

Ethical issue facing
the technology
industry commerce
essay



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Ethical issue facing industry (Charlie). We chose to take a look into the technology industry for our ethical analysis. We chose this industry because in today's world, technology has become a massive aspect in our everyday lives. Everyday technology is growing and become a bigger part in the world and the way it runs. Ethics is defined in the dictionary as, " the discipline dealing with what is good and bad and with moral duty and obligation." So we wanted to look into an industry that has had issues and would be worth our time looking into.

Some issues that face the technology industry for companies like Apple, IBM, and Google are production issues as well as the selling practices. Specifically for Apple, a big issue that they are facing is their both production and selling practices. Apple has their products made overseas in places like China while the goal of a company should be to increase jobs in the countries that they are in. Apple is also taking advantage of China and the fact that the average worker makes under \$200 per week. Apple has decided to do this; however, because if they made their iPads in the United States, they would cost over \$1, 100. So yes, they may be doing the people a favor in terms of price by creating these iPads overseas, but at the same time they are taking advantage of a country in China because they know how cheap the labor market is there. We make products overseas because Chinese manufacturing jobs are paid 1/30th of the United States median salaries for manufacturing jobs (Thompson, Derek).

These businesses, especially Apple, are churning out products on a quick, regular basis. So what Apple has done is created a massive profit margin on their products so that they can keep creating new products, which are

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essentially software updates, instead of just allowing people to upgrade their software solely. Apple has made it so that their 32 gb iPad 2 sells for \$729, but when you add up their labor and material costs to make these iPads, it only comes out to about \$325. This gives Apple a profit margin of around 54% and allows them to have customers buy brand new products instead of just allowing them to upgrade the software on their products that they purchased within the past year (Thompson, Derek).

Companies like Google are facing issues of being deceptive and need to show more Corporate Social Responsibility because their customer is the most important aspect of their company. Privacy International ranked Google as the worst in its survey, they say that Google is the worst when it comes to respecting their users privacy. Congress was also warned about applications that Google was marketing on Capitol Hill because people believe that there were privacy and security risks. Google also does not disclose its conflicts of interest; they keep their customers in the dark, also not fulfilling their social responsibility. Google says that they work for the people that use their site but Google really works for advertisers on their sites. People who use Google pay nothing to use it, so Google has a conflict of interest of whether they're working for their users, who are their customers, or the advertisers on their site. This makes users of Google have a false sense of security while using the site and can put users at risk of being defrauded. Google is all about who will make them the most money, and not about doing things the right way. They say they hold auctions for awarding keyword searches to the highest bidder but to whoever makes Google the most money.

Google has also been accused of stealing, which is neither ethical nor responsible. Viacom sued Google for “ a clearly illegal business model.” Google is also being sued by no less than five different industries. Viacom is suing Google in the TV broadcasting industry. Motion Picture Association has sued Google over aiding the piracy of films by promoting sites that allow users to download movies without buying them. Some trademark owners have had Google sell keywords that are their brands, which in turn has created brand confusion. Book publishers and newspapers for things like copyright infringement, and illegal use of newspaper headlines have also sued Google. Google has shown little ethical compass as well. When former CEO Eric Schmidt was confronted about the fact that Google and their privacy issue, Schmidt said that they were not concerned with privacy and protection because it would slow down Google and their performance. Google has placed speed over their ethics and social responsibility to their users. It is clearly unethical to place profits and money over customers and ethics. (Cleland, Scott).

Some ethical issues facing a company like IBM, which is big into things like Information Technology (IT). People who work in IT for IBM has several things that they need to look at. People in IT play a large role in helping shape ethical aspects of their organizations. IBM has to look into privacy and establish a freedom from intrusion for the customers as well as control of their customers' personal information and as well as allowing customers to avoid unwarranted surveillance. IBM works to help their customers keep these three aspects intact. IBM is working to protect the privacy of their

customers so they can avoid being defrauded and other problems that may arise.

