Ethics

Student's Name
Institution of Learning

Ethics

Public companies have faced a lot of challenges in the past decades due to the regulations and the challenges from alternative corporate forms. Since they were invented in the 19th century, they have installed themselves as the heart of the world's largest economy. Most of those companies became endangered either due to political scandals, recurrent shocks, or alternative corporate structures, such as the Benefit Corporations. Going public is an expensive process, whereby many public companies face so many challenges they did not face as private businesses. Public companies have been the backbone for innovation and job creation. Some IPOs provide young and upcoming firms with financial support to hire new hands while disrupting established markets. Moreover, public companies are giving the ordinary people a chance to invest directly in capitalism's most important wealth-creating machines. This is because public companies have the ability to sell future equity stakes and to have an increased access to the debt market. This advantage comes with increased regulatory scrutiny and less control for most companies' founders and companies' owners. All these factors made a number of public companies to dramatically fall over the past decade. The number of initial public offerings has declined, and small companies with annual sales of less than $50 million have experienced a greater fall. Most of the challenges come from family-controlled conglomerates. While there is a number of benefits attached to going public, business owners should consider all options and potential obligations and responsibilities in order to make informed decisions that are in the best interest of their businesses. However, the aim of this paper is to evaluate the challenges that profit-making companies face, and to know if those companies are able to survive those challenges.

Profit-making public companies are those companies, which register securities so that they are able to offer and sell them in the form of shares or bonds to the general public through the marketers that operate in over-the-counter markets. Most companies that decide to go public do so in order to raise money, but private companies that are successful in their business operations have other alternatives for raising money. They could obtain private financial assistance from a venture capital group through some regulated offerings to accredited investors. Another alternative is to be financed through establishing a joint venture with an already developed company. However, it is very important for the companies to consider their growth potential and the advantages and disadvantages of going public before they can decide on the way to proceed.

Over the last two decades, due to the apparent importance of corporate governance for the economic health of most companies and the society, corporate governance has attracted the interest of the entire public. Some corporations have experienced rapid growth in a relatively short period of time due to the acquisitions funded by the promises of brighter future, and inflated share price. However, it seems as if the checks and balances that were supposed to protect shareholders have not been effective based on the need to move fast in the pursuit of the bottom line. Some challenges faced by the public companies are the result of the recurrent scandals, which include illegal practices such as fraudulent accounting. More so, most public companies exhibited actual corporate governance risks. These risks could be in the form of conflict of interest, overly lucrative compensation, inexperienced directors, or unequal share voting rights.

Apparently, the public has a little affection for big business or even free markets, but their usage of cheap labor, hiring and firing process of big organizations, and their desire to maintain their tax bills can be alarming. Those companies that provide vital services find themselves particularly vulnerable, such as those in the energy sector. It is believed that it is going to be difficult for train or energy companies to secure support. However, despite the skepticisms about the way the business works, it is believed that jobs and growth depend on the firm making profit and also taking tough decisions whenever it is necessary.

Since they were invented in the mid-19th century, public companies have been the locomotives for capitalism. They have been integrated as the heart of the world's largest economies such as the United State of America. At a time, it seemed as if they would spread around the world, leaving the older forms of corporate organization such as partnership, and other competitors, such as the state-owned enterprises, behind. Most public companies are successful, because they provided the three things, which are:

Limited Liability - This refers to the situation, whereby a company's financial liability is limited to a fixed sum, and it is most commonly the investment in a company or a partnership. A shareholder in a limited company is not liable for any debt owed by the company. This usually assumes the form of the zero dividends in the company, since it has no profit to allocate. This concept is also applied to the members of a limited liability partnership. However, partners do not need to be fully liable, and firms are allowed to have as many partners as they need.

Professional Management - This refers to the practice of having professionals invest money or monitor securities and returns on behalf of the investment companies, institutions, or individual investors. However, this form of management boosts a company's productivity. More so, family firms employ professional managers on the basis of

HBS-load, and state owned firms are no longer just sinecures for the well-connected firms.

Corporate Personhood - This is the legal concept, which makes an organization be recognized as an individual in the eyes of the law. This forms the basis of legal recognition that corporations may hold as a group of persons, and exercise certain rights under the common law. This concept defines the fact that businesses can still survive the removal of the founder. Based on these concepts, state-owned enterprises began growing in the emerging markets, while challenging the idea that public companies are more dominant.

Challenges from Recurrent Scandals

Recurrent scandals in public organizations or companies are a set of unethical, questionable, and/or illegal actions that an individual or a group of individuals working in an organization are engaged into. Apparently, there is a number of questions concerning the corporate actions, which are either actually proven to be illegal or allegedly illegal. Corporate scandals are the result of allegations about ethical behaviors or practices, by legal decisions or actions, or a combination of the two. These problems may also be due to the individuals acting on their own behalf within a corporation, with or without regards for the company.

