

The which needs to
be studied. the "for-
profit"

[Business](#), [Industries](#)



The effect profit seeking can have on quality of products. Firms have traditionally pushed themselves to gain the maximum profit and many of them have 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. In certain markets this profit maximization has led to competitive market which in turn brought improvements in technology and allocating resources efficiently in the economy. A good example of this would be mobile phone industry. But the opposite scenario happens in industry where there is complete monopoly. This dilemma between profit and quality is extremely dangerous in health care industry resulting not just in the inflation of healthcare costs that we've seen but occasionally irresponsible behavior- it's opened the door to doctors prescribing excess amounts of expensive medicines, suggesting unnecessary appointments; generally practices that are not so helpful to the patient but helpful to the hospital's finances. With different industries come different situations, and thus profit seeking has the potential to be both extremely beneficial 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 always assumed that human beings are very selfish and competitive, so because of that the best way to incentivize innovation and facilitate economic activity is to appeal to people's self-interest. It has created a for-profit business model where every stakeholder expects a portion of the company's profit in various forms such as dividend, shares or shares. This model has become central to our current economy and ensured that we live in a for-profit world. But this for-profit business model has led to socioeconomic

inequality within our society, where the major contributor to this income divides is the capital gains and company dividends.

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

Both Apple and Samsung had to keep up with the market demands continuously. So they have to come up with new products continuously and at the same time have to bring out quality products. If they come up with a product like iPhone 5C, which very few people liked it would damage the company by a drop in their profits. They would be marginalized by their competitor over a long term and could be also driven out of the market. On the contrary we have the example of Nokia and Blackberry who saw huge success in the 2000's but failed to keep up when the iPhone came. Apple and

Samsung created huge advancements in the tech industry with the primary motive of chasing profits. They have shown the potential positive effects of profit-making motives.

But this profit-seeking has had visible socially negative effects especially in the food industry- particularly in fast food. The companies find it easier to cut down costs than to try to increase income and as a result of this the artificial junk food industry was born that we see today. Healthy, organic food has become something of a premium in the food industry, as the influx of Big Macs, with their far higher profit margins, have dominated the fast food market. Seeking profits, companies such as McDonalds and Burger King have sacrificed quality in their products. They have sought to make a cheap (and not so cheerful) product that has damaging impacts on the health's of those who consume it, rather than making a product that adds genuine nourishment value to consumers.

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

In essence, we have transformed healthcare in the U. S. into an industry whose goal is to be profitable." Andrews goes on to characterize the profit

<https://assignbuster.com/the-which-needs-to-be-studied-the-for-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, has improved access to care in both respects. For-profits may improve access to care in the sense of better meeting some previously unmet demand for services by paying patients, while at the same time exacerbating the problem of access to care for nonpaying patients. However, there is clearly a sense in which the latter effect on access is of greater moral concern. We assumed that the members of a society as affluent as ours have a collective moral obligation to ensure that everyone has access to some "decent minimum" or "adequate level" of care, even if they are not able to pay for it themselves. Surely providing basic care for those who lack any coverage whatsoever then should take priority over efforts to make access to care more convenient for those who already enjoy coverage and over efforts to reduce further the financial burdens of those who already have coverage, by providing services for which they are already insured in less costly nonhospital settings.

Having discussed the effect of for-profit model for various industry now let's discuss why does it occurs. The most commonly suggested alternative to this dysfunction is greater market regulation. But while regulatory measures are critical in responding to social and ecological challenges, they can only do so much given that a heavily regulating state is politically divisive, disempowers citizens and can suppress real innovation.

Furthermore, with politicians so commonly "in bed" with big business, regulatory reform is often just window-dressing. Others point out that conscious capitalism, and see means such as B Corp certification and "shared value" as the best ways to get there. These means may bring attention

to important questions of sustainability, but such approaches fail to address a root problem. Although new forms of for-profit business seek to balance people and planet with profit, they continue 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 privatization of profit. Nor can capitalism's innovative potential come to the rescue.