The SEC (Securities and Exchange Commission) has accused IBM of bribing officials in the governments of South Korea with both cash and free computers. These bribes supposedly helped IBM obtain contracts in South Korea that worth a supposed millions of dollars. IBM has also been charged with creating secret funds for officials in China as well. This shows how bribery overseas has become a large issue for United States companies. This showed a problem that IBM had in their department of internal controls to stop these problems. IBM was calling these payments as legitimate expenses that were used for businesses. IBM was essentially forging their books and records, also a very unethical practice. IBM was working with travel agencies to help create fake invoices. (Hilzenrath, David S).

These businesses within the technology industry are where we thought we found the biggest ethical issues concerning social responsibility of the corporations in terms of things like bribery, privacy and other ethical issues. We believe these are the biggest issues facing companies today and thought it would be helpful to see how they affect such a large and growing industry in our world today.

Pressures facing the industry (Alicia)

There are many pressures that impact the technology industry. Most of the pressures that are growing for this industry come from employees, governments, consumers, suppliers, advocacy groups, and stakeholders.

Some of the areas that are receiving attention with Corporate Social
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Responsibility (CSR) are as follows: global responsibility, transparency with company information, environment issues, and safe labor practices (Cadmus, 2009).

Global Responsibility

Most companies in the technology industry, such as Apple, IBM, and Google, are Multinational Corporations (MNCs). This causes those companies to be in the spotlight as a leader. Consumers, governments, and advocacy groups for CSR expect these MNCs to step up and “assume wider responsibilities in the social arena” (Smith, 2003). Society sees big businesses that are growing globally and gaining more power, and they believe that with the power comes an obligation to attend to the community in which it operates (Smith, 2003). Apple, for example, is one of the most powerful companies in the world, let alone the technology industry. Because of that and the fact that they continually are innovating in creating new types of technology, people believe that Apple should use that innovation to help the world and contribute to social change. According to a Forbes article, “Technology has become central to fighting disease, distributing food, improving education, and Apple should be a leader” (Klein, 2011).

Transparency

Companies are receiving pressure from society to be transparent in their business practices. People, such as employees and stakeholders, are searching for the answers about how these companies are doing business and where their products are coming from. At this day and age, customers can find out any information they want about companies, with all of the social media available. Therefore, the pressure to be highly transparent

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about both good and bad things in the company is becoming more and more important (Monahan, 2012). The idea is that if businesses don't put their information out there, people will still find it and it will look as though the business was trying to hide that information from the public.

Environment

Activist groups are making a movement to make sure businesses are taking care of the environment while conducting their business operations. Of course there are government regulations that companies are legally supposed to follow, but there are also many groups that put the pressure on these companies to go over any beyond. As the need for energy increases, pressure increases on these technology companies to reduce materials used for their products, reduce effects of production processes in the environment, and use materials in production that have a smaller environmental impact (Business for Social Responsibility, 2011).

Safe labor

The media is really affecting how companies have been running with their unsafe labor standards. Businesses can no longer get away with child labor and unfair working conditions in foreign countries like they used to. If they do, they will most likely get caught because all of the different types of medias will find it and broadcast the company's unethical practices. Apple has become scrutinized in the media because of their unfair labor practices involving their " manufacturing partner Foxconn and its subsidiaries" (Sethi, 2012). Increased pressure on Apple and Foxconn has at least lessened their amount of unethical labor practices overseas, but it still hasn't done away with it completely.

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These pressures on the technology industry will likely decrease shareholder value on each firm if nothing is done about it. However, trends are showing that these firms are taking the pressures of ethical issues seriously. If the businesses continue to improve on their CSR, it is most likely that shareholder value and profitability will rise because of their ethical stance in society.

Corporate social responsibility activities (Josh)

CSR Activities

IBM:

IBM has shown in many ways that they support the communities they serve and strive to make not only themselves better but also the communities they operate in. IBM provided nearly \$12 million in grants in 2011 to 4, 000 schools and non-profit organizations where IBM members were volunteered. These grants were given to projects that applied innovation and professional skills to improve the communities that they served. IBM also has a grant program that gives up to \$100, 000 to innovative projects created by its employees that deal with healthcare, energy conservation and food safety. Along with this, IBM has a program that it calls " Celebration of Service" that encourages their employees to go out and volunteer at least eight hours for any cause that they wish support. Many individuals volunteered in areas of education, healthcare disaster relief and conservation. All-in-all, the program has yielded nearly 3. 2 million hours of service from its employees in 120 countries across the globe. Lastly, IBM has a program that is called " The Smarter Cities Challenge" in which IBM sends top experts from different

backgrounds to 100 cities across the globe for three weeks. While these experts are in these cities, they work with the local governments to make recommendations to try to make the city “smarter” and more effective. These recommendations come in the areas of administration, citizen engagement, economic development, education and workforce, environmental, public safety, transportation and urban planning. Through this program, IBM is trying to help make cities across the globe become more effective and efficient (“2011 Corporate Social Responsibilities,” 2012).

Apple:

Over the past year, Apple has tried to improve its appearance in the area of corporate social responsibility. Apple has made a significant effort to perform more audits on their supply chain. In 2011, Apple performed 229 total audits, 80% more audits than it did in 2010 with Steve Jobs as CEO. Of these 229 audits, more than 100 of them were performed on companies that had not been previously audited by Apple. Through these evaluations of its supply chain, Apple found several environmental and labor issues, but they claim to have handled the situation by enforcing their policies and helping their suppliers' management teams to take corrective action to ensure that it would not happen again. Apple has also recently added 100,000 more manufacturing employees to its program to help ensure that its current employees do not exceed their 60-hour maximum hours a week (“Supplier Responsibilities,” 2012). Apple has also recently started a program for its employees that will match any employees' donation to a charity program of up to \$10,000 (Hughes 2011). Apple has also made a conscious effort to <https://assignbuster.com/ethical-issue-facing-the-technology-industry-commerce-essay/>

reduce the amount of carbon emissions produced when manufacturing all of its' products. In 2011, Apple reported that all of its' products had a reduction in the amount of carbon emissions during the manufacturing process. Apple TV has seen 90% reduction in carbon emissions since 2007, MacBook Pro has seen a 21% reduction since 2007, and iPad has had a 5% reduction since 2010. Apple has also removed all of the toxic substances from its' products that other companies still use, such as lead, mercury and arsenic in their glass screens. Because of this, Apple is years ahead of their competitors in technology, but also very socially responsible for taking these steps past their competitors to ensure their products will not harm the environment. Apple has also made all of its products extremely energy efficient. For example, an average 60-watt incandescent light bulb uses 48.4 grams of CO₂ emissions per hour, while the 2011 MacBook Pro air only uses 7.4 grams an hour. All of Apple's products not only meet the Environmental Protection Agency's strict Energy Star law, but they also exceed them. Lastly, Apple has made an effort to reduce and minimize the materials used in packaging its products. Since 2007, Apple has reduced the amount of packaging needed for the iPhone by 42 percent, allowing them to ship 80 percent more boxes in each airline-shipping container ("Apple and the Environment," 2012).

Google:

Google has programs that give grants to select charitable organizations by giving them ad space on their site for free. Some of these organizations represent things such as animal rights, literacy to abandoned children and HIV education. Google has many other grant programs, especially supporting <https://assignbuster.com/ethical-issue-facing-the-technology-industry-commerce-essay/>

areas in Asian countries, giving grants to colleges and education programs. The most recent included giving 164 computers to the Green Computer Action for Poverty Alleviation. Google also attempts to be socially responsible with its environmental procedures. Google claims that to provide a user with three full weeks of streaming YouTube videos, Google only uses the amount of energy it takes to do one load of laundry. Google's data centers are some of the most efficient in the world, only using 50% of what the average data center uses. Not only does Google's data centers use less energy than most, Google has also began to use 33% of its total energy needed through renewable energy sources such as wind farms and solar panels on some of its facilities. Google's main focus is try to offset the carbon footprint it produces by investing in and using more renewable energy than it uses (" A better web. Better for the environment." 2012)

In conclusion, not much was found IBM trying to improve its corporate social responsibility in areas of bribery and privacy. Although, IBM is still notably one of the most responsible companies in the industry and the world. IBM has many programs to help the communities that it operates in all across the globe. Next, Apple has made attempts to become more responsible within its supply chain and labor practices within the last two years. Apple has also maintained its solid reputation for being an environmentally conscious and consumer conscious company. They have made attempts implement change in the ways their production practices. Google, on the other hand, has not made many changes in the areas of deception and fraud. However, they are known for being a very environmentally friendly company.

