

Chapter 8

The Business of Business Is Business Through Social Integration

Purna Prabhakar Nandamuri
IFHE University, India

Mukesh Kumar Mishra
IFHE University, India

Vijayudu Gnanamkonda
IFHE University, India

ABSTRACT

The business of business during the twentieth century was considered to be only earning and delivering profits to the shareholders. But, the twenty-first century challenges this approach and offers a different business environment characterized by fast digitization, faster disruptive innovations, and fastest shifting consumer expectations. The business community has to awake to the reality and find ways to create sustainability to their businesses by leveraging the networks, capital, people, and technology to create a win-win situation with the social environment. In this process, the scope of corporate social responsibility has become narrow and the trust on corporates in the society has been declining. Hence businesses need to go beyond by defining a social mission to integrate deeply with society and create trust. The economic view of the business is transforming into a wider social view, forcing businesses towards social integration to create shared value.

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THE BUSINESS OF BUSINESS

If you want to exist as a company in the future, you have to go beyond (CSR and Philanthropy). You actually have to make a positive contribution, says Paul Polman¹, the CEO of Unilever, aptly reflecting the prevailing business environment of 21st Century. Paradoxically, it is obvious, about the modern business that the most profitable companies are not those most focused on profit, but it is those organizations who focused on their core purpose have been making the big bucks, and delivering shareholder value whilst attracting and retaining the most talented employees and loyal customers. A study by Harvard Business Review and Ernst & Young (EY) reveals that executives, from organizations where ‘purpose’ was the driver of strategy and decision-making, reported a greater ability to achieve revenue growth and drive successful innovation and ongoing transformation (HBR, 2014). The global survey of 474 executives found that although there is near-unanimity in the business community about the value of purpose in driving performance, less than half of the executives surveyed said their company had actually articulated a strong sense of purpose and used it as a way to make decisions and strengthen motivation. The survey defined organizational purpose as an aspirational reason for being which inspires and provides a call to action for an organization and its partners and stakeholders and provides benefit to local and global society. Even though 90 percent of executives surveyed said their company understands the importance of such purpose, only 46 percent said it informs their strategic and operational decision-making. This survey suggests that purpose is a powerful though underutilized tool. Eighty-nine percent of executives surveyed said a strong sense of collective purpose drives employee satisfaction; 84 percent said it can affect an organization’s ability to transform, and 80 percent said it helps increase customer loyalty. But, only 46 percent said their company has a strong sense of purpose while another 44 percent said their company is trying to develop one. Thus, the study has found a wide gap between the theory and practice of purpose among the corporate circles (Figure 1). The survey found that most companies in the survey fall into three categories with respect to purpose: prioritizers - companies that already have a clearly articulated and understood purpose (39 percent); developers - companies that do not yet have a clearly articulated purpose but are working to develop one (48 percent); and laggards - companies that have not yet begun to develop or even think about purpose (13 percent).

Those executives who treat purpose as a core driver of strategy and decision-making, reported greater ability to drive successful innovation and transformational change and deliver consistent revenue growth - 53 percent of executives who said their company has a strong sense of purpose said their organization is successful with innovation and transformation efforts, compared with 31 percent of those who

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