



2-1 Discussion: Social Responsibility

Read the following two articles:

- The Social Responsibility of Business Is to Increase Its Profits, Friedman
- A Stakeholder Approach to Strategic Management, Freeman and McVea

Friedman argued, "Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible." In contrast, Freeman and McVea argued that the role of a corporation is to balance the needs of all stakeholders.

How do you feel about Friedman's and Freeman and McVea's statements? Explore both sides of the argument in your initial post by providing one argument that supports Friedman's assertion and one argument that refutes it. Then provide one argument that supports Freeman and McVea's assertion and one argument that refutes it. Once you have explored both sides of each argument, explain which author(s) you think is correct and why.

In responding to your peers, think about how their arguments compare and contrast with your arguments and identify any new information learned from reading their posts.

To complete this assignment, review the [Discussion Rubric](#) document.

Rubrics

 [Discussion Rubric: Undergraduate](#)

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Friedman or Freeman/McVea?

Peter Stevenson posted Jul 7, 2020 10:41 AM [★ Subscribe](#)

Friedman's position is that "social responsibilities" are not part of the expertise of the business executive, and that if (s)he starts to divert money towards a particular social cause then this is essentially taking money from the stock holders, employees, and the business itself, leaving all three poorer because of it. Corporations are not people, regardless of what the Supreme Court says and as such, they cannot possibly take a position on social responsibilities that is separate from the whims and desires of the highest executives charged with making those decisions. In a free market economy expenditure of funds for these kinds of purposes are more properly placed in the hands of individuals, who would incidentally have more money to support these causes if the company would just stop spending money on their behalf. For example, Coca-Cola spent \$117.3 million on philanthropic causes in 2015, including the "Conservation of clean drinking water in deprived areas" ("The 13 Most Philanthropic Companies in the World", 2020). While I cannot say that people should not have clean drinking water, the Coca-Cola company would likely profit from those areas remaining without clean drinking water causing a double loss to the company – once from the multi million dollar spend and again from lost sales.

Refuting Friedman's position is that philanthropic contributions are ill advised is that "Sixty-four percent of consumers are "extremely likely" to buy from a company that takes a stand on social issues" ("5 Successful Corporate Philanthropy Examples | Givinga", 2018) and that unless the company is making a stand on a divisive social issue, giving back to the community is something that consumers look for. One great example of Corporate giving improving a brand's reputation is Ben and Jerry's, a company that has a set of social justice values clearly spelt out on their website and have regular updates on how they meet those values ("Ben & Jerry's is a values-led company", 2020). Purchased in 2000 by the food conglomerate Unilever, part of the deal was to keep the social justice values intact but in a 2012 British Broadcasting Corporation article, Paula Widdowson observed that Unilever "learned a lot from the [Ben and Jerry's] culture and learned that it made business sense" ("Did Ben & Jerry's change Unilever?", 2012). What is evident in the current business environment is that customers are looking for companies to step up and make a difference somewhere, and that when they do, those companies are rewarded with more customers.

Freeman and McVea's position is that in order for a company to do more than just respond to the prevailing environment, it must understand who its stakeholders are, take their needs into account, and devise a path for the company to succeed that engages all stakeholders in that journey. One example that illustrates this idea is the Boston Beer Company (BBC), makers of Sam Adams beer, Angry Orchard Cider, and Truly hard seltzer among other beverages. More so than just the distributors who purchase the beverages for sale to bars and restaurants, the BBC realized that its stakeholders include everyone who serves and drinks their products, the farmers that sell their barley, hops, and apples to be turned into beer, the manufacturers of glass bottles, cans and kegs that contain the beverages, the restaurants and stores that sell their products, the employees who make their products and the shareholders who expect dividend payments and a return on their investments. To that end, the BBC has a program of freshness and innovation so that their customers always receive top quality products, have contracts with farmers so that these farms have certainty regarding sales of their products, continuous improvement and innovation programs for their employees, and have distributed millions of dollars as capital to small food and beverage businesses over the years ("Corporate responsibility | The Boston Beer Company - IR Site", 2020). By carefully analyzing the needs of all their stakeholders, the

Boston Beer Company has grown from a company with a pre tax net income of \$2,089,000 in 1991 to one with a pre tax net income of \$144,370,000 in 2018 ("0001193125-20-041944 | 10-K | The Boston Beer Company - IR Site", 2020).

