

# Discussion question

Business



Discussion Question Affiliation: Business operations are guided by the specific goals and objectives that a company seeks to achieve. Achieving these goals and objectives is a process that requires enough time and resources, as well as management of all activities that the company engages in. The pursued goals and objectives treat every critical aspect and levels of the company. The operations and performance of the company for example, must account for shareholder value in line with working towards successful business prospects (Brigham & Ehrhardt, 2010).

For a company with several subsidiaries shifting capital among the affiliates can be employed as an easier way to maximize shareholder value. This is in the light of capital constraints, where each of the affiliates to the company provides a suitable ground for shareholder value maximization. Shifting capital in this case would be informed by the performance of each affiliate prior to capital shifting and the extent of value maximization required.

Capital should be shifted from relatively low performing affiliates to relatively high performing ones, allowing for diversification of shareholder value maximization.

Managing working capital is critical to the daily operations undertaken by the company (Brigham & Ehrhardt, 2010). This is more so in line with the relationship between working capital and inventory portfolio. Increase in inventory costs restrains the production capacity of the firm. As a result, working capital becomes directly involved due to the fact that inventories are dealt with every single day. Production needs to flow, and the production capacity should improve as opposed to deteriorating. In this regard, the financial manager of the company should devote more time in managing working capital in such a way that mainstreams the inventory aspect.

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Reference

Brigham, E. & Ehrhardt, M. (2010). Financial Management Theory and Practice. New York: Cengage Learning.