

Social Roles of the Private Sector in a Fast Developing African Society: The case of Mauritius

Rajen Suntoo*

Gone are the days when private organizations were aiming only at profit making and reduction of their costs of operation to stay in business. Nowadays, the private sectors are called upon to play more social roles in addition to their traditional economic roles with a view to contribute to the welfare of the population. This paper aims to take stock of the social roles played by the private sector in Mauritius, a fast developing African society. The paper will also examine the challenges awaiting the private sector in the global economy with might impact on its social roles. For the purpose of this paper, use of both primary and secondary data is made. Internet search, books and business documents have been used for review of literature. Primary data have been collected through interviews of 12 human resource managers, 5 from the manufacturing sector, 3 from commercial banks and 4 from the tourism industry. It is found that most of the private organizations are engaged in a variety of social roles. However, their goals as to why they are involved in such roles differ. The findings of this paper may be of use to the state. The government authority may build partnership with the private sector regarding the social function with a view to cater for the needs and welfare of the population.

1. Introduction

The main goal of any private sector business is to make profit. Whatever be the type of private organisation, capital is needed to carry out the various types of activities and to meet the expenses. Entrepreneurs, partners and shareholders invest their money in businesses with a view to maximize profits. Traditionally, it was thought that the main role of the private sector was just to look after the benefits of its members and other main stakeholders like the financial institutions, suppliers and customers. However, with modernization and rapid development, it has been noticed that there has been a metamorphosis of the roles played by the private sector in societies. Gone are the days when private enterprises were aiming only at profit making and reduction of their costs of operation to stay in business. Nowadays, the private sector is called upon to play more social roles in addition to its traditional economic roles with a view to contribute to the welfare of the population.

The main objectives of this paper are to highlight and analyse the social roles of the private sector in Mauritius. This paper also examines some of the major challenges awaiting the private businesses in this global environment which may impact on their social roles.

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*University Of Mauritius, Email: r.suntoo@uom.ac.mu

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The first part of this paper will deal with the rationale behind the study and a review of literature on social roles undertaken by businesses. The methodology used in this study will also be explained. In the second part, there will be an analysis and discussions of the findings of the survey carried out with the respondents from the manufacturing, banking and tourism sectors. Finally, a conclusion based on the study will be stated.

1.1 Rationale behind the Study

There is a world-wide view that the private sector, which is often regarded as the representative of the capitalists or rich people, operate to maximize profit and sometimes it does so by the use of any means. Business organizations exploit workers, cause environmental degradation and they are responsible for the economic and financial crisis. Private businesses support political parties and the government with a view to gain business contracts. Such negative arguments are always attached to the private sector although it is recognized that it does have important socio-economic contributions in societies and through its investment it helps to create wealth for the nation. But who benefits more out of the operation of the private sector or who gains more from the wealth created through their operations remain the fundamental questions in societies, more particularly in those countries which are facing financial problems.

Much work has been carried out on the business organizations in Mauritius regarding their socio-economic contribution and environmental aspects. However, it is a fact that there is a lack of knowledge on the social roles played by private sector in Mauritius. This study attempts to fill in the gap. There is a need to understand whether the private businesses in Mauritius make any social contribution to the society and the extent to which their contribution help to improve the lives of the population.

2. Literature Review

Nearly all academic researchers turn to the literature review for ideas. Parahoo (1997) states that the literature review serves *to put the current study into the context of what is known already on the phenomenon*. It is important to define the terms social roles, private sector and to review the roles of the private sector in Mauritius.

2.1 Definitions of the Main Concepts: Private Sector and Social Roles

The state comprises the government, the private sector and the civil society. In any society, the private sector is considered as a major institution. The socio-economic development of all countries depends largely on the roles played by the private business organizations. This explains as to why developed and developing economies regularly undertake economic reforms or review same to promote the role of the private sector. For Danks et al (2001), the private sector or the private enterprise refers to profit making business organizations which are owned by an individual or groups of individuals. Some of the main forms of business ownership in the private sector are sole traders,

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partnerships, franchising, joint-stock companies, private limited companies and public limited companies. The main aim of the private sector is profit making although it is engaged in some social roles.

