

# The Socially Responsible Innovations of Mobile Retailer: A Case Study Approach

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**Abstract:** *The social responsibility of a company is essential for the company to maintain prosperous. However, companies are under the pressures of different stakeholders including customers, shareholders, and suppliers. How to balance their different requests and act as socially responsible entity for all of those shareholders? This research describes the efforts from a British mobile retailer and show the socially responsible process through which the retailer has gone through to achieve rapport with different stakeholders. The managerial implications of this research will be for companies to successfully conduct socially responsible innovations in a similar social environment.*

**Keywords:** *Socially Responsible Innovation, Stakeholders, Sustainability*

## 1. Introduction

Carphone Warehouse Group PLC (CPW) is the one of the largest mobile phone retailer, with 2393 stores and online presences across Europe. The company operates mainly in three sections which are presented as the below:

- **CPW Europe** (50% joint venture with Best Buy)
- **Virgin Mobile France** (47% joint venture with Virgin Group as Virtual Mobile Network Operator in French market)
- **Global Connect** (partnership with Best Buy for markets outside EU & North America)

The CPW Europe has now grown into the largest independent telecommunications retailer in Europe and is now operating under an era when smartphone and other non-cellular devices are penetrating downward the market, so CPW Europe is managing to follow the tide by upgrading its store format and launched the newly formatted store – Connected World. Virgin Mobile France is now expending by targeting at the low-end market segment and encroaches upwards with rented network from Orange. Global Connect is now trying to copy its successful retailing model into developing countries among which China is firstly picked out as test point for its Best Buy SWAS store in 2012.

This report will revolve around Carphone Warehouse’s social responsibility endeavour by addressing the issues including to what extent CPW has been undertaking to commit its social responsibility, how much CPW has subordinated its sustaining report to the requirements stated on the Sustaining Report Guidelines, What are the techniques adopted by CPW to engage stakeholders, and how are the social responsibility practices assured by internal and external parties. The following content will unfold by addressing those issues in order.

## 2. Corporate Social Reporting

### 2.1. Sustaining Report Quality

Numerous sources are taken into account to explore to what extent that Carphone Warehouse has resolved the issues regarding Sustainability Reporting, which includes the official website, Wikipedia, Newspaper, Magazine and the Sustaining Report as well. However, as Carphone Warehouse PLC was taken over by the American Electric Retailer – Best Buy in 2008, it thus has no Sustaining Report independent of its parental company-Best Buy, just as indicated in Best Buy’s 2011 Sustaining Report that the report ‘...covers all Best Buy-branded stores globally and our major subsidiaries, including The Carphone Warehouse and The Phone House stores in Europe...’ (Best Buy PLC., 2012., p.2). Therefore,

the Best Buy Sustaining Report is referred to as the basis for further analyses. Also, the analytic framework will mainly draw on the Global Reporting Initiative's criteria as good sustaining reports, which are materiality, stakeholder inclusiveness, sustainability context, and completeness (GRI, p.7) to see how much the disclosure of information has conformed to the principles of a good sustaining report.

Table 1: The Socially Responsible Innovations of Carphone Warehouse Group PLC.

