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[Short Communication]

Entering Uncharted Territory: Ownership of Healthcare by Business Corporations

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Abstract

Purpose – The aim of this paper is to examine the newly formed a partnership of Amazon, Berkshire Hathaway (Berkshire) and JPMorgan through the lens of strategic alliance, corporate philanthropy, and corporate social responsibility.
Research design, data, and methodology – This is an analytical case study that examines the existing scholarly articles in strategic alliances, corporate philanthropy, and corporate social responsibility to explain the recent strategic alliance.
Results - There is a clear limitation in explaining this type of unconventional strategic alliance with exiting definitions and concepts because there is no existing study or case available today. Forming a strategic business alliance to create and operate healthcare for their domestic employees could be viewed as a social innovation that resulted from an effort to resolve a social problem, the ineffective healthcare system in the U.S., rather than focusing on business benefits and profits.
Conclusions – The success or failure of this type of business alliance would certainly affect the current healthcare system of the United States and global businesses and healthcare industries in the future. However, just entering or tapping into uncharted territory by these three companies to deal with a social issue is significant enough to merit further exploration and analysis for scholars and practitioners.

Keywords: Uncharted Territory, Ownership, Healthcare, Business Corporations.

JEL Classifications: G34, L81, M10.

1. Introduction

Amazon, Berkshire, and JPMorgan together announced a formation of a strategic alliance to create a non-profit, independent healthcare company for improving healthcare for their domestic employees (Wingfield, Thomas, & Abelson, 2018). This announcement came as a surprise and shocked not only the domestic healthcare industry but also the scholars and practitioners in business management disciplines because of the unconventional nature of the strategic alliance of a few business corporations to operate a healthcare system, a new phenomenon that is widely considered as entering uncharted territory.

The essence and time of this announcement provides hope for the future of healthcare system in the United States. Many believe the current healthcare system in the United States does not work, and the heated debate of the healthcare system only focuses on the issue of Obamacare (Affordable Care Act), rather than improving and creating an effective healthcare system. Although the United States is the most economically advanced country in the world, it does not have universal healthcare coverage that is comparable to those of other advanced industrialized countries like Germany and Canada.

According to Fact Sheet 2016, rapid and continuous increases in the public healthcare costs, healthcare premiums, and uneven healthcare coverage are major healthcare problems in the U.S., and these problems, especially rising medical costs, have caused many people into bankruptcy. Some business analysts and practitioners believe this alliance could impact the conventional healthcare system in the U.S., but others believe that the traditional U.S. healthcare system with the major insurers and pharmaceutical companies is too big and established to be swayed by this alliance. The ultimate objective of this alliance, according to the three companies, is to provide better and more efficient healthcare coverage and service to their approximately 1. 2 million employees as of January 2018(Wingfield, Thomas, & Abelson, 2018).

There is no reason for both public and private sectors to

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oppose this type of a non-profit, employee oriented, and more efficient healthcare alliance company; however, the announcement confused and made people wonder the true nature of this alliance because people, including business and organizational strategic alliance experts, have not seen this type of unconventional alliance.

2. Strategic Alliances

In general business or organizational environments, both for-profit or not-for-profit organizations develop strategic alliances to achieve common objectives and benefit from the strengths of other organizations in the alliance (Mockler, 1999). Some suggest that strategic alliances help companies to share their resources, gain market share or power, and gain competitive advantage (Iyer, 2002; Koza & Lewin, 1998; Lin & Cheng, 2010).

