

# [The which needs to be studied. the "for-profit”](https://assignbuster.com/the-which-needs-to-be-studied-the-for-profit/)

[Business](https://assignbuster.com/essay-subjects/business/), [Industries](https://assignbuster.com/essay-subjects/business/industries/)

The effect profit seeking can have onquality of products Firms havetraditionally pushed themselves to gain the maximum profit and many of themhave been time and again accused to compromise on quality to gain this profit. The purpose of this research is to claim the validity of this accusation. Incertain markets this profit maximization has led to competitive market which inturn brought improvements in technology and allocating resources efficiently inthe economy. A good example of this would be mobile phone industry. But theopposite scenario happens in industry where there is complete monopoly. Thisdilemma between profit and quality is extremely dangerous in health careindustry resulting not just in the inflation of healthcare costs that we’veseen but occasionally irresponsible behavior- it’s opened the door to doctorsprescribing excess amounts of expensive medicines, suggesting unnecessaryappointments; generally practices that are not so helpful to the patient buthelpful to the hospital’s finances. With different industries come differentsituations, and thus profit seeking has the potential to be both extremelybeneficial and damaging to society as a whole which needs to be studied.

The” for-profit” ethic is at the heart of the capitalist system. It is alwaysassumed that human beings are very selfish and competitive, so because of thatthe best way to incentivize innovation and facilitate economic activity is toappeal to people’s self-interest. It has created a for-profit business modelwhere every stakeholder expects a portion of the company’s profit in variousform such as dividend, shares or shares. This model has become central to ourcurrent economy and ensured that we live in a for-profit world. But thisfor-profit business model has led to socioeconomic inequality within oursociety, where the major contributor to this income divides is the capitalgains and company dividends.

Private profit has now become the driver ofeconomic activity and the priority of most big business is now profitmaximization. This global financial inequity has resulted in socialstratification which would further result into ecological devastation. Has this for-profit business model had any positive impact? Yes, it has to some extent intechnology related industries, for example Apple’s and Samsung’s rivalry togain profit has brought rapid advancement in mobile technology. Thiscompetition was the key in bringing improvement and allocating resourcesefficiently in the market economy. If we have a look at how far the iPhone hasdeveloped since its release in 2007. The current iPhone X is thinner, lighterand of better quality material than the original iPhone and at the same time itis decisively faster and more advanced. Competition with Samsung’s ‘ Galaxy’phone drove Apple to proactively seek better technologies for every single generationof iPhone, which has brought us advancements in almost every aspect of thephone.

Both Appleand Samsung had to keep up with the market demands continuously. So they haveto come up with new products continuously and at the same time have to bring outquality products. If they comeup with a product like iPhone 5C, which very few people liked it would damagethe company by a drop in their profits. They would be marginalized by theircompetitor over a long term and could be also driven out of the market.  On the contrary we have the example of Nokiaand Blackberry who saw huge success in the 2000’s but failed to keep up whenthe iPhone came. Apple and Samsung created huge advancements in the techindustry with the primary motive of chasing profits. They have shown thepotential positive effects of profit-making motives.

But thisprofit-seeking has had visible socially negative effects especially in the foodindustry- particularly in fast food. The companies find it easier to cut downcosts than to try to increase income and as a result of this the artificialjunk food industry was born that we see today. Healthy, organic food has becomesomething of a premium in the food industry, as the influx of Big Macs, withtheir far higher profit margins, have dominated the fast food market. Seekingprofits, companies such as McDonalds and Burger King have sacrificed quality intheir products. They have sought to make a cheap (and not so cheerful) productthat has damaging impacts on the health’s of those who consume it, rather thanmaking a product that adds genuine nourishment value to consumers.

Financially, their current activity is incredibly sound- but in the real world? Not so muchthe case. But theworst hit of this model is the health care industry. We all know thathealthcare costs all over the world are too high. And this is due to thedesire to gain more profit. As said by Russell Andrews, a neurosurgeon” the morphing of American medicine from a function of a humanitarian societyinto a revenue stream for healthcare profits, drug and medical devicecompanies, hospitals, and insurance companies.