Not only are the levels of innovation required to avoid collapse totally unrealistic in a growth-based system; it's the for-profit ethic that created the very problems we now face. There are also other alternatives to this problem. Fortunately, the dominant story about human nature is changing. Research increasingly shows that, under the right conditions, human nature has a tendency towards co-operation. We're witnessing the rise of a workforce increasingly motivated by purpose, and we're realizing the potential of an existing business structure called not-for-profit (NFP) enterprise.

There's a rising tide of entrepreneurial companies globally that have business plans, make profits and pay good wages, yet are legally incorporated as "not-for-profit". They are a bold response to the common misunderstanding, compounded by use of the words "non-profit" and "charity", that not-for-profit entities cannot be successful businesses. In the UK, examples of prosperous NFP businesses include accommodation provider YHA, energy firm Ebico, London Re-use Network, the Big Issue, the Breadshare Bakery, and the Cowheels car-club. Around the world, well-known NFP businesses include South Korea's Hansalim, Bangladesh's BRAC and Mozilla in the US.

Under law, 100% of any profits these businesses make must be reinvested into the business or community. So, not-for-profit really means not-for-private-profit; no more incentivising selfish behaviour. But what would happen if we were able to solve all these problems. How then might a world look in which every business was operated not-for-private-profit? It would still involve a thriving market.

Government, banks, money, loans and interest would remain. But within a not-for-profit framework, these things would have vastly different consequences. When banks can't privatize profits they have no shareholders, owners or partners that they need to keep happy with dividends and private returns. They have no reason to exist other than to provide high-quality financial services to their customers, and they have little to distract them from this mission. They are built to be more transparent and more efficient. Rather than siphoning wealth away from people and communities who take out loans, all profits are allocated according to the NFP's social mission, enabling the generation of real community wealth. Now imagine the entire financial sector being not-for-profit. Imagine the entire retail sector being not-for-profit.

Imagine all manufacturing being not-for-profit. Capital requirements are falling dramatically, and large capital investments are proving less and less necessary to seed innovation, enabling the emergence of NFP businesses such as car manufacturing company Wikispeed and solar power plant designer Zenman Energy. Furthermore, new forms of capital raising are now available to emerging NFPs, such as crowdfunding, revenue-based

finance and community bonds. When the market exists to meet human needs, government requirements for taxation diminish, making good wages and purposeful work all we need for the economic of enough. By changing the nature of incentive and ownership in business, the NFP world model enables companies to make truly sustainable decisions, in turn promoting a less consumerist society. The NFP world also fosters a more equitable economy because it has an inbuilt redistribution of wealth, with companies required by law to reinvest, rather than privatise profits.

While the informal not-for-profit economy has kept human civilisation running since time immemorial, through care-giving and forms of non-monetary exchange, the emergence of the formal not-for-profit economy is now fully under way. To fund the work they do, NFP institutions are increasingly generating their own income, as opposed to the traditional non-profit approach of depending on grants and philanthropy. Increasingly entrepreneurs are seeing the benefits of establishing businesses as NFP, through structures such as the UK's Community Interest Company limited by guarantee. And there is renewed focus on successful, 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 enterprises is catalysed by the advantages NFP businesses hold in the marketplace, which have proven largely resilient to deregulation and recession. Not-for-profit businesses don't have to pay dividends, and can often offer lower prices, primarily because they are not-for-profit.

They may gain tax exemptions and have the ability to receive tax deductible donations. They more easily draw on the support of passionate volunteers. And their propensity for flatter organisational structures can facilitate productivity and innovation. Moreover, in a world with rising demand for ethical products and services, organisations that focus on fulfilling human and ecological needs are ahead of the game.

Combined, NFP advantages are resulting in a greater market share. The NFP sector in the US grew significantly faster than the for-profit sector between 2001-2011, and this from base of 1, 259, 764 organisations. For the first time in modern history we have the structures, capabilities and impetus to evolve to an NFP world, in which the best energies and drivers of good business are harnessed for our collective flourishing. So while there is a valid argument for private profit-seeking opening up industries to market competition and all its benefits, this is something that is perhaps not applicable to the economy as a whole.

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