

Corporate governance and business ethics at nokia



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Introduction:

For this assignment I have picked Nokia organisation. Reason for selecting this particular organisation to furnish my assignment on is that the Nokia organisation and the product has been my favourite. Having influenced and experience about the product and to go through some research for its organisation going to be even more interesting factor for this assignment to go through, and further knowledge about the corporate social approach and activities.

For Nokia there are many principals to follow for their sustainability of the organisation, like understanding the customer need, using technology, keeping ahead of competition and co-ordinating marketing activities. Apart from that, there are several factors like corporate social approach, business ethics and proper managing them are equally important.

Nokia is committed to providing attributes of the product can consume energy, material use, packaging and disassembling and recycling practices. The distribution of declaration should be user friendly for its stakeholder and supportive ethical issues. The organisation mission statement suggests that one small step at a time can contribute care for environment in global concept. Further, the corporation valid and important issues to discuss and manage has been running through work in environmental issues for past quit few years, furthermore it will continue to evolve other ethical grounding of supply chain in coming future as well. Never the less Nokia is trying to indulge its total part in the management of these issues in a serious manner in cooperation with all prospective stakeholders.

Company's Background:

The use of commercial mobile phone manufacturing organisation is a relatively new one starting out in couple of decades, but the number of subscribers and the majority of services which was offered by mobile devices have sharply increased since last decade. Mobile phones started to get more smarter and complicated as well, in order to keep up with this fast evolution of software and industry. The development of new software has developed many features of these mobile phones, such as its excess of connectivity, multi touch menus, multi megapixel cameras and high definition (HD) video playbacks.

Nokia Corporation is the world's biggest manufacturer of mobiles which is mainly based in Finland. Now the company is serving customers in 130 countries and having more than 60, 000 employees during 2005 (Nokia 2006), but crossed more than 123 553 at the end of 2009 (2011). Nokia provides products, equipments, services and solutions for corporations and network operators. Nokia being an iconic world leader in mobile communication technology, and delivering a positive driving force of growth and sustainability of the huge mobile industry.

“ Nokia” the name it gets from the river Nokia of Finland which is the home country of its origin in the year 1865. The company mainly used to deal in producing paper, cables and rubber till the end of 1960, later they moved into the business of telecommunication and consumer electronics.

Nokia's business has four divided groups; Networks, Enterprise solutions, Multimedia and main one is Mobile phones. The Enterprise solution group

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mainly deals with developing wireless systems for used in the corporate sector, and Network group sells wireless switching and transmission equipment. Multimedia cable television set-top boxes and home satellite products and also sells mobile gaming devices. The main back bone of the company group deals and sells mobile, wireless voice and data products in corporate market and consumers.

In the field of consumer electronics, during eighties Nokia produced television (TV) sets as their main focus of business to turn towards International. Due to cost factor of TV sets, Nokia could not get acquisition positively in the local and global market, for which company even had to use under several brands and for mobile phones under two brands, none of the two products were named Nokia.

Nokia Corporation put lot of focus mainly on telecommunication, mobile networks and mobile phones by divesting non-core activities and focusing the Nokia brand. The new corporate strategy worked to achieve the global market in 1998 in the field of leadership in mobile phone business. Today, Nokia stands as twice successful that of its near rival competitors. The company has been successful in making and projecting huge and strong brand. For the several years Nokia occupied the top ten on the brand's scorecard of the world's powerful and strongest brands. Beating both immensely strong brand organisations like McDonald's and Disney, Nokia stood sixth in strongest brand in 2005 (Haikio 2003; 2006).

However, in spite of Nokia's present success, Nokia indeed should be prepare for future challenge and sustainability in the extreme competitiveness in the field of telecommunication business.

Theoretical Grounding:

To begin with conceptual structure for corporate social responsibility (CRS) had already started reasoning in US in the half a century ago (Carroll 1999, cited by Crane, A and Matten, D). During those time there has been lot of issues in concept and principles have risen in relation to CSR. This debate regarding the concept of CRS arose two main principal questions firstly, why do corporation have social as well as financial responsibilities? And why it can be argued. Secondly being, what is the nature of corporate social responsibilities?

Why do corporation have social responsibilities?

The first question has shown a huge number of different ideas and controversy and dilemma in the past time, but now it has hugely been accepted that there are other responsibilities just simply making profit only. The notion of performing best on social responsibility, the corporation has incorporated and promoted their own self interest adapting the proper channels and methods to take care of social responsibility.

