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Globally Responsible Business

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Introduction

In the words of John Mackey, the CEO of Whole Foods Market, "Business social responsibility should not be coerced: it is a voluntary decision that the entrepreneurial leadership of every company must make on its own."

This report will be drawing relevant theory on business ethics and using contemporary examples to critically analyse the extent to which one should agree with John Mackey's viewpoint or not. The report will include a debate on whether social responsibility should be mandatory or voluntary within businesses. The contents of this report will include the purpose of a business and how it's been perceived as only making a profit by Milton Friedman. Ethics will also be explained throughout the report as to how much of an important role it can play within a business and how it ties into responsibilities. Towards the end of the report, there will be a debate on whether business social responsibility should be mandatory or voluntary.

In the words of Milton Friedman, businessmen believe that businesses are only out to make a profit. However, businesses have a social conscience (Milton Friedman, 1970). The meaning of "social conscience" is the sense of responsibility or concern for the problems and injustices of society. However, Friedman states that businessmen who are defending free enterprises and don't claim to be concerned about money but instead stand by the fact that their businesses have a social conscience and take on responsibilities such as providing employment, eliminating discrimination, and avoiding pollution are preaching unadulterated socialism (Milton Friedman, 1970). It's possible that the purpose of most businesses is to go out and create a profit. Nonetheless, there may be many reasons why businesses are created. For example,

- Create a product or service.
- to benefit society, e.g., charities and social enterprises.
- Fill a gap in the market.
- to fulfil a business opportunity.

If business doesn't have a purpose, there will be no progress to be made towards it. The only way to long-term success is to satisfy customer needs and wants. Most organisations that have no other purpose than making profits strive to reach certain numbers, which clouds over the main priority, which is customer purpose.

In the UK, local authorities consider the purpose of local services to be to help citizens live well and to oversee their own lives, which leads to happier communities. Therefore, communities with a purpose beyond profit tend to make more money.

Milton Friedman believes that running a business does not necessarily include responsibilities. Be that as it may, only humans have responsibilities, and a businessperson is an artificial person who has artificial responsibilities (Milton Friedman, 1970). Nevertheless, in a free enterprise, the corporate executive is an employee of the owners of the business. Therefore, the main responsibility for the corporate executive is to take on the responsibility of performing for the business as their employer desires and to make as much profit as possible whilst conforming to the basic rules of society, which are both law and ethical custom.

Responsibility and Ethics

Responsibility is a common word used within Milton Friedman's article "The Social Responsibility of Business is to Increase its Profits." Therefore, an additional responsibility an organisation has to take on is ethics in order to be able to act more responsibly as an actor in society and its own community. Ethics is a set of morale principles that influence a person's behavior; hence, ethical behaviour is about operating in a way that the principles are not jeopardized. For example, within the framework of the law, businesses or people may think between what is lawful and unlawful. In ethics, they may think between right and wrong. However, businesses may still act lawfully but unethically. There are four ethical organisations within the business industry that include those who are amoral, legalistic, responsive, and ethical. Amoral businesses are those that act unethically and unlawfully. Their sole purpose is to win. An example of an amoral business is Nestle. In 2001, it came to light that their business actions were unethical as they used farms in the Ivory Coast to collect their cocoa from where over 600,000 children were working in harsh conditions (Morris.M, 2013). The second ethical organisation is legalistic. This is when businesses follow the law, but ethics are barely considered when it comes to their work practises. Responsive is the third ethical organisation where businesses recognise that ethics can be helpful and, at times, will use an ethical approach to their advantage. The last ethical organisation is ethics. This is when businesses place ethics at the very core of their organization. Although there might be additional costs and extra effort included in prioritising ethics, it's recognised by the business that there are benefits to functioning ethically. 3M is an example of an ethical business. The organisation provides sustainable development, environmental protection, and social responsibility. The businesses have provided healthy workplaces and have a code of conduct that defines global expectations such as preventing pollution, reducing waste, and conserving natural resources.

