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Page 1 of 2Return on assets (ROA) is defined as . ROA is one of the most common performance measures. It mixes the income statement's results with the balance sheet's results, answering the question, "How good are we at producing wealth with our assets?" As a measure, ROA has two drawbacks: It pays little attention to sales growth. It biases behavior towards the accumulation of equity. When ROA is used alone, management pushes for increased profits while minimizing assets. Because interest payments reduce profits, management avoids debt where possible. Management is torn about increasing the size of the asset base. On the one hand, with assets in the denominator, any increase in assets makes it difficult to improve ROA. On the other, overall profits depend in part on sales volume. If we increase sales volume while holding ROS constant, the absolute profits must increase. Management becomes cautious. When buying an asset, they must be confident that enough profit will flow from the investment to maintain or improve ROA. When funding the investment, they avoid debt, thereby limiting the size of the investment and increasing pressure to do stock issues. In the end, assets grow slowly. Debt falls. Profits are retained. Stock is issued, but because there are no dividends, stock price stays flat. Assets Minimally Increased To Emphasise ROA ASSETS LIABILITIES & OWNER'S EQUITY Cash \$4,000 Accounts Payable \$8,400 7.0% Accounts Receivable \$12,000 Current Debt \$2,400 2.0% Inventory \$16,000 Long Term Debt \$15,600 13.0% Total Current Assets \$32,000 Total Liabilities \$26,400 22.0% Plant and equipment \$134,000 Common Stock \$39,600 33.0% Accum. Depreciation (\$46,000) Retained Earnings \$54,000 45.0% Total Fixed Assets \$88,000 Total Equity \$93,600 78.0% Total Assets \$120,000 Total Liab. & O. E. \$120,000 100.0% Reddit and its partners use cookies and similar technologies to provide you with a better experience. By accepting all cookies, you agree to our use of cookies to deliver and maintain our services and site, improve the quality of Reddit, personalize Reddit content and advertising, and measure the effectiveness of advertising. By rejecting non-essential cookies, Reddit may still use certain cookies to ensure the proper functionality of our platform. For more information, please see our Cookie Notice and our Privacy Policy. Page 2 of 2 Regarding the trade-offs with other performance measures, we are reducing assets slightly (at a minimum, sharply limiting asset growth). Profits are zero. Dividends are zero. Stock and bond issues are avoided. As depreciation accumulates, we pay down debt.The implications for other performance measures include: 1) ROE: Falls to zero. 2) ROS: Falls to zero. 3) ROA: Falls to zero.4) Stock price: Falls. 5) Market cap: Falls. 6) Cumulative profit: Falls. 7) Market share: Increases. It is easy to see that when used alone, emphasizing asset turnover is destructive. A board of directors would never impose it alone, but when teamed with a profit oriented measure, it is an important indicator of company health. For example, asset turnover multiplied by return on sales determines return on assets. This is the same equation using the defining ratios: Reddit and its partners use cookies and similar technologies to provide you with a better experience. By accepting all cookies, you agree to our use of cookies to deliver and maintain our services and site, improve the quality of Reddit, personalize Reddit content and advertising, and measure the effectiveness of advertising. By rejecting non-essential cookies, Reddit may still use certain cookies to ensure the proper functionality of our platform. For more information, please see our Cookie Notice and our Privacy Policy. Identify problems by constantly measuring the dollars your assets create.GettyYour fixed assets create income for your small business. Fixed assets are any property you own that is expected to last more than a year. Common fixed assets are machinery and equipment, vehicles and computers. Your fixed assets should be evaluated in terms of their ability to produce income. Divide your sales by the value of your fixed assets to get your asset-turnover ratio. If you find that ratio declining over time, take action to remedy the situation.You can improve your asset-turnover ratio by increasing sales. Your fixed assets may be producing enough products, but you may not be selling them quickly enough. Examine your operation to see if you are warehousing products for long periods of time. Find ways to move those products more quickly, including discounting bulk purchases, holding sales on old products and initiating promotional campaigns.Article continues below this adFind ways to use your assets more efficiently. For example, measure machine output and determine if you can increase it without increasing labor costs. Retraining a machine operator or setting quotas can help you do this. If you have delivery vehicles, check if they leave your plant full or make several trips through the area. Examine the ways all of your fixed assets are being used and improve the output you get from those assets.You may have assets you don't use. Sell these because they do not produce