The corporation may be successful to satisfy their customers providing better product, services and furnished good code of social responsibility, but in the other hand it may lack to perceive other undesirable consumers responsibility and action of consumers. We can take ExxonMobil oil giant as an example, (see [www. greenpeace. org](http://www.greenpeace.org)) agitation led by Greenpeace an

international consumer boycott this oil giant throughout 2000s and provoking that company responsible for making climate change. Further discouraging the consumers to buy the product of ExxonMobil.

To build the interest with the government by developing voluntary action programs towards the society, so is to keep good relationship with legislation.

It helps to grow a healthy relationship with the society by providing them with the social helps like better education and more equitability community, which helps the corporate for long- term positive contribution to society.

Resulting to attract the employee to work in those kind of organisation who care for good level of social responsibility commitment.

The above mentioned aspects are the once that corporation would wish to build up for sustaining primarily good business reasons. There is no guaranty that corporation going to be successful using their primary motivation of the decision maker (Bowie 1991. Cited by Crane, A and Matten).

It is not clear that the action of investing on social responsibility determine in overall financial success. There are other aspects also exist on moral argument for CSR to consider.

Almost all the corporate activities have responsibility of social impact, either they deal in product or service business. They can not deny the fact or escape reality of responsibility of corporate activity either it comes negative or positive and even neutral.

There are many causes of social problems caused by corporations, for example being environmental pollution while producing. Hence the corporation has the duty to deal with that.

Carroll's four part model of corporate social responsibility.

(Source: Adapted from Carroll, A. B. 1991)

The nature of CSR:

The above mentioned Archie Carroll four part model of corporate social responsibility is the most accepted by almost every establishments. Further Carroll regards the CSR as multi layered concept, which can be divided into four inter related aspects, those are Economic Responsibilities, Legal Responsibilities, Ethical Responsibilities and Philanthropic Responsibilities.

Stakeholder:

The stakeholder theory of the organisation strongly focuses on corporation and its responsibilities. The Stakeholder starts by looking at numerous groups to which the corporation has a responsibility. Freeman defines that “ A stakeholder in the organisation is any group or individual who can affect, or is affected by, the achievement of the organisation's objectives(1984: 46).

Issues

This report regarding environmental factors is addressed to employees, customers, stakeholders and shareholders affected by or is interested in Nokia's environmental activities. It relates to Nokia understanding the environmental aspects and impacts of its activities and also states objectives and target for continuous improvement. The environmental data in this

report includes energy consumption, direct and indirect carbon dioxide emission, water consumption, discharges to water, waste, ozone depleting substances and other toxic fumes emission to air. The data also shows the concept of cooperation of stakeholder and the involvement of Nokia in other practical environment factors. Through the method of product life cycle, Nokia reduces the possible harmful environmental impact of its products, services and operations. Considering the environmental issues, Nokia's step to be more environment friendly is to design for environment as their very first step was the product life cycle. This step shows that it reduces the use on more natural resources and energy and at the same time it maximises the recycling and reuse of its material used in its product. Nokia relies on an extensive network of global suppliers for its components, manufacturing services, facilities management and end of life services. This network of suppliers and managing them plays an essential role in the validation and improvement of the products' environmental performance.

The method product life cycling begins with raw materials extraction and ends with the recycling of these materials and then is the waste treatment done and the recovered materials are reintroduced into the economic system. The use of materials and energy at different stages of product life cycle are linked to the environmental aspects of Nokia products. The main environmental impacts related to Nokia are waste and pollutants released into the air, water and ground. So the process of life cycle is a way how Nokia supports and manages its environmental activities. This method followed by Nokia helps boost environmental performance of products and

can be achieved cost effectively. This particularly relates to product when the designing process comes to act.

What concerns Nokia is the change of climate which is increasing the environmental significance of transportation and logistics, as these are largely based on use of fossil fuels. Nokia's policy of recycling products is somewhat different as main products, mobile phones and network equipment are not recycled in the similar method. For mobile phone, the stages of raw material extraction and the manufacturing accounts for the biggest part of the overall environmental impact. Energy consumption is another major issue when it comes to network equipment. Network products contain a large proportion of metals whose processing and functioning consumes more energy than that of plastics, which is the most dominant material in mobile phones. On the other hand, metal has got a major advantage as metals can be more readily recovered for reuse and recycling than plastics. Energy consumption in various ways is the principal cause of environmental impacts during the use of all Nokia products. The introduction of new multimedia features and internet features in mobile devices calls for improved power management and to do so more of natural resources are used to improve energy efficiency and extend battery life which is another concern for the environment. While the capacity of mobile networks has increased their relative energy consumption has decreased but to no point as the network equipment requires the major energy consumption factor. Energy efficiency design evolution has been significant in mobile network elements.