The organizational set up of the Mauritian private sector comprises three main parts. The Joint Economic Council (JEC) is the coordinating body of the Mauritius private sector. Then, we have the multi-sectoral institutions where there are the Mauritius Chamber of Agriculture, the Mauritius Chamber of Commerce and Industry and the Mauritius Employers' Federation. Finally, we have the sectoral associations composed of the Mauritius Sugar Producers' Association, Mauritius Bankers' Association, Mauritius Export Processing Zones Association, Association of Hoteliers and Restaurants Owners of Mauritius, Insurers' Council of Mauritius and Association of Mauritian Manufacturers.

The various private enterprises are members of the different sectoral associations depending on their areas of operations. On the other hand, the sectoral associations are members of the multi-sectoral institutions. Sectoral associations can also form part of the joint economic councils. The multi-sectoral institutions are normally represented at the JEC, the coordinating body of the Mauritian private sector. One of the main objectives of the JEC is to initiate and encourage activities that would further the development and interests of the private sector and the upliftment of the country. From this objective, it could be deduced that the JEC plays two important roles. Firstly, it ensures that its members, the private enterprises, are able to conduct businesses well and secondly, there is socio-economic development of the society, where the population can see an improvement in their living conditions. This shows that the private sector in Mauritius has a human approach in doing business and through its social roles, it caters for the needy population.

From a sociological perspective, social roles regulate and organize behavior of the people in society (Haralambos, 2000). According to McLeod (2008), social roles refer to the part people play as members of a social group. Society is made up of individuals who join together to form institutions like the family, government, private sector and many other types of social groups like clubs, associations and non-governmental organizations. Therefore, the social roles, which are expected to govern the behavior of people or which are part of roles that people are expected to play, also apply to the various institutions. Consequently, the private sector, which is a societal institution, is expected to perform certain social duties or social roles for the sake of the population.

In Mauritius, the private sector has always worked in close collaboration with the government. Besides, the private businesses have always helped the population in one way or the other through its social commitment. During the 1960s and well before that, the sugar industry provided small houses to its employees. Besides, all the sugar estates had their football playgrounds where the employees, their children and also people living in the vicinity, who did not work for the sugar estates, could practice sports. On the other hand, the tourism industry has helped to improve and develop the infrastructure in the countryside where most of the hotels are found. In the midst 1980s, the Touesrok hotel sponsored the keeping clean campaign of the TrouD'eauDouce village where it is situated. Trees and flowers were planted in the vicinity which made the village beautiful

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and renown. The various commercial banks have always sponsored a number of social events and they also carry out a number of social activities for the community.

2.2 Overview of the Private Sector and its Economic Contribution in Mauritius

Mauritius is recognized as a fast developing African society. Since its independence in 1968, the country has made enormous socio-economic development. Mauritius has now the status of a middle income earner country. Both the public and the private sector have their contributions regarding the progress made by the society. On an average the rate of economic growth has varied between 4 – 6 % per annum during the past three decades.

The four main phases of societal development undergone by Mauritius are due to the commitment of the successive government and the contributions of the private enterprises. During the early phase of its development, just after independence, Mauritius was known as a mono crop economy relying mainly on the production of sugar. From mid 1970s to mid 1980s, considered as the second phase of development, Mauritius witnessed the establishment of a solid manufacturing sector. The Export Processing Zone (EPZ), tourism industry and sugar made much contribution to the economy. It was mainly during the period mid 1980s to 2000, regarded as the third phase of development, that the country witnessed a growth and diversification in its economic activities. Together with the manufacturing, textiles, tourism and sugar sectors, the country moved to provide services. The freeport and many financial institutions started operations in the society. As from 2000 to date, Mauritius is in its fourth phase of development. It has now become a business platform in Africa. In addition to its traditional economic sectors, Mauritius is developing very rapidly to become a knowledge hub. The seafood and aquaculture businesses are also flourishing. The development of the Information, communication and technology (ICT) sector has enabled the country to provide outsourcing activities to many national and international companies. The metamorphosis of the Mauritian economy has been possible largely due to the effective participation of the private sector and the role of government as a facilitator.

2.3 Model of Social Responsibility of Business

For Milton Friedman, the primary responsibility of a business is to profit making and in particular, increasing the firm's value and maximising shareholders' revenue. In Society, the only responsibility of businesses is to operate without deception or fraud. Carroll agrees with Milton on the ground that the main aim of businesses should be profit maximization and increasing the firm's value (maria-zain.suite101.com ›Business & Finance › Business Management). However, he argues on a wider scope of responsibilities for businesses. In his model of social responsibility, Carroll lays emphasis on the ethical and discretionary responsibilities of businesses in addition to their economic and legal ones. For him, a responsible business enterprise should also undertake social responsibility over and above its economic and legal responsibilities. Businesses need to avoid doing harm to the environment where it operates, for instance avoiding polluting the area. The surrounding community needs to be looked after by the business enterprises. Through social roles, the private sector may take social projects to improve the lives of the population in the community.