income for you. You also may have assets that you use occasionally. Examine whether this occasional use justifies the expense of holding the asset. Sell any fixed assets that do not improve your bottom line on a regular basis. Lease equipment to make up for the sold assets. Leased equipment does not count as a fixed asset.Article continues below this adIf you count sales when you actually sell the money from customers, you may not be collecting it quickly enough. This will keep your sales figure low during any given period. Find ways to collect more quickly. You can shorten the amount of time you give customers to pay, assign an employee to collect on old invoices or hire a collection agency to collect on delinquent accounts.You should analyze how products move through your company to the customer to see if you are being efficient. You may have a slow delivery system that holds up the process of getting goods to customers and collecting payments on them. Computerize your orders, inventory and billing so that you can improve cash flow. This will show up in your sales figures and improve your asset-turnover ratio.Article continues below this ad Hello everyone, my name is Eric Smith. I'm the director of Client Services here at Capsim. The purpose of today's video is to give you an overview of the various scoring methods available for all of Capsim's newest simulations and to share some philosophies on how you can use these methods for grading the simulation in your courses. The first method we're going to talk about is the Balanced Scorecard. This is the most comprehensive scoring method available in the simulation. Simply put, it's a management system that gives feedback on both internal processes and external outcomes with the goal of guiding strategic performance towards continuous improvement. The Balanced Scorecard is available in Capstone 2.0 and our Capsim Global simulations. So, why would you use the Balanced Scorecard? Well, I mentioned it provides the most comprehensive method of scoring available, but I also think it provides an added element of transparency to students. Each student within a group typically is performing a role for the company, whether it's marketing, production, or finance. Using the scorecard, you can help show how what the student is doing is impacting the company's overall performance. I also saw a survey recently where companies that have been using the scorecard for decades—over 70 percent of those companies have modified the Balanced Scorecard that they use in the past 12 months. This is a tool the companies are using now and will continue to use in the future. Part of the reason is it's so adaptable. I do recommend that you use the Balanced Scorecard for the full eight-round experience of the simulation. The scorecard was designed with eight rounds in mind. It's okay to do as many practice rounds as you want, but once you've reset the simulation, keep in mind that the scorecard is designed for that full eight-year experience. As far as how the Balanced Scorecard works, there are four quadrants: Financial, Internal Business Processes, Customer and Learning and Growth. Within each quadrant, there are objectives that the student is trying to meet. The goals change from year to year. For example, stock price or profits would have different goals from round one to the eighth and final round. Now, let's talk about the Star Scoring. The Star Scoring is a much simpler scoring method available in Capsim Core and Capsim Ops. Simply put, the goal is to do better than you did last year. Why use Star Scoring? It's perfect for students who are new to business and not ready for some of the more advanced topics that we talked about in the Balanced Scorecard. Some of those ratios they haven't learned about yet. Well, that's not a problem we put the focus on things like sales, profits, stock price—concepts that everybody's familiar with. As far as how Star Scoring works, there are five stars available for each round in Capsim Core: sales, profits, stock price, contribution margin, and emergency loan. In Capsim Ops, the metrics differ but the goal remains the same: we want to do better than we did last year. Next, the Success Measures. These are a more flexible scoring method available in all of our newest simulations: Capsim Core, Capsim Ops, Capstone 2.0, and Capsim Global. These measures consist of eight KPIs (Key Performance Indicators), including profits, return on sales, return on equity, return on assets, market share, stock price, asset turnover, and market cap. Why use Success Measures? It's a simpler evaluation method than the scorecard. It's a very easy way to determine a winner at any time when using the success measures. It's also very flexible; instructors or students can select their own metrics and determine the importance of each. So, how does Success Measures work? I typically ask teams to choose at least four metrics if I'm allowing them to choose their own. This helps to avoid gaming the simulation, keeping the focus on learning. Grading Philosophy: I usually recommend allocating about 10 to 15 percent of the course grade to the simulation. The final presentation or assessment is usually weighted a little more heavily, typically 20 to 30 percent of the