Microsoft's Corporate Citizenship report 2012 - Head in the cloud

Posted by Phoebe Hayes [1] on Dec 11, 2012

Microsoft fails to convince it sees corporate citizenship as central to its business

The recent release of Windows 8 has gone a long way to reinvigorate Microsoft as a leader of IT innovation. Some of this same energy is needed to strengthen the company's approach to corporate citizenship, which remains firmly about philanthropy.

Microsoft has come a long way since its 16-page citizenship report of 2009, which read more like a glossy marketing brochure than a convincing account of its sustainability performance.

The 86-page 2012 report covers a much wider range of issues pertinent to the business, each with performance highlights and future commitments. Addressing governance, human rights and data privacy in greater depth has filled significant gaps in Microsoft's reporting.

The report makes for an easy read despite its length. Issues are clearly explained without resorting to jargon, and each section is punctuated with performance data and engaging case studies that ground the content in real life examples. One highlights an innovative approach to diagnosing malaria that uses mobile phones to detect the parasite in sub-Saharan Africa, Asia and the Americas.

Trade-offs between length and breadth are inevitable. But limited coverage of Microsoft's responsible supply chain work, for instance, is unlikely to satisfy anyone with more than a fleeting interest.

HP and, more recently, Apple have raised the bar for reporting in this area. HP has offered extensive coverage of its supply chain activities for a number of years – including detailed transparent reporting of supplier audits – and in 2012, Apple followed suit with a standalone Supplier Responsibility report.

Microsoft, on the other hand, gives limited attention to some critical responsible sourcing issues and related business risks for the industry. The report mentions supplier audits and interviews with supplier workers conducted by the Fair Labour Association. But other than a few tantalising titbits – such as using facial recognition software to help a supplier prevent underage workers applying for jobs – coverage of the results leaves the reader wanting to know more about the impact of these activities.

Microsoft also provides little insight into how the contentious issue of conflict minerals affects its business, with few specifics on how the company plans to meet new US legislation on this.

The report's coverage of another critical issue for the industry, the environmental impact of cloud computing, is also underwhelming. Greenpeace expects energy demand for the data centres supporting cloud computing to have grown by 19% in 2012 alone and criticises Microsoft for its over-reliance on coal power in the 2012 How Clean is your Cloud? report. Acknowledging the associated risks with cloud computing would offer the company an opportunity to lead the sector on this emerging issue.

Philanthropy remains a major focus of Microsoft's citizenship strategy and reporting. The company's performance in this area is impressive: donations of almost $1bn to non-profit groups in 2012 – something worth shouting about. The citizenship report acts as an effective portfolio of this work, but the overload of bulleted performance points feels a bit like a "do-gooder" check list and it is not always clear how individual programmes align with the company's business goals.

Giving in kind

The "technology for good" programme for instance – which donates significant amounts of software to non-profits – is positioned entirely as an effort to help the communities they serve. And the YouthSpark initiative – which uses technology to connect young people to education and employment – fits well with Microsoft's mission to help realise potential. But beyond clichéd statements about "realising dreams" and "contributing at a higher level", no direct link is made between developing skills and the potential for business growth.

While the chief executive's statement hints at the potential of citizenship activities to create value for the business, there appears to be little effort to demonstrate how the activities covered in the report are integrated into the business strategy. While IBM's Smarter Planet initiative puts the business case for sustainability front and centre, Microsoft misses a trick by failing to articulate clearly how good corporate citizenship is good for business. The reader is given little indication of whether or how Microsoft's products can contribute to a more sustainable society by, for example, enabling smarter grids.

Despite notable improvements in coverage of issues and a greater focus on performance, the emphasis on philanthropy and Microsoft's reluctance to connect citizenship with its core business undermines the credibility of its citizenship strategy and reporting.

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Snapshot

Follow GRI? Yes

Assured? No

Materiality Analysis? No

Goals? Yes

Targets? Yes (mostly unquantifiable).

Stakeholder input? Yes

Key strengths? Philanthropic portfolio.

Chief weakness? Lack of business case.

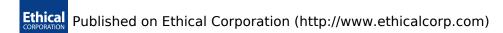Pleasant surprise? Light and easy read.

The Ethical Corporation Awards 2013 include a category [4]
called 'Best Sustainability Report' - For full details on 2012
winners and this year's award criteria, visit http://events.ethicalcorp.com/awards [5]

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