Carphone Warehouse Group PLC	Materiality	Stakeholder Inclusiveness	Sustainability Context	Completeness
<b>Strategy &amp; Profile</b>				
1.Strategy and Analysis	Key approaches and critical dimensions of committing social responsibilities are underpinned	Staff, Management, Customers, Suppliers, Charities, Communities and microenvironments are all concerned.	The integration between core business section and sustainability is clarified. However, not any measurable sustainability goal is specified.	The executive's statement clearly mentioned all the business lines and subsidiaries operating under its brand. However, the downside or challenges of current sustaining practices is not mentioned here.
2.Organizational Profile	CPW Europe, Virgin Mobile France, and Global Connection with Best Buy are delineated as the key business of CPW. However, the detailed operation structure is not revealed.	The ownership structure is clearly indicated, including even foreign emerging operations, so shareholders are concerned highly. Also, the target customers are attended with the values pertinent to different segments. Government is also included as the influential stakeholder.	The overall strategy of CPW is to leverage its retailing presence, network infrastructure, and staff know-how into product sales compatible with its competences. The management regard this strategy as sustainable, also in consistency with the trend of its concerned industries.	Again the organisation profile is too optimistic and fails to address the current insufficient practice. Moreover, the unethical customer data abuse induced by its business model reported by Guardian (Miles Brignall, 2005) driven by its aggressiveness on competition is not covered in its profile.
3.Report Parameters	The layout of sustaining report conforms well to the GRI guideline and the material issues are prioritized.	Stakeholders expected to be covered in a typical sustaining report are all attended. Report audience is well identified.	The consistency of this year's report with previous year is checked. The letter from the management expounded the context within which the strategy is carried out.	The profound analyses of the economic, social, and environmental impact are insufficient and the current challenges of sustainability implementation are rarely included.
4.Governance, Commitments, and Engagement	Important content regarding Governance Structure, mechanisms for shareholder and employ to governance body, executive compensation, and oversight procedure are all involved.	Not just internal governance bodies are included, but also those external governance bodies including government, environmentalist, media, customer and so forth are all documented with rigid policies.	In spite of the wide engagement and committed governance, few enabling mechanisms are reported about how they could contribute to the sustaining competence of CPW. The wide engagement seems as an aimless extension to take stakeholders on the bandwagon as many as possible, but how effective is for this wide engagement is not clarified.	The governance is all-around but again fails to cover the fault practices in governance and how can the refined governance mechanism to recover the faulty behaviour. Carphone Warehouse is yet to be reported for misdeeds in governance but Best Buy is reported for its unfair executive compensation (New York Times 2012).
5.Management Approach and Performance Indicators	Management approaches and their impact on stakeholders are detailed. The impact are not depicted in ambiguous way but concreted to statistics.	Diverse groups of stakeholders are explored about their relatedness to the management approaches.	All the management approaches are sustainability-enabling and their enabling mechanism is highlighted with case studies and illustrations with charts and pictures. Moreover, the economic and social impact of those management approaches are numbered and proved sustainable.	The side-effects including cost of sustainability activities are not fully revealed and the failed management approaches or challenges in executing the approaches are not explicated.

Carphone Warehouse Group PLC is characterized by its four management approaches: Sustainable Solutions, Product Stewardship, Access through Connections and Inspired Workplace to execute sustainability (Best Buy PLC., 2012). The four management approaches are well expounded in terms of their materiality to diverse groups of stakeholders including suppliers, clients, government, employees, management, shareholders, charities, civil societies and environmentalists. Therefore, the 2012

Sustainability Report well addressed the social responsibility issues that are material for wide spectrum of audiences. However, the report is yet to consider thoroughly about the Sustainability Context for it does not plan the progress of its sustainability commitment into time horizon with short-run, medium or long-run accomplishments in spite of the constant progress reflected from sustainability report. Such a lack of planning makes for ambiguity in assessing the progress of sustainability practices and makes it hard for audience to identify the sustainability context.

Also, both the official website and sustainability report of Carphone Warehouse are not revealing in terms of its false practice and challenges on sustainability commitment. As Doebele (2005) considers cost implications (42%) and unproven benefits (40%) are the two holdbacks to conduct CSR programs, the sustainability report should shed lights on the two aspects of the management approaches on sustainability commitment. However, the two aspects are neglected by the 2012 sustaining reports which overflowed with optimistic voices about the return on various CSR programs as if all the sustainability commitment is flawless. On the contract, the client complaints and negative media reflections on Carphone Warehouse do exist (Daily Mai, 2005). Therefore, the downside of current sustainability practices need to be concerned as well as the upside in order to achieve completeness of the sustainability report.

