Ben and jerry's homemade

Finance

1. Was Ben & Jerry’s maximizing shareholder value? Discuss and provide examples supporting your position. Ben and Jerry’s was not maximizing shareholder value. Shareholders’ value appreciates in real terms only when net profit increases of the shares in the stock market, when it is a listed company. Otherwise also, the company was introducing new product range but due to its social welfare mission, it was not charging enough from the buyers to generate profits. Relatively other companies were earning high, as they were selling at relatively high prices. For example, Ben and Jerry’s earning was 19. 8% in comparison to Eskimo Pie’s (30. 7) and Dreyer’s Grand (47. 2). It is interesting to inquire how the earning of Yocream International was lesser (9. 4) than that of Ben and Jerry’s (19. 8) although both sold on the same price line (1. 8). The above analysis reveals that other companies were earning higher than Ben and Jerry’s and their shareholders were profiting better than the shareholders of Ben & Jerry’s.

2. Do you think that, in general, it is possible for a for-profit company to be committed to “ improve the quality of life of a broad community” and still maximize shareholder value? Why or why not?

In general, it is not possible for a for-profit company to be committed to improve the quality of life of a broad community and still maximize shareholder value because approach towards the community and overall society is different. The traditional business approach has been money-minded. Companies strive to reduce costs and increase profits. This is a simplistic view of business and profit-making. Not only simple but it is conservative as well. In old times, it used to depend on company proprietors whether to spend their hard-earned money on personal pursuits or on the community welfare. Improving the quality of life was not counted to be relied on the shoulders of private sector. It used to be the responsibility of the government.

3. If you were Henry Morgan, what would you recommend to the Board of Directors about the takeover offers and why? Discuss any conflicts you might have in making this recommendation.

If I were Henry Morgan, I would recommend the Board to decide in favor of the takeover offers being made. Shareholders' profit-earning interests cannot be ignored at the cost of playing a greater role of attending to the needs of social, economic, and environmental concerns. No doubt, providing a canopy to the social values through such efforts as providing demand for harvestable tropical rainforest products sounds nice and caters to deep human welfare emotions, but the primary job of a listed company is to earn profit for the shareholders. Community welfare needs to be a secondary thought.

4. If you are thinking about starting a new business, would social consciousness be a consideration for you? Was there anything you learned in analyzing this case that might impact how you proceed in establishing your business?

When starting a new business, social consciousness cannot be the primary consideration, but it needs to be a consideration when you reach a stage of maturity and regularity and your business is well established. The case study analysis reveals that both the partners at the time or even after establishing their business were quite keen that the cost of an ice-cream scoop should not be heavy on the customers' pockets. They were willing and they did reduce their earning potential in their desire to serve the people well by not increasing the selling price when profits started reducing due to higher costs of material. Therefore, in my opinion, social consideration cannot and should not become the primary motive of a for-profit company.