

The purpose of a business critical thinking examples

[Business](#), [Company](#)



Friedman (1970) says, " 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". The author provides a discussion of this statement from concept of corporate firms and individual businesses. In a corporate firm, the executive is employed by the stakeholders and has a duty to them to ensure the firm is profitable. The corporate executive does not have the authority to use profit of the firm to cater for social responsibility.

The idea of social responsibility in this case emanates from laws that are imposed on an organization such as environmental pollution. The desire of any stakeholder of a firm is to make profits, and that is why they employ executives to ensure profits are achieved. For an individual business, the main goal is to make profits. If the owner is engages in other social responsibilities, profits will reduce and, this may be an expense to him.

A firm that is not intending in making profit may be established to serve other purposes such as a hospital or a school. However, it should be noted that these organizations also survive from the revenue they generate from the services they offer to the community. An organization may be formed to make profit. However, it may choose to select unqualified and unnecessary employees so as to reduce poverty in the society. This may undermine its sole purpose of making a profit. In order for firms to be profitable, they must be competitive, and this comes from ensuring that it has qualified individuals to run the organization.

In any business, scarce resources are utilized to obtain sale from adding

value to goods or just making certain goods locally available. This means that there are costs associated with these activities. It is also important to note that most businesses operate in competitive environments where the buyers have the option to choose the cheaper alternative (Mankiw, 2012). Any firm or business has to operate while considering the expected sales and the costs incurred. Minimizing costs may involve incorporation of environmentally destructive activities. However, this does not mean that a firm has to have a lot of pollution and waste so as to be successful. In fact, less waste is an indicator of efficiency.

The main objective of any firm should be to make profits if it hopes to have any perpetuity. Aiming at serving people for their own benefit cannot be prioritized. This would be detrimental to any business, and it would prove difficult to make profits and hence limit the occurrence of any business growth. Goods and services that are very basic and that are also sensitive are provided by the government so as to minimize monopolies. A proprietor usually aims at providing specific goods and services that will have favorable returns to the firm (Singla, 2007).

The usefulness of a business or firm arises from the provision of quality of goods and services. However, this cannot be the reason for setting up a business. This is due to the fact that the economy is competitive, and continuity of the firm requires inflow of resources. The existence of the firm may bring certain benefits to a local society, for example, creation of employment opportunities and attraction of other business ventures (Mukherjee, 2006). Eventually, a remote area can be transformed to a well

developed area with all the necessary social amenities and infrastructure. These are some of the benefits of the existence of the business entity.

References

Friedman, M. (1970). The Social Responsibility of Business is to Increase its Profits.

New York Times Magazine. Retrieved from

<http://www.colorado.edu/studentgroups/libertarians/issues/friedman-social-resp-business.html>

Mankiw, N. G. (2012). Principles of Economics (6th ed.). Mason, OH: South-Western Cengage Learning.

Mukherjee, A. (2006). Corporate Accounting. New Delhi: Tata McGraw-Hill.

Singla, R. K. (2007). Business Studies. FK Publications: New Delhi.