

Corporate social responsibility at amazon business essay



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This report has developed a concise overview of the CSR practices at Amazon. com, the largest online retailer in the world. Through the use of several issues and the assessment of these issues on the basis of CSR theories the report has shed a different perspective on the company's practices.

The following issues have been discussed in the report:

In the US Amazon is actively seeking to avoid sales tax by creating legal business structures such as shell companies and affiliate companies.

Although it is not illegal the company is actively using a loophole in legislation and thereby gaining a competitive advantage over smaller companies.

There have been several reports on harsh working condition in the warehouses and customer service centers of Amazon. In addition there have been and anti-unionization efforts by Amazon to prevent employees from becoming powerful.

In Germany the company has been taking public subsidies several times for re-hiring the same temporary employees.

These issues have been assessed at end of each chapter and have tried to develop an understanding of the behavior of the company. Although the company was not acting illegally it is willfully searching for methods to generate or save money. It can be said that the company has a reactive behavior towards CSR.

In chapter 5 Carroll's Pyramids has been applied to all the business activities of Amazon. With regards to the bottom of the pyramid the company is acting moderately well, however when moving up the pyramid their practices becomes less ethical. For the top of the pyramid, philanthropy, it can be said that the company is not making any efforts in that area.

The main recommendations for Amazon with regards to CSR are: Amazon should become a more proactive company rather than reactive, being more open about their CSR and sustainability performance would make the company more transparent and Amazon should look to restore the balance between the 3P's, people planet profit.

As a final section the lessons learned have been added to the report. In this section I explain the importance of teaching CSR to business students. Educating business students on CSR will help to create a better world.

Contents

Introduction

The purpose of this report is to provide the reader with an overview of the CSR practices at Amazon. com, hereafter Amazon, the world largest online retailer. In addition to these activities Amazon is also engaged in developing consumer electronics e. g. the Kindle e-reader and Kindle Fire, and is one of the largest providers of cloud computing services.

This report will mainly discuss the issues that are perceived to be bad or not socially responsible. The issues used in the report are perceived bad in the opinion of the media and the public.

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In order to place the CSR practices into perspective the ethical theories deontological, virtue ethics and contractarianism will be used. In addition Carroll`s Four-Part definition of CSR will be used to develop a further understanding of the issues.

After carefully reviewing the different perspectives on the amazon case the final part of the report will conclude and make some final recommendations to improve their CSR practices. At last a personal note is made about the CSR lessons learned.

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1. Methodology

Developing this report has required some extensive research into the topic of Corporate Social Responsibility and into Amazon. com. In order to write a report that would discuss the general CSR practices at Amazon it was important to develop a better understanding of the company and its business operations.

Secondary research

The sole method of research has been secondary research into various sources. First of all the research focused on developing a better understanding of CSR. Therefore study books were used as well as the lecture notes from the CSR classes from Mrs. Murphy. Once a solid understanding of CSR was developed the research on Amazon was started.

Finding information on the CSR practices of the company were rather difficult as the company does not publish a CSR report or a sustainability report. The primary sources of information were therefore books, magazines and websites. Online search results were extremely difficult as in many search engines the domain authority of Amazon is higher as the websites that report on their CSR practices. For many search queries the Amazon website would fill the first pages with products offers instead of the websites that report on the company.

A complete list of the used sources can be found in the Bibliography.

2. Sales Taxes

Over the past decade Amazon has been accused of tax avoiding by only charging sales tax for customers in only eight American states, out of the 45 states with a statewide sales tax. From a European perspective it is important to understand the differences in tax payments and tax collection in the United States vs. Europe.

The European system forces companies to collect value added taxes which have to be paid to the countries government in which the company operates. In comparison the American system uses a method of sales taxes which can vary between 1% and 10% according to the state. However in the Quill Corp. v. North Dakota Ruling (1991) it was ordered that states cannot collect sales tax if the company has no physical presence (nexus) in the state. What could not be foreseen in this case was the growth and the impact of online sales which enabled companies to easily sell goods without a presence in a state. Making use of the loophole in legislation companies are enabled to sell goods

without the additional sales tax, and thereby gaining a competitive advantage over their competitors.

One of the many companies making use of this loophole in legislation is Amazon. The controversy lies in the fact that the company actively seeks to avoid the tax. Amazon is operating in all of the 50 states, of which 45 have state-wide sales tax, however it only pays sales tax in 5 states in which it has a clear presence (<http://www.amiba.net/resources/news-archive/amazon-nexus-subsidiaries>). By creating subsidiaries, affiliates and shell companies Amazon avoids presence in most of the other states.