Nokia's proposal for environmental development covers the whole method of product life cycle and is implemented through different areas to focus on, areas such as design for the environment, supply chain, network management, environment management system and practice of end of life services. With the help of these areas to focus, Nokia strives to eliminate several risks and gain the positive acceptance of its stakeholders and increase its profit through customer satisfaction. Nokia's main goal is to develop advanced technology, products and good services for people which have no undue environmental impact, consume energy efficiently and effectively and can be perfectly reused or recycled or disposed off.

Nokia's environmental strategy is related to the business strategy. The business groups have set environmental targets for their own activities to implement and stress on the corporate environmental strategy. Nokia clearly notifies that environmental issues have to be taken into account as it is increasingly important drivers of development globally. Thus Nokia recognises the value of cooperation in addressing global issues such as usage of resources and the emission of carbon dioxide from human activity. So Nokia participates in a wide range of cooperative initiatives through method of industry association and several global organisations. While doing so, Nokia strives to reduce energy consumption in its own activities by reducing the use of cooling systems, heating systems and other lighting of facilities in and around its organisation.

Corporate social responsibility affects all sources of a business but the main aspect which it is emerging in more and more is the supply chain and how things are managed in the organisation. Employees work on integrating CSR

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into the supply chain to make it more efficient. They work with the community they are currently in and they are applying CSR to their work within the domesticated part of their business along with the global aspects of their business. Apart from implementing the idea of CSR, they are making sure that they are finely tuning their strategies and putting forward a lot of effort to make sure everything runs smoothly. Nokia is trying to put more focus on what they can do and trying to admit and handle what they cannot do. Nokia want to make sure that their customers understand that they are working to the best of their ability to be socially responsible in every aspect of their productions. CSR is a hot topic for Nokia's managers and the implementation is the key to making stakeholders and consumers happy. Corporate social responsibility has become a very popular application within the supply chain in terms of Nokia but it has only emerged within the last decade. The idea of CSR focuses on “ a total responsibility approach that adds societal issues to traditional economic drivers of the supply chain,”(Maloni and Brown, 2006). Many companies have been slow to adopt CSR considerations and concepts but Nokia has been very successful in this theory. This idea is becoming more and more important within every part of the supply chain today. Within the whole CSR concept, Nokia make sure that all of their employees are involved and some of the suggested methods come through employee training, workplace diversity, health and safety and other community issues such as hunger and homelessness. The categories representing environment, diversity and safety run through all CSR programs no matter what type of company one is in. Depending on how Nokia's products are made, consumers are willing to pay a higher price when they know the ethics behind the production. Along with consumers purchasing <https://assignbuster.com/corporate-governance-and-business-ethics-at-nokia/>

another brand's products, stakeholders may also be willing to pay a higher price to work with the company on higher improvements of manufacturing to make sure that consumers know they are getting the quality of product they deserve. But not every stakeholder may be willing assist in paying for improvements and they may not be willing to commit to the idea of CSR improvements because they do not attain the knowledge of how beneficial it is to the company, (Maloni & Brown, 2006). In order to get the stakeholders on board, Nokia make sure they share this knowledge of CSR with them and make sure they understand why it is beneficial for them to take part in making sure everyone and everything around them is taken care of. Nokia need to become more aware of their surroundings if they want to create that sustainability within their social responsibilities.

Understanding stakeholders expectation from Nokia as a company is equally as important as understanding customers expectations from its products. Listening to all employees and external sources and putting their ideas into business value is an important process at Nokia. Nokia is transparent and focussing on stakeholder views they make their business approach as well as making positive relationships with its employees. Nokia strive to activate new channels concerning the ways in which they meet their existing expectations. This process into the future is an important part of their ongoing success. In order to boost business, Nokia considers their most important stakeholder groups as employees, customers, and their shareholders. They also cherish and rely on good relationships with their supply chain and sector partners, governments, NGOs and the wider public community. These engagements takes place as part of their business

practice. Conversations with their external and internal stakeholders improves their understanding of how their activities are perceived. It helps them evaluate stakeholder satisfaction, strengthens their social investment programs, and allows them to identify important issues to address.

