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# Role of business in the society



Robert Ipogah

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The secondary role of business is its impact on the community where the business is situated

This paper was produced from the presentations by the DBA group of Lagos Business School at an online knowledge café organised by the Humanistic Management Network (HMN) in conjunction with Christopher Kolade Centre for Research in Leadership and Ethics(CKCRLE), LBS.

The role of business in society continues to generate attention more so after a major shakeup of the ecosystem by the corona virus pandemic. More questions are now being asked and deeper examinations being undertaken to understand the true purpose of a business.

society, suddenly found out that the balance sheet utterly depends on the society, that without it the business does not exist.

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Shouldn't business owners protect the society as much as they strive to grow the business and increase profit since the strength and health of the society determines the growth of the business? This is the question that expounds on the balance between shareholders' value and ethics in running an organisation.

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Three theoretical perspectives are helpful in discussing this important topic. The first is from the 20th century when organisations were viewed from the perspective of being controlled by the government and whatever the organisation generates goes to the government only.

This gave way to the second perspective which hinged on the aggregation theory where organisations are seen as people coming together to pursue a common goal with economic benefits for shareholders. The third perspective is based on the real entity theory which emphasizes the coming together of a group of people to pursue a goal that serves a common good to the people.

The above perspectives have given rise to various schools of thought when it comes to the role of business in society. The common ground across literature and business experts is that of value creation. It is agreed by all that corporations are set up to create value. However, the question is, who is the value for?

On one side, it is about value creation and on the other side, shared value. Putting these two into consideration, it tends to deepen the options available in exploiting the role of business in the society; is it truly and entirely for the stakeholders or the stockholders. This is where views came to be divergent giving rise to segmentation into primary and secondary role of business.

Looking back at literature and conversations across board, we were made to understand that the value created by businesses is for the shareholders or the business owners. Indeed, the shareholders invested their capital in establishing the business and so do deserve to be beneficiaries of the value created.

However, as we continue to advance and expand our awareness, it becomes clearer

understood that part of the primary role of the business is to create value for the customers as, without them, the business cannot survive.

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The secondary role of business in the society simply builds on the primary role extending to other components of contributors to the business survival. Within the internal environment of the business, you have the employee(s) and within the external environment, you have the community.

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The employees are at the foundation of value creation by the organisation, without them as well, the organisation does not exist. They must be part of the strategies to create these values. If the employees are well cared for, they will be able to utilize the other resources more efficiently to create value. This explains why growth poised organisations place human resource management at the heart of the organisation's strategies. In this light, organisations are set up to impact their employees and share in the value created through salaries, other material benefits and knowledge.

Others within the ecosystem are the suppliers that mobilize resources to the business, and the communities where these businesses are situated.

Suppliers play a pivotal role in the sustenance of a business entity since, through them, materials to be transformed into goods and services are sourced. They form an integral part of the soul of the business and are also beneficiaries of the value created by the company.

The secondary role of business is its impact on the community where the business is situated. It is common to view this role under Corporate Social Responsibility where companies undertake some projects for the benefit of the community.

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While this is major, the role of business in a community extends to the issue of 'ethics' as it relates to business practices. There is usually a conflict between ethics and profit with business owners laying emphasis on one rather than the other. Recently, organisations have tried to create a balance. They nurse the

It is important to institutionalize ethics at the core of the business objective and inculcate it into the daily operations of the business. Understanding the ethical issues peculiar to the nature of the business should start at the management level cascading down to the lower levels.

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Business itself cannot be ethical, it is the people working in the business that are meant to operate ethically. As said earlier, organisations should learn to operationalise their ethical practices by creating a set of objectives around them. If the objectives are measurable, they will then form a part of the appraisal of the managers.

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For instance, if the organisation has objectives that focus on keeping the environment clean, employees may not want to go against those objectives since they know that it will form part of their KPIs. Also, the reward system has a serious role to play in this. Employees that comply with the ethical objects of the organisation should be rewarded to encourage others to follow suit.

***This article is written by Robert Ipogah, a member of the Humanistic Management Network (HMN), for Christopher Kolade Centre for Research in Leadership & Ethics (CKCRLE), Lagos Business School. Contact: ckerle@lbs.edu.ng***



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