grade, where we can observe what the students have learned throughout the course. I recommend curving the results for the poor performers, as results are usually curved in all scoring methods. If you have any questions, I encourage you to reach out to Capsim Support. We're happy to help! Thank you all for your time. Capsim profits determine your score! A drop in your net profit means negative results on the scoreboard, while an increase in this value translates into a higher score. But what happens when you can't grow your earnings to increase your profits? Your company can get help from capsim experts with reputable services. Nevertheless, if you can't afford to pay for professional guidance, our capstone simulation team ensures you are well taken care of by this exhaustive guide. Let's explore it. Profits Role in Capsim Scoring System What role do profits play in your capsim ranking? The profit category examines the pace at which your company is creating wealth. The navigators evaluate the percentage to get the actual value of profit. And since the industry is constantly growing, the profit required to gain 100 points increases annually. Year 1: \$6 million Year 2: \$8 million Year 3: \$10 million Year 4: \$12 million Year 5: \$16 million Year 6: \$21 million Year 7: \$27 million Year 8: \$35 million With the above values, you can calculate the points for each year. Assuming, in our case, you earned a net profit of \$3 million in Year 1, the points earned are calculated this way: Points = Net Profit/Profit Required * 100 = \$3M/\$6M*100 = 50 points Note that negative profits earn zero points. What's an Operating Profit Margin? The operating profit margin computes the remaining revenue (after paying for your production and operation costs). These expenditures include material costs, employees' wages, promotion and sales budget. Typically presented as a ratio, the operating profit margin is calculated using the following formula: Operating Margin = Operating Income/Net Sales A high operating profit margin is essential for your capsim game as it indicates your company is performing well financially. It also shows your firm to pay for fixed costs and interest on debt borrowed, improving your financial position. Suppose you have two companies; company A, which owns all its equipment, and Company B, which leases all its equipment. Company A has higher profitability as it's not paying for lease or rental costs continuously. On the other hand, company B will struggle to reach optimum profit margin as it's constantly faced with operational expenses monthly or yearly, depending on the leaser they partner with. So, how does the business professor determine the performance of a company? Your instructor checks the profit margin changes in the long run. A steady increase in your profit margin shows that your company is earning more per dollar sales. Capsim best Strategies to Increase Your Profit Margin Tip 1. Downsize Let's face it, it's not fun to downsize, even for real companies. However, downsizing comes with numerous benefits, as you can cut costs and boost your profitability as a company. Depending on your industry demand and the competition in the simulation game, you can implement effective strategies such as Total Quality Management to reduce the working hours or negotiate labor terms to cut production costs while improving the quality of your new products. Tip 2. Increase Sales Increasing sales is every company's goal as it grows its profit. You can boost your sales through different approaches, including Price Factor: Pricing may demand the implementation of strategies like the Broad Cost Leader. This strategy keeps your production cost down, helping your company produce products at lower prices than your competitors. Hence, it attracts more customers, resulting in more sales. Marketing: For strategies like the Niche Differentiator, you produce premium products with high prices targeting the customers that prefer high-end products. You can apply a competitive promotion and sales budget that will market your products effectively to help you sell more. Tip 3. Own Equipment Instead of Renting If possible, acquire your equipment to eliminate fixed monthly costs for leasing computers or machines. This will increase your operating profit margin, unlike when leasing or renting. Tip 4. Eliminate Unnecessary Expenses When participating in capsim, you must examine the elements contributing to your outgoing monthly expenses. If you notice any unnecessary cost, eliminate it to boost your subsequent profit margins. Other Elements That Contribute To Your Capsim Score It's important to note that profit is not the only factor contributing to your score. Your instructor examines other elements to determine the performance of your company. Here are other target areas you should focus on if you want to get maximum results: Margin Margin points are obtained in three areas: Contribution Margin Percentage Net Margin Percentage Return on Sales 1. Contribution Margin Percentage The contribution margin percentage goes up to 33 1/3 points. Every product with a margin percentage above 30% receives points. Hence, if all your products possess a contribution margin percentage greater than 30%, you will receive 33 1/3 points. 