An ethical organisation goes beyond just appropriating policies as they prioritise making the right decisions, paying real living wages, treating employees and suppliers correctly, and lastly, paying ethical taxation responsibilities. Businesses may follow ethical strategies that are outlined by the UN Global Compact for both their direct workforce and supply chain. The strategy includes four mutual pillars. The first pillar is the protection of human rights. The second pillar considers four main principles of labour standards, the first one being to adopt appropriate labour standards. The second principle is fair pricing, which ensures appropriate pricing and does not force suppliers into underpricing. The third pillar is commitment to diversity. This means adopting fairness and respecting employees, suppliers, and customers. The last pillar includes fair payment, which leads to employers paying their staff fairly and on time. Moving onward to the third pillar, which is the environment, means businesses realising what their products can do to the environment and finding ways to minimise their business impacts on the environment. Lastly, the fourth pillar is working against corruption. By covering all forms of corruption and bribery, businesses can restore a fair and level playing field between organizations. Businesses that adapt and adopt the four pillars laid out by the UN Global Compact can take the awards for their forward-thinking approach.

With pressing issues in the world such as record high deforestation in the Amazon in January, resource scarcity in India with 45% of the population facing severe water stress, and Everest's highest glacier melting, endangering both climbers and locals who rely on the glaciers for drinking water. It's important for businesses to take on environmental responsibility in order to meet the third pillar (environment) of the UN Global Compact ethical strategy and create a good reputation for their business and brand image.

Employers within the workplace have specific expectations for their employees, which are: playing by the rules, obeying the law, being consistent in behavior and speech, looking out for the business's best interests, and showing respect towards property and people. This is the basic ethical expectation of employees. In any case, there is no shortage of ethical dilemmas in the workplace for employees to put their ethical decision-making skills to the test, which rely on how employees deliver service or respond to crises, how employees react to the company's policies and practices, the choices made individually and in team situations, how employees fulfil obligations to coworkers and customers, and finally, how the company presents its products to customers and shareholders. Ethics is the moral judgement of what is good and bad; however, there are two other ethical approaches known as teleological and deontological ethics. Teleological ethics focuses on the consequences of a decision and is an act that is considered morally acceptable if it produces the desired result, most people included, while Deontological ethics focuses on the decision made by the decision maker and instead focuses on the rightness and wrongness of actions taken, as opposed to the rightness and wrongness of the consequences that come with those actions.

Milton Friedman expresses in his article Teleological and Deontological Ethics, whilst explaining that corporate executives do not have social responsibilities in their capacity as businessmen, as it means the corporate executive is to act in a way that's not in the interest of their employers (Milton Friedman, 1970). As an example, the corporate executive is to refrain from increasing a price, even if it's in the best interest of the corporation, nor are they to make expenditures to reduce pollution that are beyond the amount the company can afford, or best interest, therefore, is required by the law for the business to contribute to improving the environment. It's challenged that a corporate executive will be spending the money of others for the general social interest, as the actions of the corporate executive will reduce the returns to stockholders, raise prices for customers, and lower the wages of the employees. The corporation would be ignoring its service as an agent to stockholders, customers, and employees by practicing its social responsibility if the executive spends the money differently than how they would like it to be spent. However, if the corporate executive decides to exercise social responsibility, it would be imposing taxes by deciding how to spend tax proceeds. "This process raises political questions on two levels: principle and consequences."

- Milton Friedman, (1970) The social responsibility of business is to increase profits, New York Times Magazine.

The principle is a deontological ethic, and the consequences are the teleological ethic. The political principal is said to be the imposition of taxes and the expenditure of tax proceeds, which are governmental functions. The role of the government is to create law, order, and stability in society, and tyrannical people with power and resources will assert their role over the people living in an area. Therefore, governmental functions are made to be fair and imposed as far as possible according to the preferences of the public.