There have been recurrent scandals regarding traditional corporate organizations, which involve the unethical behavior of the individuals, who are acting within or on behalf of a corporation. Such allegations sometimes involve accounting fraud of some sort of it, which swept many companies in the United States in 2002. Most of these scandals are based on the political interests that endanger the existence of other for-profit organizations. Some companies were involved in major collapses through risk of business sizes or job losses, which meant entering into bankruptcy, insolvency, requiring market loan by government, of being nationalized.

However, significantly increased resources have been applied by the state and federal law enforcement, and more aggressive philosophies have been developed towards the confrontation of the lapses in governance. The media spotlight has increased awareness among those constituents that are directly affected, as well as the business community at large. The judiciary has also demonstrated its willingness for more stringent definition of good health. More so, there is a number of factors that have brought into focus the ethical issues, which include rising competition, technology, and globalization. The new realities of corporate governance have shown that no entity or agent is immune from fraudulent activities, which have altered the way the companies operate; they define the baseline for what should be considered prudent conducts for both businesses and the executives.

A study found that specific characteristics of legal compliance programs do not have much impact on the broader perceptions of the program's orientation towards ethical values and aspirations. It was found out that consistency between policies and actions, as well as dimensions of an organization's ethical climate, such as ethical leadership, open discussion of ethics, and fair employee treatment helped a lot in achieving success. However, what hurts the most is the ethical culture that emphasizes self-interest on the part of the policy makers, corporate leaders, or entrepreneurs.

Challenges from Political Attacks

Profit-making organizations are also faced with political challenges from different political parties or individuals. An example is the heaped regulation by politicians onto western economies. This is sometimes because they blithely assume that businesses have no other choice but to go public. Corporations sometimes find it difficult to operate conveniently under certain regulatory policies, because they might not be favorable to their business operations. Meanwhile, it might be wrong to suggest that politicians who criticize or take any action against organizations do such on the basis of naked politics. This is because there is the need to deal with some specific organizations or companies, such as promoting or protecting the health of the wider economy.

On the contrary, it may also be wrong to suggest that political opportunism rarely exists. Politicians are fully aware that targeting certain types of businesses at specific times is able to secure decent media coverage and a corresponding increase in the polls. However, this factor makes corporate firms become the convenient opponents. Some policies are based on the political ideologies, which are aimed at endangering public companies. Policies and ethical regulations that are based on selfish political interests usually pose a great danger to the functionalities of public companies. This is because such policies might actually be unfavorable for the success of companies.

Many companies played a fast and loose with the rules and ethical standards, which allowed the disconnection of performance from meaning corporate values, leading to the re-evaluation of corporate values, goals, and purposes. However, politically-motivated ethical standards become the new models, in which corporate cultures will change in a way that questions the integrity and trustworthiness of the corporation. Such changes usually result in the diminishing of the single-minded focus on the shareholders' values, which are used to measure the performance of corporate organizations. The basis for this measurement are the stock price, customers and their communities, increased level of employee interest, and the resetting of expectations, so that the investors become more realistic about the return to highly competitive market a company can legitimately and consistently achieve.

However, one of the main reasons that make politicians to be so willing to target businesses is because few of them actually fight back by securing public support or understanding. Although some firms face tough time based on some political factors that affect their operations, it is important to keep sense of their perspectives. This is because when it comes down to the public disagreement between senior business executives and politicians, people usually come down to the side of businesses.

Challenges from Alternative Corporate Structures

Partnership as a traditional form of corporate structure is thriving, providing unlimited liability to partners, but limiting their numbers. In other words, partners could be ruined if the company fails, but will not be able to expand if the business booms. However, this brought about revolution, whereby one-third of America's tax-reporting businesses are now classified as partnerships, adopting an exotic form of corporate organization. Some of these exotic forms of business corporations are limited liability limited partnerships (LLLPs), real estate investment trusts (REITs), and publicly traded partnerships (PTPs).

Another factor that endangers public companies is the emergence of alternative corporate structures, such as the Benefit Corporations. B-Corporation is a corporate form in the United State, which is designed for profit-making entities that consider the society and the environment, in addition to the profit in their decision making. The purpose of such corporations is to create general public benefit, which could be defined as a material positive impact on both the environment and the society. The benefits of this form of corporation differ from the traditional corporations with regard to its purpose - transparency and accountability. There is also an additional provision of B corporations that require that directors and officers should consider the impact of their decisions not only based on the shareholders, but also based on the society and the environment.

