

# AAEP NEWS

## Ethics: Is the bottom line really the bottom line?

By David Ramey, DVM

It is certainly true that a practice needs to be profitable to survive. Indeed, in 1970, Milton Friedman, the late Nobel Prize-winning economist, asserted that the sole purpose of a business is to make money for its shareholders.<sup>1</sup> For veterinary practitioners, one measure of success is assuredly the business' profit margin. But from an ethical perspective, is the bottom line really the bottom line?

Many people in other businesses would say, "No." While Friedman was probably correct, at least at some level, the single-minded goal of maximizing shareholder value ignores important aspects of the veterinarian-client-patient relationship (VCPR). Klaus Schwab, the German engineer and economist best known as the founder and executive chairman of the World Economic Forum, asserts that a different measure of business success should be used. His "stakeholder theory" of business asserts that businesses are not just accountable to shareholders; instead, businesses must focus on serving the interests of everyone who has a stake in the business. In the case of an equine veterinary business, everyone with a stake includes customers, employees, partners, suppliers, any other entity impacted by the business' operations, and especially horses.

Focusing too much on the bottom line of a practice comes with a cost. In economics, these costs are known as "externalities," or the side effects of business behavior. For example, a practice could theoretically increase its profits by selling each and every client an inexpensive but useless service or product at a high price. The practice might make a large profit on each sale, but such action would also show that the practice has little concern for the horse or horse owner. Acting without concern for horses or their owners is clearly unethical; if owners discover such practices, the side effect can be a loss of business.

If the bottom line is the main consideration for a practice, the business of equine veterinary medicine may also have a reduced value to horse owners. If the cost of veterinary care becomes too high—and cost of care is the No. 1 concern in AVMA-conducted surveys—it becomes a factor in making horse ownership unaffordable. High costs of horse ownership ultimately mean that fewer people own horses. Alternatively, horse owners may choose to avoid veterinary care in order to control costs. According to a 2013 AVMA survey, as many as 50% of horses in the United States do not see a veterinarian in any particular year.<sup>2</sup>

Acting ethically and with concern for everyone involved in the VCPR offers a competitive advantage. As Marc Benioff, chairman and CEO of Salesforce, wrote in his 2004 book, *Compassionate Capitalism*, "The competitive advantage you gain from being a caring and sharing company is significant; it instills in your people a higher integrity level. In turn, stakeholders want to be associated with a company that has heart. Community service: You

do it because it's the right thing to do, but it's also the profitable thing to do."

While focusing on selling products and services may help increase profit, at least in the short term, in the long term, they hurt the horse industry. Every penny that a horse owner can save becomes money that the owner can use to maintain a horse—even use more veterinary services. Ethical business practices balance the profit needs of the veterinarian with the needs of the owner and the horse. Value needs to be created for all participants in the VCPR. Ethical businesses earn a reasonable profit, not necessarily a maximized one. Ultimately, it's in an equine practice's best interest to look out for its clients and their horses. This not only increases client loyalty, it also gains better clients.



Practicing ethically helps the veterinarian, too. There is growing evidence that responsible business conduct pays off for business,<sup>3</sup> and ethical business practices can help increase business satisfaction among business owners and employees. Satisfaction with veterinary practice appears to be a significant concern in the veterinary profession. In 2015, a survey of over 900 veterinarians conducted by *DVM360* magazine concluded that a veterinary career was producing less satisfaction and happiness than it did 10 years previously.<sup>4</sup> A 2016 survey by *US News and World Report* ranked the job of being a veterinarian at No. 88 out of the 100 best jobs, due in part to concerns about stress, work-life balance and future growth.<sup>5</sup>

The bottom line is not necessarily the bottom line. Good business ethics considers much more than profit. Good ethics can help increase job satisfaction and client confidence, and it can increase a practice's bottom line, too.

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#### REFERENCES

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<sup>2</sup> Burns, K. Vital Statistics. January 16, 2013. <https://www.avma.org/news/jamnews/pages/130201a.aspx>

<sup>3</sup> Nieuwenkamp, R. Can Companies Really Do Well By Doing Good? The Business Case for Corporate Responsibility. *OECDInsights.org*, November 2, 2015. <http://oecdinsights.org/2015/11/02/can-companies-really-do-well-by-doing-good-the-business-case-for-corporate-responsibility/>

<sup>4</sup> The Current State of Veterinary Job Satisfaction. *DVM360* magazine. April 24, 2015. <http://veterinarynews.dvm360.com/current-state-veterinary-job-satisfaction>

<sup>5</sup> US News and World Report Best Jobs Ranking. January 10, 2016.

<http://money.usnews.com/careers/best-jobs/veterinarian>