Employees

It is important to create and sustain a working environment with opportunities for communication and feedback. Nokia regularly engages its employees in discussions about issues such as corporate values, career facts and competence development, performance, diversity and everyday work-life balance. Some of the ways for discussions with employees include individual investing in people, performance conversations and career development planning. These discussions help them translate ideas into everyday actions. Nokia highlights sustainability issues and initiatives on their internal channels and through various internal communication campaigns. They also ensure that each employee understand the Nokia Code of Conduct and their approach to corporate social responsibility. They increasingly engage with everyday customers on issues related to sustainability. Nokia continues to receive enquiries and assessment requests about social and environmental performance from their operator customers. They respond to those requests through their normal customer account management interface. Nokia report says Consumer interest in sustainability issues is also growing. They encourage consumers to consider the environment by applying means like unplugging chargers once handsets are fully charged and returning handsets they no longer use for recycling. They also develop and promote the use of mobile services for more sustainable

lifestyles. The key issues for both trade customers and consumers are product quality, satisfaction with their products and customer service. Nokia regularly survey their trade customers to reach a satisfaction levels. They engage with consumers through their Nokia Care support service both online and through call centres, as well as through consumer satisfaction surveys and independent market research. Nokia recognizes that some consumers are concerned about potential health issues related to mobile phones and base stations. So Nokia encourages public to go through latest online research or read their survey regarding health and safety.

Corporate Social & Environmental Strategy

“ Corporate social and environmental responsibility describes the actions by companies to maintain the culture and ethical norms of the societies in which companies operate,” (Tate, Ellram, & Kirchoff, 2010). Different research has been done and different people have stated that social responsibility of a company is to only earn a profit for its shareholders. But today, social responsibility is more seen as altruistic goals and behaviours that are worked on aside from the company’s economic pursuits. CSR is seen as the “ integration of economic, legal ethical and discretionary categories of business performance.” The framework of social responsibility suggest that companies not only need to engage in socially responsible behaviour but they also need to have positive financial gains that can be realized through the process of acting upon social responsibility. As some “ firms integrate corporate social and environmental responsibility with economic strategies, benefits can be realized through cost savings from relations and brand image.” The development of these strategies has really helped produce a

new way that businesses can view their responsibility to society with the company's goals in mind.

If companies work on producing these strategies of corporate social and environmental strategies, they can start to realize “ the potential gain from adopting more proactive” actions (Tate, Ellram, & Kirchoff, 2010). These companies will start to move forward until they have reached their value and competitive advantage they have been seeking. “ Most research into corporate responsibility supports a positive link between proactive corporate social and environmental strategies and improved financial performance.”

Most companies align their social and environmental responsibility strategies to meet their corporate goals and satisfy stakeholders demands because those stakeholders are increasingly starting to influence those strategies. “ Consumers and stakeholders insist the strategies are based on measureable financial goals including cost reductions, increased market share, higher quality, improved manufacturing performance and continues innovation.”

One way that supply managers can get the members of the supply chain involved is by asking them to work with the company to help “ construct and support corporate responsibility strategies to meet strategic goals,” (Tate, Ellram, & Kirchoff, 2010). It is very important to make sure that everyone within the supply chain knows what is going on and can assist in forming goals that align with the different strategies. Along with working with the different members of the supply chain, the government also will play an important role “ in the development of corporate social and environmental responsibility strategies. An organization's ability to work with the

government regulation to create innovative strategies can lead to higher
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firm performance.” Once all of these strategies have been developed, it is better to get them implemented as quickly as possible. Once these are in effect, the company can watch to see how their corporate social and environmental responsibilities are closely tied into their financial goals. Once those goals are starting to be worked on, the company and then branch out to make sure they are meeting those responsibilities and one of the best places they can focus their energy on is within the community they are working in.

The Community Focus

When companies are putting together their strategies for the corporate social and environmental strategies, they really should think about the community they are in. A community includes educational buildings, parks, charities, and “habitats with an emphasis on good works in the community,” (Tate, Ellram, & Kirchoff, 2010). The reason why it is important for a company to work with its community and incorporate its social responsibility within its community reports is to make sure they are creating a good rapport within the area they are working. Companies today are moving further and further outside of their borders and other nations would like to see how well they work within their own community before they welcome them into theirs. “Scrutiny of globalization has led to stakeholder’s backlash against global firms for ignoring the communities where the firm’s operations are based. Global companies that focus on local communities can diffuse some of the angst leveled at them and create a sustainable positive image.”

When outside communities are looking inside, they will judge the company on how well they treat their communities and weigh it against how well they

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will treat their customers; how they treat their community and how they treat their customers goes hand in hand.