In essence, we havetransformed healthcare in the U. S. into an industry whose goal is toprofitable.”  Andrews goes on to characterize the profit motive as “ avirus” infecting the system. The healthcare sector is being transformed from a profession into a business like anyother because of the growing dominance of those types of motivation, decision-making techniques, and organizational structures that arecharacteristic of large-scale commercial enterprises. Firstly, it is said thatfor-profits contribute directly to the problem by not providing care fornonpaying patients. Several data shows that for-profit hospitals provide lessor as much uncompensated care as do nonprofit hospitals. Second, it is alsoalleged that for-profits worsen the problem of access to care in an indirectway because the competition they provide makes it more difficult for nonprofitsto continue their long-standing practices of “ cross-subsidization.

“ A thirdreason for viewing predictions about the effects of for-profits on access tocare with caution is that there are other variables at work that may be havinga much more serious impact. In particular, the advent of a prospective reimbursementsystem for Medicare hospital services and other efforts for cost-containment bystate and federal regulatory. bodies and businesses, as well as the generalincrease in competition throughout the health care sector, are making it moredifficult for any institution to cross-subsidize.

But in somecases for-profits have actually improved access to care not only by locatingfacilities in previously underserved areas thus making it more convenient forpatients to use them, but also by making certain services more affordable tomore people by removing them from the more expensive hospital setting. Thegrowth of outpatient surgical facilities in suburban areas, for example, hasimproved access to care in both respects. For-profits may improve access tocare in the sense of better meeting some previously unmet demand for servicesby paying patients, while at the same time exacerbating the problem of accessto care for nonpaying patients. However, there is clearly a sense in which thelatter effect on access is of greater moral concern. We assumed that themembers of a society as affluent as ours have a collective moral obligation toensure that everyone has access to some “ decent minimum” or” adequate level” of care, even if they are not able to pay for itthemselves. Surely providing basic care for those who lack any coveragewhatsoever then should take priority over efforts to make access to care moreconvenient for those who already enjoy coverage and over efforts to reducefurther the financial burdens of those who already have coverage, by providingservices for which they are already insured in less costly nonhospitalsettings.

Havingdiscussed the effect of for-profit model for various industry now let’s discusswhy does it occurs. The most commonly suggested alternative to this dysfunctionis greatermarket regulation. But while regulatory measures are critical inresponding to social and ecological challenges, they can only do so much giventhat a heavily regulating state is politically divisive, disempowers citizensand can suppress real innovation.

Furthermore, with politicians so commonly “ inbed” with big business, regulatory reform is often just window-dressing. Others pointout that conscious capitalism, and see means such as B Corpcertification and “ sharedvalue” as the best ways to get there. These means may bringattention to important questions of sustainability, but such approaches fail toaddress a root problem. Although new forms offor-profit business seek to balance people and planet with profit, theycontinue to treat profit as an end in itself, rather than a means to an end, encouraging the destructive greed inherent in a system that relies on the privatizationof profit. Nor can capitalism’sinnovative potential come to the rescue.

Not only are the levels of innovationrequired to avoid collapse totallyunrealistic in a growth-based system; it’s the for-profit ethicthat created the very problems we now face. There are also otheralternatives to this problem. Fortunately, the dominant story about humannature is changing. Research increasingly shows that, under the right conditions, human nature has a tendencytowards co-operation . We’re witnessing the rise of a workforceincreasingly motivated by purpose, and we’re realizing the potential of anexisting business structure called not-for-profit (NFP) enterprise.

There’s a rising tide ofentrepreneurial companies globally that have business plans, make profits andpay good wages, yet are legally incorporated as “ not-for-profit”. They are abold response to the common misunderstanding, compounded by use of the words” non-profit” and “ charity”, that not-for-profit entities cannot be successfulbusinesses. In the UK, examples ofprosperous NFP businesses include accommodation provider YHA, energy firmEbico, London Re-use Network, the Big Issue, the Breadshare Bakery, and theCowheels car-club. Around the world, well-known NFP businesses include SouthKorea’s Hansalim, Bangladesh’s BRAC and Mozilla in the US.

