

Are businesses really formed to make profit?

Published: January 12, 2026, 9:00 pm

Sitting in Washington Dulles airport I am reviewing a book. Amongst its authors' claims is the suggestion that it is profit that motivates the creation of business enterprises. I have to say I disagree. My comment was:

That's a very big assumption, which in my experience is not true. It is the identifying characteristic of most surviving enterprise that they have made profit, but that characteristic of surviving businesses does not permit the assumption that the making of profit was the motive for their creation. The motive for the enterprise is very often something else: it is just frustrated if cash is not generated to deliver survival. I actually think your claim is wrong for that reason.

When it was then claimed that CSR might be a check on the profit motive I was again motivated to challenge the assumption. CSR might do the exact opposite: it might actually remind the owner that they have a duty to make profit to ensure survival on behalf of the stakeholders of the business.

I say this based on my experience of working with many businesses. The book I am reviewing is by academic authors. I am not saying who is right or wrong. But I think assumptions have to be discussed, including (perhaps in economics, most especially) that the profit motive has a special significance when satisficing is much more likely, in my opinion.