

**Corporate Social Responsibility Report**

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Integrated Studies with a Computer Science focus

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## Introduction

The following report will include professional advice in regards to the production of a new solar powered android cell phone. The highlights of this report will include information such as recommended target groups, suggested market, device specifications, effective product release cycles, material suppliers, and device assembly.

## Background

An environmentally-conscious startup wants to construct an industry competitive solar powered mobile device and are seeking advice regarding several decisions they need to make before producing this product. These entrepreneurs are seeking to create high quality and affordable products while creating an environmentally-conscious brand image from themselves. In addition, this startup would like to be placed technologically ahead of their competitors and are considering a more frequent product release cycle.

## Overview of Corporate Social Responsibility (CSR) Frameworks

This startup company should follow a CSR business approach since this type of approach will provide legal, economic, discretionary, and ethical benefits for all involved stakeholders (Carroll, 2016). As part of following the CSR framework this business approach should account for following general business ethics, sustainable production practices, and respecting human rights. While following some of these practices may increase the cost in production, it will ultimately create a sustainable business model that can be used to compete with other manufactures in this field. This business should be primarily focused on creating environmentally friendly products using sustainable production practices while providing ethical human labor rights; these substantial issues that other business in this industry are struggling to comply with. It's important to note that violating this CSR framework may revoke advantageous benefits from stakeholders and could also severely harm the long-term success of this business.

## Issues that May have CSR implications

### Frequent Product Release Cycle

Introducing a frequent product release cycle may have negative implications on this business as far as supply chain, sustainability, and profitability. If new products are created and released frequently this could substantially increase the amount of electronic waste that is created (Holgate, 2017); this idea is extremely counterproductive if this business intends to be an environmentally-conscious entity. Since this company intends on developing solar powered cell phones, it's also important to note that properly disposing of Solar Panels is difficult because they often contain lead, cadmium, and other toxic materials (Shellenberger, 2018). To aid this issue, the startup company could offer recycling for their own devices to minimize environmental and economic waste (Control, 2018).

An accelerated product release cycle could also decrease the value the end user places on their products since older models will quickly become obsolete. Furthermore, if the company is tasked with creating new devices frequently it will increase costs in research and development, manufacturing, and supplies. While releasing new products frequently would allow their products to become marginally more advanced than competitors for a short amount of time providing some benefit, the resultant sustainability and profitability issues would severely negatively impact the company.

## **Sourcing Raw Materials**

Ethically sourcing affordable raw materials for electronics may prove to be a challenging endeavor, as many low-cost raw materials are sourced from foreign countries that are known to follow unsafe working practices and sometimes use children as a source of labor such as in Africa (CBS Interactive Inc., 2019). In addition, minerals sourced from places such as Congo are generally “conflict minerals” (Rayner, 2018), meaning they are collected by an armed group and sold illicitly; this type of environment is extremely unsafe and unethical. Sourcing raw materials from suppliers that violate human right ethics may be temporarily cost effective, however, in the long-term, it will harm brand reputation and could result in costly lawsuits that could completely negate the cost effectiveness of sourcing this type of labor; Apple, Google, Microsoft, Tesla, and Dell are cooperation’s that have been sued because of this (CBS Interactive Inc., 2019). In February 2018, Apple released their 2018 conflict mineral report as part of their commitment to supplier responsibility (Rossignol, 2019) and they remain to be committed to uphold human rights within their supply chain; this is an excellent example to follow.

## **Device Manufacturing**

Locally manufacturing cell phones may be too costly, especially for a startup company, this is why outsourcing the manufacturing of their cell phones to Chinese companies may seem appealing. While outsourcing the manufacturing to a companies in China is cost effective, there are some negative implications that follow as a result. Two of the primary issues that are involved with outsourcing manufacturing from China include quality control of the product and potentially unsafe working conditions for the employees working in the factory. Since the products will be manufactured overseas it may be challenging and take more time to monitor the quality of the devices as they are being manufactured. Similarly, if the safety of the factory employees is jeopardized as it is in some Chinese factories, there is a chance it will also negatively impact brand reputation. Between 2007 and May 2010, there were several young Foxconn workers that committed suicide as a result of working in poor conditions (Sandoval, 2013); this is one of the many reasons why it’s important to ensure employees are provided with suitable working conditions.

