

MARKETING'S RESPONSIBILITY TO SOCIETY

The comments made in this short article could apply equally well to the responsibility of the firm as a whole towards society, since it is usually through the marketing department that the company makes contact with society.

For many years, society believed that if each firm sought to maximize its profits in an atmosphere that supported free competition, this would lead to maximization of benefits for the public as a whole as well. This was because in trying to maximize its profits, the companies would vie with one another to give the consumer the most benefits it could. Thus, Adam Smith wrote of an "invisible hand" which would make companies serve the best interests of consumers, and that "hand" was profit-seeking.

However, countries around the world found that this "invisible hand" was not enough to ensure that society's best interests were protected, and, could lead to great social costs. Thus, we in Thailand have controlled capitalism, rather than laissez faire. Firms have a great deal of leeway to operate as they please, but must follow many government regulations, such as those on quality control of drugs, minimum wages, and price controls on iron rods and pork.

Recently, Thais have decided to regulate the private sector in a new area, that of deciding what the firm's responsibility to society should be. No longer are we content that busines can continue to belch forth black smoke, that factories can pollute the water and air, that sugar mills can sully our rivers, or that lumber companies can cut down trees without thought of replacement.

How should business react to these protests from society? What responsibilities should firms assume towards the Thai people as a whole?

I believe that the private sector should see the handwriting on the wall, and should see that Thais no longer will let firms focus solely on their own private gains to the previous extent, for this has given rise to heavy costs to the Thais as a whole. In an earlier era, the populace would not have cared about costs it had to bear in the production of goods and services - it would not give a second thought to the fact that its klongs and rivers were being filled with garbage and human excrement and its air with smoke. But, a growing segment of the Thai people is becoming aware of these social costs, and resents them.

Presently, Thailand allows its private sector a very large degree of freedom from regulation. However, this does not have to be the case. We would have increased controls and regulations imposed upon an unwilling business sector. Or, as an extreme measure, businesses could pass from

private into public hands, as in socialist countries. In between these choices, there are many other variations possible. In any case, business has little choice, since it is a vital part of society and exists only by society's permission.

The private sector would benefit the most if they could actively participate with the rest of society — probably represented by government and/or consumer-interest groups — in setting up a delineation of responsibilities that the Thai nation wants the private sector to bear, e.g., in setting pollution levels; the amount of timber which a lumber firm may cut, and replanting practices to be followed; or procedures and processes to be used in sugar milling.

As briefly stated above, active resistance to the wishes of society would be futile in the long run. Firms should not just passively go along with society, flowing with the tide -- for, after all, the companies know their industries better than outsiders, and thus are best qualified to tell the government how much time will be required to carry out what society wants the private sector to do -- and how much it will cost. Thus, if the government is considering the control of exhaust pollution from buses, the bus lines can tell the government what the total costs of doing so would be, and how long the repairs would take. It can then show the regulating agency what these costs will be in terms of increased passenger fares, so that the government can decide whether or not it is willing for the passengers to bear the increased costs -- and if not, what would be done to cover the added expenses. In some cases, costs may be prohibitive, and the people may decide to bear the social costs rather than incur the expenditures necessary to remove them. In any event, the populace will benefit from knowing what is technologically possible and at what expense, and the business sector will also gain, for it will have a set of standards which it can live with.

This growing concern for the interests of society as a whole can open up major market opportunities for alert businesses. For example, there will be a growing demand for equipment for purifying water and factory smoke, and for possible substitutes for wood and paper. Thus, the private sector should not view this growing focus on societal costs in purely negative terms -- for many industries, this heightening interest means increasing market potential.

On its part, the public should be aware that the things it is clamoring for will bring about a change in its life styles. As the companies must raise their expenditures to meet their added responsibilities, they must pass on these added costs to their customers if they are to survive (assuming that there is strong competition, and hence small profit margins). The rises in price among different products will be uneven, depending upon the amount of costs to be passed on. Consumption patterns will change, as consumers switch to less costly substitutes, benefiting some industries at the cost of others. For example, as the cost of lumber goes up due to good conservation practices, the public may turn from wood furniture and floors to items made of other materials,

such as plastic or metal furniture or floor tiles. Perhaps, some industries may find it even more difficult to stay in business, while others may find that sales were never better.

The Thai nation should also be aware that if it is to get the clean environment it wants, there must be active, efficient, continuous enforcement of laws and regulations. This means that those in law enforcement agencies must be not only capable but honest as well. Each new government vows to stamp out corruption, but evidently they are less than successful -- for their vows are duly repeated by the next government as well. We are all aware of the very low salaries paid to civil servants. And, it seems that no bureaucracy is complete without being made into a bound up with red tape, thus virtually ensuring that even if an honest official wanted to get things done, he could not do so. Thus, to run the enforcement agency, men must be found who are both honest and capable. They must be paid what they are worth -- which is quite a lot. And, there must be a minimum of red tape, so that quick, effective action is possible. To encourage these capable men, I propose something which is anathema to many: promotion by merit, not seniority.

Thus, society is demanding that the private sector take on more responsibility for its products, and decrease the costs which are currently being passed on to society as a whole. In its own best interests, firms should actively participate in deciding what action should be taken, and should realize that many new opportunities are opening before them. At the same time, the Thai society should recognize that a major result of its demands will be a change in its life style. Also, it should recognize that if its demands are to be effectively carried out, it will have to find or create an enforcement agency that is not only able to take quick action but is also free from corruption. Perhaps such an enforcement agency is an impossibility; in that case, I would be happy to settle for one that has a maximum of action and a minimum of corruption.

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