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## The Social Role of an Enterprise

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Społeczne aspekty przedsiębiorstwa

This article analyses relations between the social-political environment and enterprises. The author relates the discussion on the social-political role of enterprises between the conservatives and reformers. He also describes the Canadian policy towards the USA investors. Finally, he analyses the enterprise counterpower factors manifested through the activity of the state, the unions and pressure groups.

The liberal economic thought also aimed at definite social goals following from the assumption that unconstrained development of free competition and the invisible working of the free market principles will assure economic development and will lead to the general public wealth. Two trends were engendered by the twentieth century economic liberalism: that of neo-liberalism and that of social democracy. They assumed certain definite forms of state interventionism in the areas of full-time employment, health care, education and – to a lesser extent – in public economic activity. The social role of an enterprise has been the subject of on-going discussions. Two positions can be clearly distinguished: that of the reformers and that of the conservatives.

**REFORMERS** maintain that defining the social duties of an enterprise is one of the elements of management. Accepting its socio-political obligations, an enterprise acts in its interest as well as in the interest of the society. Enterprise managers possess many years of experience and are thus called to help, through their counsel, in the task of solving social problems and to participate in state administration. According to the reformers the principle of the social responsibility of an enterprise is legal because it profits all society.

**CONSERVATIVES** believe that an enterprise is merely a unit of production, and as such, has no socio-political or moral obligations of any kind. Any decisions that do not follow from the game of free competition will cause a decrease in the efficiency of an enterprise. Experience in management is not

useful in the field of socio-politics, for that area requires practical experience of a different professional profile. Socio-political initiatives coming from enterprises may lead to an integration of economic and political power, a process which is threatening to democracy.

A contemporary model of active management approach assumes that relations between the enterprise and the socio-political milieu should be considered from the point of view of management efficiency. New ecological problems, globalization of industry and trade, emigration problems, international economic cooperation, emancipation of women and many other factors affect the activity of enterprises, and therefore, they cannot stay beyond the sphere of the enterprise's interests. Survival and development of an enterprise is not merely a matter of an efficient economic and technological strategy, but also of the right socio-political attitude.

An enterprise is one of the social subjects, linked by a union of solidarity with the interest of other subjects. That's why it has to develop an ability to react promptly to all changes in the socio-political milieu, a skill which requires that the management understand the essence of the relationship between the enterprise and this milieu.

Interaction between the enterprise and the socio-political milieu takes on the forms of: a) exchange, b) government, c) secondary effects. In the process of exchange the enterprise fulfils not only purely material needs, but also the needs of non-material nature in the area of: aesthetics, confidence as to the product's reliability or positive attitude towards the producer. It also participates in numerous charitable, scientific and artistic activities.

The society may grant the enterprise – independently of its material profits – a capital of confidence and good will, a factor which can prove useful on the way to success.

Costs following from the social activity of an enterprise are tax-deductible.

Administrative power of an enterprise in the sphere of cultural values as well as its social and technological government consist in forming social and cultural norms and habits as well as a certain life style, following from the use by the society of the products produced by the enterprise. Social control over the enterprise's personnel finds its expression in the possibility of forming the personnel's attitudes; its political power is manifested in the possibility of exerting economic pressures on internal political processes, influencing the direction of international expansion, even in the decisions involved in matters of war and peace.

The secondary effect relations are characterized by structural transformations in the area of social development and in the area of forming the attitude of activity and industriousness. Pathological secondary effects are linked with the negative results of activities that as such, are seen as basically positive. Such negative results are hard to foresee.

The various faces of the power of enterprises are certainly one of the more important elements forming the life style in market economy. Particular societies try to oppose the inordinate power of enterprises and to maintain a balance among the various forms of social dominance. Thus, various forms of counter-power arise, the most significant ones being: the activities of the state, of the unions and of pressure groups.

The state limits the power of enterprises by means of a number of corrective laws as well as by an appropriate preventive activity of the police and the law, especially with respect to the possibility of the enterprises' corruptive influence on the administration. There is a substantial anti-monopoly legislation created to control the process of lobbying by companies which dictate prices on the market; there are laws controlling the stock exchange, customs regulations and regulations defining the principles of cooperation with foreign investors on the domestic market.

The government of Canada created a special Department of Foreign Investment Control, which regulates the activity of foreign investors in order to avoid any conflict between the national and the corporate interests. These regulations are targeted mainly at the US corporations which are willing to invest in Canada because of the cheaper labour and the good, under-invested market in that country. The following table provides a list, elaborated by the above-mentioned department, of the potential areas of conflict of interest between the government of Canada and the foreign investors.

Twelve Government of Canada Principles to Regulate the Activity of Foreign Corporations (defined in anticipation of suspected inappropriate moves on the part of corporations whose headquarters are located in the United States)

Activity Instructions

(what to do)

Potential Misapplications

(what not to do)

1. Full realization in Canada of tasks following from the growth of the corporation; realization in Canada of the corporation's operational potential.

