowest scores on the energy criteria, as they do not provide any information on their greenhouse gas emissions, energy consumption, and toxic chemicals handling (p.2). Apple needs to be more transparent on disclosing their information on the environmental aspect in order to gain credibility and be an environmental-friendly corporate citizen.

Labor Practices & Workplace

Microsoft has scored relatively high on most of the rankings in the 100 Best Corporate Citizens List of 2013 except employee relations (rank 82) (“CR’s 100 Best Corporate Citizens 2013”, 2013, p.2). Despite the fact that Microsoft has done well in most of the external aspects of CSR, Microsoft faces a few issues on the relationships with their employees, which pulls down their ranking and harms their company’s reputation.

According to some employees’ reviews from Glassdoor, an employee satisfaction and company review website, the majority of them enjoy working at Microsoft for its great company culture, flexible working times, smart colleagues and good salary. Nevertheless, they were not satisfied with the former CEO of Microsoft, Steve Ballmer (Parkhurst, 2013, para.2). He earned a less than 40 percent approval rating from employees in 2011. Microsoft also received only 3.5 out of 5 through the employees’ review in early 2013 (para.9). During his time, Ballmer implemented the “stack ranking”, by which employees in each group are graded by the managers

according to a five-point scale (Farnham, 2013, para.3). High performers score one, which is the highest score; employees who score five are the bottom performers. Top performers get bonuses while bottom performers need reassignment. The ranking system received much negative feedback from employees. Both current and former employees saw it as the most poisonous system for them at Microsoft (para.4). Journalist Kurt Eichenwald described that such system as creating “an inward-looking culture more focused on back-stabbing and office politics than on the outside world” (para.6). Employees criticized that stack ranking creates aggressive competition among employees, which hinders creativity, discourages teamwork, and damages corporate culture (para.10). They were not pleased with Ballmer’s leadership and lost confidence in him. The evaluation system might possibly be one of the major reasons that resulted in the comparatively lower ranking on employee relations in 2013. Later the system was abolished in November 2013 (para.1). In February 2014, Satya Nadella became the new CEO of Microsoft, and Ballmer retired (Tu, 2014, para.4). With the appointment of the new CEO, employees are excited about the change, and they like Nadella’s passion. Karmal Jain, who used to work in the Microsoft Research Center with Nadella described him as a leader that “takes good care of his people and his duties”, and complimented that “he’s a very humble leader. He listens carefully. He makes sure people under him succeed. He mentors them well” (para.32). Under Nadella’s new leadership, people have the confidence that he will be able to strengthen the relations with employees and bring positive changes to the company.

On the other hand, although Apple made the commitment through the Supplier’s Code of Conduct on fair labor rights, safe working environment, regular inspection on the supply chain, and more every year, the media and labor associations constantly reveal several issues in the suppliers’ factories, such as illegal overtime, crowded working conditions, under-age laborers,

and improper disposal of hazardous waste. All these issues violate the standards that are committed by Apple and their suppliers in their code of conduct. Facing increased criticism and public pressure in past years, Apple has been making improvements on their transparency (Tyrangiel, 2012, p.72). Apple's progress report in 2012 reported that more than half of Apple's suppliers have their workers work over 60 hours a week in their factories. 35 percent of suppliers fail to meet the safety standards (Blanchard, 2012, p.22). Thus, Cook decided to join the Fair Labor Association (FLA), which is responsible for investigating Apple's suppliers and reporting the results to the public. Apple is the first high-tech company in the industry that does that (p.1). Apple does its own auditing while FLA also does an independent one. They will publish a report based on their findings. Cook has known Terry Gou, founder and chairman of Foxconn for many years. Gou is willing to open the factories to Apple's auditors and FLA auditors to investigate. Cook mentioned in the interview with *Bloomberg* magazine that Apple has been working hard to find out issues they have and make changes (Tyrangiel, 2012, p.72). He has also made a commitment that, "if there's a production process that can be made safer, we seek out the foremost authorities in the world, then cut in a new standard and apply it to the entire supply chain" (Blanchard, 2012, p.23). Apart from auditing the supply chains' activities, Apple has demonstrated increased concern for those employees. They provide training to two million of people and offer college courses to the factories' workers to increase their educational levels (Tyrangiel, 2012, p.72). With the commitment and improvement Apple has made, Apple seeks to be more accountable and responsible on worker safety, working conditions, and their employees' well-beings. Prospectively, Apple will also receive less negative news and demonstrate further improvement on their labor practices.

