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Are successful business people beneficial to society: an analysis based on consumer preferences

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Abstract:

Common perceptions may view successful business people with suspicion, assuming that their achievements are gained at the expense of others or through less-than-ethical means. However, a fundamental truth about genuine success in business is that business should inherently benefit others. This article argues that despite potential negative impacts, through responsible business practices and appropriate regulation, successful business people can effectively cover their potential negative effects in both wealth creation and expenditure processes. Successful business people will increase social welfare by promoting job creation, driving innovation, and dedicating themselves to charitable causes. This article further adopts the basic concept of "prisoner's dilemma" in game theory to analyze the evolving relationship between business practices and consumer choices. It explains how consumer preferences shape corporate behavior, leading to more socially responsible and environmentally sustainable practices.

Keywords: successful business people; consumer preferences; CSR.

1. Introduction

"No man becomes rich unless he enriches others." This statement by Andrew Carnegie, a successful businessman in the steel industry, highlights a fundamental truth about genuine success in business: that is, business should inherently benefit others. Common perceptions may view successful business people with suspicion, assuming that their achievements are gained at the expense of others or through less-than-ethical means. Such a view overlooks business people's substantial and positive contributions toward societal advancement.

This article argues that despite potential negative impacts, through responsible business practices and appropriate regulation, successful business people can effectively cover their potential negative effects in both wealth creation and expenditure processes. Successful business people will increase social welfare by promoting job creation, driving innovation, and dedicating themselves to charitable causes. This article further adopts the basic concept of "prisoner's dilemma" in game theory to analyze the evolving relationship between business practices and consumer choices. It explains how consumer preferences shape corporate behavior, leading to more socially responsible and environmentally sustainable practices.

2. Successful Business People Benefit Others When Making Money

2.1 Job creation

One of the most important contributions of successful business people is job creation. Entrepreneurs act as the primary drivers of new employment opportunities. When entrepreneurs establish and expand their businesses, they create numerous jobs. Both successful large and small businesses create jobs at different levels. According to the U.S. Census Bureau, the bulk of the U.S. workforce has been increasingly concentrated on older and more established firms. Companies like Apple have set targets for job creation, which plans to create 20,000 new jobs across the United States over five years, showcasing large firms' capacity to drive employment nationally (Apple, 2018). Small businesses are crucial engines of job creation, significantly impacting local economies. For instance, small businesses in the United States accounted for 55% of all net job creation from 2013 to 2023, highlighting their vital roles in sustaining and expanding the workforce (U.S. Bureau of Labor Statistics, 2024). Additionally, small businesses are noted for their dynamic nature, often being the first to create jobs in new and innovative market sectors.

Moreover, research has shown that new businesses are more capable of creating job opportunities. Enterprises are the architects of employment, creating employment and forming the cornerstone of economic vitality (Scramble Blog, 2023).

2.2 Innovation

Successful business people will continue to bring innovation to society, which can not only enhance a company's advantage in market competition but also benefit social and economic development, environmental sustainability, and social welfare. Steve Jobs and his colleagues at Apple invented the iPod MP3 player, a completely new field he pioneered. McKinsey emphasized in a study how retailers use digital transformation to save 20% of costs while tripling their time to market. These saved costs can be further invested in innovation. In this way, enterprises improve their production capacity and increase consumer accessibility to products and services (McKinsey, 2023).

In addition, some automobile companies, such as Tesla, have redefined the entire automobile industry through innovation by sustainable energy solutions, especially in electric vehicles. This initiative of Tesla has achieved great success. They are meeting consumers' demand for environmental protection, which challenges the ecological sustainability that other electric vehicle manufacturers have not considered. Thus, Tesla has successfully extended the innovation to ecological protection (BCG, 2023).

3. Successful Business People Benefit Others When Spending Money

3.1 Philanthropic contributions

Successful business people will also bring relative benefits to society when they spend money. Successful entrepreneurs always use their money to fund charitable causes, which plays a significant role in promoting social welfare and addressing specific social needs. Furthermore, many successful entrepreneurs donate a substantial portion of their earnings to charitable foundations, significantly impacting education, health, and social welfare in society. According to a survey conducted by Harris Interactive and Ernst&Young (2017) on "Entrepreneurship and Charity: Investing in the Future," 90% of entrepreneurs donate, and 70% of entrepreneurs donate equally important resources, which are essential.

For example, the money donated by successful entrepreneurs can be used to provide scholarships for educational projects and subsidize those in need. In the health sector, the money donated by successful entrepreneurs to charitable organizations is used to advance medical research, support hospitals, and promote public health movements. All these behaviors can improve the entire community.

