

# [The in a capitalistic economy. in that](https://assignbuster.com/the-in-a-capitalistic-economy-in-that/)

## The Argument

The argument that the responsibility of a business organization should be solely to generate profit without the need to implement social responsibility programs is disagreeable.

In the following discussion, various approaches have been argued out to illustrate the need for organizations to implement social programs. It’s argued that business organizations are strategically established to generate profits so long as their activities are within the law. Organizational goals, objectives, and strategic visions are continuously tailored towards that goal (Thompson, 2008).

Even though the need for a business organization is to exercise corporate social and ethical responsibilities is a matter open to debate, facts strongly affirm the need to integrate the latter in a capitalistic economy. In that light it has been argued by many that capitalism is the driving force behind wicked men who do wicked things to get the best out of a situation.

## Capitalism

Over time, it has been argued that capitalism is self-centric, focusing all its instruments at self good without the need to incorporate the needs of others. It is argued that stockholders are the sole owners of a business enterprise and intellectual property, workforce experience, brand names, and accountants are treated as company assets. This argument is invalid if those who contribute to the welfare of business and those affected by its outcomes are not paid any dividends.

The productivity, profitability, image, and sustainable growth of a business organization are contributions of its human resources, the customer, the government, the environment, and the community besides its stockholders. No business organization is known to independently exist without these components.

## Ethical Arguments

Several views take sides on the obligations of a business entity beyond that it holds for its stakeholders. One such view is that of Milton Friedman. In his view, a capitalist economy is solely responsible for making profits and engages its resources in activities designed for profit generation and maximization. As long as these activities are within the law, deception, and fraud are averted (Charles, 2002).

However, many leaders have practiced fraud and deception a case that evidently surfaced when NASDAQ companies overstated their profits, making things sound better than they were. In addition to these, corporate executives are agents who stand and act in the best interest of the business owner. Though Friedman’s view about a business is classical, the approach integrates all aspects of free market forces in efficient resource allocation and utilization. At this point, governments need not intervene since the argument entails profit generation within the law.

Then, the answer to the question on a business’s corporate social responsibility and the functions of a government need to be further explored. Utilitarians argue that the consequences of one’s actions are considered ethical if they result in more good that harm to others. The utility of an action is measured against the financial good of a business enterprise to the stakeholder. In Friedman’s view, the social responsibility of a business is to generate profits and consequences are measured by profits generated and accruing benefits. According to Gray (1990), it is conclusive, from utilitarian approach that the best ethical action is that which maximizes profits. However, a stakeholder need not be a business owner but everyone affected by business decisions, consequences of a business’s actions, the community, and its human resources. Thinking managers need to incorporate this argument in their business strategies.

Another support for the capitalistic assertion of the responsibility of a business is the egoist theory. In the context of this theory, the decision to increase the profits of a business organization results in the greater good of an individual compared to the alternatives. However, accounting approaches implicitly apply the utilitarian principle. Alternatives may be the overall costs incurred in running a business, short term and long term adverse environmental effects, losses, and other obligations necessary for the well being of the business irrespective of its impact on the business and operating environment.

## Accounting Terms

In accounting terms, a successful business is one that makes profits that are reflected in its financial statements. However, financial statements do not reflect the amount of environmental damage done by a business enterprise. Nevertheless, an accounting report is a moral obligation for stakeholders (Charles, 2002). It is sound to argue that accountants have the moral obligation to provide statements that reflect the environmental information which can lead companies to evaluate their utilization of the environment. Environmental accountability creates a strong relationship between business corporations and others. This information brings into the public view the manner in which corporations use resources and develops a strong relationship between the society and themselves. This approach is a radical step in the right direction.

Accounting entails a shift from decision frameworks to ethical frameworks. Thought the drive for profits in a capitalist economy leads to the lack for concern for the environment, Gray (1992) argues that the need to urgently implement environmentally friendly businesses is now here. This calls upon business organizations not to run solely for profits and the interest of their stockholders, but in the interest of everyone that is a stakeholder in the outcome of their actions. Stakeholders include “ employees, suppliers, customers, creditors, competitors, governments, and communities” (Goodpaster, 1991, p. 53). The outcome of a business enterprise’s actions should be measured like charitable organizations do. In this light, companies could view themselves as communities with employees who have individual talents and skills worthy retaining.

They should also view the community and the environment they operate in as components necessary for their existence which need to be sustainablly cared for. Employee’s jobs should be considered. Employees should be adequately compensated in return for their talents and skills.

## Stakeholders

Suppliers play a critical role and should be considered as vital components of a business concern. Their stakeholder position is a matter that determines the final product quality and price (Charles, 2002). In addition to that, organizations should be made to serve the interest of their customers.

This will go along in improving the business culture of business organizations in the public eye. Customers sustain businesses through profits generated by their purchasing actions. In view of the stakeholder theory, no one stockholder is superior to the other. Rather, the argument about the utility of an action should take precedence to determine preferential treatment in the event of an ethical dilemma. The right to exist is given to a business enterprise by the community it operates in. Business organizations need facilities with which to conduct their activities.

These facilities are built in communities that grant them the right to do so leading to the communitarian approach of responsibilities. The view of a shared community should be incorporated in the treatment of a business enterprise’s stakeholders. Every organization needs to factor humanitarian principles in pursuit of its business goals.

These principles, if inbuilt in the minds of people and the corporate society will lead to a society that offers greater and better options and individual skills with the capacity to decide on their own for the best interest of the society (Carr, 1997).

## The Individual

This approach will lead individual to own and inculcate in their characters the ability to decide right from wrong. However, the question regarding the kind of community that could evolve if this principle is deeply entrenched in the hearts of people will be answered by the community’s responsibility to itself, the business organization, the government, and to every individual.

## The Case Study

In light of the above discussion, it was later realized that corporate executives were creating value for their businesses where it never was in the United States. That was in the years of 1990s when many business corporations were received high profile ratings, deceptive dynamics, overambitious executives, corporate greed, mergers and acquisitions that in the long end added no value, and artificial stock prices were part of the game play. In all these, the executives were inherently capitalistic and inherently lacking corporate responsibility in their aggressive pursuit of profits.

## Conclusion

From the above discussion, the argument that the responsibility of a business organization should be solely to generate profit without the need to implement social responsibility programs is disagreeable.

Though various theories are in support of the argument that business corporations should act solely in the interest of their own good, and that social responsibility programs are the responsibility of the government, yet these theories when rightly argued as demonstrated above identify the greater good of a business corporation to be twofold. Utilitarian theories vehemently point out that in the pursuit of a corporation’s greater good. Profits are the benefits derived from a chain of activities and interests. Stockholders and stakeholders comprehensively contribute to the functionality of a business organization. Corporate social responsibility is therefore indispensable.

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