

Compare or contrast public and private companies



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In today's highly commercial world, one of the key objectives of starting a business is to make profit. While this might be true and important to every business, "most people believe that a business should not focus solely on profitability, but on the quality of products and services it offers to its customers".

This essay will discuss the various perspectives on the topic and will to a large extent agree with the view that businesses should not just focus on profit, by looking at customer desire for high quality product and their willingness to pay, then highlighting how focus on quality can lead to lower cost of product and profitability; as well as how quality influence organisation to be socially responsible, sustainable and profitable.

First, a strong reason to concentrate on improving quality of product or services of an organisation is the fact that customers desires high quality good, and are willing to pay for value added. This was corroborated by (Nagar and Rajan 2001), who found out that "poor product quality reduces customer goodwill and loyalty which in turn affects future revenues as dissatisfied customers take their business elsewhere or pay less for the firm's product. Such a product and the firm producing it acquire a bad reputation since poor product quality leaves a lasting impression on the consumer who perceives it as a low quality brand. In order for a product to be perceived as a premium brand, a firm must continually improve on the quality of its products or services. A satisfied customer base lead to good brand perception and will open the door to numerous repeated purchases and referrals which will in turn help the firm to grow its market share, become more competitiveness and increase its profitability.

Focusing on quality significantly lowers cost of production at long run. Operations Management (Russell and Taylor, 2000) explains that, manufacturing of products to a high quality standard through implementation of quality management system have a large impact on overall quality cost reduction, it also argues that it saves time and money by reducing the amount of defective products that could result in wastes, thereby lowering significantly the costs of production, as well as cost to re-work defective products.

Without a quality management system, poor-quality and defective products may find their way into the market, through to the customer leading to warranty claims, product returns and in extreme litigation from product liability or injury to the customer. This may have a serious financial implication to the company as the costs associated with product recall and warranties would be enormous and in extreme case the damages imposed due to litigation could make the company insolvent, leading to a total collapse.

However, an opposing view on this is that profit maximization should be the main focus of the business as long as it pays its taxes and operates within the ambit of the law (Friedman, 1962). Certainly, this view may have worked for organisations in the 1800's; it definitely does not apply in today's modern and globalised world. The perspective is not only very narrow in view; it also fails to take into consideration other stakeholders who are affected by its activities of, but can also affect its existence.

To these types of organisations, making ethical decisions is seen only from the viewpoint of cost and profit. Organisations operating for profit alone are

yet to appreciate the advantages of good corporate social responsibility and capitalize on it to grow their businesses in a sustainable and socially responsible manner. This drive for profit has led many to slash of employee's benefits and salaries benefits; pollute the environment and cause permanent damage to the ecosystem all in bid to improve their bottom-line and many have earned a very bad reputation, suffer product boycott and tarnish their corporate image.

In concluding this essay, as much as profit is very essential to the survival of a business, I want to agree that businesses should focus more on the improving quality of its products or services. This can be clearly seen to from the fact customer expects high quality at good value always, and because improving the quality will eventually bring down cost of production for a company. As well, quality focus drives a company to take ethical decisions and operate in a socially responsible and sustainable manner.

It may be tempting for a business to sacrifice quality in order maximize its profit. However, its benefits will only be in the short term. A simple focus on profit maximization could destroy the continued existence of the business, not to mention the society in which it operates. A firm aiming extreme profit might purposefully cut corners during a project, knowing it gets the perks of a better quarter for now; knowing a future management team will have to deal with the damage of spill-induced lawsuit, fines, and a haul-up to it at the Criminal Court.