ESSAY: By Patrick Obispo(X00111927*)*

“The social responsibility of business is to make a profit”

Friedman, M. (1962); Capitalism & Freedom, University of Chicago Press, IL.

First of all what is the meaning of “business”? A business is an organisation where they get their profits when they exchange goods or services. Each business has their own investments and customers where goods and services are sold to in order to make a profit. Secondly what is the meaning of “social responsibility”? Basically “social responsibility” means the quality of a person’s life and their human rights are not compromised to achieve one’s expectation and demands. So when we ask what is the social responsibility of a business there is no clear answer whether it’s just to increase profit? This essay will tackle on this issue and state whether the only responsibility of a business is to make profits and whether businesses are ethical on making such profits? Or are there other responsibilities that a business has for example being socially active to the public and helping them?

So when did the social responsibility of a business started? It started around early 20th century where businesses/corporations were huge and seen to be antisocial and anticompetitive. In order for them to be seen differently by the public businesses/corporations started to focus more on social purposes rather than focusing on making profits. Even though they are focusing more on social purposes, businesses is believed to have a responsibility to society that also works with the business efforts to gaining profits (Lawrence & Weber 2010, pg.47)

So for the question of whether the social responsibility of a business is to increase its profits, there are other social responsibilities that a business possesses. Businesses are required to follow certain codes of conduct. Businesses are required to pay off taxes to the government, treat their own employees fairly, protect the nature and meet obligations and many other standards (Ferrell, et al. 2011, pg.5). They also have to follow certain laws and regulations such as securities and exchange laws, environmental laws, the Racketeer and Corrupt Organizations Act (RICO) where it allows penalties for racketeering activities such as illegal gambling, bribery and other unappealing businesses practices which is performed by a criminal enterprise (Baron 1996, pg.519). These duties are not the limits to be socially responsible but also from moral consideration (Baron 1996, pg.519).

These are known as the other social responsibilities of a business. When businesses meet these needs, they are returned with affection by the public. A business cannot have a good performance in terms of financial without being socially responsible and being ethical.

There is a strong relationship between being socially responsible to having a good financial performance. Businesses need both in order to work. Businesses that have a strong ground on being socially responsible are returned good performance in terms of profits. When a business is socially responsible and follows all codes of conduct, it is rewarded respectively.

Trust is one of the rewards that a business can have and this helps an organization to stick together. Without trust, relationships within a business deteriorate and this can make business decay. Other things happen such as commitment of employees decline, the quality of a product suffers and customers may opt for trustworthy competitors. So trust is needed in order for a business to make profits and it is also their responsibility to keep this trust in order to continue (Ferrell, et al., 2011, pg.5).

Trust is also needed to have a long-term relationship with the customers. According to Cone-Roper three out of four consumers will avoid to buy from certain businesses. The number one reason was poor service and the second reason was poor business conduct. Both of these reasons were given by the customers (Ferrell, et al., 2011, pg.27). An example of this is when Exxon Valdez had an oil spill in 1989, certain groups and citizens boycotted Exxon Valdez due to the response to the environmental disaster (Ferrell, et al., 2011, pg.27)

The other thing that a business receives is customer satisfaction. Customer satisfaction is the most important factor for any businesses success. It is a responsibility of a business to adapt and change their products or services to keep up with the ever changing desires of a consumer. When they meet the needs of their consumers this in return makes a long-term relationship with them and loyalty. By focusing on this responsibility it strengthens the trust of customers in a business. According in a survey of consumer attitudes made by Cone-Roper, 81% of consumers indicated that they are willing to switch to a business that have brands that are associated with a good cause and good quality (Ferrell, et al., 2011, pg.27-29). So it is a business responsibility to make their brands stand out from all the rest. This makes customer satisfied with them. An example of this is Avon’s “pink ribbon” which supported breast cancer (Ferrell, et al., 2011, pg.27-29).

Businesses also have the responsibility on making their employees feel like there are treated equally and fairly. These makes them commit to their work and are willing to sacrifice anything for the business. An example is Hershey Foods which have a huge commitment in social responsibility. Employees in Hershey receive a booklet “Key Corporate Policies” each year. This book describes fairness, honesty and respect on how to be doing a business. Employees were also asked to sign it and report any concerns in the workplace. This enables employees to have a better understanding on why it is important to develop and maintain relationship in a business. Due to this commitment Hershey now claims 43% of the US chocolate market (Ferrell, et al., 2011, pg.29).

There other responsibilities of a business in order to have a successful firm such as investor loyalty where investors look at the potential flaws and weaknesses of a business before investing. So businesses have to be trustable and committed.

So when businesses are responsible, their financial performance is very good and this creates employment for people. A socially responsible business also eliminates discrimination in the work place or avoids pollution in the environment. To show that all of these responsibilities work, 500 large public corporations in the USA were surveyed and had results that shows when businesses stick to being responsible and following codes of conduct have better financial performance (Ferrell, et al., 2011, pg.30-31).

Even though these responsibilities could help a lot of the public and the community as a whole, there is a common goal in all of these social responsibilities which is to make or increase a business’ profit. This leads to the argument that the only social responsibility of a business is to make a profit. According to Milton Friedman, who is against the social responsibility of a business, it was the only responsibility of a business which is to make a profit (Friedman , 1970).

It is obvious that businesses need to make a profit in order for them to continue their operations and have a return on shareholders (Killian , 2012, pg.27). Without the profits of a business there will be no jobs for the public, any customers or suppliers and there will be no taxes for the government.

But there are fears, from 84% CEO’s (Lawrence & Weber, 2010, pg.50), for businesses that have social goals because it will lower a business’ economic efficiency. Others are not willing to trust businesses that have social improvements and would rather governmental initiatives and programmes. Some of the critics in the private business system said that social responsibility is nothing but a cover to hide a business’ true intention which is to make as much money as they can (Lawrence & Weber, 2010, pg.53).

The concept of a business having social responsibilities is often misguided according to critics (Lawrence & Weber, 2010, pg.55). It is said that only individuals e.g. businessmen, are responsible for their own actions and make their own decisions and not organisations/businesses (Lawrence & Weber, 2010, pg.55). This was also stated in Friedman’s speech that said that no “business” has any responsibilities and that only people can have responsibilities (Friedman , 1970).

For example individuals in a business such as corporate executives act in their own right such as spending their income, their time and energy to causes that are worthy to them and not the money, the time and the energy of a business (Friedman , 1970). These are known as social responsibilities of individuals, not businesses. This show also shows us that a business is not liable to its action, only those individuals (Lawrence & Weber, 2010, pg.55).

Another argument against this so called “social responsibility” is that proposals made by businesses are paid for them i.e. the public pays all the costs and not paid in economic ways. As we can see this break a business’ ethical way of making a profit and it also shows us how its responsibility is to make a profit. For example when a company decides to install pollution-abatement equipment in order for the air to be cleaner, some will have to pay for this and not the company. So shareholders will have to receive lower dividends in order to pay for this equipment or employees getting less paid (Lawrence & Weber, 2010, pg.54). This may also be the same for government regulations which produces socially desirable business behaviour (Lawrence & Weber, 2010, pg.54). These regulations can increase prices and low productivity. So as we can see when businesses call themselves socially responsible it may not be true according to the reasons above. This also shows us that maybe businesses are only being responsible in order to make a profit.

In conclusion whether a business has social responsibilities or not, there is no clear answer to what it is or whether they have responsibilities. Being responsible and making a profit is both needed in order to have a successful business and not go out of it.

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