Arguing against Freeman and McVea's position is as simple as looking at the business environment today and asking if a reasonable business on 01 Jan 2020 could have predicted the business environment at this moment. With hundreds of thousands of businesses suffering diminishing sales throughout the country due to the Covid-19 situation, many of them will go out of business permanently and while taking all stakeholders into account may have been a nice to have, it is a luxury that is unsustainable at this moment. The diversion of funds from core business needs does not put a business in a place where it is best suited to ride out times like this and as such, does not make sense as a viable business strategy.

On a personal level, I think the most appropriate approach for any business is to adopt Freeman's position and try to incorporate all stake holders as part of business planning. I know it is unlikely if not impossible to satisfy all stakeholders equally, but by reaching out and having a strategy, I think the argument that ultimately your business will grow is a compelling one that makes good business sense. In addition, businesses do exist within a societal framework, and people do derive value from seeing themselves as being part of something bigger than themselves, and the idea of helping others is powerful. While I would recommend staying out of politics unless your business model already aligns you with a particular political position, your CSR decisions can work to improve and even define your brand, improve brand loyalty, and increase business all while making tangible improvements for society in general.

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Discussion 2

Rachele Riel posted Jul 7, 2020 3:18 PM [★ Subscribe](#)

After reading both articles, both Author's had great opinions on how they viewed the needs of stakeholders. Friedman states that stakeholders by defending free enterprise, the let the laws govern any socially related means. For example, if there are laws that state a tire company must abide by air pollution guidelines to help keep the air safe, then that is their contribution to any "social conscience." Stakeholders in other words are in it for profit, and they have CEO's and Executive are the employees that run the business in which the stakeholders desire, which is to make money. Friedman's other takes on "social responsibilities" is if the corporate executive, may in his own right, has their own conscience. Having responsibilities of their own to follow like family or church and can make their own personal decisions to intertwine any social responsibilities. The ultimate job is to work for a stakeholder and to separate their personal social responsibilities and fulfill the stakeholder desires.

Freeman and McVea's views are entirely almost opposite of Friedman. Their approach to strategic management is involving both stakeholders and shareholders. Although stakeholders technically own the company together, they gather data on methods to better manage and create relationships between them and shareholders. Shareholders are employees, customers, suppliers, lenders, and society. The process of this strategy contains two elements, prediction and adaptation. Management does an environmental scan which can include internal as well as external and with that information they predict the future business environment. Then the management identifies the best way the firm can incorporate it in their corporation that can help maximize on it. By looking at the bigger picture, both

stakeholders and shareholders profit, financially and socially. This strategy results in corporate social responsibility.

Rachele

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2:1 Discussion- Social Responsibility

Warren Smith posted Jul 8, 2020 5:36 PM [★ Subscribe](#)

Hello Classmates and Professor Williams,

This week's discussion is interesting to see how Friedman and Freeman and McVea have two different opinions on stakeholders and shareholders.

Friedman's thought process is that he does not think a company (stakeholders) should participate as a company in any social responsibilities. Friedman feels that it will take away from the business. On the other hand, if an individual wants to participate on their own behalf, it is clearly their option to do so. For an example, let's say Chevron raises its gas taxes during a pandemic and decides this increase will help us maintain the business. However, they won't offer any type of social responsibilities as a company, like give back 1-3% to help improve energy. Friedman's argument can be a catastrophe to a company. Giving back is what really drives people to your business, and especially with all that is going on in our world today. I have seen a lot of CSR's post some interesting social responsibilities and have made them the center of their business.