## **Stakeholders affected by CSR**

### **Customers**

Customers are the most important stakeholder involved with this business entity, this is because these are the end-users that will be ultimately using and purchasing the solar powered cell phones and therefore are the most important. It’s critical to understand that the customer’s issues are the most fundamental issues that must be resolved or improved upon in order to maintain a successful business, as without approval from them, the business products will fail to stay profitable. In order to appeal to their target customer base of young people and college students, the entrepreneurs should pursue the idea of creating a quality device with industry competitive front facing and rear cameras; this device should be initially developed for the high-middle end market. In addition, the startup business should plan to release new products once every twelve months instead of once every 9 months; doing so will increase product value (also improving profitability) and reduce the amount of electronic waste that is caused by recycled devices.

## **Employees**

Employees (local and contracted) are the second most important stakeholder involved with this business entity, this is because these people are primarily responsible for creating and providing the solar powered cell phones to the customers. It's important that employees are treated with care and are provided with a safe and productive working environment so they can efficiently and safely deliver quality products to the customers. Two of the most important prospective issues involving the employees are sourcing the raw materials needed and manufacturing the phones. The entrepreneurs should consider communicating with their raw material suppliers and assembly factories to ensure there are safe working conditions and that they do not use child labor; this will improve brand reputation and avoid potential law suits against the company. In May 2017, there were approximately 4,714 children in Congo working in the mining sector (Faber, Benjamin, & Sánchez de la Sierra, 2017); this an unethical labor practice that should be completely avoided. Apple verifies third party working conditions by conducting comprehensive site audits, in 2016 apple conducted 705 site audits (Bloomberg, 2018) to review the working conditions in Chinese factories. Conducting comprehensive site audits with suppliers is a good practice to verify the working conditions in these types of factories once contracted.

## **Communities**

Since this business is focused on being environmentally friendly, the third most important stakeholder are the communities that are impacted as a result of this businesses actions. If the communities are unsupportive of the actions committed by a business it can greatly harm brand reputation. Generating an excess of electronic waste may draw unwanted attention from surrounding communities and should be avoided if possible. Additionally, some members of these communities may be potential or existing customers so it's important to make a good impression. To combat this, the entrepreneurs should consider the twelve month product release cycle and should also consider creating a product that can be easily recycled. For example, if the entrepreneurs created a product with modular parts that could be upgraded (RAM, CPU, SSD, Camera, display, etc.) it would greatly reduce the amount of electronic waste that is produced.

## **Investors**

Investors are the next most important stakeholders involved with this business, this is because they are involved with funding the operation and generally reserve the right to vote on major decisions. Keeping a good relationship with investors is important, otherwise, they may be tempted to revoke funding and remove their stake in this startup business. Generally speaking, it is advised to maintain and generate positive press as this improves brand reputation, attracts new investors, and pleases existing investors. In order to create and maintain positive press, the company must operate in a manner that generally perceived as good and ethical by most people. This can be done by respecting human rights, making sustainability efforts, being profitable, and providing their service/product as intended.

## **Conclusion**

This report has highlighted some of the most key issues that launching this solar powered phone cellular phone company would create, such as generating excess electronic waste, placing employees in unsafe working environments, and utilizing child labor. Additionally, this report has provided the entrepreneurs with an effective business consultation comprised of general advice and effective solutions to combat

the above issues and create a profitable business. In conclusion, this startup business has potential to become a successful and innovative mobile phone producer should they choose to follow the above Corporate Social Responsibility Framework.

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