

Casos

MICROSOFT'S CORPORATE SOCIAL RESPONSIBILITY ANALYSIS

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Abstract:

Departing from the role that society currently plays in our workplaces and the necessity of companies interacting in a respectful and transparent way with the people that surround them, we aim to analyse the social responsibility of one of the biggest companies in the world, Microsoft. Basing our analysis on its 2018 Corporate Social Responsibility (CSR) Annual report, we have carefully read the document and contrasted what it claims to do with some recent news and articles to see if it really accomplishes its statements. We will start with a contextualization of the company's history and activities, followed by the proper analysis of its CSR; right at the end, we would like to bring up some questions, encouraging the readers to discuss about the topic. As a result, we consider that there are some points in its report that are not entirely true. Therefore, we conclude that in general terms, the company tends to use this kind of reports as a marketing tool, not even fulfilling many of the points that are stated there.

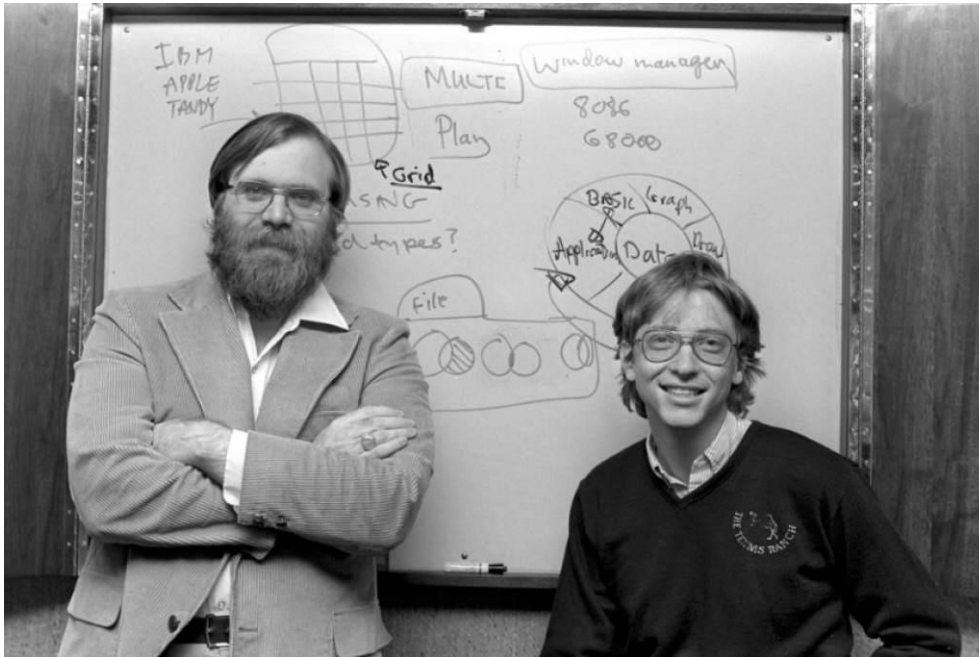
Resumen:

Partiendo del papel que la sociedad desempeña actualmente en nuestros lugares de trabajo y de la necesidad de que las empresas interactúen de manera respetuosa y transparente con las personas que las rodean, pretendemos analizar la responsabilidad social de una de las empresas más grandes del mundo, Microsoft. Tras analizar cuidadosamente el Informe Anual de Responsabilidad Social Corporativa (CSR) de 2018 elaborado por la propia compañía, hemos contrastado lo que dice hacer con algunas noticias y artículos recientes para ver si realmente cumple con sus declaraciones. Así, comenzaremos con una contextualización de la historia y las actividades de la empresa, seguida del correspondiente análisis de su CSR; para finalmente plantear algunas preguntas, alentando a los lectores a discutir sobre el tema. Como resultado, consideramos que hay algunos puntos en su informe que no son del todo ciertos. Por lo tanto, concluimos que, en términos generales, la empresa tiende a utilizar este tipo de informes como una herramienta de marketing, pues ni siquiera cumple muchos de los puntos que se establecen allí.

