

Corporate social responsibility in the ict industry



1. Introduction

ICT industry has experienced rapid growth characterised by strong competition in which companies are increasingly focussing in improving their core competencies such as innovation, marketing, and branding to maintain competitive advantage. Manufacturing and supply chain are usually outsourced to developing countries; leading to complex multi dimensional relationships between companies. To maintain operational efficiency companies a lot of times don't pay heed to environment and low power stakeholders such as employees, NGOs etc., and therefore lack a systematic CSR (corporate social responsibility) framework. According to a finding by Forrester Group (Figure 1), 34 % of organizations are now pursuing a CSR action plan and about 13% have already implemented one (Forrester, 2009). CCSR framework enables identification of root causes of issues, establishes remedial processes and supports continual improvements. Companies already use business management systems (BMS) and utilizing CSR management standards such as ISO 26000 and ISO 14001 should not be difficult to adapt. These standards will act as performance indicators for company's CSR. Having an integrated approach towards business and CSR ensures company's long term viability by not only addressing environmental and societal issues but also developing business process, improving quality, and controllability.

This paper will show that despite organizations being reluctant in realizing the not so visible returns by investing in CCSR, it is increasingly becoming critical to incorporate the social and environmental strategies within the business structure. This paper analyses the major challenges, root causes for

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these challenges faced by ICT industry, and concludes by recommending a series of procedures that can be adopted by companies to ensure their viability and sustainability in the present and future.

2. Prevalent CSR issues in the industry

The major CESR (corporate environment and social responsibility) issues identified in organizations, especially in developing countries that manufacture 45% of all ICT products are excessive working hours, worker health and safety, poor employer-employee relationship, e-waste and pollution (Janco Associates Inc., 2009).

2.1 Poor employee engagement

Many workers in the ICT industry, especially in the manufacturing sector, are hired regularly on short term contracts and laid off at the end of their term. Under this set up employers get away without hiring full-time employees; thereby, avoiding higher wages and benefits, which would have been incurred otherwise. This happens quite often in developing countries such as China and Philippines. This prevents workers from actively partaking in companies' growth and decreases loyalty. In addition, the manufacturing industry is plagued with workers having to work mandatory overtime in order to meet high production demands at varying times. This requires flexible as well as long working hours for employees. In many developing countries, workers are threatened to be fired in case they do not comply with these work schedules. Long working hours can also be highly detrimental towards the morale of the workers and hurts the motivation of the labour force.

2. 2 Health and safety issues (U. S. Geological Survey, 2008)

Majority of electronic products manufactured by ICT industry contain some form of hazardous substances. Workers in developing countries are constantly exposed to these materials that pose significant risks to their health hazards. According to Ladou (1994), ICT manufacturing workers are exposed to more toxins than workers in the chemical or pesticide industry are.

2. 3 Electronic Waste (E-Waste)

One of the greatest environmental issues the ICT industry currently faces is inconsistent e-waste policies adopted not just by companies but governments across the world. <http://www.pcij.org/blog/wp-content/uploads/2008/10/e-waste-dumping-routes-large.jpg>Figure 2: Sources and destinations of e-waste

Due to rapid technological developments and newer design models of cell phones, the average lifespan of a cell phone is only 18 months in OECD countries (U. S. Geological Survey, 2008). This creates tremendous amounts of e-waste generated that is exported in tonnes on a daily basis to developing countries. Many times this waste is exported under the category of workable conditions though it is dysfunctional. Many recyclers are not certified and do not follow environmental or social standards to recycle. Figure 2 identifies sources and destinations of most of e-waste. It is unsurprising to see that developed nations are using developing countries as their e-waste graveyard. Most companies use third party contractors, who form part of a nascent industry, to handle product disposal and recycling.

3. Root-causes of the challenges in the ICT sector

Information and Communications Technology (ICT) companies are constantly bombarded by protests from the public, non-governmental organizations (NGOs) and governments with respect to their inattention towards social and environmental responsibilities. There are several reasons why these companies are unable to adequately execute their aforementioned responsibilities. The following paragraphs will highlight some of reasons and identify the root causes of the challenges ICT companies face in this regard (FIAS & BSR, 2007).