In addition to actively avoiding sales taxes the company is also actively lobbying against national legislation that would help states to collect sales tax. In 2010 the 'Main Street Fairness Act' which aimed to find a solution for the sales tax problem, failed in Congress. Noteworthy is that the members of the Congress met four times with Amazon lobbyists. Amazon spent \$610,000 on lobbying in 2010 in addition the company spent over \$200,000 to support the elections.

As more and more states are urging Amazon to pay sales tax the company is often able to overcome these threats. Threatening to cut loose with local partners and affiliates or to remove their facilities to another state helps them overcome the threats from state governments.

Assessment from an Deontology point of view

To assess the issue with the sales taxes at amazon the deontologist point of view will be used. This theory emphasizes that one has duties & rights to

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behave in a certain manner. It is often referred to as the call of duty. A positive point of view would be the duty to do something whereas the negative point of view is the duties not do something.

The difficulty of this issue's is hidden in the fact that the company is using loopholes in the legislation but by doing so it creates a competitive advantage over companies that operate in the state in which Amazon does not pay any sales tax.

As the issue mentioned companies that are trading inter-state do not have to pay sales taxes if the company has no physical presence in the state. By creating shell companies, affiliate networks and subsidiaries Amazon is avoiding the sales tax. One of the purposes of a tax is to finance government projects such as the development of roads, airport and other infrastructure. Through these legal constructions Amazon is able to avoid the sales tax but is still benefiting from the benefits for which their competitors have to pay.

Although the operations of Amazon are completely legal the public opinion is that the legislation surrounding this topic is old-fashioned and should be updated as soon as possible. Furthermore it is viewed that the companies have a duty to pay taxes. However the deontology point of view also acknowledges that there are limitations to what a duty demands. Therefore it is rather difficult to judge whether the sales tax issue is bad or normal behavior

3. Work conditions and anti-unionization efforts<http://www.thebiographychannel.co.uk/biographies/jeff-bezos/mainPhoto/jeffbezos225.jpg.html>

uk/biographies/jeff-bezos/mainPhoto/jeffbezos225.jpg.html

Amazon employs over 51, 000 people around the world. Their employees are referred to as Amazonians and are employed at corporate offices, fulfillment centers, customer service centers and software development centers. These facilities are located across North America, Europe and Asia (www.amazon.com/gp/jobs)

Jeff Bezos Ceo of Amazon The following section was taken from the letter to the shareholders written by Jeff Bezos (2011) the CEO and founder of Amazon.

Amazonians are leaning into the future, with radical and transformational innovations that create value for thousands of authors, entrepreneurs, and developers. Invention has become second nature at Amazon, and in my view the team's pace of innovation is even accelerating – I can assure you it's very energizing. I'm extremely proud of the whole team, and feel lucky to have a front row seat. –

This section of the letter emphasizes the value of the employees to the company. It shows the companies understanding of the importance of the employees for the development of the company. Although this letter in general is moderately positive about the Amazonians there are labor issues at Amazon that stay unaddressed.

Being a public company like Amazon means that shareholders are always pressing for price efficiency and reducing costs. In February 2000 Bezos

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promised to “ drive towards profitability in each and every business we’re in” (Saunders, 2002). Not much later employees at the customer service and warehouse departments started to complain about long hours, 50 to 70 hours weeks during the holiday seasons, no time off during holidays, changes in shift without warning and poor management which does not acknowledge the issues.

As a response to the deteriorated working standards a group called “ Day2@Amazon. com/WashTech” started a campaign to unionize the complaining employees, starting in Seattle. An immediate response from Amazon was to start an anti-union campaign in the US. Not long after both parties started their campaigns Amazon laid off 1300 workers of which 850 in Seattle. Ever since the attempt to unionize in Seattle Amazon has expanded to states that have regulations that make it more difficult for employees to join a labor union.

Similar reports have been made in the United Kingdom in 2001 where warehouse employees in Milton Keynes tried to unionize themselves. Similar to the US - Seattle case employees complained about the harsh working conditions in the warehouses. In a response to the attempts of employees to unionizing themselves Amazon hired a ‘ union-busting’ firm called the Burke Group. Their aggressive tactics scared employees from unionizing and while doing so 4 former union supporters claim they were fired for their activism. (<http://www.word-power.co.uk/viewPlatform.php?id=23>)

Similar reports about the harsh working conditions in the UK have been made in 2008 and 2010. In the newspapers employees have complained

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about night shifts that were cut short in the middle of the night and managers threatening to fire employees if they call in sick during 7 days a week shifts (The Herald Scotland, 13 Dec. 2010).

