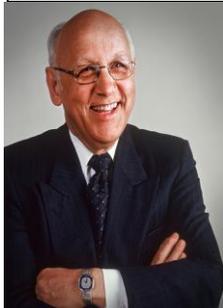




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What Is The Purpose Of A Business?



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One time when I was sitting on the board of a not-for-profit organization, the chairman, in attempting to differentiate between his not-for-profit enterprise and ‘regular’ companies, stated that the purpose of a business was to make a profit. I spoke up: “Nothing could be further from the truth because if anyone looked at the business environment, it would be clear that they were doing a terrible job at that purpose. The fact was that most so-called businesses were not making a profit.” Right there and then, I was asked to explain myself. Since I ran into this same misconception recently, I believe this idea still needs an explanation, today.

Doctors

Let’s start with something most of us feel we are familiar with, the medical profession. That is, what is purpose of the medical profession?

A doctor:

- is persuaded to be in the trade by his or her desire to fill a crying need of society
- dreams that if successful, the doctor will have a secure life and some prestige
- in a hospital setting, is usually involved with people engaged in a group endeavor to get results that one person alone could not achieve
- operates under the constraint of a limited time to act, in order to save or improve a patient’s life
- understands that the hospital setting is established by the community which expects that the institution will continuously provide meaningful results.

Is it not obvious?

In the early 1900’s, U.S. suffragette leader, Alice Paul, confronted her prison psychologist who asked: “What are you trying to achieve?” He wanted to know why she was enduring so much suffering to seek the vote for women. She is reported to have said: “Is it not obvious?”

- Look into your own heart. Mine is no different.
- You want a place in a trade or profession where you can earn your own bread. So do I.
- You want a measure of self-expression and to satisfy your personal ambition. So do I.
- You want a voice in the government under which you live. So do I.
- What is there to explain?”

The point is that the fundamentals that applies to one sex, apply to the other. By extension, I believe, that the fundamentals that apply to one profession apply to another, i.e. what applies to the medical profession usually applies to business owners.

Business

A business person, (much like the doctor):

- is persuaded to open his or her business by the desire to fill a crying need of society
- dreams that if successful, the business person will have a secure life and some prestige
- in a business setting, is usually involved with people engaged in a group endeavor to get results that one person alone could not achieve
- operates under the constraint of a limited profit of around 5%¹
- understands that the larger business setting develops from investments by shareholders who expect the business will continuously provide meaningful results.

“What is there to explain?”

¹The average profit of the 500 largest companies in the world, is, year after year, about 5%. When a company earns more than 5%, competitors enter the field dropping the price and reducing profits. If a company fails to earn close to 5%, then they will likely not survive the long term.

**CCCC offers
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1. Read about the CCCC management methodology for **\$25** electronically or **\$250** with a set of 12 books (2,700 pages) in a hardboard case.

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To be more realistic, three points probably need clarification:

1. While most businesses want and expect to make profits, most do not. That is because the number of small enterprises just starting out and intending to make their mark far exceeds the number of large profitable firms. Those small enterprises have difficulty reaching a true² 5%.
2. Of course, human greed is there. Many the entrepreneur dreams of the fortune to be expected down the road. However, 85% of new enterprises fail within the first 5 years.
3. Our own observation at CCCC is that most business owners have no idea how to manage successfully and hence, fail to reach their desired profitable goal.

The Bottom Line

A business exists because someone somewhere, with sufficient drive and ambition, saw a need for a product or service that they themselves felt that they could bring about. They expected to profit both themselves and the market need. A profit is necessary to keep the business going – to finance growth, to hire new staff, to start new departments, and to gain respectability from the financial community. If the business is wildly successful, then the entrepreneur can join the ranks of the wealthy stratum of society.

Welcome aboard!

Bill

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²The new small company may reach 5% profit, but often that is based on the founder not drawing even the salary earned when working previously for another employer. Hence such a profit report is not of a true 5%.