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Why Making Money Is Not Enough

By Ratan Tata, Stuart L. Hart, Aarti Sharma and Christian Sarkar

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The world urgently needs businesses that have a higher purpose than profits.

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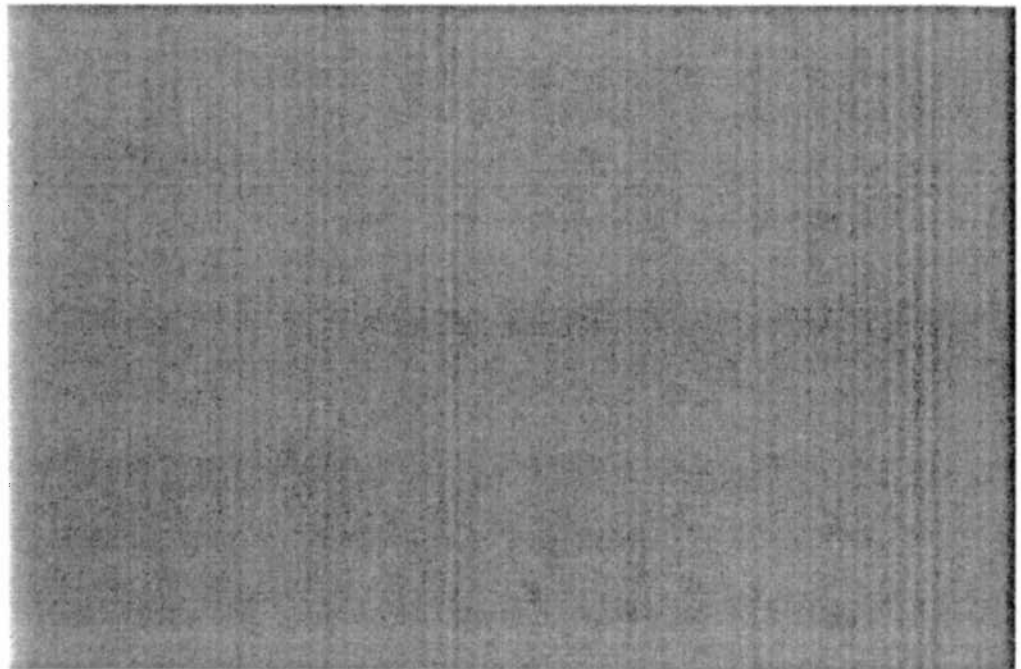
THE PROBLEM WITH industrial capitalism today is not the profit motive; the problem is how the profit motive is usually framed. There is a persistent myth in the contemporary business world that the ultimate purpose of a business is to maximize profit for the company's investors. However, the maximization of profit is not a purpose; instead, it is an outcome. We argue that the best way to maximize profits over the long term is to *not* make them the primary goal.

Profits are like happiness in that they are a by-product of other things. Happiness, for example, can stem from having a strong sense of purpose, meaningful work and deep relationships. Those who focus obsessively on their own happiness are usually narcissists — and end up

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miserable. Similarly, companies need a purpose that transcends making money; they need sustainability strategies that recognize that you can make money by doing good things rather than the other way around.

Purpose is not about corporate strategy or tactics; these are both means to ends. Purpose is also not about social responsibility, which is simply a tool for managing reputation. Purpose is not even about corporate mission, which might be nothing more than an aspiration to dominate a particular marketplace. Rather, purpose is a spiritual and moral call to action; it is what a person or company stands for.

Many traditional industrial corporations have been constructed around *extrinsic* motivations like financial reward or recognition or fear of reprimand or losing one's job. It has long been known that extrinsic motivation can only take you so far: Weaving *intrinsic* motivation into the fabric of an organization's culture is therefore crucial. There is mounting evidence that employees throughout the world are hungering to find and bring their values to work. But they have not felt comfortable in doing so, as it may not appear "businesslike."

We believe it is possible to build and lead companies that retain a deeper purpose. For example, the Tata Group had been conscious of its spiritual purpose from its start in the 19th century. Founder Jamsetji N. Tata believed that acquiring wealth was not the primary purpose of life; he considered that his company's mission was to help the communities in which it operated. Even today, despite the growing wealth of the Tata Group, company leaders are not featured in the listings of the richest people in India or the world. This is because two-thirds of the shares of Tata Sons, the holding company of the group, belong to the Tata Trusts, one of the largest and oldest Indian philanthropic foundations.

Twenty years ago, when the movement for corporate sustainability first started to gain momentum, people spoke in terms of the need for fundamental change over the next decade or two. Now, two decades later, there is some good news

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and some bad news. The good news: A few corporations and entrepreneurs have begun to experiment with transformational strategies. Indeed, "clean technology" has become a fashionable investment category, and "base of the pyramid" business models targeting products and services to the world's poor have become common.

Now for the bad news: We have not yet begun to fundamentally change the trajectory of the global economy. Indeed, over the past two decades, we have added more than two billion people to the global population and further intensified our ecological footprint on the planet. The science is clear: We have overshot the carrying capacity of the planet, and serious repercussions are now inevitable.

There is no more time to waste. For companies, the time has come to launch "corporate lifeboats" — such as new business experiments in next-generation clean technologies and serious business initiatives in the underserved space at the "base of the pyramid." Now is the time for corporations to transform their operations for sustainability — and to strategically design, incubate and commercialize socially inclusive businesses and environmentally beneficial technologies, particularly in developing countries. We are in urgent need of sustainable business practices and technologies that are profitable for companies and simultaneously deliver economic, social and environmental benefits for the developing, as well as the developed, worlds. We are in urgent need of companies that have a greater purpose than making money.

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