

Social Responsibilities of Business

Concept

Business organizations born in the society, grow in the society and ultimately die in the society. They are artificial person created by law. Business organizations collect and different types of resources from the society to get their objectives or to achieve goals. Therefore, they have some obligation towards the society in which they operate, that is called corporate social responsibility (CSR). It is responsibility of business to address the expectations of stakeholder, such as consumers, suppliers, employees, government and that community in which they are established. Corporate social responsibility is understood as the obligation of decision maker to take action that protect and improve the welfare of society as a whole along with their own interest.

According to Ricky Griffin, "Social responsibility is an obligation of business to the society in which it existed and operated."

Social responsibility refers to the voluntary efforts on the part of the business to contribute to the social well being. The moral idea behind this is that the businesses use resources of the society so they must give something back to the society.

Arguments for Social Responsibility in Business

Social responsibility is defined, as the obligation of decision makers to pursue actions which protect and improve the welfare of society as a whole, rather than only their own interests. The major arguments for the assumption of social responsibilities by business are:

(a) Change Public expectations

Social expectations of business have increased dramatically since the 1960s. Public argue that business is established and run in the society and conserve resources of society to achieve their goals. Since, business is created by the society by enacting the laws and Acts, which can be amended and revoked any time if it fails to support social expectation. Therefore, if a business wishes to viable in long run, it must address the society's needs and give the society what it wants.

(b) Better environment for Business

Involvement business in social contribution by the business can solve difficult social problems, thus creating a better quality of life and makes the environment more favorable for business operation.

(c) Public image

Firms seek to enhance their public image to gain more customers, better employees, access to money markets, and other benefits. Since the public considers social goals to be important, a business can create a favorable public image by pursuing social goals.

(d) Avoidance of government regulation

Government is a regulator and protector of a business and society. Government enacts laws, rules and regulations to promote and protect the business. Government regulations adds the cost and restricts the flexibility of management in decision making. By becoming socially responsible, manager can expect fewer government laws and regulations.

(e) Balance of responsibility with power

Business has a large amount of power in society because of huge amount of wealth and profit. An equally large amount of responsibility is required to balance it. When power is significantly greater than responsibility, the imbalance encourages irresponsible behavior that works against the public good.

F. Morale Obligation

Nowadays modern industrial society faces many serious social problems as a result of emergence of large companies. Therefore, these large corporations have a moral responsibility to solve these

problems. Also, business which is using so many resources of our economy have responsibility to devote some of these resources in overall development of society.

(g) Stockholder interests

Shareholders may benefit from CSR. Business organizations that contribute to the society can gain better reputation and larger market share for their goods and services. In run social responsibility will increase stock price of the organization.

(h) Possession of resources

Business has the financial resources, technical experts, and managerial talent to provide support to public and charitable projects that need assistance.

(i) long run profits

Socially responsible businesses promote better community relations, strong loyalty of people towards business and improved business image. So, in long run business organizations can generate more profits.

(j) Prevention is better than cure

Business organizations creates problems in the society where they are established and operated. If business delays dealing with social problems, that will accumulate over time, and create big issues. Social problems must be dealt at the point of time by organization, otherwise government will interfere to business. If the business organizations involve in social contribution, business will be protected from such intervention.

Milton Friedman and Corporate Social Responsibility

Friedman doctrine is also called Shareholders approach. It is the capitalist approach of social responsibility. Milton Friedman argued that the entity's greatest responsibility lies in the satisfaction of shareholders. Friedman believes that shareholders are the backbone of business organization and should be treated with utmost respect. The goals of the business should maximize the shareholders' return. The only business of the business is to do business and make money.

According to Friedman, socially responsible activities conducted by a corporation are distorting economic freedom because shareholders are not able to decide how their money will be spent.

Friedman thus argues that business should focus on those activities that are related to company profit, effectively excluding charitable activities that do not directly generate revenue.

According to Friedman,

“There is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profits so long as it stays in the rules of the game, which is to say, engages in open and free competition, without deception or fraud.”

Friedman proclaimed that a corporation is a morally neutral legal construct with maximizing returns for shareholders as its single purpose. Social responsibility beyond the law is not necessary. Generating and maximizing profit within the legal framework is the responsibility of business organizations. Directors and executives of a corporation are employed to achieve this sole objective. The only moral responsibility of directors and executives is to meet shareholder expectations, which is to maximize their return on investment.

So, social responsibility is not the responsibility of a business but it is the responsibility of government. It should not be mandatory for the business to take CSR, but final decision is made by shareholders.