Conclusion

Microsoft has been scoring high in various global corporate social responsibility rankings for many years; the company demonstrates a great example that consistently complies with its CSR program. They receive a high reputation on CSR in other countries as well. Microsoft has a well-known brand image on CSR practices. Microsoft has been doing lots of work and contributing to the world for decades in order to get to this point today. They have been devoted to charity work and all kinds of socially responsible practices; they have also initiated several green strategies to minimize their environmental impacts. Nonetheless, no companies are perfect in their CSR programs. Microsoft also has some areas they need to work on but they can still serve as a role model for other companies to learn from.

In comparison, Apple is the one of the world leaders in the electronic devices and technology sector. Although Apple's high-tech products have successfully caught the world's attention, the negative news and bad reputation of their supply chain leaves the public with a negative impression of the brand image. Since Tim Cook has taken over Steve Jobs' position in 2012, there are some changes in Apple's way of operation. Cook has been gradually transforming the company, especially on being a socially responsible multinational corporation. They have participated in some philanthropic activities, produced products that are more environmental friendly, raised the transparency of their supply chain, and more. Apple has recognized the importance of CSR and has been making progress in these practices in recent years.

Businesses including Apple and Microsoft are striving to be profitable as their ultimate goal. Being profitable is undoubtedly important. At the same time, companies are expected to go

beyond profit, to conduct business ethically and responsibly. Companies are supposed to obey the law and regulations. They also should act in an ethical manner towards all stakeholders. Lastly, companies should operate as good corporate citizens within their communities or even the world. In today's business world, more companies are seeking ways to achieve these four levels simultaneously and contribute to the well-being of society while maintaining profitability. Many of them have been working hard to modify their corporate structures and incorporate strategies in order to establish a socially responsible corporate culture and become a responsible corporate citizen, as they understand this will benefit the company, employees and community in the long run. It will also help build reputation and leave a good impression. The famous American billionaire investor, Warren Baffet once said, "It takes 20 years to build a reputation and 5 minutes to ruin it." It takes time, effort, and determination to establish reputation and ingrain a company's positive image into people's minds. Therefore, more companies are taking their role as CSR leaders seriously in order to be more profitable, sustainable, and prominent corporate citizens.

References

- Abels, P. B., & Martelli, J. T. (2012). What is CSR all about?. *Global Conference On Business & Finance Proceedings*, 7(2), 86-90.
- Apple Green Report. (2012) *Greenpeace*. 1-4. Retrieved from <http://www.greenpeace.org/international/Global/international/publications/climate/2012/GuideGreenerElectronics/APPLE.pdf>
- Apple Recycling Program. (2014) *Apple.com*. Retrieved from <http://www.apple.com/recycling/gift-card/>
- Blanchard, D. (2012). Corporate Social Responsibility in the Supply Chain. *Industry Week/IW*, 261(5), 22-26.
- Corporate Responsibility Magazine's "100 BEST CORPORATE CITIZENS LIST". (2014). *Corporate Responsibility Magazine*. Retrieved from <http://www.thecro.com/100-best-corporate-citizens-list>
- Craig, S. (2013). Building Better Business With Generosity. *American Salesman*, 58(3), 24-28.
- Crane, A., McWilliams, A., Matten, D., Moon, J., & Siegel, D. S. (2008). *The Oxford handbook of corporate social responsibility*. Oxford: Oxford University Press.
- Creel, T. S. (2010). Environmental Reporting Practices of the Largest U.S. Companies. *Management Accounting Quarterly*, 12(1), 13-19.
- CR's 100 Best Corporate Citizens 2013. (2013) *Corporate Responsibility Magazine*, 1-4. Retrieved from http://www.thecro.com/files/100Best2013_web.pdf

CSR-The Shape of a History. (2014) *Center For Ethical Business Cultures*. 1-52. Retrieved from

http://www.cebcglobal.org/uploaded_files/pdf/CSR_-_The_Shape_of_a_History_-_working_paper_2005.pdf

CSR RepTrak100. (2013). *Reputation Institute*. 1-22.

Detrick, P. (2008). Portfolio Magazine Slams Top Corporations as 'Toxic Ten'. *Media Research*

Center. Retrieved from <http://www.mrc.org/articles/portfolio-magazine-slams-top-corporations-toxic-ten>

Eccles, R., Ioannou, I. and Serafeim, G. (2012). The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance. Cambridge: *National Bureau of Economic Research*. 1-57.