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2.4 Corporate Social Responsibility (CSR)

Social roles require the involvement of the whole company. The latter should aim at helping the community. The involvement of the business enterprise should not arise simply from a desire to conform to the legal framework but rather it should form part of the business culture to help the local community. In Mauritius, the government has legalized the social roles of the companies and it has made it mandatory for the private sector to engage in Corporate Social Responsibility.

In July 2009, the Government of Mauritius *established a policy with the overall objective of mandating registered companies to pay 2% of their book profit towards programmes that contribute to the social and environmental development of the country.* However, as from January 2012, *every profitable company is required annually to set up a CSR Fund equivalent to 2% of its profits chargeable to income, derived during the preceding year.* The profitable companies have to use their CSR fund on programmes or projects that are approved by the National Empowerment Fund (NEF), which operates under the aegis of the Ministry for Social Integration. It is mandatory now for any profitable private company to spend 50% of its CSR Fund on priority areas as defined by the government.

The four priority areas are social housing, combating absolute poverty and community development, looking after the welfare of children from vulnerable groups and prevention of non-communicable diseases. Companies or group of companies with a CSR Fund of over RS 2 million can form a foundation for the realization of their CSR projects or programmes.

When the Mauritian Government implemented CSR policy as from July 2009, there were many representations from the private sector. Many companies were against the mandatory payment of 2 % of their book profit towards CSR programmes. They claimed that engagement in CSR should be voluntary and not legal. However, after some weeks of protestations the private sector accepted to play the legal social roles. There is an approved list of activities and programmes on which the private sector can utilize their CSR Fund and there is a list of registered NGOs who can apply for funding of their projects which need to be in line with the priority areas.

2.5 Challenges Awaiting the Mauritian Private Sector

A glance at the worldwide economic and financial situation makes the Mauritian private sector worry about its future. Since mid 2000, the world has been facing many economic and financial crises. In an interview on the topic financial crisis and the economy, the OECD Chief Economist, Klaus Schmidt-Hebbel predicted a significant weakening in the world economy, with many OECD economies slipping into recession sooner or later (www.oecdobserver.org/.../Financial_crisis_and_the_economy.htm). Eventually, both the American society and the European countries faced the economic downturn. Fortunately, Mauritius took the appropriate economic measures and was spared of the negative impact of the financial crisis in America and Europe.

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However, with the current euro crisis, the future of all developing societies, including Mauritius, looks uncertain. A fall in the Foreign Direct Investment (FDI) and a fall in tourist arrivals may be the direct impact of the euro crisis in the months to come. The repercussions of the euro crisis will be soon felt by Mauritius. The private sector may encounter a fall in its economic activities which may reduce profits and as a result lessen its contribution made to CSR fund thereby affecting its social roles towards the community.

3. Methodology

This study is based on both primary and secondary data. The library sources, books, business magazines, government document and internet search were instrumental for obtaining relevant secondary data, which were used primarily for reviewing the literature. Regarding the collection of primary data, unstructured interviews through telephone calls were conducted with 12 officials who were mainly human resource managers and supervising officers of the Corporate Social Responsibility (CSR) departments. The 12 respondents included 5 managers from the manufacturing sector, 4 from hotels and 3 from the banking sector. The duration of the interviews or informal conversations varied from 4 minutes to 15 minutes. It was not that easy task to get the respondents. In many cases, I had to leave my phone number with the receptionists, secretaries or other officers so that the respondents could revert back to me. Only in two cases the officers responsible for the human resource department called me back. For the other respondents, I had to call them back repeatedly. Considering the way in which primary data have been collected, it becomes really difficult to verify whether the respondents were all the officers whom I wanted to interview. However, given the nature of the goodwill of the private sector organizations, I believe having got the information from the right people. Besides, with a sample of only 12 respondents, one should be cautious to generalize the findings of this study. Anyway, to get a better and more in-depth result, further studies need to be carried out with a much bigger population sample size using a variety of research tools.