Some major reasons for organizations in forming a strategic alliance is when "organic growth alone is insufficient, speed to market is essential, complexity is increasing, partnership can defray rising research and development costs, and alliances facilitate access to global markets" (Isoraite, 2009, p.39). As such, both the definition and major reasons of strategic alliances do not explain the alliance of Amazon, Berkshire, and JPMorgan to develop a non-profit healthcare company. These three companies have no common business attributes, and each company does not need the other two companies to achieve their business objectives or goals. There is no issue associated with formal or social control, risk, motivation, trust, and alliance performance (Su, Xie, & Li, 2009) in this strategic alliance because these three for-profit companies are developing a non-profit organization that is completely different from and unrelated to their businesses. The following statements from three CEOs clearly suggest that this is not a conventional strategic alliance:

"The healthcare system is complex, and we enter into this challenge open-eyed about the degree of difficulty (Jeff Bezos, Amazon)", "The ballooning costs of healthcare act as a hungry tapeworm on the American economy. Our group does not come to this problem with answers. But we also do not accept it as inevitable (Warren Buffett, Berkshire)", and "The three of our companies have extraordinary resources, and our goal is to create solutions that benefit our U.S. employees, their families and, potentially, all Americans (Jamie Dimon, JP Morgan)" (Wingfield, Thomas, & Abelson, 2018, p.5).

There is a clear limitation in the existing conventional definitions and concepts in explaining this type of unconventional strategic alliance. The objective and nature of this strategic alliance indicate that this strategic alliance is to resolve a social problem, the ineffective healthcare system in the U.S., rather than focusing on business benefits and profits.

3. Corporate Philanthropy and Corporate Social Responsibility

Many business organizations include corporate philanthropy and corporate social responsibility (CSR) in their business activities and strategies, and many existing studies and cases validate the importance of corporate philanthropy and CSR. Although many people simply view corporate philanthropy as voluntary charitable activity by business organizations, there is a multidimensionality of philanthropy. Bergman, Bergman, Liu, & Zhang (2015) applied Von Schnurbein and Timmer's topology of philanthropy with four philanthropic initiatives to describe the multidimensionality of philanthropy.

Grant giving, investment, skill development, and mobilization are four philanthropic initiatives that guide whom and how to support them. Grant giving is the basic dimension of philanthropy where business organizations provide financial aid through scholarships and charitable contributions. Skill development focuses on capacity building and empowerment of individuals or organizations instead of financial support, and mobilization focuses on supporting and promoting social changes and advocating policy development. The final type of philanthropic topology is investment, "philanthropic investments provide startup capital to social enterprise which seek new and innovative approaches to solving social problems (p.8)".

Of the four types of philanthropic dimensions, the concept of "investment" seems to best explain the definition and concept of CSR, "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Harazin & Kosi, 2013, p.28). Harazin and Kosi (2013) argue that the concept of CSR does not provide the ways of achieving CSR efficiently. Since social efficiency is missing, the concept of social innovation is the real answer to explain CSR in terms of social efficiency. Companies developing better and efficient ways to tackle and resolve the most challenging problems in society, e.g., climate change, disease, poverty, etc., is the example of social innovation.

4. Conclusions

The formation of strategic alliance by Amazon, Berkshire, and JPMorgan to create a non-profit independent healthcare company for improving healthcare for their domestic employees is a textbook example of social innovation, in which three companies form an alliance to tackle the most challenging social problem in the United States. While the three companies have the necessary resources, technology, finances, and logistics to form and excute the strategic alliance and its operations, no one knows whether this strategic alliance may be able to overcome the major huddles of the U.S. healthcare system because the healthcare system is not bound by or operated in a business environment, as it is embedded deeply into a political arena. However, the announcement of this strategic alliance by three global companies alone gives hope to many Americans who do not have healthcare coverage, who worry about high medical costs, who pay higher premiums, and who do not have sufficient coverage.

The success or failure of this type of business alliance would certainly affect the current healthcare system of the United States and global business and healthcare industries in the future because many countries and business organizations are in desperate need of controlling healthcare spending and costs today. If successful, those three companies will be recognized as the pioneers of tackling and resolving one of the most important social issues in the world, and this phenomenon could become a new trend for multinational business organizations. However, just entering or tapping into uncharted territory by these three companies to deal with a significant social issue is important enough to merit further exploration and analysis for scholars and practitioners even if this strategy does not materialize in the future.

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