

Corporate social responsibility



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Corporate Social Responsibility JOSEPH G. GIBSON University of Maryland
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George Nixon June, 2009 In the wake of today's globalization, most companies have become amazingly aware of the social and environmental aspects of producing internationally. The fact that companies today have to be profitable does not negate that they also have to be good corporate citizens. Due to pressure from consumers, communities, governments and society in general, companies have adopted the concept of social responsibility through codes of conduct that is expected to be enforced to ensure socially responsible business practices. This I think is a noble undertaking that should be practice by all. One of those companies practicing corporate social responsibility is Ikea. Ikea's primary objective is to ensure that all their products and materials are environmentally adapted and safe for customers' consumption and use from a health perspective.

As part of their business endeavor, Ikea puts emphasis on keeping costs low and tries to use their resources wisely in their products design. They also strive to use renewable and recyclable materials in their products. The Ikea organization also participates in different activities and projects on an international, national and local basis. They have chosen to work jointly with selected organizations that are looked upon as specialists in their respective fields. By doing so, Ikea is able to support projects designed to meet the needs of the local communities in which they operate. Amongst Ikea's initiatives is the avoidance of child labor; the company is aware that child labor exists in countries where its products are made or manufactured, but

Ikea does not condone child labor at its suppliers or sub-contractors, and this is made known through its corporate social responsibility programs. Based on the United Nations Convention on the rights of a child and the international Labor organization, Ikea tries to comply with these two by maintaining a clear focus on the best interest of the child. Through its special code of conduct called the Ikea Way, it monitors compliance through unannounced visits at suppliers and subcontractors especially in South Asia.

Failure to comply with Ikea's code of conduct, all business transactions can be terminated with the suppliers (Bartlett, Dessain, & Sjoman, 2006). Ikea did not get to this point overnight. Through court cases and fines, the company has learned from its experiences and put stringent measures in place to avoid any of the same from happening. Two cases in point were the formaldehyde emissions problem in Denmark and Germany and the child labor case in Pakistan. In both of these cases, Ikea suffered fines and the loss of revenues; but measures were put in place to avoid this from happening in the future to the best of the company's abilities. I do not believe that these initiatives are all profit driven but rather to empower communities and local governments and to have suppliers take responsibility for their environments.

But not everyone holds this view; we will now take a look at two of the most notable writers on this subject matter, whether for or against it. We will try to see some similarities and differences of Milton Friedman and R. Richard Freeman's views on corporate social responsibility and compare to Ikea's. Friedman believes that the only social responsibility of a business is

to ??? use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game??? (Jennings, 2009, p. 74). Friedman did not believe in the notion that business is not concerned primarily with profit making but that they are also concern with promoting desirable social ends. Also that business has some kind of social conscience and takes seriously its social responsibilities including providing employment, eliminating discrimination, avoiding pollution and even child labor. Moreover, he also claimed that, companies that did adopt responsible social attitudes would be faced with more binding constraints than companies that did not, rendering them less competitive (Jennings, 2009, p. 75). These views were expressed in the 70s, I believe that was then, time has change; in today??™s business world, any organization that ignores environmental and social issues can suffer consequences for its business. Companies that intentionally or unintentionally pollute their local communities risk poisoning their customers. To just ignore existing state and local school systems risks depleting the pool of qualified workers.

Abusing workers risks higher turnover and training costs, not to mention greater difficulty in attracting the most qualified candidates for the job, Endorsing the idea of child labor can also result in hefty fines. On the other hand, a theorist such as R. Edward Freeman has a different view than those of Friedman. Freeman believes that businesses in general owe a lot back to the society that supports them and in which they strive. He also emphasizes that this debt to society is greater than the debt of the individual members of society. One of his strongest points is that we cannot separate business from ethics. I think this is a very poignant point in that an organization??™s

contribution to the society in which it finds itself says a lot about its ethical standards to which it is held.

Freeman also used the phrase ??? Company Stakeholder Responsibility??? in which he implies that business, ethics, and all societal considerations should be integrated into the business concept (Jennings, 2009, p. 80). When he used the term stakeholders, he was referring to those customers and suppliers that interact with the business. I believe that Freeman??™s view resonates more with today??™s business environment than those of Friedman. Again looking at Ikea, we see that most of its social initiatives were not profit driven as alluded to by Friedman. These were genuine steps taken to better the societies where Ikea operates. These initiatives nevertheless, have given Ikea a positive image in the eyes of consumers and led to more consumers wanting to do business with Ikea which in turn leads to profits; but this was not the original intent of Ikea, this is a by-product of its actions.

When Ikea worked to resolve the issue of formaldehyde emission in its building products, this was not to generate profits but rather to protect the many customers that were purchasing the materials. When Ikea was caught completely unaware of Child labor use in its rug business, it took measures that was not intended to generate profits, but rather to eradicate a practice that was ethically wrong. There are other organizations that are involved in their communities with the sole purpose to help and make life better and not to generate profits. I would like to end with a quote from the president of Quaker Oates.

In 1979, Quaker Oats President, Kenneth Mason wrote in *Business Week* that: “ The moral imperative all of us share in this world is that of getting the best return we can on whatever assets we are privileged to employ. What American business leaders too often forget is that this means all the assets employed — not just the financial assets but also the brains employed, the labor employed, the materials employed, and the land, air, and water employed.” (Makower, 2006). In other words, all these different aspects of doing business work together to make us all better and not to just make a profit for the business. This I believe is and should be the driving force behind any social responsibility initiative. References Bartlett, C. A., Dessain, V.

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