3.1 Significant upfront costs without tangible benefits

According to FIAS and BSR (2007), ICT companies are constantly challenged by issues of feasibility when considering an investment to promote their corporate social responsibility (CSR), due to the uncertain return on investment (ROI). Financial return through CSR is usually intangible and therefore difficult to keep a track of and measure, hence heightening the risk perceived by managers. However according to FIAS and BSR's (2007) survey, investments in CSR can result in lower employee attrition rates, increased process efficiency, healthier business relationship with customers and high influx of customers among other various benefits. Nevertheless, the perceived financial uncertainty inherent in CSR investments leads many companies to overlook the benefits highlighted by the aforementioned survey and simply regard it as a long term strategy with no guarantees. Some companies wait to become late adopters until the impact of CSR is tested and tried in their industry before incorporating it within their business model.

3. 2 Heavy investments

FIAS and BSR (2007) found out that companies' implementation of a CSR strategy could increase costs by 3-5% or perhaps even more, in addition to costs incurred through the adoption of new equipment and technologies to promote better environmental or health and safety practices for example. As well, the management has to invest time, effort and other resources to perform training and develop internal policies. These factors add to the uncertainty and perceived burden of CSR investments and may further act as deterrents for companies to invest significant resources.

3. 3 Complexities related to overtime

Unmanageable excess overtime is one of the greatest CSR challenges ICT manufacturing suppliers face. According to FIAS & BSR's survey (2007), a significant number of suppliers believe that they could fulfill all CSR expectations except excess overtime. The major reason behind this issue is overtime decisions are outside of the suppliers' control. The manufacturing industry faces a lot of fluctuation in manufacturing demand that results in a lack of predictable product volumes. Other factors such as changes in the workforce, fluctuations in raw materials prices, evolving labour and environment laws, and even last minute changes in customer orders complicate this process. While companies do make efforts to responsibly manage workers' work-life balance, in the case of suppliers that hire hundreds of thousands of workers, this process may well be extremely challenging.

3. 4 Implementation of CSR expectations in supply chains

The CSR efforts of multinational corporations (MNCs) can multiply significantly if they realize the importance of motivating and convincing all of their supply chain partners within the hierarchy to adopt responsibility towards the community and environment they operate in. However, this can be very challenging and companies typically feel responsible for only towards their next supplier's performance and are not aware of suppliers' activities down the supply chain. MNCs outsourcing into developing countries bear the responsibility of ensuring that their suppliers conform to ethical values and international standards

4. Recommendations

Leading organizations have embraced a leadership role in CSR initiatives because they realize that by investing in the community, the environment, and its internal resources they create cost savings, competitive advantages and continued growth (T Systems, 2009).

Central to any company's success has been a very trusting working atmosphere that involves open communication between employees and management. Initiatives such as daycare services, preventive back pain workshops, support programs for smokers and subsidized healthy food and gym programs have helped in promoting active employee engagement. Various companies are actively involved in helping non-profit organizations with financial and non-financial measures.

A lack of gender diversity, specifically women in the workforce is a constant challenge for the information and communication technology (ICT) industry

as a whole as over 80% of the industry's workforce is male. Another issue is environmental awareness among employees, customers and its supply-chain. For example, employees may not be adopting proper recycling practices or cutting down on wastage. Customers may not be eager to adopt virtualization, which is a technology that enables more efficient server energy use, because of a fear of privacy breaches. Similarly, with regards to the supply chain, large e-waste problems may not be addressed adequately, leading to large amounts of waste due to constant hardware turnover that is irresponsibly disposed in the developing world, thereby contributing to pollution and possibly negative health outcomes.

Great changes can be brought by adopting small initiatives throughout the industry by every company. Eventually these changes will become the norm of the industry and perhaps transform into standards and laws.