1. Corporation planners in the headquarters located in the US define corporation's development plans or determine its activity limits without considering the plans and aspirations of Canada.

2. Canadian branch of the corporation should be an independent, vertically integrated unit, fully responsible for at least one production function.

2. Canadian branch is used mainly for putting together of the imported parts or Canadian branch is merely a distributor of goods produced elsewhere, so that its activity could be easily stopped or transferred.

3. Develop maximal markets for Canadian exports.

3. Realization of export orders in markets of the third countries from

provisions located in the US profits the American, and not the Canadian monetary budget.

4. Increase the level of raw materials processing in Canada, with the possibly highest number of stages.

4. The least possible level of raw materials processing in Canada aimed at the minimization of the Canadian political influence.

5. Adopt the policy of the same sale prices abroad and within the corporation.

5. Canadian branches of American corporations establish negotiated or incentive prices in order to avoid paying Canadian taxes. 6. Solve the problem of suppliers in Canada.

6. Preference is given to suppliers from the US or third countries because such choices are more convenient for the corporation or because they help the corporation's pressure tactics.

7. Include in the activities of the Canadian branch research and development (R&D) tasks as well as the tasks related to product design and amelioration.

7. Concentration of the R&D tasks and product design activities in the US means that these skills will never get developed in Canada.

8. Put aside an important part of profit for further growth of the corporation in Canada.

8. Profits acquired in Canada are not left in the country to finance development of the Canadian branch.

9. Select Canadians for important positions of managers and high-level functionaries.

9. High-level functionaries and managers are brought from the US to prevent formation of the local views in matters of planning and production.

10. Encourage the participation of Canadian private investors as the corporation's share-holders.

10. Creation of corporate branches which are fully owned by the original corporation makes it impossible for the Canadians to decide their own policies and salary levels.

11. Make financial reports public.

11. Including activity reports from Canada in the financial reports of the original corporation or keeping secret all essential information.

12. Support Canadian cultural and charitable organizations.

12. Lack of support for local actions such as "United Appeal" while generous backing is given by the original corporation for similar actions in the US.

Source: Morgan, G. (1997)

In 1984 the above regulations were given up to make Canada more attractive to foreign investors. Thus, the dilemma created by the presence of international corporations in the country is not at all easy to solve. The above guidelines, however, have created appropriate relationships of equal cooperation and in spite of the fact that the formal principles as such were abolished after several

years of staying in power, the assumptions they were based on have become a Canadian ritual of a kind.

Another factor contributing to the creation of counter-power aimed at limiting the corporate empire are the unions. The basis here is the so-called socio-political approach which assumes that in every enterprise is a territory of a permanent conflict between the management as the personnel, a conflict which concerns the relationship between the duties and the pay. A substantial body of legislation has been created to regulate these relationships taken as a whole.

The starting point here is the recognition of the union's right to represent the interest of the employees and to negotiate their demands with the employer. In this way, a specific bilateralism of two opposing forces in the structure of the enterprise is accepted: the force of the management and the force of the union. The conflict of interests between the two becomes a legal means of regulating work relations. The procedure of solving the conflict is well defined by appropriate normative acts, formulated on the assumption that conflict is a hidden form of cooperation.

Formal and informal pressure groups are an important factor in the counter-power against the enterprises. The formal ones include, e.g. customer protection associations, groups for protecting the rights of women, the rights of national and sexual minorities, environment protection associations, etc. As their methods they use propaganda, demonstrations, road-blocks, boycott. Their activity is often very fruitful.

The informal pressure groups are sporadic and never officially registered. But they also act using the method of boycott or street demonstrations often organized against certain activities of the enterprises. One can quote here the successful action against the Shell corporation targeted at the liquidation of the oil dig in the North Sea.

The efficiency of the counterpower against the enterprises which brutally aim at big profits thereby creating pathological social situations is one of the essential problems in free-market economy. These problems are often difficult to solve because of the ever-growing philosophy of the totalitarian liberalism which is based on the principle: "Forbidding is forbidden".

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### STRESZCZENIE

Autor analizuje relacje pomiędzy społeczno-politycznym otoczeniem przedsiębiorstwa a samym przedsiębiorstwem. Nawiązuje do dyskusji, jaka ma miejsce między konserwatystami (uwzględniającymi tylko aspekty ekonomiczne), a reformatorami (biorącymi pod uwagę – oprócz aspektów ekonomicznych – również społeczne aspekty funkcjonowania przedsiębiorstw). Analiza ta oparta jest o doświadczenia przedsiębiorstw amerykańskich funkcjonujących na rynku kanadyjskim. Ponadto, poddaje analizie działalność państwa, związków zawodowych oraz różnych grup nacisku wykorzystujących słabe punkty przedsiębiorstwa w dążeniu do osiągnięcia swych celów.