Assessment from an Utilitarian point of view

To assess the issue with work conditions and anti-unionization efforts at amazon the Utilitarian point of view will be used. This theory suggests that the act that produces the greatest amount of good over bad for everyone affected is the right act.

To debate this issue it is important to identify the stakeholders in this matter. The most important stakeholders in this issue are: the employees of Amazon, the company Amazon e. g. the CEO and the company's shareholders.

First of all the employees of Amazon that are working in the warehouses and the customer services departments have experienced the consequences of the bad working conditions and the anti-unionization efforts. For them this situation has not produced any good. Efforts to improve their working conditions have been thwarted by the management of the company. In the US the right to unionize is far less developed as in Europe and the barriers to create a union are therefore lower in Europe. However the contrary has been true as the company has successfully prevented the employees from creating a union in the UK and diverted the influence German unions (Borstel, 2011).

The second stakeholder in this issue is Amazon and the management of the company. Having clearly said that they wanted to create profitability in every

business they are operating the management has clearly placed the importance of profit over their employees. Generating profits and thereby increasing the stock price has been more important. The company's point of view also emphasizes that by being profitable the company is able to create permanent jobs.

The final stakeholder(s) in this matter are the shareholders of Amazon stock. This group has the sole purpose of generating a profit from their stock portfolio. It is in their interest that the price of Amazon stock grows year over year as the company has never paid any dividends to its shareholders (Amazon, 2011). Their point of view is that as long as the customers of the company are satisfied and the company is being profitable this creates the greatest amount of good.

From a deontology point of view Amazon has considered that their current actions create the biggest happiness. The management has a two-fold argument to explain their behavior. By creating profits the company is able to create permanent jobs in the near future. This enables them to employ more people in the long term. The second argument argues that by creating profits their shareholder will benefit more which will help them to invest into other companies and by doing so creating more jobs and prosperity. These two arguments outweigh the harsh working conditions at Amazon according to the management.

4. Taking public subsidies

In chapter 3. "Work conditions and anti-unionization efforts" the importance of cheap labor at Amazon was already emphasized. An article of the German

magazine Der Spiegel (Janko Tietz, 2011, p. 83) brought the news that Amazon is systematically cashing in on German job creation subsidies.

During the Christmas season Amazon has to hire extra employees to deal with the increase in orders during the holiday season. At the biggest German warehouse in Leipzig it has to recruit an additional 4500 workers.

http://samsunggalaxys3kopen.nl/wp-content/uploads/2012/04/Amazon.de_1.jpg

In order to stimulate companies to hire unemployed people German government has set subsidies to cover the cost of the first two training weeks of a newly hired person. During these two weeks the employer can decide whether the applicant will be hired. This subsidy was introduced to aid the re-entry of unemployed workers by making it financially more interesting for companies.

In practice this means that Amazon only has to pay for 4 weeks instead of the full 6 weeks. After these 6 weeks most of the temporary workers are not hired as the busy holiday season is over. Although Amazon is hiring workers, and thereby benefiting from the subsidy, the company is also re-hiring workers after their first contract is finished. This enables the company to apply for the subsidy for a second time without the need to actually train the newly hired employees.

The German local governments are aware of these business practices and are disappointed by the company. However Amazon is not the only company exploiting the subsidy as this practice is not illegal. Local authorities have

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acknowledged that there is some vague language in the legislation which enables companies like Amazon to benefit from.

Amazon has responded by the allegations on their website by stating that they have turned several hundred temporary contracts into permanent contracts at their Bad Hersfeld site. In addition it states that creating permanent jobs is the general long-term goal, but only when their business growth allows it.

In the meantime estimates are that Amazon is making two or threefold earnings through these subsidies.

Assessment from an Virtue Ethic point of view

To assess the case of taking public subsidies at amazon the virtue ethics point of view will be used. This theory emphasizes the role one's character and the virtues that one embodies. One view is that those virtues are identified in terms of benefit and harm.

The behavior of Amazon displayed in both this case as well as in the work conditions case suggests that the traits the company is showing is benefiting them and harms those who are involved.

In the case of the subsidies issue the company showed their bad traits by willfully exploiting the loophole in the legislation. Although the initial step of hiring people and applying for the subsidy would be considered good behavior, the second step would consider it bad behavior. The process of re-hiring in order to apply for subsidies a second time harms both the employee as well as the tax payer. The employee has not been given a contract in the <https://assignbuster.com/corporate-social-responsibility-at-amazon-business-essay/>

first place as Amazon wanted to benefit from the subsidy, and thereby leaving the employee in uncertainty and without a job. The second harmed group, the tax payer, could argue that their tax money has been spent several times for the same purpose whereas it could have been used for other purposes.