**2.2. Key Performance Indicator Assessment**

*Table 2: The Key Performance Indicator of Carphone Warehouse Group PLC*

<b>Carphone Warehouse Group PLC</b>	<i>Code</i>	<i>Core Key Performance Indicator Definition (GRI guideline)</i>	<i>Involved in report or not? (Yes / No but material)</i>	<i>Representation &amp; Comments</i>
<b>Economic</b>	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	YES	Represented by numbers including Store Count, Employment Count, Financial Highlights, and Factory Count. However, they are more shareholder-related than stakeholder-related, more statistics targeting at stakeholders should be involved to facilitate understanding.
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	YES	Represented by the efforts made to reduce carbon footprint. Numbers, Charts and pictures are applied to illustrate varied efforts made to reduce carbon footprint.
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	NO but material	Supplier as important stakeholder has been largely ignored, but merely mentioned their dynamics under smartphone era.
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	YES	Represented by various community service with attendance from employee and endowment in technology infrastructure with people in poverty under the Get Connected scheme.
<b>Environmental</b>	EN2	Percentage of materials used that are recycled input materials.	NO but material	Although recycling measures are for post-purchase disposal, but information is omitted for material input recyclability which is a more import source of electronic pollution.
	EN16	Total direct and indirect greenhouse gas emissions by weight.	YES	Represented by measures taken out in-store to reduce CO2 emission.
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	YES	Five Star stores in China display energy-efficiency guidelines on home appliances and televisions. The measure provides as a good example to meet demand on environmental protection and customer requirement.
<b>Social</b>				
<b>1.Labor Practices and Decent Work</b>	LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	YES	Represented by employment count on the basis of different geographical district. However, a further breakdown of staff composition in terms of gender, position, employment type and family need to be done to reflect the heterogeneity of employee.
	LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	YES	Well represented by the accurate turnover rate and further breakdown of staff into age group, gender and region. Moreover, the contributing factor to low turnover rate is also expounded.
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	NO but material	Injury, occupational diseases, lost days and absenteeism are all essential information about the interest of employee as stakeholders. Nevertheless, the sustaining report is not concerned with it at all.
	LA10	Average hours of training per year per employee by gender, and by employee category.	YES	Represented by induction week, Boot Camp training, and e-learning accreditation to equip employees with competence. However, no further information about gender and employee category.

	LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	NO but material	Not any information about the male/female compensation scheme, which is essential due to the male-prone culture in the industry of phone retailing and virtual network operating.
2.Human Right	HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	YES	Represented by the supply chain integration scheme to screen out suppliers that is not qualified.
	HR4	Total number of incidents of discrimination and corrective actions taken.	YES	However, the focus is on supplier side where diversity to a certain degree is ensured. The discrimination incidents among employees are not tracked or attended, especially considering the European business sector where racial discrimination is not comparable to America, but much loosely governed by law in EU.
	HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	YES	Well represented by the various measures to hedge against supplier risk including rigorous Audit programme, Product Safety scheme, and Alignment with Charities to promote the ethical supply chain. The report also identifies the challenges in the way of achieving ethical supply chain, which is an exemplary practice.
	HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	NO but material	Informal channels to address the grievances on human rights are not available but are of tremendous importance because of CPW'S ethnically diverse workforce. The 24/7 online and telephone helpline to staff making complaints is a good example which should be encouraged to increase practices of the like and make them countable as key performance indicator
3.Society	SO5	Public policy positions and participation in public policy development and lobbying.	YES	Although Best Buy concerns a lot with public policy issue but not as much for Carphone Warehouse, which may because it recognises on its website that it has low industry impact and thus can confidently handle regulatory risks ( <a href="http://cpwplc.com/cpw/about/responsibilities/#reg">http://cpwplc.com/cpw/about/responsibilities/#reg</a> ). Still, CPW addressed the mobile phone crime and safe driving regulatory issues in their annual report (2012 Annual Report)
	SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	NO but material	Retailing business is influential on community lives in many ways, so the hedge against negative impact should be undertaken.
4.Product Responsibility	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	YES	Represented by taking memberships in various product safety committees and having awareness of product safety problem with kids. CPW even considered the recent trend with smartphone usage by children.
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	NO & NOT core indicator but material	Carphone Warehouse is complained by client to inflict private data abuse on them. As the widespread adoption of smartphone and the current unsettled legislation in that regard, the breaches of customer privacy and losses of customer data should be reported to the general public as key performance indicator.

