Analyzing the Sustainability Report of Multinational Companies - Using HP as an Example

Yuhan Chai

Business School, Chengdu University of Technology, Chengdu, Sichuan, 610050, China
chayuhan666@outlook.com

ABSTRACT

Nowadays, more and more multinational corporations attach importance to sustainable development, and most of them present their annual decisions in sustainability reports. However, most multinational corporations only execute sustainability decisions to establish a good corporate image and reputation and meet public expectations, without rigorously evaluating the feasibility of sustainability reports and subsequent measurements, so this article uses HP, a representative multinational corporation, and critically analyzes HP's sustainability reports in recent years using the well-known and widely used GRI framework and corporate social responsibility theory.

KEYWORDS

HP; Sustainability Report; Gri102 general disclosure framework; Legal theory; Stakeholder theory

1. INTRODUCTION

Nowadays, more and more multinational corporations are using sustainability reports to provide useful information to managers, executives, analysts, shareholders, and stakeholders as much as possible. The basic form sustainability reporting is a report on corporate environmental and social performance, so standards should be unified for quick assessment, fair judgment, and easy comparison. And after global enterprises receive sustainability reports, most of them adopt the sustainability reporting framework developed by the Global Reporting Initiative (GRI) [1]. Moreover, in order to enhance their global influence and set their sustainability goals, the performance of social responsibility by multinational corporations is even more important. Corporate social responsibility helps to establish a good reputation and image of a company, enhance the trust of consumers and investors, and at the same time, it also helps to build a stable social environment, creating favorable conditions for the long-term development of the company. Based on the above, this article uses the GRI framework, focus on gri102 general disclosure framework and legitimacy theory and stakeholder theory in corporate social responsibility theory to critically analyze the sustainability report of HP multinational corporations in recent years.

2. LITERATURE REVIEW

The GRI standard requires disclosure of substantive issues related to a wide range of stakeholders, which means that reports prepared in accordance with the GRI standard can reach a wider audience, thereby helping disclosing companies gain higher visibility. It is precisely because the GRI standard has comprehensiveness in covering sustainable development issues and stakeholder categories that it is more applicable and easier to implement compared to other standards [2]. Therefore, the GRI standard has been widely used by regulatory agencies in formulating policies and enterprises in
preparing sustainable development reports. In addition, when formulating its own mission, enterprises should consider relevant social responsibilities to ensure that the mission meets the expectations of all stakeholders, including shareholders, employees, and consumers, laying a good social foundation for the development of the enterprise [3]. The consumer trust gained during the process of assuming social responsibilities can stimulate consumption, increase sales and market share. However, the act of a company assuming social responsibility may cause confusion or misunderstanding among consumers, leading to doubts about the company's motives [4]. This article chooses the GRI framework and corporate social responsibility theory to critically analyze HP's sustainability reports in recent years.

3. MAIN BODY

3.1. About GRI Framework

According to HP's sustainability report in recent three years it can be seen that HP has consistently used the GRI framework to measure and disclose HP's sustainability performance from four dimensions: economy, environment, society, and governance. In HP's 2022 Sustainability Report, it can be seen that HP reports its sustainability performance in a transparent and accessible manner under the GRI framework, which helps build trust and credibility with stakeholders. Organizations that use the GRI standard to report their sustainability performance can differentiate themselves from their peers and demonstrate HP’s commitment to sustainability, which helps HP attract customers, investors, and employees. Nevertheless, the GRI framework has certain limitations over HP's sustainability reporting, as a voluntary framework may limit the comparability and transparency of sustainability reporting, as not all companies use the same framework in their reports. Secondly, without government intervention, GRI has no authority to comply with its reporting requirements or punish organizations for inaccurate or unreported reporting [5]. This limitation has led to HP's disclosure events in sustainability reports. In HP's 2020-2022 sustainability reports, the majority of them applied the GRI102 general disclosures framework and covered HP's organizational overview, strategy, ethics and integrity, governance, stakeholder communication, and reporting processes. It also reflected how HP sets and manages sustainability concepts, providing a background for stakeholders to understand HP's overall sustainability situation. Although HP made general disclosures according to GRI in its sustainability report, in 2020, the US Securities and Exchange Commission announced charges against technology company HP, accusing it of failing to disclose the impact of sales actions taken to achieve quarterly sales and profit targets, thereby misleading investors. In order to achieve quarterly sales targets, HP's regional managers use various incentive measures to accelerate or "pull in" printing consumables sales for this quarter, otherwise they expect these sales to be achieved in future quarters. However, in HP’s 2020 Sustainability Report, it was not disclosed the scope of its internal channel inventory, including channel inventory held by HP's direct sales channel partners, rather than channel inventory held by downstream channel partners in the distribution chain. Therefore, only partial and incomplete information on HP's channel health status was disclosed.