1. Introduction

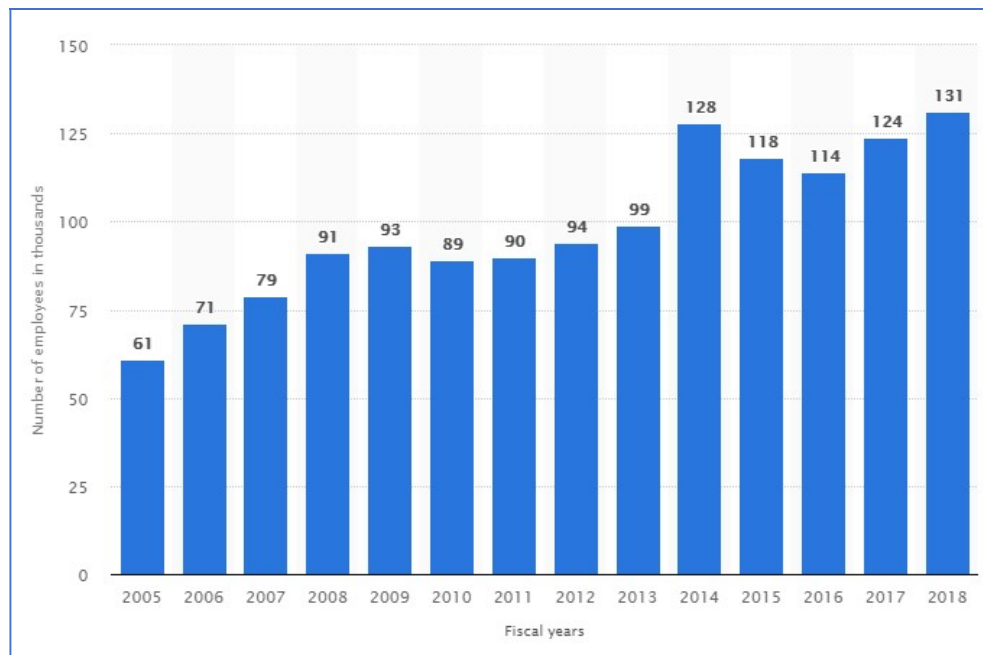
Microsoft is an American multinational corporation founded by both Bill Gates and Paul Allen (see Fig. 1) in Albuquerque, New Mexico, in 1975, claiming that its mission as a company is “to empower every person and every organization on the planet to achieve more” [2:8]. Its main activity spins around software products development such as its OS Windows, being this the most used in the world of computers [2]. Another popular product made by Microsoft is the Microsoft Office suite (a set of software tools related with multiple office automation tasks, such as Word, Excel, etc.), which had over 1 billion users by 2012 [4]. In addition to this, the company tried to get into the mobile phone OS market with Windows Phone (its own OS that came installed with its phones), with it being a complete failure some years after its release because of its inability to compete against Android [5], its direct rival made by Google. Additionally, Microsoft has also been developing multiple types of hardware during its history, currently betting for portable devices such as the Microsoft Surface [6] (a laptop designed by the company with multiple models that vary from a tablet-like device to a conventional computer with an integrated keyboard). It has also recently tried to boost its own launcher for Android, the MS Launcher, which already has 10 million downloads on Play Store [7]. On this last aspect, it is also important to add the inclusion of Microsoft in the video game’s world, where it has released diverse products including consoles, video games and even its own platform for distributing them [8]. Furthermore, Windows is the most used OS when playing video games on PC [9].

Figure 1. Bill Gates along with Paul Allen.



Source: [3]

In terms of numbers, in 2018 Microsoft got \$110.360 million in sales, having a growth rate of 6.18 [10]. The company reported in the most recent fiscal year quarter (Q1 2019) a revenue of \$29.1 billion [11], with this translating into an average corporative salary of \$118000 [12]. Also, its market’s value has just crossed the \$1 trillion mark, being Apple and Amazon the 1st and the 2nd one respectively to previously achieve this [13]. Microsoft’s key subsidiaries are Skype (a software that provides video chat and voice calls), Yammer (a social network for companies and organizations), LinkedIn (a business and employment-oriented service), Mojang (a video game studio) and GitHub (a hosting service for software developers), being the former one bought by them last year for \$7.5 billion [14]. As to its employees, it reported to have 131 thousand employees on January 7th, 2018 (see Fig. 2). The business level strategy and competitive advantage of the company is based on four main elements, being these to give importance to portability (focusing its activities in services like the cloud), to grow through mergers and acquisitions (having already acquired 225 companies by 2019), focusing on augmented and virtual reality (its augmented reality glasses are an example here) and to promote “Tech Intensity” (to combine its cultural mindset and its business processes in order to reward the development and propagation of digital capabilities) [15].

Figure 2. Number of employees in Microsoft during the last decade.

