

# Introduction the usage of the society's resources



## **Introduction**

Some companies' have pegged their performance on profit realized in a given period of time. The level of profit reached determines whether the company is successful or not. These companies compel the managers to adopt those strategies that will enable the business to achieve the highest level of profits as compared to other similar businesses in that industry.

These are termed as profit-oriented companies (Lagerstron 1).

These companies do not take part in corporate-social responsibilities but they instead focus on money generating activities.

## **Government intervention**

The government has been in the forefront campaigning for companies to adopt corporate-social responsibilities (Petkoski 5). In these campaigns, companies are encouraged to give back to the society as a way of compensating the society for the inefficiencies caused. The compensation may be given because of pollution caused to the environment, the usage of the society's resources such as man power, security effected because of individuals' presence in the society and vital information provided to the organization amongst others.

In order to attain this, the government is encouraging businesses to adopt corporate-social responsibility as an appreciation of what they get from the society. According to (Kotler & Lee 1-135), companies should give something small back to the society. This can be through charitable activities such as sponsoring bright and needy students, building of schools and hospitals and other activities which are beneficial to the society.

## **The move by many companies**

A number of companies have made a decision not to adopt Corporate-Social Responsibility and have cited some arguments in support of their decision (Baker 1-5). To start with, the business is a shareholder's property managed by the managers through the existence of an agent-principal relationship. These managers expend the shareholder's wealth in the name of undertaking corporate-social responsibilities. Shareholders consider this as theft of their wealth. The shareholders are against this concept because their money is used and it is not their duty to run the business, instead it is the managers who are charged with this responsibility as THEIR agents. Secondly, it is argued that very successful businesses or individuals waste none of their time taking part in CSR with examples of Bill Gates. They are still successful with a lot of wealth even after not incorporating CSR.

Thirdly, some businesses have not developed well and thus, they cannot go on expending cash on unnecessary social projects which are costly while they have an uphill task to deal with. These companies consider themselves to be too busy in pursuing their core goals than engaging in CSR. As a matter of fact, small companies have a small pool of money which is not enough for growth and development.

For these small businesses to achieve potential growth, the management is obliged to generate sufficient profits so as to be able to engage themselves in a comprehensive CSR (Longernecker et al 33-34). To conclude, some business owners argue that it is the work of the politicians to attend to the needs of the society. Therefore, the owners are not satisfied when they engage in social functions which are supposed to be undertaken by

politicians. They see politicians as having neglected their role of attending to the society. Thus, if the business owners participate in CSR then, it will imply that they are taking jobs that belong to politicians. Their argument is that the core reason for establishing a business is profit maximization.

### **Profit cannot be the primary goal**

According to (Vivek 3-4), being profit oriented does not mean that the company is the most profitable. In his views, those companies that end up being profitable are not entirely profit oriented.

In addition, it is argued that the happiest people are not the ones who pursue happiness. This depicts that companies which are perpetually profit oriented are not necessarily the ones that emerge out to be the most profitable. However, profitable companies are the ones which cultivate, establish and maintain good relationships with various stakeholders such as customers, suppliers and employees. For example, Lehman Brothers and Enron were profit oriented in the long run. However, pursuit of personal interests by the firm's employees culminated into failure (of the firm). This resulted to unfair treatment of employees creating discontent.

### **Public and private goals**

Companies have different goals that they must achieve in order to survive in the long term as going concern entities. These goals range from public to private goals. Once a company has achieved these goals, it is capable of competing with other companies. Public goals are related to attending to the society at large while private goals relates to those goals that are unique to

a company. When the company is in need of achieving public goals, it must perform those things that are beneficial to the society.

Companies that pursue public goals end up becoming market leaders in the industry. The government has continued to encourage companies to engage in CSR in an effort to promote development across all boundaries. It also creates a good atmosphere for firms to conduct their corporate activities (Leaders Summit 1-2). In addition to public goals, businesses pursue private goals which are unique from one business to another.

An example of a private goal is profit maximization (Lagerstron 4). For a business to be successful, it must generate adequate profits. Some businesses have in the past generated very high profits only to decline in the future. An example of this is ICI which was once one of Britain's leading companies.

The company was making a lot of significant profits from its operations. However, due to failure of the firm to incorporate CSR, the firm was overtaken by other companies. This means that companies willing to enhance their profit levels should engage themselves in corporate social responsibilities. This is important because the company establishes a good relationship with customers, employees and suppliers (Dedhia 1-10). Through this relationship, the firms can establish a strong customer base that will guarantee sales to the company. This facilitates the company to experience a high sales turnover leading to high profits to the company.

## **Consequences**

Companies will continuously be encouraged to undertake corporate social responsibility in their operation.

Multinational companies from Latin America (Lourdes 1-17) have emerged to be great companies in the industry because they have adopted corporate social responsibilities. The move attracted many customers that have enhanced the growth of businesses (Gwendolyn 2). According to (Supert 1), CSR emerged in the 1980s and its incorporation by multinational companies has made these multinationals to become the world's most profitable companies. These companies were involved in poverty alleviation in the society among other activities. The resultant effect was an improvement in their public image. This made them more acceptable to the society. Conversely, companies such as Bear Sterns did not come out successfully because they neglected the idea of corporate social responsibility.

This therefore indicates that those companies which adopt CSR have a higher probability of succeeding as compared to companies that ignore the concept. Over the recent years, there has been a rampant growth in the concept of Corporate Social Responsibility in the firm's course of operation.

## **Conclusion**

Profit oriented companies as discussed above are not necessarily market leaders. The management may be doing their best, but because of failure to engage in CSR, employees end up bringing them down.

Therefore, a company needs to undertake corporate social responsibility to enhance its probability of success. The managers should also realize that any <https://assignbuster.com/introduction-the-usage-of-the-societys-resources/>

failure to manage these companies properly can result in low returns (CSR press release 1-3).

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