3.2. About CSR Theory

Legitimacy theory: HP's printers, ink cartridges, and desktops are located in administrative offices and computer laboratories worldwide. According to HP's 2022 Sustainability Report, in order to meet the expectations of society for HP, the company has many sustainable development plans and has been firmly integrated into the company's product design process, aiming to reduce the environmental impact of products throughout their entire lifecycle. The development management has also earned HP recognition from the outside world. HP mentioned in its 2022 Sustainability Report that for HP's main product printing, implementing sustainable printing practices can reduce waste, save resources, and contribute to a healthier planet. HP chooses environmentally friendly ink and toner, choosing
products that have the least impact on the environment, such as HP's original ink and toner cartridges. Although society highly recognizes HP's sustainable products, managers believe that even if consumers support environmentally friendly products, few people are actually willing to pay high prices for them. HP mentioned in its 2021 Sustainability Report that it is the industry's first UL ECOLOGO certified HP original ink cartridge that meets strict standards in health and environment, manufacturing and operations, materials, energy, and more, and has provided 224 HP home and office ink cartridges that have received this certification. However, in fact, HP's environmentally friendly products do not make money, and even due to the decision of its managers, HP has been sued for class action. The plaintiff's accusation is that HP illegally forced its printer users to only purchase and use HP ink and toner consumables. It achieved this by unauthorized transmission of HP printer firmware updates over the internet to lock in third-party ink and toner cartridges. In addition, there are many customers who still have a lot of ink left in the litigation ink cartridge, but in order to continue using it, HP insists on paying for the remaining ink in the already paid ink cartridge. Due to HP's malicious software, owners of HP printers are often forced to purchase HP eco-friendly ink cartridges, and HP sells them at high prices. From this, it can be seen that HP may have fabricated that its corporate social responsibility is only included in sustainability reports, and in order to maintain today's view of technology companies' sustainability, HP has developed environmentally friendly products, ignoring the public's view of sustainable products, resulting in a legal gap and even being sued for mandatory purchases.

Stakeholder theory: In terms of stakeholders, HP has always been committed to ensuring the rights and effective management of stakeholders. In HP's 2022 Sustainability Report, had a long-term commitment and efforts to ensure that all stakeholders in the entire supply chain are protected. HP ranked second in the ICT (Information and Communication Technology) company benchmark test in 2023, and the company evaluates based on seven categories: commitment and governance, traceability and risk assessment, procurement practices, recruitment, employee voice, monitoring and remedial measures. It can be seen that HP has always focused on protecting and managing stakeholders. Comparing HP's sustainability reports in recent years, it can be seen that HP has made different decisions to meet the needs of stakeholders. During the COVID-19, according to HP's sustainable reporting business in 2020, in order to meet the needs of global stakeholders, including HP's shareholders, millions of customers, partners and employees' teams, HP ensured the health and safety of employees, solved the problem of supply chain interruption, monitored and met customers' mobility needs, and more generally, ensured that HP could provide support for remote workers. At this point, HP's management decisions are related to protecting its economic and financial changes and employee safety, so its management focuses on implementing the requirements of HP's financial stakeholders and government agencies. However, after the epidemic, HP's management decisions gradually changed, focusing on meeting the needs of ecological and environmental stakeholders. In order to meet customer needs and current social trends, HP took measures to protect the environment and used working principles aimed at protecting the climate in its 2022 sustainability report. The correlation between environmental practices and Earth's ecological security has become a factor for HP to attract customers to enhance competitiveness and transition to a new operating model. From this, it can be seen that HP will make dynamic management decisions based on important and powerful stakeholders when formulating sustainability reports at different times to meet the needs of different stakeholders, and effectively manage to gain consumer trust and strengthen competitiveness.

4. CONCLUSION

Overall, HP did not achieve complete fairness and transparency in its sustainability reports from 2020 to 2022. Even though HP used the GRI framework in its sustainability reports in recent years, according to the GRI102 general disclosure framework, HP did not disclose its known adverse financial trends and uncertainties, but instead resorted to improper sales tactics to deceive investors, resulting in a fine of $6 million. In addition, HP's sustainability report also has controversy over the
legality of corporate social responsibility. Although HP follows social expectations to develop and manage some environmentally friendly products that are such as ink cartridges, due to the fact that these products do not make money and the public does not pay high prices for sustainable products, HP has engaged in mandatory buying and selling, prohibiting consumers from purchasing third-party products and being sued for class action. However, in its sustainability report, only the environmental benefits of the new product were reflected, and prices and consumer opinions were not disclosed. For HP to meet the needs of its stakeholders, it has made dynamic decisions based on different periods. Comparing sustainability reports from different periods, HP has focused on economic stakeholders and government needs during the pandemic. Recently, HP has begun to focus on consumer perspectives and environmental stakeholders. This dynamic decision depends on HP's belief that stronger stakeholders are more important for the company's sustainable development.

REFERENCES