Examining Apple's Core: Will CSR Prevail?. (2012). *Business & the Environment*, 23(3), 7-8.

Farnham, A. (2013). Microsoft: 'Stack-Ranking' Gets Heave-Ho. *abcnews (Online)*. Retrieved from <http://abcnews.go.com/Business/microsoft-abolishes-stack-ranking-employees/story?id=20877556>

Friedman, M. (1970). The Social Responsibility of Business is to Increase its Profits. *The New York Times Magazine*. 1-6.

Hernandez, P. (2013). Microsoft Touts Environmental Progress. *Eweek*, 7.

Kauffeld, R., Malhotra, A., & Higgins, S. . (2009). Green Is a Strategy. *Strategy+business Magazine*. 1-4. Retrieved from <http://www.strategy-business.com/article/00013?pg=all>

- Kotler, P., & Lee, N. (2005). *Corporate social responsibility: doing the most good for your company and your cause*. Hoboken, N.J.: Wiley.
- Lajoux, A. R., & Soltis Martel, C. (2013). Sustainability Rising. *NACD Directorship*, 39(2), 24-35
- Lucas, K., Kang, D., & Li, Z. (2013). Workplace Dignity in a Total Institution: Examining the Experiences of Foxconn's Migrant Workforce. *Journal Of Business Ethics*, 114(1), 91-106.
- McElhaney, K. A. (2008). *Just good business the strategic guide to aligning corporate responsibility and brand*. San Francisco: Berrett-Koehler Publishers.
- Michelson, M. (2010). Harvard does case study on Aspen Skiing Company. *ESPN: The Worldwide Leader In Sports*. Retrieved from <http://sports.espn.go.com/action/freeskiing/news/story?id=5674895>
- Microsoft moves to carbon neutrality. (2013). *Corporate Citizen Magazine*, (9), 41.
- Microsoft Targets Digital Divide. (2006). *Electronic News (10616624)*, 52(9), 38.
- Newsmakers. (2011). *Information Today*, 28(7), 6.
- O'Reilly, L. (2013). 'Microsoft has best global CSR reputation'. *Marketing Week (Online Edition)*, 7.
- Parkhurst, E. (2013). Microsoft employees' confidence in Ballmer, company grow in 2012. *Bizjournal.com*. Retrieved from

<http://www.bizjournals.com/seattle/blog/techflash/2013/01/microsoft-employees-confidence-in.html?page=all>

Patel, N. (2012). Tim Cook boasts about Apple's charitable contributions during internal all-hands meeting. *The Verge*. Retrieved from <http://www.theverge.com/2012/2/2/2766403/tim-cook-apple-charity-project-red-stanford>

Quak, S., Heilbron, J., & van der Veen, R. (2012). Has globalization eroded firms' responsibility for their employees? A sociological analysis of transnational firms' corporate social responsibility policies concerning their employees in the Netherlands, 1980-2010. *Business & Politics*, 14(3), 1-21.

Reputation Institute - Global RepTrak® 100. (2013). *Reputation Institute*. Retrieved from <http://www.reputationinstitute.com/thought-leadership/global-reprtrak-100>

Schwab, K. (2008). Global Corporate Citizenship. *Foreign Affairs*, 87(1), 107-118.

Sharma, S., & Mehta, S. (2012). Where Do We Go From Here? Viewing Corporate Social Responsibility through a Sustainability Lens. *Journal Of Contemporary Management Research*, 6(2), 69-76.

Smith, J. (2013). The Companies With the Best CSR Reputations. *Forbes.com*. Retrieved from <http://www.forbes.com/sites/jacquelynsmith/2013/10/02/the-companies-with-the-best-csr-reputations-2/>

Tu, J. (2014). 'He knows his stuff': CEO Satya Nadella is well-liked, low-profile. *Seattle Times (Online)*. Retrieved from

http://seattletimes.com/html/business/technology/2022833309_microsoftnadellaxml.html

Tyrangiel, J. (2012). Tim Cook's Freshman Year. (cover story). *Bloomberg Businessweek*, (4308), 62-76.

Vascellaro, J. E. (2011, Nov 02). Apple in his own image; CEO Tim Cook starts charitable program, emails the 'team'. *Wall Street Journal (Online)*, 1-3. Retrieved from

<http://search.proquest.com/docview/901263932?accountid=14784>