

Guillermo furniture store concepts

Finance



Running Head: Guillermo's Furniture Store Scenario This paper attempts to examine the financial concepts found in Guillemos Furniture Store Scenario. The Financial concepts are used to demonstrate how they can significantly sustain a company's competitive edge. It further discusses the financial management approaches and how their proper application can add value to a business' products as well as economic efficiency. Further, the paper attempts to develop a financial plan for Guillermo to enable it to competitive in its respective furniture market.

Guillermo's Furniture Store: Financial Principles

Guillermo's Furniture Store offers a convenient case study essential for analysis of financial principle concepts within a competitive economic setting. Among the financial concepts appreciable within the context of the set-up include financial markets, financial principles as well as business ethics that form the basis from which financial decisions are made.

Guillermo's Furniture Store case study divulges how the entry of a new competitor from abroad has triggered unexpected challenges to the financial situation of the business. Previously, Guillermo furniture store seem to benefitted from a form of monopoly advantage, resulting from its seemingly popular brand name, non-competitive market conditions and cheap labor in Sonora. This was until the entrance of the new entrants into the local market. Competitors use technology to boost their competitive advantage, in which case they add value to their services to attract customers as well as retain them (Emery, Finnerty & Stowe, 2007a).

In view of the fact that financial self-interest is aimed at guiding businesses towards balanced supervisory decisions, it appears the furniture store is compelled to reassert its position if they have to counter competition from <https://assignbuster.com/guillermo-furniture-store-concepts/>

the new entrants in Sonora.

In this case, the principles of finance demonstrate archetypal behavior in financial transactions. In addition, it offers a model for decision-making with regard to the Guillermo's Furniture Store scenario.

Based on the principles of financial management, Guillermo has a number of sensible options worth applying. Among them includes the principle of two-sided transactions, which is effective in instances where businesses are faced with no less than two sides and where each part considers its own self-interest. In addition, the principle of two-sided transactions is seen to occur each side is seen to be acting on behalf of its financial self-interest (Emery, Finnerty & Stowe, 2007a). For example, when two forces occurred in the Guillermo scenario to damage his financial status in the furniture market. He can as well apply the concept of opportunity cost to value of a specific action he has to take and that of the alternative action he has to forego. The concept of opportunity is in this case is valid as it can enable Guillermo to distinguish between the value of best alternative and value of one action (Sabah & Alrubaiee, 2012).

Sound financial principles can transform a company to become competitive. Guillermo notices the entry of new competitors he sees as having the potential to tilt the fortunes of his business (Emery, Finnerty & Stowe, 2007b). Since interest in financial decision-making can lead to rational decision-making, Guillermo has to reinstate its position so as to suitably confront challenges exerted from the companies from abroad. This means that immediate financial decision is vital if it has to sustain the completion. Here, Guillermo can leverage on its reputable brand name or lower its prices and integrate technologies (Sabah & Alrubaiee, 2012).

<https://assignbuster.com/guillermo-furniture-store-concepts/>

The scenario depicts the principle of self-interest behavior where, when all else seems equal, all parties to a financial transaction will go for a course of action that they perceive as capable of being most financial beneficial to them. This type of behavior is showed when the competitors use technology to their advantage, which forces Guillermo to go back to the drawing board to beat the competition.

These principles comprise behaviors of financial changeovers and direction in forming new strategies to gain a competitive edge, such as integrating new technology to customize products to customers' demands, much faster and efficiently (Rasoava & Russell, 2003).

In the signaling principle, actions are perceived to convey information. By assuming self-interested behavior, we can deduce information behind the financial decisions we observe. This is seen in the Guillermo scenario when competitors took advantage of high-tech approach after noticing that Guillermo used handcrafted methods. The behavioral principle advises that when every counter actions fail, it is best to imitate what other are doing (Emery, Finnerty & Stowe, 2007b). This means Guillermo has the option of also integrating the high-tech approach.

In conclusion, from the analysis of Guillermo's Furniture Store Scenario, the principle of finances describe typical behaviors that when correctly applied, would ensure great economic value and efficiency to reestablish its position in the Sonora furniture market that has been threatened when a new competitor entered into the market and used high-tech approach to threaten business.

References

Emery, D., Finnerty, J. & Stowe, J. (2007a) Corporate Financial Management, <https://assignbuster.com/guillermo-furniture-store-concepts/>

3rd edn, New Jersey: Prentice Hall, pp24-28

Emery, D., Finnerty, J. & Stowe, J. (2007b) Corporate Financial Management, 3rd edn, New Jersey: Prentice Hall, pp51-56

Rasoava, R. & Russell, A, (2003). A framework for concentric diversification through sustainable competitive advantage. *Management Decision*, 41 (4): 362.

Sabah, A. & Alrubaiee, L.(2012) Effect of Core Competence on Competitive Advantage and Organizational Performance. *International Journal of Business and Management*, 7(1) 192-198