Successful entrepreneurs such as world-renowned billionaires Bill Gates and Warren Buffett have publicly promised to donate a significant portion of their wealth through initiatives such as the "Donation Oath" to address some global issues. Their behaviors have influenced more billionaires to donate their wealth to charity with the same donation goal, which aims to solve and fund significant global challenges such as diseases.

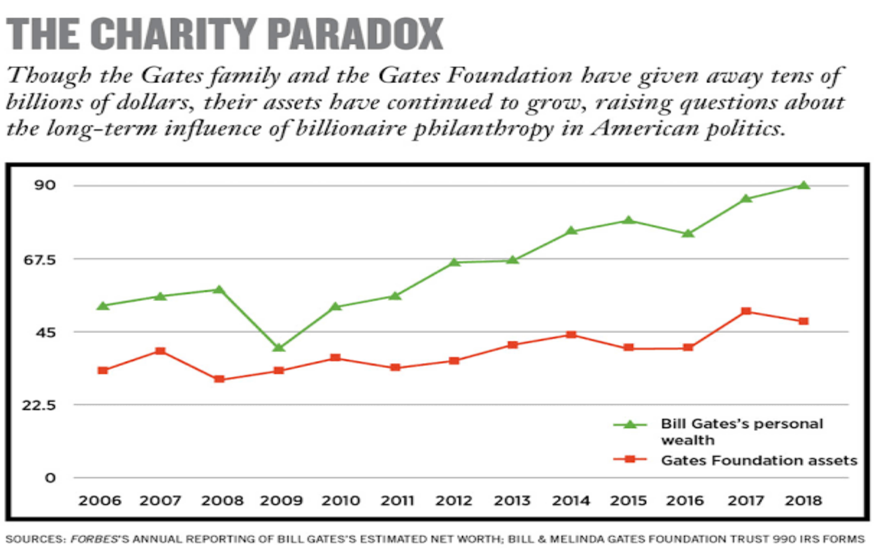

Figure 1: Bill Gates's personal wealth and Gates Foundation assets

3.2 Tax revenue contributions

Successful business people significantly contribute to public finances through their tax contributions. When purchasing luxury goods, they are subjected to various indirect taxes, including sales taxes and import duties. Based on McKinsey research, 65% of luxury consumers buy luxury items to fulfill a long-term desire or goal. The wealthiest, most successful individuals tend to be the biggest consumers of high-end category goods or services. These taxes, often at higher rates for luxury items, accumulate to form a substantial revenue stream for the government (Nguyen, 2019).

This revenue is crucial, as it helps fund essential public services that benefit society, such as education, healthcare, and public transportation. Successful entrepreneurs inadvertently support an economic infrastructure that sustains public welfare and services by spending on luxury items. Therefore, their consumption habits, while sometimes viewed as extravagant, play a vital role in the financial ecosystem, facilitating the distribution of wealth across public sectors and enhancing the overall quality of life within the community.

4. What Are the Criticisms

Some critics believe that a few entrepreneurs often succeed at the cost of broader economic inequality. Meanwhile, in their opinion, concentrating a large portion of wealth on small groups of people is detrimental to the cohesion of the entire society (Garry Bruton, Cristopher Sutter, and Anna-Katharina Lenz, 2021). The opposition of another group is that successful entrepreneurs achieve success through exploiting labor, unequal competition, or environmental destruction. Therefore, they believe such success is not beneficial to society but only to those successful entrepreneurs themselves.

In addition, critics argue that the enormous wealth created by successful businessmen can lead to severe concentration of wealth, exacerbating social and economic inequality. They believe that this concentration will trigger an overall decrease in economic liquidity, thereby widening the wealth gap in society. Economists such as Thomas Piketty (2014) have extensively discussed how these vast differences in economic wealth can disrupt the overall economic stability of society and give rise to social unrest. The high proportion of entrepreneurial activities is often associated with increased income inequality, as wealth and resources are more concentrated towards successful entrepreneurs (Marinoni, 2017).

Another concern is that some companies may engage in exploitative or sacrificial labor practices, including offering workers low wages, imposing harsh working conditions on employees, or violating their labor rights. In industries such as fast fashion and electronic manufacturing, employees often face a series of harsh working conditions, so the practices of these companies are frequently mentioned or cited in discussions of corporate responsibility (International Labour Organization, 2020).