Source: [16]

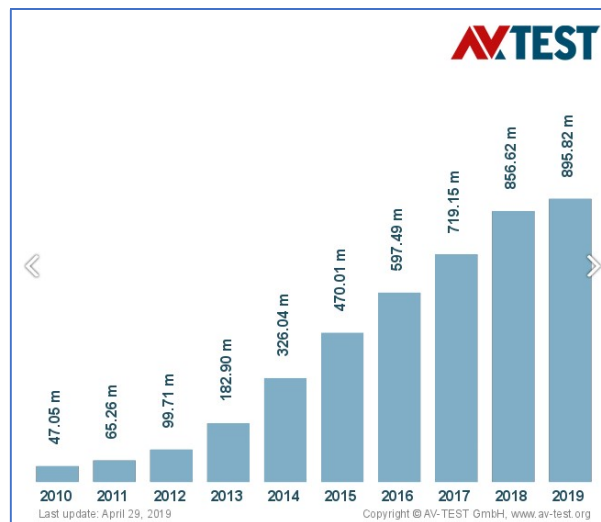
2. Case development

Starting from the definition of corporate social responsibility [17] as what companies do when developing their activity to have a positive impact on society, taking into account aspects such as ethics, sustainability, its social impact, etc., and after carefully reading the 2018 Microsoft's CSR Annual Report [1], we will start speaking about the objectives that Microsoft follows to improve our society. It is also important to mention that the company is attached to the Global Compact of the United Nations (UN) (a pact created by the UN to encourage businesses all around the world to adopt socially responsible policies [18]), claiming that it respects its 10 principles, being these related with human rights, labour, environment and anti-corruption. Referring to the human rights, Microsoft aims to respect human rights in the way it develops its activities, trying to achieve this with the help of technology. One of the most important facts here, is that Microsoft has been working with the UN High Commissioner for Human Rights Office, having signed a landmark 5-year with them; also, Microsoft is going to give \$5 million to support the job done at the UN Office [19]. Therefore, to defend Human Rights, the company refused to sell/employ its facial-recognition technology in officer's cars and body cameras because it trained its artificial intelligence in a way that could discriminate certain people such as women and minoritarian groups. Otherwise, it recently had to face a situation where its own employees wrote a letter to its CEO (Satya Nadella) showing their disagreement with the idea of employing the HoloLens technology for military purposes [20]; by doing this, Microsoft got almost \$480 million [21]. We consider that Microsoft doesn't fully support Human Rights with that kind of actions, as we think that it contradicts its philosophy. The company has a strongly believe in its culture, claiming that personal development and everyone having the opportunity to grow and be rewarded for what they do are its pillars in terms of "empowering its employees" [2:31]. Even if it also mentions here the fact that it respects human rights in relation to work conditions, it has been accused of child labour in the past [22] [23].

Speaking about privacy and data security, Microsoft claims to preserve our ability as consumers to control the amount and type of data that its collects from us with its products. In general terms, security is a crucial aspect that must be taken into account in the world of technologies; in this case, Microsoft has to face the reality of malware having increased for the last 10 years (see Fig. 3), and considering what it is done at the company, it should always be as much updated as possible to fight against this back. It puts transparency and security as some of its pillars in this field, but if we look back at some news from not so long ago, Microsoft has been involved in some situations where its security has been questioned. As an example, it revealed that some cyber criminals got access to many outlook accounts between January 1st and March 28th, 2019 [25], leading to a situation where millions of users' data were exposed. In fact, many of those