2. Net Margin Percentage The net margin percentage also has 33 1/3 points. Unlike in the contribution margin percentage, here, products aim for 20% to gain points. So, you receive points for every product with above 20% net profit margin. And if all the products have above this percentage, you get 33 1/3 points. 3. Return on Sales Commonly known as ROS, Return on Sales is the percentage measure that measures how well your company can transform sales into profits. ROS = Net Profit/Total Sales. Return on Sales assesses the whole company's after-tax margins. When your ROS is 10% or above, you earn 33 1/2 more points. If you have a negative ROS, you receive zero points. And suppose you get a ROS between 1% and 10%; you get scaled points. For example, if you get 5% ROS, you will receive 16.65 more points. Emergency Loans Running a business can sometimes demand you get extra money to keep your departments operational. However, in capsim, you should keep your need for an emergency loan as low as possible. If you want to increase automation or production capacity it's wise to utilize long term debt instead of taking an emergency loan. Here is how emergency loans are used to rank capsim simulation You gain 100 points when you don't have an emergency loan You receive 50 points when you get an emergency loan of \$5 Million You obtain 20 more points with an emergency loan of \$10 Million Working Capital The working capital measures your company's reserves. You should balance the margins to ensure you don't have too much or too little working capital. Here are the criteria used to allocate your points With a current ratio of above 2.0, you receive 50 points If your working capital can last between 30 to 90 days, you earn 50 points. If you have an emergency loan, you lose your working capital Market Share The capsim ranking process differs depending on the number of teams For a game with 6 teams, you score 20 points for each team you defeat If you are competing against 5 teams, you score 25 points for each team you beat Suppose you have 4 teams in the game; you receive 33 points for every team you defeat If your game has 3 teams, you score 50 points every time you beat another team For a game with 2 teams, you score 100 points when you defeat the other team The bigger the market share, the better for your business. Here are three main reasons why our capsim professionals recommend a high market share A high market share helps you make a sale your competitor has not made, weakening competition in the long run. A high market share helps your business break even, allowing you to utilize your total capacity. This implies high sales volume. You begin your company doing business in all segments. Any strategy you implement should generate average sales at a minimum. An effective strategy should generate a higher share in the target segments to cover those that you exit. Customer Satisfaction The customer satisfaction category examines your business performance from the customers' point of view. Here are the four criteria that rank your products Your products should sell 50,000 units in the year Your products cannot stock out. Nevertheless, the stock-out requirement is waived if your business runs at maximum utilization. The December customer survey score should be 30 or more points Your inventory should be available on 31st December of the previous year. How is the December Customer Survey Score calculated? This score is developed through the 4 P's of marketing, including: Product Promotion Price Place Forecasting This category examines your capacity to predict demand, and create the necessary inventory to meet it while not accumulating excessive stock reserve. Every product contributes to your forecasting points. For a product to receive points, it should not be out of stock by December 31st or have an inventory above 120 units. To eliminate the stress on new products, start the year with a plant and begin making sales on January 1st. In addition, if your production plant is running at maximum utilization, stock-out is overlooked. And although the teams should address this issue, there are some exceptions, for example, the industry-wide capacity shortage. Product and Price This category examines the product based on the customers' buying criteria. Your company gets a perfect 100 score points for the following: The product price is below the expected range. When the product is at the ideal spot. This occurs once annually since segments move monthly. Your product should have an ideal age for the specific segment. MTBF that's above the expected range Financial Structure This category assesses your company's financial structure in terms of debt and equity relationships. Your instructor calculates leverage to assess your financial performance, usually, a ratio of assets to equity. Wealth Creation This category examines your ability to accumulate wealth as the management. It uses the following measures Cumulative profits - the sum of all your company's profits. Market capitalization - the current value of the stock price times claims Cumulative free cash flow - the sum of all the free cash flows calculated from the day you begin managing the company. Promotion The promo budget creates awareness before the customers