Implementation of a split focus between environmental, and internal and external social initiatives is essential to satisfying all key stakeholders. The following table highlights some of the positive and negative aspects of adopting such an approach:

PROS

CONS

Builds and maintains brand image

Consolidates approach and addresses key areas of corporate concerns

Can choose from a wide array of projects

No catch-up required for upcoming industry/regulations for environmental/social practices

Satisfies all stakeholders' needs

High resource needs

Splitting corporate focus

Takes focus away from customer acquisition

Therefore as the table indicates, this option addresses both social and environmental factors; however it lessens the overall effect on both areas compared to if they were pursued individually.

4. 1 Create an enabling ICT policy framework that incorporates a holistic CSR strategy within the business model

Companies need to create and integrate a CSR strategy within their existing business model to be able to fully engrain CSR into their company. This strategy recognizes and addresses issues independently on a priority basis. Every company will find different issues it needs to address; for instance, a chemical processing plant will have to find the best possible way to dispose off waste responsibly, whereas, an electronics manufacturer will address the issue of toxic metals being used in production. Once the company is able to establish and adhere to its CSR mission, it then can communicate these values among its supply chain and members of the ICT industry. The goal is to adopt a strategy that maximizes sustainability in the following areas: brand image, stakeholder satisfaction, and long term viability.

4. 2 Create incentives for suppliers

Suppliers consider incentives from customers as being a strong motivator to improve their CSR performance. Therefore, companies should determine which incentives would help their suppliers perform better in meeting CSR expectations. Some examples of incentives could be a combination of longer contract terms, increased purchase volumes, higher prices and public recognition through awards and certificates. The amount of incentives can be linked to different levels of performance shown by the suppliers.

Companies need to realize that providing these incentives may hurt their profits initially, but in the long run the advantages derived from better CSR performance, such as less need for monitoring, reliable supply chains, diminished risk to brand image, improved product quality, and better operated facilities, could potentially counter the initial reduction in profits.

4. 3 Implement Standard industry-wide codes

A common industry standard is essential to guide and monitor compliance for companies. Codes such as the Electronics Industry Code of Conduct are universally identified and accepted as being a tool to improve processes and methodologies. Additionally the presence of one industry standard increases documentation and reporting efficiency as there will be less duplication, inconsistency and confusion.

4. 4 Conduct audits for improvement rather than compliance

Companies perform audits merely as a responsibility to get over with.

However, audits are to serve as a learning opportunity by identifying issues and areas for improvement. Audits should be able to not only tell companies the degree of compliance with the standards but also give a larger picture of

company's fulfillment of its commitment to CSR. Following the audits company can arrange training sessions to remedy the weaknesses identified in the audits (FIAS & BSR, 2007).

4. 5 Involve and implement responses from all stakeholders

In order to achieve this, companies can implement the CSR strategic process that TELUS has been able to utilize successfully. This process engages internal and external stakeholders to develop a CSR strategy that is continuously reviewed and realigned to achieve results. Involving stakeholders during various stages of strategy incorporation enables development of a wholesome strategy, which satisfies needs of all social and environment aspects. Typically, NGOs and environmentalists are not involved in company's CSR strategy framing, thereby, limiting companies' performance in green sector.

CSR

4. 6 E-waste Management System

With regards to e-waste management, the goal is to find a clean, economical and constructive means of disposal. As such, the adoption of an e-Market for Returned Deposit system similar to the model outlined by Kahhat, Kim et. al is recommended (Kahat, Kim, Xu, Allenby, Williams, Zhang, 2008). This system will consist of the development of a database that will act as a 'forum' for suppliers and organizations looking for cheap, reusable and recyclable hardware. This database provides suppliers with an outlet to dispose of their grandfathered and unusable hardware in a responsible and economic way. As well, e-waste disposal companies (who meet WEEE standards) could access the forum to look for hardware that they may need.

There could also be a separate section for donation to schools and non-profit organizations. The hope is that this forum will help shrink the digital divide and decrease pollution from e-waste.

This site would be directly influencing their customers as well as their suppliers to dispose of their e-waste in a constructive and responsible manner while assisting in the further development of the community's technological know-how, thereby shrinking the digital divide.

Finally, companies can begin offering their expertise in environmental efficiencies in order to create an ethical supply chain. This process will start by educating suppliers and moving on to educating other organizations and may represent a future revenue stream.

