Social Entrepreneurship – 12 – The Role of Corporations

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Continuing in the Social Entrepreneurship series, what roles and responsibilities do corporations, non-profits/NGOs, donors, and investors play in society? Professor Paul Hudnut at Colorado State University (http://www.csu.edu) ponders such questions in his research.

Do the four pillars, corporations, NGOs, donors, and investors, play different functions in the global economy, East African economy, or right here in our Kenyan economy? Moving deeper, what role do the pillars play in international development, social enterprise ecosystem, and in your own business venture?

The 19th century saw a radical shift in global political economies. The world began implementing the earlier views of Scottish economist Adam Smith’s 1776 The Wealth of Nations that, among other ideas, countries gain power through competition and mutual trade rather than the acquisition and hoarding of gold and precious stones.

The 20th century saw the struggle between two dramatically different economic schools of thought: communism and capitalism. By the end of the century, Marxist communism proved ineffective and Keynesian capitalism versus Classical Economic capitalism ruled from lecture halls to central bank offices, and right here in Kenya.

As the 21st century commenced, from 2002, former President Mwai Kibaki famously tussled between Keynesian government involvement to stabilise the Kenyan economy and classical economics to let markets take care of themselves and step aside from meddling too directly in the economy so that the Kenyan economy could grow. President Kibaki’s policies worked and Kenya’s GDP per capita finally outpaced Kenya’s economy since colonial British rule for the first time and our GDP grew faster than nearly every country in the developed world.

By 2008’s global financial crash, however, Keynesian economics took a hit as governments tried but failed to stop the global meltdown. Kenya dodged the crisis due to a fairly less intertwined financial system and a lower acceptance of home mortgages in the Kenyan market.

In the post-financial crisis world, great thinkers now struggle with new forms of economic debate. The first, as writer and CNN television personality Fareed Zakaria (http://en.wikipedia.org/wiki/Fareed_Zakaria) puts it: the rise of the rest of the world beyond of
Europe, North America, Japan, and Australia to economic parity. Kenya certainly moves forward along a growth trajectory unimaginable even twenty years ago. Each year hundreds of thousands of Kenyans join the ranks of the growing middle class.

The second big post-financial crisis debate involves the actual role of corporations and investors. As the world moves through the 2010s, the lines get blurred often between the role of corporations, NGOs, donors, and investors. Do companies inherently possess a socially conscious responsibility to society? If not, should companies only focus on their core competencies and let governments, NGOs, and donors pick up the pieces?

The debate draws from three widely different schools of thought. The first encompasses University of Chicago economist and Nobel Prize winner Milton Friedman (http://en.wikipedia.org/wiki/Milton_Friedman). Friedman famously advocated for independent free markets. Inasmuch, he argued that “there is one, and only one, social responsibility of business, to use its resources and engage in activities designed to increase profits...” Friedman did not believe in Corporate Social Responsibility, social conscious business products, or socially protective labour practices. He fully believed only that businesses should only be about the business of making money. The government, NGOs, donors, and foundations, therefore, should pick up the rest.

The next great thinker on the far other side of the spectrum emanates from prolific author and Claremont Graduate School Professor Peter Drucker (http://en.wikipedia.org/wiki/Peter_Drucker). He stood decidedly against the profit motive of corporations: “The rhetoric of profit maximization and profit motive are not only antisocial. They are immoral.” Through his thirty-nine books, he delineated innovative management practices as he pounded away against greed and corporate selfishness.

The final impactful thinker in the debate is none other than multi-billionaire, Microsoft founder, and philanthropist Bill Gates. Gates stands between the two extremes of Milton Friedman and Peter Drucker and advocates for a new type of corporation that goes deeper than public relations stunts deemed as CSR: “Even with all the problems we face today, we are at a high point of human well-being. The world is getting a lot better. The problem is, it's not getting better fast enough, and it's not getting better for everyone.”

If you had to choose where you place among the three big thinkers impacting us now in the 2010s, where would you fall? When surveying executives in Nairobi, USIU notices that nearly half subscribe to the Milton Friedman view about the role of corporations that revolve purely around profit. Very few executives surveyed view Peter Drucker's anti-corporation rhetoric as correct. Then, the largest number of executives, slightly over half, believe that Bill Gates' position is the right one. Corporations should make money, but in a socially conscious way. Given the survey, do executives actually follow through with their beliefs?

If corporations acted in accordance with Bill Gates' beliefs, would we need NGOs any longer? How about donors? You may have noticed that even the essence of donors continually changes. Kenya previously experienced more bilateral donors from USAID, DFID/UKAID, DANIDA, CIDA and the like. Bilateral aid revolves around countries who desire to assist Kenya, but also serve their own domestic agendas in Washington D.C., London, Copenhagen, Ottawa, etc. Multilateral donors including the IMF, World Bank, and United Nations programs receive no shortage of criticism, particularly for the former's structural adjustment programs under President Moi that forced multi-party democracy in the early 1990s.
Now billions of shillings come from the Chandaria Foundation, Coca-Cola Foundation, Safaricom Foundation, KCB Foundation, etc? How is private charity changing the donor landscape? What are the boundaries between corporations, investors, NGOs, and donors? Further, where is the next big debate? Perhaps how do we permanently end all poverty? Continue the debate on Twitter: #KenyaEconomicFuture. Your comments and examples shall form the basis of next week’s Business Talk in the Business Daily as we tackle deeper issues between corporations, NGOs, donors, and investors.

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In next week’s edition of Business Talk, we explore “Deeper Issues Between Corporations, NGOs, Donors, and Investors”. Read current and prior Business Talk articles right here at www.usiu.ac.ke/blog/businessdaily (../blog/businessdaily).

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