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RESEARCH ARTICLE

BUSINESSES IN THE 21ST CENTURY: PURPOSE OR PROFIT

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Abstract

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Introduction:-

The year is 2024; while we are amidst the fourth industrial revolution and have witnessed three revolutions before, the world has seen the rise of giant businesses generating revenues worth billions. The food for thought is: what has been the purpose of existence for these businesses? Do they exist to earn a profit, or do they exist to serve their purpose? For shareholders or society? In a world changing more rapidly than ever, are firms ready to re-align, re-focus their reason for existence, and still have skin in the game?

Well, conventionally, businesses aimed at reducing costs and improving profits. As narrow-minded as it might sound, the mindset of increasing profits and being better than their 'competitors' led to businesses putting their best foot forward and, in turn, leading to serving society. For instance, to increase their profits, companies needed to make high-quality products or customers would stop buying; they had to treat their employees well, or they would leave; or it cannot pollute the environment or the companies' brand is hurt. Social well-being and profitability, well, do they fit well together, or can they fit together? How has the landscape of businesses changed over the last decade to understand and implement purpose into their core strategy? Before diving into understanding the scenario of businesses and management today, it is worthwhile to understand the origin of these schools of thought, which dates back to the late 90s.

Introduced in a 1970 essay for the New York Times, titled "A Friedman Doctrine: The social responsibility of business is to increase its profit", the famous economist Milton Friedman argued that the company's role is sole to its shareholders and to increase its profits, thus giving birth to the shareholder theory. On the other hand, the theory also received its fair share of criticism and has been criticized by proponents of the stakeholder story, which argues that morally, businesses have to keep in mind the people who will be affected by its decisions and operations. The challenge to balance this lever of purpose and profit, the one that has been the topic of debate for decades, remains a stumbling block for businesses today.

It is an interesting time to consider these schools of thought. Today, businesses are more concerned than ever about their social recognition or social acceptability. Enterprises or corporations are moving forward to create their brand, one that is acceptable and loved by its customers; customers like us, who are more and more aware of what value the product or service provides us, customers who are free to express their emotions, be it happiness or anger, through different social media platforms. In the 21st century, one post on Twitter or a story on Instagram is all it takes to spread the news to millions of other customers. Well, businesses today, are greatly aware of this situation; the business of the 21st century has witnessed this shift in the customers, the shift that has forced organizations to focus more on the societal good. Ratan Tata, the retired CEO of TATA Group says, "purpose is a spiritual and moral call to action; it is what a person or company stands for". Purpose, by its nature, transcends making money: people

coming together to do something that unites their thoughts and allowing profit to follow as a 'consequence', rather than as an end itself. It is imperative that organizations, today, understand and realize their purpose of existence and translate them into their actions.

Research carried out by professors at the Harvard Business School categorizes drivers of purpose as either internal or external. Simplistically, internal drivers of purpose in a for-profit firm are embedded in the convictions and aspirations of the founders or organizational leaders. For instance, The Body Shop has seen numerous CEOs and changing leadership after the founder Dame Anita Roddick passed away in 2007, but it has always stayed true to its core values, of enriching than exploiting (products pay special attention to environmental concerns), of defending human rights (involvement of Roddick in Angola Tree), of fair trade, and activating self-esteem (no unhealthily thin female models). Founders' influences are perpetuated through the organization to create a family-like attachment of its employees to the firm. It has been well observed, a culture where each employee feels strongly and passionately for the cause of the business/organization yields results that are fruitful puts purpose into actions, and actions drive profits.

External drivers of purpose, as the name suggests, are sources of external influence, businesses realize these sources of external influence to protect and potentially improve their value creation and capture potential. Some of the research predominantly relevant in this scenario, to name a few are demand-side research, ecological responsiveness, and stakeholder theory. Demand-side research argues firms align their processes and purpose in response to the downstream pressures, namely the needs and demands of the customers. Ecological responsiveness implies that firms must respond to ecological pressures, and gain legitimacy in their business. And most importantly, the stakeholder theory, mentioned above, reinstates how the stakeholders can decide how the businesses are run, it is anchored in a duty-based interpretation of purpose, where firms hold a 'duty' or 'responsibility' towards their communities.

Often, firms realize their purpose either through internal or external drivers, either fail to transcend the same into their mission or drive the purpose through their actions. Grand CEO statements branded with a purpose-colored jacket are not merely enough for the people today. The issue of how firms formalize purpose is one that firms most struggle with. Striking a balance is more difficult when the vision comes from the top management but fails to sit and penetrate well within the managers and organizational members. Decoupling an organization's purpose with its actions can also render it meaningless or even counterproductive, while a compelling purpose can enable employees to connect to the firm's overall business and can be extraordinarily energizing and impactful.

And that is where we must understand, the birth of purpose stems from, to generate impact. The reader might wonder, why and when does purpose matter? Ultimately, the purpose of mere existence is to create an impact, at the macro level, entire economies, societies, and communities are likely to be deeply affected by how firms frame and realize their purpose. So, there is not an 'or' but an 'and', where business and society can go together, where, via a collaborative effort, shareholders and the stakeholders contribute to growing an organization to become more worthy and impactful.