Analyses resolves around the key performance indicator are tabulated to see how much Carphone Warehouse has covered the key metrics on Global Reporting Initiative Sustainability Report Guideline (pp.20-30). However, not just the core key performance indicators adopted by CPW is analysed but also those core performance indicators not involved into sustaining report but still essential or material for stakeholders are also discussed. The reason for that is because the omission of some key performance indicators material for certain stakeholders are effective indications of the degree to which CPW has implemented CSR program and the room left with CPW for further improvement.

Where the economic performance indicator is concerned, Carphone Warehouse attaches too much importance to shareholders and hence the statistics related to other stakeholders are scarce while the impact on them is essential. Also, the economic impact on supplier as important stakeholders is not fully exploited. However, the need for a justifiable and integrated supply-chain is becoming ever-increasingly significant. Environmentally speaking, CPW has well practiced many of its recyclability including recyclable product policy and in-store recycling services, with the only exception for incorporating recyclability into the procurement of input materials. As for the social aspect, more importance should be attached to the potential impact on local community as the dominant local retailer and the mitigation to those practices with harmful consequence. Also, customer privacy is highly promoted here as the key performance indicator to be involved into sustaining report. Please refer to the above table for further details and good practices made by Carphone Warehouse.

### 3. Stakeholder engagement

The concentration of Carphone Warehouse's engagement efforts is on those direct stakeholders including staff, customer, supplier, community charity, government, and product-related environmentalist which are highly relevant to the market basis of Carphone Warehouse. Hillman and Keim (2001) ever points out that CSR that targets a company's direct stakeholders such as its customers and employees has a positive impact on profitability whereas the CSR that targets wider social issues has a negative impact on profitability. CPW is thus well-advised not to stretch its stakeholder scope too far to include competitors, irrelevant charities or those have already been actively engaged through corporate governance, like shareholders and debtors. Therefore, discussion here is just confined to the shareholders directly related to Carphone Warehouse but not those irrelevant charities or institutional shareholders.

The strategy of CPW's stakeholder engagement scheme is to generate as much positive economic, social and environmental impact by diverting as minimum resource from the purpose of profit maximization. The economic impact is manifested itself from CPW's active coalition with suppliers. Partnering with suppliers largely enhanced the supplier's efficiency and competitiveness, which makes for positive economic return. Socially speaking, CPW are apt at taking partnership with a wide range of charities including Get Connected, Tree House and the like. However, those charities are highly relevant to CPW's core competence in technology and mobile devices. For example, Get Connected is set up to help those in poverty to access technology and benefit from modern technological advance. Apart from partnership, mutual fund and voluntary work are also effective means through with charity stakeholders are engaged. Environmentally, CPW does well in carbon emission and was awarded the Carbon Saver Gold Standard in 2011. Its success again rests with the partnership with energy-saving company and its rigid commitment to environmental regulation. All in all, the approach of partnership mainly serves as the most effective technique for CPW to relate to external stakeholders and elicit active engagement. The synergy with partners also brings fruitful results in the light of social responsibility.

However, the most noticeable underperformance of stakeholder engagement is from the customer side. Given both the online and offline communication techniques, customers still complain a lot and CPW was reported as complained by the largest body of consumers among handset suppliers. The failure of the current online forum, survey and offline feedback system is might well due to the disconnection between the staff engagement and customer engagement. The staff engagement in CPW is mainly through staff survey, performance bonus and professional training. Staffs are survived by asking how much valuable are the training they receive and how much they feel proud of their working at CPW while those questions are not directly related to how much will customer can benefit from staff training. Moreover, the staff bonus is too sales-driven but fails to motivate towards long-term customer relationship. Therefore, both staff and customer engagement techniques are dynamically adopted and both customer and staff are activated to engage, but the lack of connection between the two roles make all the engagement efforts fail to be sustainable. Here the recommendation is to make staff engagement technique more customer-oriented and customer engagement more influential on the internal staff.