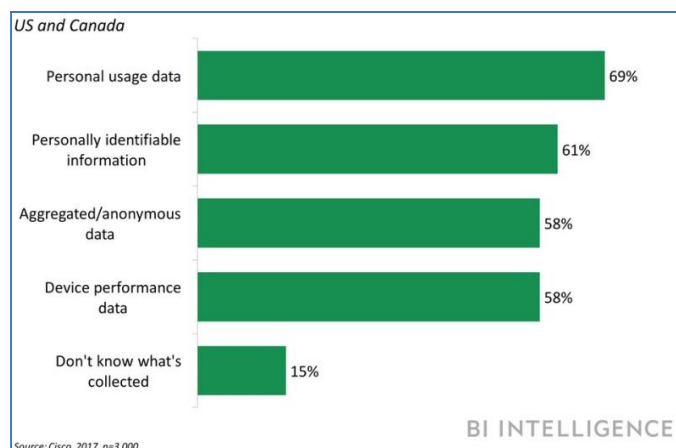
exposed accounts have been used months later by cyber criminals to steal them cryptocurrency [26]. An example of Microsoft's lack of transparency in the past was the case where it kept as a secret that its bug-tracking database was compromised in 2013, revealing this to the public in 2017 [27]. Things like this tend to make people lose trust in the company even if they get solved afterwards, as if there is something that users do not generally tolerate is to get lied. Perhaps the most popular new that involved both Microsoft and privacy is the one that appeared almost 4 years ago, when it released its last OS version, Windows 10. It arrived with a lot of controversy, as there were some settings which were set by default that concerned many users [28]. One of them was the fact that Windows 10 automatically assigned an ID to each user that had an email account linked to the OS, giving the company the ability to study each user's likes and then show them specific adds based on that data, without advising the user beforehand. Also, Microsoft's Cortana (its personal assistant) also collected user specific data with the pretext of offering its services, which actually concerns many people (see Fig. 4). But, how does Microsoft confront this? Apart from its security systems, it also has a group of people specifically dedicated to analyse and investigate how to prevent and to solve the newest types of cyberattacks [29]. This group analyses over 6.5 trillion security signals a day; also, they elaborate a security report each year where they share what they have discovered during that time, explaining their experiences.

Figure 3. Total amount of malware in the last decade.



Source: [24]

Figure 4. Type of data consumers are aware IoT devices collect.



Source: [30]

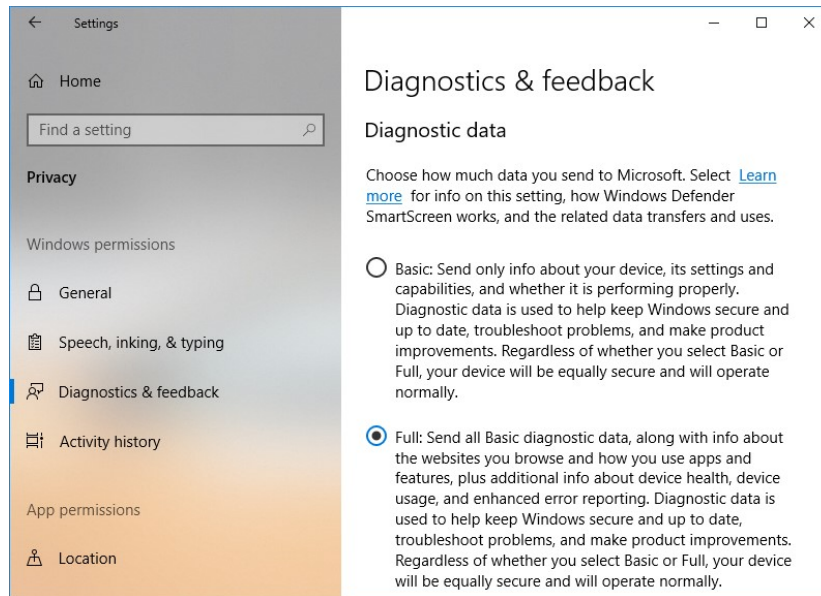
Figure 5. Microsoft's Xbox adaptive controller.

Source: [31]

Not everything has to be bad when speaking about Microsoft; we do think that it should be also recognized not only for its failures but also for its merits. We will now speak about an important topic which is gaining strength in the technology world in general terms and which the company shows to be aware of: accessibility. It is very important to take into account if someone's product can be used by anyone independently of the user having any kind of disability when developing software products. There are many organizations that ensure that software accomplishes a certain level of accessibility, such as the World Wide Web Consortium [32] does in relation with web development. Microsoft has been recently awarded with the Golden Joysticks award (a video game award ceremony [33]) in 2018 [34] for its Xbox (a video game console created by Microsoft) Adaptive Controller (and adaptation of its Xbox controller designed for people with reduced mobility) (see Fig. 5), and just one month later, it also won the Technology Initiative of the Year award for making its products accessible [35]. It is also developing multiple tools that are not only related with the gaming industry; as an example, it has created a free app called "Seeing AI" [36] that helps people with low visibility by narrating whatever happens around them, including people, documents, the environment, etc.