These alternative corporations tend to endanger the traditional forms of corporate organizations based on their goals and objectives of not only being accountable and transparent, but also benefiting the environment and the society at large. However, the benefit corporations operate under the same authority as the traditional corporations, but in traditional corporations the shareholders judge the company's financial performance with proper standing. The B corporations also provide their shareholders with a private right of action, which is called benefit enforcement proceeding. This grants them the right to enforce the company's mission whenever the company fails to create of pursue general public benefit, giving these corporations more advantage over the traditional corporations.

Public Companies Will Likely Survive

Based on the analysis and evaluations, for-profit public companies are less likely to survive the challenges they are faced with. The recurrent scandals challenge the existence of such public companies. Most public companies will find it very difficult to survive, because every business needs to reflect its values based on its accountability and transparency. In case of any allegation that is contrary to the ethical standards for the operations of businesses, there tends to be a shift in the position of such companies involved. Public companies have shown a level of extraordinary resilience. They have survived the fashion of nationalization, depression, and the buy-out revolution of the 1980s.

More so, looking at the emerging corporate structures, traditional corporate organizations are generally believed to hardly survive, because of the goals and aims of those alternative corporate structures. This is based on the fact that they are likely to gain the support of the general public in case of any danger. They do not only require that directors and officers should consider the impact of their decisions based on shareholders, but also based on the society and the environment. They have taken most of the familiar names on the high street private, and have bagged the biggest stock market beasts.

Also, considering the political attacks on public companies, businesses ought to be able to create a sense of public sympathy, so that politicians never attack them. Businesses should do everything possible to make people understand them, and sympathize with them whenever they are being politically attacked. This is especially based on the challenge from the alternative corporate structures, such as the benefit corporations.

This is because politicians will always be ready to publicly attack businesses in order to suite their agenda. However, the biggest advantage of the state-owned enterprises is that the government can protect them from unwelcome competition. This is due to the protection they are likely to get based on their close ties with the government.

However, in the past decade, a number of public companies have dramatically fallen, with 38% in the United States and 48% in Britain since 1997. The total number of initial public offerings in the United States has decreased from the average 311 to 99 within the period of 1980-2000 to 2001-2011 respectively. This shows that these public companies cannot survive the challenges, since so many of them have already fallen.

Conclusion

The companies, which register securities to be able to offer and sell them in the form of shares or bonds to the general public through the marketers that operate in over-the-counter markets have faced many challenges in the past decades. This is due to the regulations and challenges they face from the alternative corporate forms. They have installed themselves as the heart of the world's largest economy, such as the United States. Profit-making public companies are those companies, which register securities, so that they are able to offer and sell them. Most companies that decide to go public do so in order to raise money, but private companies that are successful in their business operations have other alternatives for raising money. Once a company goes public, it has the responsibilities of answering to its shareholders. For example, certain corporate amendments and changes must be brought up for the shareholders' votes. However, most public companies are successful because they provided the three things, which are: Limited Liability, Professional Management, and Corporate Personhood as discussed earlier.

Most of those companies became endangered either due to political scandals, recurrent scandals, or alternative corporate structures, such as the Benefit Corporations. The scandals may include illegal practices like fraudulent accounting; many companies exhibited actual corporate governance risks. These factors made a number of public companies to dramatically fall over the past decade. The number of initial public offerings decreased, and small companies with annual sales of less than $50 million have experienced a greater fall. These risks could be in the form of conflict of interest, overly lucrative compensation, inexperienced directors, or unequal share voting rights.

Recurrent scandals in public organizations or companies are a set of unethical, questionable and/or illegal actions that an individual or a group of individuals working in an organization are engaged into. The recurrent scandals regarding traditional corporate organizations involve the unethical behavior of the individuals who act within or on behalf of a corporation. Such allegations could be associated with accounting fraud of some sort of it. Some companies were involved in major collapses through risk of business sizes or job losses, which meant entering into bankruptcy, insolvency, requiring market loan by government of being nationalized. Some profit-making organizations are also faced with political challenges from different political parties or individuals. Most organizations find it difficult to conveniently operate under certain regulatory policies, because those policies might not be favorable to their business operations.

According to the analysis and evaluations, for-profit public companies are less likely to survive the challenges they are faced with. According to the recurrent scandals that challenge the existence of such public companies, the political attacks and the emergence of alternative corporate structures, most companies will find it very difficult to survive, because every business needs to reflect its values based on its accountability and transparency. In case of any allegation that is contrary to the ethical standards for the operations of businesses, there is always a shift in the position of such companies to survive. However, the research has shown that since 1997, a number of public companies have dramatically fallen, with 38% in the United States and 48% in Britain. The total number of initial public offerings in the United States has decreased from the average 311 in 1980-2000, to 99 within the period of 2001-2011. This shows that these public companies cannot overcome the existing challenges, since so many of them have already fallen.