A main example of what can go wrong when businesses don't act ethically is simply receiving bad publicity and earning a bad reputation (BBC Bitesize, 2022). For example, companies such as Nestle and Primark, which are both known to use child labor to produce goods, will be targeted by negative articles in the media and undo all the marketing activities they have done.

Position Against Voluntary Social Responsibility.

The meaning of CSR is corporate social responsibility, which refers to the strategies organisations will use as a part of corporate governance that are designed to ensure that the processes the organisation runs are ethical and beneficial for society. CSR prevents bad practises within the workplace, such as corruption and fraud, that can lead to financial and reputational risks. CSR is about how organisations generate profit, not how they decide to spend profits. There are four steps businesses can follow in order to create good value through a fair society within their practice. The first step is that companies should make a mission statement and consider the societal purpose of their business activities, what contribution they want to make towards their society, and what bad practises are not acceptable for the business under any circumstance. The second step in how businesses can create good value through a fair society is by identifying social and ecological issues in exchange with the stakeholders of the company. Communication is extremely important between employers and stakeholders as it can move the company closer to society. The third step is to follow points of orientation that are already in place. For example, the UN Global Compact contains ten principles of human rights, labour standards, environmental protection, and anti-corruption. Lastly, the fourth step is that the concrete implementation of CSR relates to all relevant areas of activities and all departments of the company, such as procurement, production, research and development, human resources, marketing, sales and distribution, and advertising. In the field of procurement, for example, the working conditions of supply firms turn into a criterion for the choice of suppliers.

With John Mackey, Whole Food Market CEO statement of:

“Business social responsibility should not be coerced: it is a voluntary decision that the entrepreneurial leadership of every company must make on its own”.

I believe that business social responsibility should be mandatory for all entrepreneurial leadership in every company. A reason why social responsibility should be mandatory is because there are many rewarding benefits the organisation can gain, such as a boost in brand image and reputation, which would result in gaining new consumers. Another reason is that CSR has several targets, such as sustainable economic development, strategic partnerships, and improvement of relationships between employers and employees. CSR is an impactful method for businesses to increase their profits through benefits to the business itself and society.

An additional reason to why mandatory social responsibility can benefit organizations, since it can increase customer loyalty. Consumers are most likely to trust and be loyal to companies that are socially responsible, furthermore, to keep consumers buying products or services for a business it's important for businesses to let their customers know that their money isn't only going into the businesses pockets but also being used sensibly for the welfare of society.

Plus, employee satisfaction can be increased as employees will be proud to work in a company that puts social responsibility as their top priority. Employee's motivation will also improve in order to reach company success.

The last benefit businesses can gain is the ability to attain long-term partnerships through improving economic, social, and environmental performance. This opens new market opportunities through partnerships with non-governmental organisations (NGO's). This collaboration could accomplish more for both society and business.

"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 within the rules of the game, which is to say, engages in open and free competition without deception or fraud."

- Milton Friedman, (1970) The social responsibility of business is to increase profits, New York Times Magazine.

To an extent, I can agree with Milton Friedman's above statement. Although Friedman expresses that social responsibility should be used to engage in activities designed to increase profits within the law, nevertheless, social responsibility's main purpose is to benefit society and act in the best interests of the environment, which is currently in danger from record high deforestation in the Amazon in January to resource scarcity in India with 45% of the population facing severe water stress, and as a society, businesses can make a great impact if made mandatory to do so.

Conclusion

To conclude, although Milton Friedman believes that businesses do not have responsibilities, only humans have responsibilities and a business is made from a team of humans, which are businessmen and women, who all share responsibilities and within those responsibilities lies ethics, which is the decision between right and wrong. However, John Mackey's opinion on business social responsibility is not an opinion I agree with, since not only do businesses need to collaborate in order to contribute to social responsibilities, which will only happen if they are made mandatory. Businesses can reap the benefits of being a socially responsible business as well as acting in the best interests of the environment. Businesses have the capability to do greater good through their social business responsibilities.

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