Another important fact to consider when analysing a company's CSR, is the way its activities affect the environment. In this context, Greenpeace, one of the most relevant non-profit organization (NGO) in the world that defends the environment with multiple activities, made a report in 2017 [37] studying and rating its relationship with the environment. With an average grade of 'C-' with 'A' and 'F' being the highest and the lowest grade respectively that the company could get in each of the subsections of the report, Microsoft shows again that it does not fully committed to preserve the quality of the environment as it claimed in the "Protecting our planet" section of its CSR report [2:49-52]. Even if Greenpeace's report was published a year before Microsoft's one, there are some points mentioned in the NGO's report that did not change during the course of that year. This is mostly due to them being linked to Microsoft's corporate philosophy in relation to designing sustainable products (which Greenpeace scored with a 'D', stating that its products' repairability could be considerably improved [37]). Despite this, if we have a broader vision of the situation, Microsoft is quite ahead of some relevant companies in the field of technology which were also analysed by Greenpeace. The reason is not that it got a good score compared to them, it is just that the rest of companies had much worse grades [35:6] (some even having scored a 'F', the lowest obtainable grade).

In 2011, the Comisión Nacional de los Mercados y la Competencia (CNMC), which is the public Spanish organization in charge of preserving, guaranteeing and promoting the existence, transparency and the proper functioning of an effective competition of the Spanish Market [40], sanctioned Microsoft Ibérica as it limited the sale of software (specifically, their OS licenses) [41]. The CNMC considered that by unjustifiably limiting its OS licences for PCs, Microsoft Iberia was using restrictive practices against the competition. The company also faced a similar situation some years before that, losing against the European Commission (EC) in 2007, which accused Microsoft of a repeated abuse of dominant position [42].

Figure 6. Windows 10 diagnostics & feedback settings.

Source: [39]

3. Questions for discussion

We are now going to bring up some questions about the topic so that you can participate and give your opinion on the case.

Question 1. *Do you think that respecting human rights should be included in a CSR as a prominent fact of the company?*

As it is stated in the Universal Declaration of Human Rights [43], they must be respected by law. Do you really find necessary for companies to show what they do to fulfil so?

Question 2. *Why do you think that Microsoft hid for years the fact that many of our accounts were compromised [25]?*

Was it just to keep its image clean, or do you think that it was trying to solve the problem during that time so that everyone could live happily in the meantime?

Question 3. *After reading about what Microsoft did (and still does to a point) in relation with user privacy when it released Windows 10, do you find yourself safe while using its products?*

It is important to consider that to this day, Microsoft does not offer the user an option to avoid sending it any kind of data when using its OS (see Fig. 6).

4. Conclusions

We chose Microsoft as the company we would like to analyse mainly because of its relevance in the field of technology. Even if it has been many times a company that boosted new technologies and innovation, we cannot ignore the fact that what it claims in its CSR is not always that true. We have been able to prove that there have been some cases where Microsoft did not respect human rights, as we consider that child labour is unacceptable under any kind of circumstance. Also, we believe that human rights should not be extoled in a company's CSR, as they must be respected by law without getting merits for doing so. In addition to this, we think that technology which was bound to innovate and to be used by users should never be modified and sold by the company for military purposes. Acts like these lead the general user to distrust the company, or even its own employees, who also had a negative reaction when Microsoft sold its HoloLens to the US army.

As consumers, we do value our privacy and security and we think that these should be a fundamental pillar in every company's philosophy. In the case of Microsoft, due to the services it offers, it is crucial that it can keep the personal data that it collects from us safely; a security breach in this kind of systems can

compromise the security of millions of users. We are not just talking about photos, messages, but sensible data like each and every file that someone could store in cloud services like OneDrive (Microsoft's free cloud storage system). Even if we already know that having an impenetrable system is almost impossible, we found the fact that it kept as a secret that millions of users' account were compromised as an intolerable action by it, putting forward its image as a company rather than users' security. This made almost impossible for many users to take measures such as changing their credentials or removing personal data from its cloud service.

Another relevant aspect that we like to see is if companies respect is accessibility. We would like to remark this aspect as there are many companies that do not seem to care that much about this, mainly because it involves more effort and money to produce accessible products (which not every company wants to assume). In this case, Microsoft has done a really good job in terms of making many of its products accessible to everyone; the best example of this is its adaptation of the Xbox controller that lets everyone use the device without any impediment.

As a conclusion, we found quite sad that Microsoft mentioned many points in its CSR as if they were something to be proud of when they must be things that every company in the world should fulfil. If we also add to this that many of those points were not completely true, what we get is another marketing tool filled with some lies that shows that the company does not really do anything extraordinary to have a positive impact on society. Being one of the biggest corporations in the world does not exempt you from having a plenary compromise with society at all times, no matter how much you produce or innovate in your field.

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