

The business aspect of the firm

Finance



The Firm Affiliation: The struggle by Amalgamated Manufacturing to make profit shows that the business aspect of the firm is not doing well. Profit maximization depends on costs of operation and revenues generated (Moyer, et al. 2008). Costs of operation should be minimized and revenues maximized. The goals of the firm therefore include: expand business aspect, minimize cost of operation and improve sales of electronic components in order to maximize revenues.

In expanding the business aspect, the firm may need to conduct consumer research in a bid to identify the loopholes characteristic of its products in the market. Customer satisfaction is fundamental in pursuing profitability of the firm. This is because; they seek to maximize their utility at the minimum cost possible. On the same note, revenues and costs determine profitability.

Revenues are generated from sales volume, and it is therefore essential to boost sales in the pursuit of profits.

Agency problem depicts an aspect of conflict of interest between the principal and the agent. The principal requires that the agent pursues goals and objectives set by the principal. Sometimes an agent pursues other goals and objectives other than those set by the principal, resulting in an agency problem (Moyer, et al. 2008) In the case of Amalgamated Manufacturing, conflict of interest may arise between the owner(s) of the firm and the manager(s). Owner(s) may want to maximize profits, while the manager(s) may seek to pursue another set of activities before the profit motive. These differences therefore result in conflicting ideas of the right time to push for profitability. The firm therefore may continue to struggle for profitability as a result of the characteristic agency problem.

References

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Moyer, R. et al. (2008). Contemporary Financial Management. New York:
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