

Performance management



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Milestone 2: Business Recommendations Based on Economic

Projections ECO/561 Economics Joey Barnhill October 14, 2010 Larson

Incorporated is an international organization operating in Germany, and America for more than 15 years. Larson makes batteries for electronic equipment, including everything from toys to cars to laptops. The following is a discussion of three alternative economic futures for Larson Incorporated that may occur in the economy over the next five years. The objective is to provide solutions for increasing revenue and for decreasing costs. According to Investopedia (2010), ??? futures try to predict what the value of an index or commodity will be at some date in the future???.

(Strategies,? para. 1). Three alternative economic futures offered for consideration to Larson Incorporated include the number of competitors in the market, technological advances, and new products.

In terms of competitors in the market, Larson must strive to maintain a competitive advantage over other battery producers in the industry.

Presently, the economy is in a downturn; however, in the next five years the economy should stabilize. As consumers have more available cash and cash flows into the battery industry, profits for Larson will continue to decrease because of added competition. To avoid this erosion of profits, Larson must have an advantage over competitors or some form of barrier to entry to prevent competitors from decreasing market share, leading to continued loss of profits. Growth of Larson Incorporated will be aided by investments in science, and other technological advancements. In the next five years new technologies are expected to move beyond just the Internet; new technology

will help create new products. Technology is expected to accelerate innovative ideas as well as make workers more productive.

As Larson Incorporated strive to maintain its present market share with new technology and by erecting barriers to entry for other companies, Larson will continue to gain market share by offering new products. Considering the economic move toward energy saving batteries and batteries with longer life spans, the production of manganese-based lithium-ion batteries will be at the top of the research and development list. Investments made by Larson in new technology should make the development of new products cost-effective and profitable. The recommendations made were based on research regarding inflation, recession, gross national product (GDP), unemployment, and anticipated product improvement. The group of consultants anticipates the American market condition will continue to decline for a few years then begin to stabilize. Larson Incorporated will continue to use the pricing strategy of cost-plus pricing. The reason for this decision is to avoid price wars with other firms. If Larson Incorporated reduces the prices, rivals not only will match their price cuts but may retaliate by making even deeper cuts (McConnell, Brue, & Flynn, 2009).

The company wants to avoid this situation and continue to maximize economic profits by setting the price greater than average total cost. Because of this American market economic prediction, Larson Incorporated will no longer solely push toward solar energy batteries, but will begin producing the manganese-based lithium-ion battery. As stated in our previous proposal, this battery is paper-thin, dense, and strong enough to power high-end power tools. The company will market this product to the cell

phone industry. Although the some areas of the market are unstable, the cell phone industry is growing at an increasing rate. Larson Incorporated will market the manganese-based lithium-ion battery to this industry as this product is long-lasting energy source.

Further, for many cellular phone customers, there will be no worries about battery life dying because of the variety of downloaded applications on the android or 4G cellular phones. With this battery, cell phone customers will experience increased cycle life and voltage. Larson Incorporated will continue with the development of solar powered batteries in the Asian market as previously proposed.

The reasoning behind this strategy is primarily due to the prediction of continuous growth in this market and the increasing demand. Business cycles are alternating rises and declines in the level of economic activity, sometimes over several years. Individual cycles (one ??? up??? followed by one ??? down???) vary substantially in duration and intensity (McConnell, Brue, & Flynn pg. 521). The four stages of the business cycle include are; peak, recession, trough, and expansion. The appropriate course of action for Larson Incorporated, based on the projected economics stage in the business cycle leads the team to believe that the current economic state is at the end of a recession and on the brinks of an economic expansion.

A recession is usually followed by a recovery and expansion, a period in which real GDP, income, and employment rise (McConnell, Brue, & Flynn pg. 521). In other words, the economy will stabilize, unemployment will decrease, and spending will increase. Once the economy reaches a

stabilization point the inflation in battery sales will increase. The team recommendations are to immediately begin advertisement and marketing the manganese-based lithium-ion battery to cell phone providers. Again, the recommendations are based on a long-term viewpoint that once the economy subsides from recession to an expansion the market will stabilize and the value of goods and services will increase.

In the growth of an organization, it is important to know and understand the macroeconomic condition. This condition allows the organization to stay true to their vision statement in each area of operation such as: performance, structure, behavior, and decision-making. In respect to this concept, Larson Incorporated is no different in its quest to continue to be the leader in providing consumers with the most high-powered, reliable, and durable technological products in the industry. Larson Incorporated administrators have researched the projected macroeconomic condition and found in viewing globalization that the United States has gained many shares within the market. Sporting goods, electronics, and toys were a few items the organization was glad to see on the top of the global list as items that will continue to be in high demand. Within these markets, the proposed manganese-based lithium-ion battery will play a significant role with the operation it will provide to the consumer. These three markets are major in present-day society as consumer's livelihood revolves around some type of electronic or reliable power source. Within this macro vantage, Larson Incorporated understands that many products are beginning to be sold at lower prices so that manufacturers can obtain some type of return on investment.

With this understanding, newly designed batteries will be in high demand due to consumers having the opportunity to purchase more electronics since they are now much more affordable than they would have been previously. Larson Incorporated must embrace the likelihood of the economic futures and explore different options to expand its business not only on a micro level but also see things from the macro level. Exploring these options should ultimately increase revenues and maximize profits.

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