Freemans and McVea do have a different take. They believe that the company should focus on the stakeholders and shareholders (employees and customers). This means they involve them in the business aspect of the company. For example, the company I work for is very good about being transparent and sending out a survey to the employees and management when a proposed plan or strategy occurs that could affect the business. This gives the shareholders an opportunity to offer their thoughts or maybe suggest to the stakeholders a real-life scenario.

Now, of course, this could be tricky because the stakeholder's job is to make sure that the company protects all assets. All major decisions from the stakeholders may not be shared, and a decision has to be made without including the shareholders, for instance, a lot of people have been furloughed by businesses due to the COVID 19. I am sure decisions had to be made quickly to either keep the business running or close the doors.

I would choose the Freemans and McVea theory if I had a choice. It is so important to involve your employees, customers and stakeholders when operating a company. The feeling of being needed is a great feeling, and the continued support a company would get is also great. As mentioned above some major decisions have to be made only by stakeholders, but if you can involve others on non-major long-term decisions, that would be the best solution.

Best,

Warren

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2-1 Discussion: Social Responsibility

Amy Bilisland posted Jul 8, 2020 8:03 PM [★ Subscribe](#)

Hello class,

Freidman's and Freeman and McVea's statements are very interesting when you think about the 'strategic and social responsibilities' of companies.

According to Friedman's statement, he felt that it was unethical for a corporation to accept any social responsibility if it is only benefiting the shareholders. He continually asked if businesses should enrich the stockholders, or enhance the communities around them. Could the answer be one of both options? In 2019, Larry Fink agreed with Friedman and stated that the world needs purpose driven CEO's in leadership. Mr. Fink runs the largest global investment firm and wants to see some of this change effective. Last month, the Business Roundtable [announced](#) that corporations have a purpose that is more than just to make money for shareholders. (MacIntosh, 2019). The one side of this argument is that it is not all about the money, and more corporations helping those around them in other ways. From the other side he does not address any moral duty for corporations to restrain from damaging the environment and harm individuals. Elsewhere, he explicitly denied that a corporate executive should "*make expenditures on reducing pollution beyond the amount that is in the best interests of the corporation or that is required by law.*" (Spectrum, 2008). This thought challenges the overall relationships that are built as well as connections between the corporations and stakeholders.

With the statements by Freeman and McVea stating that the role of a corporation is to balance those needs of the stakeholders, it changes the dynamic of what Friedman was setting out to accomplish. They discuss how simple the corporate planning is and recognize that stakeholders may decide to place limits where the firm may want to move forward. The management team understands those requests so they can stay within the specific bounds of operation. Within that process, the two main elements of adaptation and prediction help to identify the future business environment, and how to adapt to it, and the corporate planners are able to carry out the stakeholders analysis. Their idea of stakeholders or stakeholders management and approach means that only those groups have a specific stake within the business, and that the main goal is to manage the relationships of employees, suppliers, customers, shareholders, and communities to help with the success of the company. The benefit of the stakeholder approach is having those important relationships from within. The names and face approach identify those people and relationships. On the other side, it could be looked at as giving too much freedom to the stakeholders. Freeman believes that an agreement is always possible. If there are conflicting interests between stakeholders, the company must not choose one over the other but must find a compromise, a third way which will satisfy both interests. (Nicomak, 2015).

The biggest difference that I see in the two are between the profit being made and the value that is being measured in many different ways other than financially. I would personally have to agree more with Freeman and McVea's statement. Of course profit is important, it is imperative for a business or corporation to be effective as a business, however; relationships, family, community, and blessing someone else is way more important to me than the bottom dollar. To be able to lay your head to rest at night knowing that you have done something more that can reach beyond just a 'stakeholder' is impactful. On the flip side of that, you must have stakeholders, customers, employees, suppliers, and a community to make the business effective. Even though I am more likely to side with the one, I do not think it is an 'either/or', but yet a 'both/and'. I think it is a compromise of both statements and ideas. You must have stakeholders and profit as well as shareholders and profit, it is just a matter of the best way to get there.

Amy Bilsland

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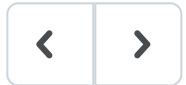
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Assessment



Discussion Rubric:
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