Despite the fact that there are two groups being harmed by this practice Amazon would like to emphasize the importance of temporary workers. This group of employees helps them to maintain a high service level during the holiday season which enables them to make a profit. In the long term these profits can create permanent jobs for those who were initially hired as temporary workers.

5. Carroll's Four-Part Definition of CSR

While CSR is constantly changing it is important to use and theoretical framework to assess a company's commitment towards CSR. This section of the report will use Carroll's four-part definition to analyze the commitment of Amazon to CSR.

In the work of Carroll (1979) he developed a theoretical framework which could be used to assess a company's commitment towards CSR. To use this model it is important to understand that the (public) expectations placed on companies evolve over time and can be country and culture dependent. Therefore CSR is a continuous process between corporate behavior and the expectations of society.

The Four-Part theory was developed in 1979 and later developed into a pyramid model (Carroll, 1991). The pyramid is displayed below and should be interpreted in order of importance from the bottom upwards.

Economic responsibilities - As a foundation companies are responsible to produce goods and services in a profitable matter. In addition companies create jobs and create career opportunities. All other functions are underpinned by the economic role of business in society.

Legal responsibilities - Although companies have their economical fundamental role they are expected to comply with the laws and regulations of the country they operate in. The legal expectations apply to companies, as juristic entities that can act as persons, and the employees they employ regardless of their responsibility.

Ethical responsibilities - Companies are also expected to comply with the ethical norms of a society. Because these are normally not written in law and are therefore not a legal requirement it is difficult for companies to behave and follow it. However there is an inherent link between legal and ethical emergence of new laws. It can be expected that current ethics will be used in future legislation.

Philanthropic responsibilities - As the top of the pyramid business might engage in activities that go beyond what is expected of them. Activities include: volunteer work, sponsorship of philanthropic institutes and donations to non-profit organizations.

Assessment from Carroll's pyramid of CSR

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While assessing Amazon it has become clear that the main focus of the company is to be as profitable as possible for their shareholders. As Bezos (2000) stated “ drive toward profitability in each and every business we’re in” it has been obvious that the company is focused on profitability. As seen in chapter 3. “ Work conditions and anti-unionization efforts” Amazon currently employs over 51, 000 workers around the world. The same chapter also highlighted some worrying issues with regards to working conditions and the anti-unionization efforts. Nonetheless it is noteworthy that the amount of jobs the young company has created is impressive.

So far this report has discussed two issues in which Amazon was involved in legal controversies although their business practices in Germany were completely legal the sales tax issue in the United States is more controversial and by some marked as illegal. The same could be said of the anti-unionization efforts of the company in which some employees claim to be illegally fired (Gall, 2004). In the case of the sales tax Amazon has been actively seeking methods to avoid this tax and even filed law suits to object new legislation that would force them to pay sales tax (Hansell, 2008). For the legal assessment of Amazon it could be said that they are actively seeking for loopholes or vague interpretations of legislation but are still operating within the legal boundaries.

As far as the ethical behavior of amazon there are many small issues that are reported during the past decade. An old practice of online retailers that has been used in the early part of last decade, and is being reintroduced by some companies, is different prices based upon one’s zip code or country.

Some customers reported that the prices of products fluctuated depending <https://assignbuster.com/corporate-social-responsibility-at-amazon-business-essay/>

on their location or entered zip code (Ramasastry, 2005). Bezos responded by calling the differences in price a mistake and that it would never happen again.

Another broader ethical issue involves the review section of Amazon's product pages. For many internet users the reviews on the company's website are their primary destination to gather information to make a buying decision (Business Wire, 2010). Amazon has been accused of removing reviews that would harm sales.

In addition the harsh working conditions that were mentioned by Amazon warehouse employees or taking public subsidy's multiple times make it hard to claim that Amazon is operating in a fully ethical manner.

With regards to philanthropy the company is not known for its generosity. In respect to other tech companies in the Seattle area Amazon is one of the few that does not do charity giving. The only record of Amazon donating money has been small grants of about \$25, 000 towards 80 non-profit writers groups (Martinez and Heim, 2012). Critics noted that these donations are in the interest of Amazon as the largest online book seller. They emphasize that Amazon would benefit from these small grants as it would generate future profits.

Besides the small grants there are no other records of the company being active in philanthropy which is highly remarkable for a company with an operating income of \$862 million and a total equity of over \$8 billion according to the company's annual report of 2011.

