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The Social Responsibility Dilemma
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"There is one and only one social 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 games, which is to say, engages in open and free competition without deception or fraud." (Milton Friedman, 1970)

When Friedman (1970) addressed the question, 'What does it mean to say that a "business" has responsibilities?' his compelling and original take on the social activities of firms sparked much debate, controversy and agreement throughout the corporate world. Milton Friedman had proposed in his New York Times article, that firms should not engage in any form of social activities that would mean that shareholders' interests and profits would be reduced. Friedman went to the extreme of labelling managers who did engage in socially responsible activities as 'thieves'.

Today we will look to critically assess the points that Friedman raised in his famous article to further understand the ethical implications of engaging in corporate social responsible activities.

The primary ethical assumption made through the Friedman (1970) approach looked to emphasize that a firms activities should be, under all circumstances, geared towards increasing shareholder wealth. This statement was supported by Gallagher (2005) and Moon (2008) who stated that the reasons why Freidman's statement was accurate was due to the close link between Freidman's argument and the generic mission of firms to maximise shareholder profits.

This point also coincides with the view of Preston (2000) who suggested that managers should not worry about the ethical implications of an activity but rather the end result of that activity profit wise. Friedman argued that any firm or manager that engaged in an activity that was not for this purpose was in a sense reducing shareholders' wealth and benefits.

Friedman's argument was built upon an understanding that any spending on any socially responsible activities would be detrimental for shareholders. Through this, Friedman (1970) argued that if a manager engages in such activities, he is in turn 'imposing taxes' on stakeholders' and then deciding on how to spend it. This point seems to have a strong basis from an economic viewpoint but as Friedman argues, if an individual wanted to be socially responsible, he does not need a company to do this for him. Friedman argued that an individual can invest in a business whilst being able to make contributions to society personally (Baron, 2007). If a firm evades to allow this and makes the decisions of social responsibility themselves then, does this mean that the manager is undertaking activities that should be made at Government level?

However, how feasible is it to suggest that firms cannot undertake socially responsible activities that can be good for the company?

When looking at the Becker (2009) argument which questions the viability of the market environment if all firms pursue profit maximising activities exclusively, Becker (2009) argued that firms must ensure that all employees and customers value these activities too. However, gaining such employees and customers that follow such values may not be possible and the firm engaging in such activities would reduce the customer base available to the firm. This would then mean that maximum profits cannot be fulfilled and therefore how can this be good for the stakeholders of the company? This suggests that the Friedman argument is the best approach to take because of the economic benefits gained from it. However, is it not possible to suggest that if a firm was to actively engage in profit maximisation, it is not acting socially responsibly as higher returns and increasing market power would create the need for new jobs and higher wages? This statement is supported by Gallagher (2005) and has some credibility when linking profit maximisation and social responsibility together.

A contrasting view is that of DeLong (2009) who argues that an individual, be it a customer, worker or investor should be able to decide if they care enough about social responsibility and it should not be forced upon them. This gives light to new forms of competition within the marketplace, where both responsible and capitalist firms engage side by side and the individual is free to spend, work or invest where he wills and not through a decision made by a manager, who may not act in the stakeholders ethical interests. This can be proven through the quote, 'on the other hand, suppose he could get away with spending the stockholders' or customers' or employees' money. How is he to know how to spend it?' (Friedman, 1970)

The other view that should be considered, to offer a complete critical analysis of Friedman's (1970) essay, is the case for social responsibility. As Marsden (2005) argues, many companies have improved on their social responsibilities and environmental concerns. Marsden (2005) further argues that even this contribution is only the beginning for socially responsible movements and many have still to follow suit. This was a view shared by Margolis and Walsh (2003). Is it not ethically correct to provide for the external environment and engage in social responsibility? It was argued by Smith (2003) that companies have benefitted in engaging in CSR in the long run as well as helping the company's reputation in the public eye. It was noted by Smith (2003) that employee's turnover at Starbucks had been notably low because of the company's active engagement in CSR. This short term and sustainable benefit is likely to have helped the company save money. This notion of corporate reputation could negate Friedman's (1970) argument, which although noted the long term benefits of CSR did not consider its short term gains. Another interesting critical view of the previous point could be to acknowledge the way in which firms maximise profits. It is possible to suggest that some firms may be engaging in morally and ethically unacceptable activities in the eyes of the consumer. If reputation is tainted as a result, is this beneficial for the stakeholders', who aim to gain profit maximisation?

To conclude, Friedman (1970) argued against firms uses of socially responsible activities in business unless they held a long term gain. This view has been seen to be supported amongst scholars as well as companies (Stratling, 2007). This article has outlined that from an ethical viewpoint this argument seems to be a sound and applicable argument almost four decades later, but from an economic point of view only. As Friedman outlines, there are distinct ethical issues involved in undertaking social responsibility that will lead to a loss for all stakeholder eventually. However, the paper has also shown that firms can engage in socially responsible activities as it can aid the financial performances of firms. The conclusive point that can be taken from this papers approach to Friedman's argument is that firms should only engage in activities that improve the financial performance of firms whether short term or long term or through socially responsible actions or not.