Social/Ethical Investment Policy Recommendation:

In today's corporate society, it can be rather difficult to find a company that has strict adherence to ethical standards it has place for corporate social responsibility. However, there are some firms in the marketplace that are dedicated to both doing business in a socially responsible way and also increasing shareholder value. Therefore, it is important for Virginia Tech to take into account the corporate social responsibility of the companies for which they invest. Due to the fact that Virginia Tech is educating thousands of the world's future business leaders, they should make sure they are setting the right example for America's future. If Virginia Tech ignores how companies do business, and instead just focus on who can provide them with the cheapest price, it start a slippery slope among the young minds that receive their education at the institution. Also, since Virginia Tech offers an "Ethical Leadership" class that stresses the importance of corporate social responsibility, it would seem to very hypocritical if it were not to follow on the exact information it dissents to students. Therefore, it seems incredibly important to me that Virginia emerge as leader among state intuitions and makes ethical responsibility one of the main factor's it uses when making investment decisions.

Most of the reasons for Virginia Tech incorporating ethical issues into their investment decisions are ethical but there are also some financial aspects as well. First, Virginia Tech will need to accept the fact they often times the most ethically responsible company may not be the cheapest option out on the market. Therefore, they will need to plan for the fact they may end up with smaller investments or gains because the most ethical company may

not necessarily be the best investment. However, just because Virginia Tech chooses to not invest in unethical companies with higher returns, does not mean the University will lose money. Simply put, the University will have to spend more searching for ethically sound companies that also reap high returns on their investments. Choosing to investment responsible companies will be a time intensive strategy that may not pay off in the short term, but long term will definitely have it's benefits. Also, because of the amount of time spent searching for ethically smart investments, the process may come under fire by shareholders (Fontinelle, 2012). Therefore, choosing to invest in responsible companies will be a difficult decision but one that is right for Virginia Tech in the long run.

Clearly, Virginia Tech should be expected to make financial sacrifices in their investment decisions in order to make sure they are choosing the most socially responsible company. With the business strategy so clearly focused on the bottom line and not how a company achieves this number, Virginia Tech would truly be living out it's " Ut Prosim" motto. By establishing itself as a company that will only invest in the most socially responsible companies, more and more industries will choose to follow this avenue. Virginia Tech is a large institution that investors would be enthusiastic to receive funds from. If Virginia Tech makes it clear that they will only invest in companies that have strict ethical standards, more companies will oblige to these rules to gain the University's business Therefore, the amount of unethical companies will diminish making investment choices for the University all the easier. By establishing itself as an an ethical investor, Virginia Tech could diminish the

amount of irresponsible firms in the marketplace, while increasing the amount of companies that perform business in the right way.

Investment Recommendations (Charlie)

We believe that Virginia Tech could and should invest in firms in the technological industry. The technological industry is a massive industry and still growing every single day. It would be beneficial for Virginia Tech to get involved with companies in this industry because the world now runs on technology. The dependency of the world on technology has become incredible. Everyone knows how to use technology and everyone wants to be updated with the newest products. Yes, there are possible problems and ethical issues that arise in this industry, but it does not mean that everyone in this industry have problems arising constantly. This industry has been growing with such rapid pace that it would be beneficial for Virginia Tech to get invested in this area.

Virginia Tech should most certainly favor firms that are more socially responsible in the technology industry. The most important thing when it comes to investing is making sure that you are investing in a company that has an investment in you. Virginia Tech needs to look into companies that have a history of being socially and ethically responsible. The returns may not be as great as the very top companies in this industry but if they go with a company that is socially responsible, they are less likely to run the risk of being hurt by the company not fulfilling their responsibilities. Virginia Tech is also a school that is big into technology as well and the best way for them to set a positive example is for them to invest in socially responsible

companies. This will benefit companies that may not be at the very top of scale. This could start a trend where other schools and investors will be more open to the idea of investing in companies that are more socially responsible. This may turn the mentality of the investor by moving their motive from most profit to most socially responsible.