Conclusion on Carroll's pyramid of CSR applied to Amazon

Applying the pyramid developed by Carroll to Amazon the company does not come any further than the base of the pyramid. Although it is generating profits and is an economical stable company and generating thousands of jobs around the world there are some issues surrounding the working conditions of warehouse and customer service employees.

When moving up the pyramid the controversies and issues become more frequent. For the legal part it is debatable whether the company is operating fully legally. The issues with regards to ethics are somewhat worrying as they are more frequent and show a reactive CSR behavior rather than a proactive behavior. With respect to the top of the pyramid, philanthropy, it can be concluded that the company makes only very small efforts which are close to no efforts.

6. Conclusions and Recommendations

This report has discussed three issues regarding bad business practices at Amazon. Although the aim of the report was to develop an overview of the CSR practices at Amazon it proved to be difficult to find example of active CSR behavior. In order to provide an overview it has been chosen to assess all the issues from different points of view. By doing so the report has tried to develop and understanding of the reasons behind the business practices at Amazon.

In general it can be said that the behavior discussed in this report can be seen as reactive. In none of the examples used Amazon is actively seeking

for improvements in its operations. The only active behavior the company has shown is in finding loopholes that can be used to save money.

It can be concluded that the bad behavior of Amazon outweighs their normal behavior. However if the company would have been more open about its CSR practices this report could have been more positive.

Recommendations

On the basis of this report there are several recommendations to be made about the business practices of Amazon on how it could perform better on CSR.

In general the company is having a reactive strategy in which they follow other examples or wait until they are legally supposed to. Becoming a more pro-active company with regards to CSR would be the most important improvement in their CSR strategy

Throughout the report it has appeared that from the bottom line: people planet profit (3P's) for Amazon only profit can be applied. Many of their bad CSR behavior can be linked to their aim to be (highly) profitable. Getting the balance right between the three elements of the bottom line would be a great improvement.

As mentioned in the letter of the CEO Jeff Bezos the employees are important however it does not always act by those words as could be seen in chapter 3. Amazon should not only be good for its corporate office employees but also for those working in the customer service department and warehouses.

Improving the working conditions would help restoring the balance between the 3P's.

In the report there have been two cases in which Amazon has been actively seeking for loopholes in legislation. The assessment showed that although it is legal the behavior is to be considered bad. Therefore the company should focus less on exploiting those loopholes.

As a final recommendation it would big improvement if the company would be more open about its activities and especially about those in the field of CSR and Sustainability. In the history of the company it has never published any report on one of those topics. It is therefore difficult for NGO's, Non-profits or even the media to report on issues with the company and to encourage them to improve.

7. Lessons learned – A personal view on CSR

The combination of writing this report, attending CSR lectures at the Hanze University, preparing a group presentation on CSR and the guest lecture of Mrs. White have helped me to develop a good understanding of CSR. During the second period the importance and difficulty of this topic became clear.

The main knowledge I will take away from this course is the impact of CSR on the long-term of companies. As many cases have shown companies who have been conducting bad CSR will be known for it even decades after it happened. On the other hand companies which are considered to be “ world shapers” such as the Bodyshop benefit from this over a longer period of time as they are considered to be one of the leading companies in CSR.

As I pointed out in the section above the effects of CSR are mainly affecting the marketing and PR activities of a company. For me it is therefore difficult not to connect CSR practices at large corporation to efforts to enhance their image. Especially companies of which the core activities are morally wrong and are deploying CSR programs are hard to believe.

On the other hand companies who have a laissez-faire or reactive style are difficult to understand. Especially those who are using the laissez-faire strategy are willfully wrong in their business activities. For these companies the importance of money is placed above that of the society. In my opinion many companies are using the reactive strategy which is not necessarily bad. They are not behaving in a bad manner but are merely following those who set the standards or adjusting to new legislation.

The guest lecture of Mrs. White has also thought me about the impact of (mass) media on the CSR practices of company. There are so many media channels through which consumers can be informed about the (bad) CSR practices of a company. Through TV channels consumers all around the world can be informed about CSR scandals of a certain company. The internet provides a large stage for NGO's to inform consumers about smaller scandals. On the other hand examples such as WikiLeaks have shown that the internet can also encourage whistle blowers to come forward.

Concluding this section on lessons learned I would like to emphasize the importance of teaching CSR to business students. The theory and practice of CSR prepares students to review business practices from different

perspectives as well as judging whether a decision is good or bad. Educating business students on CSR will help to create a better world.