4. Results/Analysis

To get a better insight of the social roles undertaken by the private businesses, their views on CSR and the mandatory contribution of the 2% of profit for CSR activities, their reasons and motives behind their engagement in the social domain and their views on the impact of euro crisis challenges on their social commitment, some primary data have been collected from 12 respondents, 5 from the manufacturing sector, 4 from the tourist industry and 3 from the banking sector. The data received are analysed and discussed in this section.

Regarding the first question about the different types of social roles, it is found that the majority of the respondents of the organizations surveyed said that their companies or businesses are engaged in a series of social activities like giving donations to clubs and associations, helping needy students through educational sponsorship, providing infrastructure for sports, sponsoring air tickets for sportsmen, providing financial facilities to sick people, supporting NGOs financially to deal with non-communicable diseases,

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sponsoring civil society engaged in the protection of environment, financing the provision of food, drinks and comforts for pilgrims of all ethnic groups during national religious occasions like Maha Shivaratree and Pere Laval Festival.

When asked about their views on the government decision to legalise the social responsibility of the private sector, there was a variety of answers. One respondent from the banking sector reported that it was a good decision for government to introduce the CSR policy. He said that his institutions had a social policy for helping the community since its inception in the 1970s. According to him, many other banks were not playing any social role. So with CSR becoming mandatory, all banks making profit will have to contribute for helping the community which he says is good for improving the welfare of the citizens. Three respondents from the manufacturing sector did not find it a good thing for the government to make CSR mandatory. They argued that companies should be allowed to decide what to do and how much to budget regarding social role. They were of the view that mandatory CSR contribution means an obligation to fund and also giving money to certain NGOs whose activities are not transparent and where there is a lack of audit. For one respondent from the tourism sector, it was found that although his organization was not against mandatory CSR contribution yet his hotel management would like the government give companies engaged in CSR activities certain facilities like additional crown land for expanding businesses.

When queried about the reasons and motives for embracing the social role, there were quite a number of reasons given. The majority of the respondents from the hotel sector said that performing social roles help in image building and achieving the statuses of good and caring businesses. This is why hotels found in countryside keep the environment where it is located clean and beautiful. For the manufacturing sector, nearly the same answers were received from three respondents with one additional and interesting reason which relates to political recognition. They usually invite politicians when they perform their CSR activities with the view to remain in the good books of the government. Consequently, they may operate their businesses in a way where native workers and expatriates are exploited and they will not be sanctioned severely by the authority. Two respondents from the manufacturing sector stated that their companies are engaged in CSR because it is mandatory. Another two respondents, one from the bank and the other one from the hotel, said that it is a noble duty for businesses to help the community. For them, providing facilities to the needy population is beneficial to the society and finally to everyone.

When questioned about the impact of the euro crisis on the private sector and its social role, it was found that most of the respondents were unable to give clear answers. The majority of the respondents from the manufacturing sector could not answer. They seemed to have difficulties to find the relationship between the international economic and financial crisis and its repercussions on the Mauritian economy. Only one respondent from the manufacturing sector said that the private sector will be affected by the euro crisis as businesses will face financial problems. All the respondents from the banking sector stated that the repercussions of the euro crisis will affect the Mauritian economy. However, one of them said that the government needs to be proactive and take appropriate measures to deal with the consequences. For him, the business sector

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will be affected much and if productions and sales go down, the consequence will be a fall in the profit margin and companies will not be in a position to maintain their CSR business. Respondents from the tourism sector seemed to be aware of the negative impact of euro crisis. For them, the number of tourist arrivals from the European countries may fall down and this will impact on the revenue of the hotels which may lay off extra hands. One respondent put it clearly that any external shock will impact on Mauritius given that we are living in a global economy. According to him, the private businesses need to review their strategies to limit the impact of the euro crisis to be able to continue with their social responsibility.

5. Conclusion

This paper has highlighted the social roles played by the private sector in Mauritius. The private businesses in Mauritius have a culture to help the community. Well before the government came with the CSR policy, the private sector was already engaged in social roles towards the community. We found that the private enterprises have finally cooperated with the government who made it mandatory for the business community to contribute 2% of their book profit to the CSR fund.

From the survey carried out, it is found that the private sector makes a significant contribution to the social domain with a view of improving the welfare of the population. The manufacturing, tourism and banking sectors show much concern about their legal social roles in that most of them have a full fledged department that caters for the CSR activities. The private enterprises have their preferences of the areas in which they would like to intervene as their motives differ. Some of them perform social roles because they think it is their duty to do so, while others do it to gain statuses, goodwill and political recognition, still a few are engaged in social roles because it is mandatory.

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