The harm caused by some enterprises to the environment is also a matter of concern, illustrating the problem of externalities, as illustrated in Figure 2. Externalities occur when the activities of these companies impose costs on society that are not reflected in their cost structures. The environmental impact includes but is not limited to causing pollution, disrupting the diversity of biological clocks, and incurring extreme climate change. Especially in some mining industries, fossil fuels, and large-scale agriculture, these enterprises often cause severe and irreversible environmental damage. The ecological impact includes but is not limited to causing pollution, disrupting the diversity of biological clocks, and incurring extreme climate change. Critics argue that the success of these companies is related to environmental hazards, which pose a long-term risk to global sustainability (World Wildlife Fund, 2019).

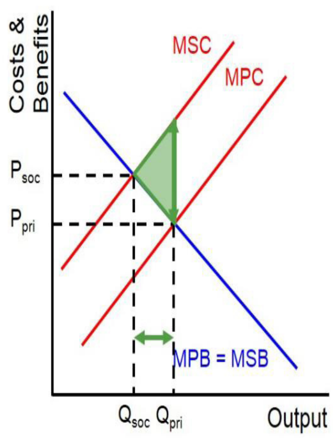

Figure 2: Negative production externality

The fast fashion industry has significant environmental impacts due to its production and consumer practices (Niinimäki et al.,2020). As Zara rapidly produces clothing to keep up with fashion trends, the process generates significant environmental impacts. The fast fashion business model relies on cheap materials and quick turnover, leading to substantial waste and pollution. The textile industry is one of the largest polluters globally, often using harmful dyes and chemicals that enter water systems. Moreover, the production process consumes enormous amounts of water and energy.

5. Things are Changing Now: the Role of Consumers

Although the success of some businesses often raises concerns about inequality, exploitation of labor, or environmental harm, in modern economies, there are more critical corresponding offsetting forces at play. Government regulation and control, as well as changes in consumer preferences, have played a significant role in moderation.

A large part of the market now not only requires products to be affordable in terms of economic prices but also to be environment-friendly and socially responsible, which indicates a shift in consumer preferences. Research and surveys have shown a new strong trend. For example, Nielsen's 2018 report shows that 73% of millennials are more inclined to consume sustainable brands, while Z-generation consumers are more willing to consume brands that align with their ethical principles.

Moreover, with the rise of the Internet and various social media platforms, more and more information about multiple enterprises is available. In other words, the transparency of enterprises towards consumer groups is becoming increasingly high. Therefore, consumers can quickly discover whether companies adhere to behaviors conforming to their ethical principles, such as respecting the rights of their employees or making corresponding contributions to the development of the community. This transparency towards consumers can make companies more responsible for their customer base and drive them to take more responsible actions, such as adopting practices of Corporate Social Responsibility (CSR).

Here, a framework of Prisoner's Dilemma is used to show the changing results. Before the significant influence of consumer choices pushing for corporate social responsibility (CSR), businesses might not have felt as compelled to adopt CSR practices due to the perceived immediate financial benefit of maintaining the status quo. This scenario can also be depicted using a Prisoner's Dilemma matrix with hypothetical profit values, as shown in Figure 3, illustrating why firms might choose not to engage in CSR initially.

	Business B Cooperates (CSR)	Business B Defects (No CSR)
Business A Cooperates (CSR)	($8M, $8M)	($4M, $12M)
Business A Defects (No CSR)	($12M, $4M)	($6M, $6M)

Figure 3: Initial Payoff Matrix

However, the role of public opinion and consumer choices fundamentally change the game. These societal forces alter both the immediate and long-term incentives for businesses, making CSR practices not just ethically desirable but also economically advantageous, as shown in Figure 4. Both firms adopt CSR, and each earns $10M, reflecting strong consumer support and possibly beneficial regulatory environments. The firm practicing CSR earns $9M, benefiting from positive consumer perception and potential subsidies. In comparison, the non-CSR firm earns only $5M, facing penalties or lost sales due to negative consumer reactions.

	Business B Cooperates (CSR)	Business B Defects (No CSR)
Business A Cooperates (CSR)	($10M, $10M)	($9M, $7M)
Business A Defects (No CSR)	($7M, $9M)	($3M, $3M)

Figure 4: Changed Payoff Matrix

6. Conclusion

In conclusion, despite the criticisms that successful business people are inclined to aim at making and spending money for their interest, the overall impact of their economic activities is beneficial to society. While concerns about wealth concentration and social inequality are valid, they are often mitigated by responsible business practices, regulatory oversight, and shifting consumer preferences towards sustainable and ethical products. Thus, successful business people do not merely accumulate wealth for themselves but also play a pivotal role in promoting social welfare and driving economic growth, demonstrating that true business success benefits others. It aligns with Andrew Carnegie's view that one's riches should enrich others, affirming the positiveness of successful entrepreneurs in a global society.

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