### 4. Assurance on CSR/Sustainability reporting

The 2012 sustaining report of Carphone Warehouse (also the sustaining report of Best Buy) claims that the "*select content of the report was verified by Best Buy's internal audit team for assurance.*" (Best Buy, 2012), which is a practice not in consistent with one of the six key qualities identified by the Sustaining Reporting Guidelines (GIR, p.41). However, certain companies argue that the stakeholders often don't treasure the value of the assurance on sustainability report, so it's not justifiable to incur cost for it (EL Insights, 2011). The pessimistic view held about assurance may because of the unsatisfying audience considering those verification reports as unresponsive to their requirement (Adams and Evans 2004) or the limited assurance produced by verification statement (Kamp-Roelands, 1996). Worse still, no further information is given from the sustaining report about how the internal audit team has conducted the assurance, nor can the information be located evidently online. Therefore, conclusions are hard to arrive by simply referring to the assurance statement due to its absence from the sustaining report.

In spite of the lack of the information directly relevant to the assurance report or procedure, indicators can still be located about assurance of CPW's social responsibility achievement to some extent. The 2012 Annual Report of Carphone Warehouse also adds credit to the assurance of its social responsibility achievement for the top external auditor – Deloitte has checked the consistency of whole annual report (including Social Responsibility section) with its audited figures of the company (2012 Annual Report, p.50). The second indicator is the extensive partnership with myriad third-parties to achieve social

welfare. As revealed from the previous section that the most frequently adopted technique for stakeholder engagement is partnership. However, partnership does not only encourage stakeholder engagement but also motivate stakeholders to verify or assure the social achievement of CPW's parent company-Best Buy. The sustaining report has made a list of the third-party recognition towards Best Buy's best practice in social responsibility (including Carphone Warehouse), which is presented as the below:

*Table 3: The Fiscal 2012 Sustainability Report for Best Buy Plc.*

<b>World's Most Admired Companies</b> (36th overall and 5th among specialty retailers)	Fortune Magazine
<b>Dow Jones Sustainability Index</b>	Dow Jones
<b>FTSE4Good Member Company</b>	Financial Times Stock Exchange
<b>World's Most Ethical Companies</b>	Ethisphere
<b>100 Best Corporate Citizens</b>	Corporate Responsibility Magazine
<b>Fortune 500 Green Ranking</b> (3rd among retailers and 19th overall)	Newsweek Magazine
<b>Nation's Leading Green Power Purchaser</b> (40th overall, 18th among Fortune 500, 9th among retailers)	U.S. EPA
<b>Green or Anti-Packaging Award</b> (2 Honorable Mentions )	Creativity International Awards
<b>Britain's Most Admired Companies (CPW)</b> (Ranked 30th)	Management Today
<b>Best Employers of China Enterprises</b> (Five Star)	International Public Management Association for Human Resources
<b>Best Places to Work</b>	Human Rights Campaign
<b>Annual Diversity Council Honors Award</b> (Ranked 12th)	Association of Diversity Councils
<b>Training Top 125 in the World</b> (Ranked 30th)	Training Magazine
<b>Best Companies for Hourly Employees</b>	Working Mother

(Best Buy PLC., 2012. Fiscal 2012 Sustainability Report. Best Buy Plc. Available at: <<http://sustainability.bby.com/awards-and-recognition/>> [Accessed 25 March 2013])

## 5. Conclusions

This study commits to address the social responsibility issues of Carphone Warehouse Group PLC. On the first place, the key principles of good reports are applied to assess the content of the sustaining report and the finding is that CPW is insufficient in revealing the downside of sustaining commitment and challenges confronting with its execution of social responsibility. On another side, CPW did well in Materiality and Stakeholder Inclusiveness which are two key criteria of good sustaining reports. Moreover, key performance indicators are checked to see how much CPW has made it to execute the key performance indicators set up by GIR. The findings give credits to the current performance of CPW but still uncover the insufficient performance in terms of staff discrimination, local community impact, input material recycle, and privacy violation and relevant performance indicators are recommended to add to the sustaining report in the future. As for the stakeholder engagement issue, partnership is identified as the key technique used to engage charity, supplier and environmentalist. On contrast, staff and customer engagement is dynamic but hardly add value to performance and the lack of bridge between staff and customer engagement is regarded as root of problem. Finally, the social responsibility accomplishment verification is discussed but rather loosely discussed due to absence of an independent CSR assurance report. However, third-party rewards and rigorously audited Annual Report information can serve as the reliable assurances.

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