Under law, 100% ofany profits these businesses make must be reinvested into the business orcommunity. So, not-for-profit really means not-for-private-profit; no moreincentivising selfish behaviour. But what would happen if wewere able to solve all these problems. How then might a world look in whichevery business was operated not-for-private-profit? It would still involve athriving market.

Government, banks, money, loans and interest would remain. Butwithin a not-for-profit framework, these things would have vastly differentconsequences. When banks can’t privatizeprofits they have no shareholders, owners or partners that they need to keephappy with dividends and private returns. They have no reason to exist otherthan to provide high-quality financial services to their customers, and theyhave little to distract them from this mission. They are built to be moretransparent and more efficient. Rather than siphoning wealthaway from people and communities who take out loans, all profits are allocatedaccording to the NFP’s social mission, enabling the generation of realcommunity wealth. Now imagine the entire financial sector being not-for-profit. Imagine the entire retail sector being not-for-profit.

Imagine allmanufacturing being not-for-profit. Capital requirements are fallingdramatically, and large capital investments are proving less andless necessary to seed innovation, enabling the emergence of NFP businessessuch as car manufacturing company Wikispeed and solar power plant designerZenman Energy. Furthermore, new forms of capital raising are now available toemerging NFPs, such as crowdfunding, revenue-based finance andcommunity bonds. When themarket exists to meet human needs, government requirements for taxationdiminish, making good wages and purposeful work all we need for the economicsof enough. By changing the nature ofincentive and ownership in business, the NFP world model enables companies tomake truly sustainable decisions, in turn promoting a less consumerist society. The NFP world also fosters a more equitable economy because it has an inbuiltredistribution of wealth, with companies required by law to reinvest, ratherthan privatise profits.

While the informal not-for-profiteconomy has kept human civilisation running since time immemorial, throughcare-giving and forms of non-monetary exchange, the emergence of the formalnot-for-profit economy is now fully under way. To fund the work they do, NFPinstitutions are increasinglygenerating their own income, as opposed to the traditionalnon-profit approach of depending on grants and philanthropy. Increasingly entrepreneursare seeing the benefits of establishing businesses as NFP, through structuressuch as the UK’s CommunityInterest Company limited by guarantee. And there is renewed focus onsuccessful, age-old business structures that most commonly exist as” not-for-profit”, such as consumer co-operatives in the food, healthcare, insurance, housing, utility and finance sectors. The rise of NFP enterpriseis catalysed by the advantages NFP businesses hold in the marketplace, whichhave proven largely resilient to deregulation and recession. Not-for-profitbusinesses don’t have to pay dividends, and can often offerlower prices, primarily because they are not-for-profit.

They may gain tax exemptionsand have the ability to receive tax deductible donations. They more easily drawon the support of passionate volunteers. And their propensity for flatterorganisational structures can facilitate productivity and innovation. Moreover, in a world with rising demand forethical products and services, organisations that focus onfulfilling human and ecological needs are ahead of the game.

Combined, NFP advantages areresulting in a greater market share. The NFP sector in the US grew significantly faster thanthe for-profit sector between 2001-2011, and this from base of 1, 259, 764organisations. For the first time in modernhistory we have the structures, capabilities and impetus to evolve to an NFPworld, in which the best energies and drivers of good business are harnessedfor our collective flourishing. So whilethere is a valid argument for private profit-seeking opening up industries tomarket competition and all its benefits, this is something that is perhaps notapplicable to the economy as a whole.

With regards to healthcare, profit-seeking is a dangerous motive to have when the primary motive of anysuch establishment should be to cure their patients. Similar problems arisewith fast food businesses, which damage the customer’s health but bring inlucrative profits. As it often is with economics, there is no straight answer. With differentindustries come different situations, and thus profit seeking has the potentialto be both extremely beneficial and damaging to society as a whole.