

Patterns of firm's behavior 2

Alternative patterns of firm's behavior



4 main kinds of alternative patterns:

- Sales maximization;
- Growth maximization;
- The model of managerial behavior;
- Value added maximization
(Japanese model)





Sales maximization model

Scientists don't like this model....

Especially for
long-term goals



Why do I choose sales maximization model?



Change in sales calls for change in sales methods and production techniques methods. And this, for sure, result in considerable profit increase!



I feel that if we don't have wave of selling it damages our firm's image!

Moreover, we can loose our authority in the market and became vulnerable for rivals!



Evaluation of my work is more sensitive to the level of sales than to the level of profits! Of course, if this level is maintained..



Minimal profit, of course, is necessary, but we are willing to sacrifice some additional profit for the sake of maximizing sales!



Actually, I give up immediate profits in favor of maximizing remote profits...

This is strategy!

Growth maximization model

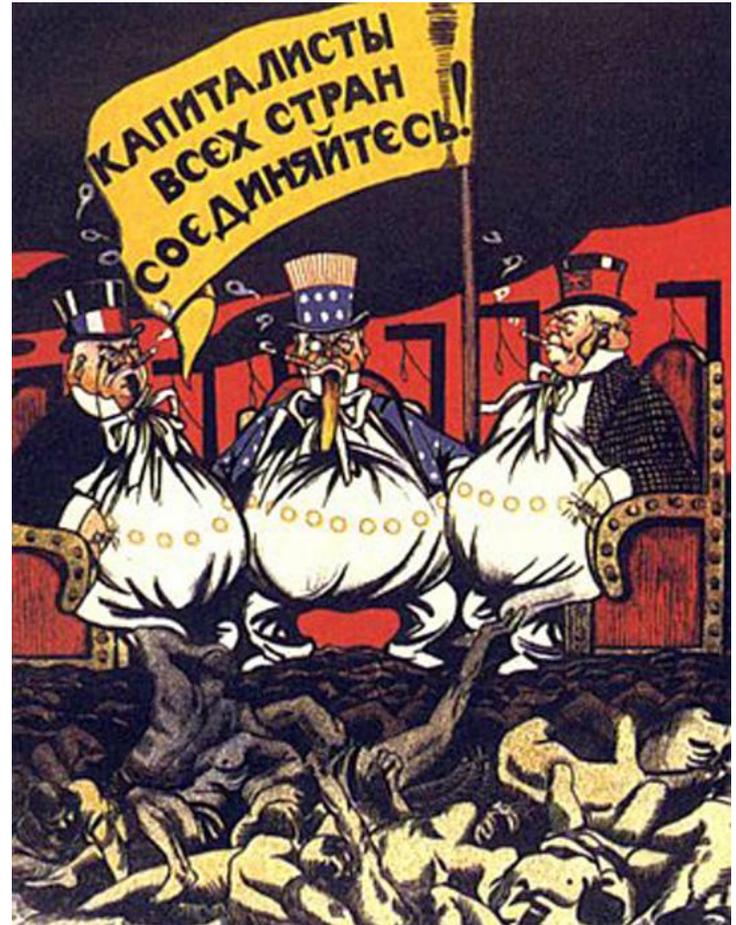


The growth should be financed!

You can keep the income or borrow. It often happens that you have to do both.

Attention!

The ratio of “liabilities-assets”!



Risk

In the long term growth of the company is determined by the presence of a sufficient flow of income



Profit maximization in the future, again...

The model of managerial behavior

(The differences between owners and managers)

Basis:

The owners (shareholders) and managers are rational people, and want to maximize their benefits.

There are contradictions between them, so when managers maximize their profit, they reduce the benefit of the owners

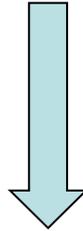


The owners strive to maximize the value of the company and are interested in maximizing profits

Managers are more interested in personal wealth



The salary should be only a part of the compensation. The remaining part should be dependent on the profits.



Professional managers have a direct and personal interest in maximizing profit!



**In this much is spent on administration!
(Rather than in a company that strives to maximize profits).**



Value added maximization (Japanese model)



Value added is calculated as the difference between the sales (income) of a company for a certain period and the costs for goods and services purchased from external suppliers

Maximizing benefits of all participants

Philosophy: The main goal is to reward employees



not only wages, but
also the production of
high quality goods and
services

