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Improving Social and Financial Bottom Lines

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Historically, private businesses do not include any social responsibility in their corporate missions as that is perceived to be the responsibility of the government or social sector organisations.

This view emanated in the 1970s from leading economist Milton Friedman who famously said: “There is one and only one 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.”

Proponents of this belief argue that the focus of business should be strictly on their financial bottom lines: optimising profits and maximising financial returns to shareholders. Anything else may distract the business, resulting in not only a decrease in returns but also the erosion of its competitive edge. It may even affect its existence.

The Economist magazine, a proponent of this view, said that corporate philanthropy is a "morally dubious transaction" because it is "charity with other people's money". It argues that shareholders should be the decision makers on how they wish to donate all or part of their dividends or capital gains to support worthwhile causes. The support of social missions should accordingly be done by shareholders on a personal basis.

CORPORATE CITIZENS

However, in recent times, there has been a tidal change in the thinking of the business sector.

First, there is a more pronounced view that private businesses should operate as good corporate citizens. Corporate social responsibility, or CSR, has become a buzzword.

That said, what that term means is interpreted differently and has evolved through time. Many see CSR as giving more money to charitable causes or encouraging their employees to do more volunteering.

Some view such corporate giving as optional, and that good corporate citizenship means something more fundamental: ensuring that companies operate in a way that pays heed to ethical, environmental and labour regulations and best practices.

Yet, for others, it means taking a leadership role in the communities where they operate, to direct the way in which their businesses can make the world a better place.

Whichever model or a combination of some of these approaches is adopted, there is a definite move towards greater social engagement and being mindful about the environment.

PEOPLE, PLANET AND PROFIT

As CSR evolved, it became intertwined with the sustainability agenda towards the end of the 20th century. Futurist Wayne Visser has dubbed CSR 2.0 as "corporate sustainability and responsibility".

Sustainable development is an idea that emerged from the growing awareness of the imminent ecological crisis. Sustainability is therefore about meeting the needs of the present without compromising the ability of future generations to meet their own needs.

The World Business Council for Sustainable Development defines sustainable development as "the integration of social, environmental and economic considerations to make balanced judgments for the long term". In practical terms, this requires companies to reconcile environmental, social, and economic demands, often referred to as the "triple bottom line" of people, planet, and profit.

The idea is that businesses should not be burdens to the community but a net contributor to its well-being. This includes selling value-added goods and services in a responsible and fair way, equitably creating and sharing wealth, and respecting the rights of all of its stakeholders.

Businesses can also use their knowledge, competence, and other resources to help resolve social problems that are related to its business mission.

For example, a computer company can offer to teach students how to use its software to improve their productivity and lifestyle. By doing so, it is not only contributing to educational development, it is also grooming the next generation of potential customers.

Management gurus Michael Porter and Mark Kramer have written in the *Harvard Business Review* that this approach will, in fact, improve a company's competitive advantage.

They believe that companies can create more social capital than what an individual, or an organisation, or the government can deliver. The social capital generated can further strengthen a company's image and stakeholders' support for its business.

SOCIAL-BUSINESS HYBRIDS

What is perhaps more radical is the emergence of organisations that are now created, from inception, to focus on not just financial but also social returns. These social-business hybrids are often broadly termed as social enterprises.

Social enterprises are purposefully created for social impact, with profits usually ploughed back into the community.

Local examples include Bizlink Centre, which seeks to provide employment services for disadvantaged people, and the many cooperatives of the labour movement such as NTUC FairPrice and NTUC First Campus.

An overlapping group is inclusive businesses. These focus on low-income communities by providing goods and services to, as well as livelihoods for, members of the community.

For example, SaniShop supplies low-cost toilets made by local masons to entrepreneurs for sale to poor communities in countries such as Cambodia, India and Mozambique.

The trend is clear. Companies need to go beyond the narrow interest of maximising returns for shareholders, and be concerned about the broader environmental and social needs of the community.

There are many approaches to doing so. But what is significant is that by contributing to the social bottom lines, businesses can also improve their financial bottom lines. ■