4. 7 Employee Engagement

As part of an initiative to increase employee engagement while addressing companies' strategy of socially responsible behaviour, the development of a cross-functioning CSR ' Task Force' in every company is recommended. This group's mandate will be to initiate, develop and implement new CSR initiatives designed to enhance and add to the company's current CSR strategy. A senior management director, who will act as a facilitator for the committee, will champion this task force. Beyond this role, he or she will act merely as a symbolic head of the committee. The idea behind this arrangement is to ensure that upper management is kept abreast of homegrown ideas and developments and to make sure they remain engaged in the overall CSR strategy. Members of the task force will be employees selected from different functional areas of the company. Intra-company

elections will be held on an annual basis to select a committee head (non-management), who will be the main driver and coordinator of new CSR ideas and strategies. By having non-upper management employees lead this task force, a way for employees to gain valuable leadership experience will be realized. Cisco Systems has implemented a similar program and to date they have experienced very successful results (Creary, 2010). This project allows Host Europe to engage its employees and involve them in a strategically important initiative all while reaping the benefits of new and innovative CSR ideas derived from a 'CSR think-tank' at a low cost.

Such a task force will also act as CSR consultants that hopefully will educate and help implement CSR strategies that mirror leading companies' strategies up the supply chain. Depending on how the 'CSR' consultants are received by suppliers, there is potential that this could become a new revenue stream as suppliers try to reach the customer's position.

In order to encourage engagement from all employees we suggest that, in conjunction with the newly appointment CSR Task Force, companies begin an employee efficiency reward system where employees are rewarded financially for the degree of environmentally efficient measures they take. These measures would be decided by the CSR team and could include anything from car-pooling to personal contribution to community programs geared at environmental clean-ups, to outside education of local businesses. Employees's CSR commitment can be measured in their annual performance review. At the end of the year, the CSR Task Force can vote on the top CSR performers at the company and bonuses can be given out to them.

4. 8 Focus on Diversity

To address the lack of female representatives in the ICT industry, companies can seek membership in local female associations like Organization of Women in International Trade (OWIT) and Association for Women's Rights in Development (AWID). These organizations concentrate on developing women's technical skills, offers networking opportunities, career guidance and increase awareness and interest in the field of ICT. Through these channels, companies can attract top students to through internships or executive hiring programs. Other senior female executives in the ICT industry can act as champions for the overall initiative by participating in information sessions, mentorship programs and initiatives like job shadowing.

4. 9 Effective Human Resource Planning

To ensure that the company has the right people in the right place at the right time, I would suggest the adoption of Strategic Workforce Planning (SWP) (Conference Board of Canada, 2009). This involves identifying hiring needs based on the projects companies plan to undertake in the next 3-5 years, evaluating their options to fill those positions based on skills, identifying gaps and finally developing a plan to tackle them. SWP will help companies meet talent needs based on different market conditions, account for new opportunities and projects that may be implemented in that timeline. The SWP incorporates initiatives that develop talent internally as well as develop a recruitment plan to attract external talent.

5. Conclusion

CSR needs to be fundamentally integrated into business operations and relationships. In many companies, CSR is the absent link that could potentially help companies grow responsibly and sustainably along with its stakeholders. Increasingly CSR is becoming more and more critical to a company's success as customers become more aware of their surroundings. Deployment of CSR adds incredible value to a company's business while also supporting communities and the environment. Adopting CESR policies will also equip companies to readily conform to impending legislations and regulations and organizations will be well prepared to comply with standards. During the process of implementing these CSR initiatives, companies should start with easily adoptable features such as energy efficient usage of resources at work. Many of the recommendations made in this paper do not require extensive capital commitments; rather, attitudinal changes in the way companies operate. Other recommendations however, such as building energy efficient data centres and other ICT infrastructure, may require a considerable amount of time and financial investments (Fernando & Okuda, 2009). Through partnership, organizations can encourage and support one another to adopt and adhere to their commitments. If systematically approached and consolidated, these initiatives will definitely provide companies with excellent and far-reaching improvements (T Systems, 2009).