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The purpose of business — creative expansion

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Firms that take a more limited view of their purpose may end up being less sustainable over the long run.

Why do businesses exist? Understanding the true purpose of business may help design the strategy of a firm on multiple dimensions. In this article, an attempt is made to present one possible approach that is universal and independent of the type of organisation or any other contextual factors. Business can be viewed to exist for the purpose of creative expansion. This is true from the perspective of multiple stakeholders.

Successful firms manage to align their activities towards the purpose of creative expansion from the perspective of all stakeholders. Firms which take a more limited view of their purpose may end up being less sustainable over the long run even if they manage to do well in the short run. Essentially, there are four key perspectives/ stakeholders to consider in assessing whether the core purpose of creative expansion is being fulfilled.

Financial

From a financial perspective, shareholders invest in a business to obtain a return on their capital that exceeds other avenues of investment in the market. This can only be achieved if the capital is put to creative uses that yield a high return. Thus, the financial imperative of business is the creative expansion of capital. Creative expansion of capital can be achieved in multiple ways — from being the first mover in a new market segment to following innovative, differentiating practices even within an existing market.

People

It could be argued that people join organisations to achieve creative expansion on two fronts — first, in their skills through the kind of work they take up, and secondly, in their non-work lives,

by earning an income that can in turn afford expansion on other fronts. The dimension of creative expansion is often ignored in the design of job roles, at least for the vast majority of workers.

Customers and Society

What do customers and society at large expect from business? Fundamentally speaking, great businesses help in the development and delivery of great products and services that enable customers (and through customers, society) to creatively expand. For instance, a great financial product can help a customer worry less about the financial wellbeing of his family, and thus enjoy greater freedom to expand to his potential. A great smart phone can help its user to efficiently handle various tasks that, in turn, enables his expansion as a person through higher productivity.

Implications

Is 'creative expansion' the master key to business? If indeed it is, the implications are many. Investors would view every business from a holistic perspective beyond just short-term top line and bottom line. Within the firm, innovation would no longer remain a side project with a hobbyist quality to it, but would become a core principle percolating into the activities of every member in the firm. The customer, and through the customer, society at large, would assume a central position in product and service design. In short, every sphere of activity of the firm would be tested against its realisation of creative expansion from all perspectives — financial, people, customer and society.

Another major implication of taking a creative expansion based view of business is that it removes the necessity of adding a layer of social contribution that is commonly termed as corporate social responsibility.

Aligning organisational activities towards the central core purpose of creative expansion requires an appetite for delayed gratification, i.e. doing what is right for the long-term versus chasing short-term goals. However, it may be empirically noted that the leading corporations of each generation (the likes of Google and Apple in this generation) indeed manage to become engines of creative expansion for all their stakeholders. Hence, the goal is certainly within the realm of possibility, and may well be the key to the long-term relevance of a firm.

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