Spending on upliftment social good for business

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In a corporate world obsessed with maximizing returns the question of private sector taking a lead role in social betterment projects, is rarely on corporate agendas. However research suggests that investing in the well being of their communities is good for their business.

OUR PRIVATE SECTOR HAS IN the recent past been criticized by its own leaders for not acting responsibly as corporate citizens and that its activities have little social relevance. Even though the purpose of any business is to satisfy customers continuously at a profit to itself and when a business fails to make profits it becomes a waste of resources to society, large corporates in Asia that have struck partnerships with governments and community leaders to strengthen their communities with which they do business, have realized that their investment is not just charity. That investing in the well being of their communities is becoming necessary for their long term survival and could benefit them by way of brand loyalty, enhancing the long term sustainability of their investment, better potential employees above all help create a stable society.

Profits

When a business is looking for an opportunity to generate huge profits by over-pricing its products and services, then it is not meeting its social and community responsibilities. Also if the organization is exploiting its employees and vendors then it is guilty of unfair practices. We are accustomed to thinking of the west as a materialistic society. Yet this is what Albert Einstein had to say about USA. The social conscience of the well to do is much more highly developed than in even Europe. He considers himself obliged as a matter of fact to place a major portion of the wealth and often energies too at the disposal of the community’.

Public

In Sri Lanka the public’s expectations of the private sector have changed

dramatically over the past two decades. Today more and more Sri Lankan people seem to support regulatory reforms which reduce government intervention in the affairs of the private sector as long as businesses are willing to demonstrate commitment to social objectives. Our private sector is generally branded as being only profit oriented. There are certain sections of the private sector that support political parties and there by obtaining necessary approval with a project or the government tender, these sections of the private sector have tarnished the good image of the larger private sector which is conscious of its social obligations. From a business point of view the argument which is most of ten heard in favor of a firm's involvement in social activities is that such activities can improve a company's public image and help to attract new customers, investors and better employees. It is also argued that such activities may reduce the enactment of government regulations, which are costly and restrictive to the management decision making process. However, it is maintained that involvement in social activities undermines the efficiency of the corporation and misdirects limited resources, serving only to increase costs and the price to the customers. Another argument against it is that there is frequently a measurement problem. That is to say most firms which provide voluntary social information in their annual reports describe their actions in qualitative rather than quantitative terms. Further more the private sector has to take risks in order to give a reasonable return to the shareholders. They also have to repay the loans borrowed from banks and also retain a portion for expansion, failure to understand this also has led to the criticism of the private sector.

Employees

From the employer's view a business enterprise provides its employees with salaries and wages, so he is concerned with the ability of the enterprise to generate favorable cash flows. Nevertheless, he may be concerned with plant and product safety, employee training programs and fair business practices. On the other hand, as a member of the community, he may also be interested in the firm's community involvement. However employees may see activities



as increasing expenditure and affecting their wages and jobs. It has been pointed out that managers have social concern but, unlike other employees, management is in the unique position of being able to initiate social programs and activities.

Government

It is generally felt that it is the role of the state to provide welfare facilities, as the private sector contributes more effectively to economic development. The private sector employs 75% of the 6 million labor force and also is the biggest direct tax payer. Therefore the revenue collected from the private sector can be spent on social welfare and national security. It is in our national interest for the government to protect all our economic assets (state owned or privately owned) in the same way our politicians are excessively protected.

Generate

It is accepted that only the private sector can generate the required economic growth and the employment levels. However, it is time for the private sector to move away from the age old philosophy of turning to the government for support in a crisis and condemning the government at every opportunity for not solving the ethnic problem, but work unitedly for the betterment of our society.

In a country where social tensions are high there is a definite need for the private sector to be more socially responsible, but equally the public servants, the politicians, who are responsible to the public (who are paid from the revenue collected from the private sector and the NGSS) and unions too must be socially responsible.

In the final analysis, the survival of private sector firms depends on their social and economic relevance. If firms within the free enterprise system wish to have the free enterprise system accepted on a large scale by society and by the government, then they must demonstrate their social relevance in addition to the obvious one of making profits. In the next millennium, the most prosperous societies would be those that embrace solidarity, where the private sector, the public and the government join hands to build a better world for all.