discover your product. In capsim simulation the customers that know your product will always consider it. Those that do not know it, half discover it while half don't. Your perfect product begins with score of 100 with 60% customers aware and 40% unaware. So, when the score falls, you will have half of the unaware lot 20% plus 60% giving you a total score of 80. Productivity Productivity examines the capacity of your workforce from the beginning of the simulation course. It applies three criteria Sales/employees: You receive 50 points for high sales volume per employee Turnover rate: If you get a higher than predicted turnover rate when the hr module is switched on, you lose points. Profit/employee: Whenever you record high profits per employee, you receive 50 points. Depending on the historical results of the previous semester, you earn the points above the threshold. For example, if the previous sales are \$80,000 and you earn \$80,000 you will earn zero points. But if you earn \$160,000 you will obtain 50 points. Learn How To Increase Profits in Capsim! Not sure how to grow your profits? Developing a strategy to boost your profits can be an uphill battle. Fortunately, you don't have to throw in the towel after completing several rounds of capsim course; our experts are here to help you win. Whether your company is experiencing negative profits or below-average sales, our team is here to help you boost your profit margins to improve your score! In order to win in your Capsim you can also check our Guide on How to increase Leverage In Capsim. Page 1 of 2Asset Turnover is defined as . Asset turnover is another efficiency measure. It addresses the question, "How hard are we working our assets to produce sales?" Since it mixes an income statement item, sales, with the balance sheet's assets, it should be a better predictor of general health than any of the measures we have looked at so far. Unfortunately, it suffers from one important drawback—it pays no attention to profit. If asset turnover stands alone, management pushes for sales growth faster than asset growth. 1) Sales must grow, but there is no incentive to make a profit. Much like market share, SG&A expenses, which increase demand, surge while prices fall. Management will stay in every segment with its starting product line. However, management wants to minimize assets. It avoids plant improvements, downsizes excess capacity, and minimizes current assets. Management might add new products, but it will invest as little as possible in new plant and equipment. Assets Reduced To Emphasise Asset Turnover ASSETS LIABILITIES & OWNER'S EQUITY Cash \$4,000 Accounts Payable \$6,790 7.0% Accounts Receivable \$12,000 Current Debt \$6,790 7.0% Inventory \$11,000 Long Term Debt \$33,271 34.3% Total Current Assets \$27,000 Total Liabilities \$46,851 48.3% Plant and equipment \$114,000 Common Stock \$21,049 21.7% Accum. Depreciation (\$44,000) Retained Earnings \$29,100 30.0% Total Fixed Assets \$70,000 Total Equity \$50,149 51.7% Total Assets \$97,000 Total Liab. & O. E. \$97,000 100.0% Reddit and its partners use cookies and similar technologies to provide you with a better experience. By accepting all cookies, you agree to our use of cookies to deliver and maintain our services and site, improve the quality of Reddit, personalize Reddit content and advertising, and measure the effectiveness of advertising. By rejecting non-essential cookies, Reddit may still use certain cookies to ensure the proper functionality of our platform. For more information, please see our Cookie Notice and our Privacy Policy. Chillypoised Uses Affiliate Links Read full disclosure here. Struggling with formulating your own Capsim Strategy? Well, here are a few Capsim tips for each Capsim module. 6 Capsim Modules Capsim Research and Development Module Capsim Marketing Module Capsim Production Module Capsim Finance Module Capsim Human Resource Management Module aka HR Module Capsim Total Quality Management Module aka TQM Module Use these Capsim tips as a guide to help you formulate your own strategy. Good luck! Capsim Tips For Capsim Research and Development Module Research and development decisions directly impact your marketing and production plans. Marketing and Research and Development decisions address product repositioning on the perceptual map, the number of products in each segment, age of products, and MTBF. Production and Development decisions impact the cost of materials, purchase of new and automation levels. Note, the higher the automation level, the longer it takes to complete Research and Development projects. Your first product needs to be completed before another one can be started. So if a product is not completed in the first year, it goes into the second year and the other product cells will be locked. Project Management: 6-Month project cost \$500,000, 1-Year project cost \$1,000,000. Unsold units built prior to the revision date are reworked free of charge to match the new specs. Project completion time increases if the company puts two or more products in Research and Development at the same time. Capsim Research and Development Recommendations Develop a strategy before you start developing any products. Are you going to maintain a presence in every single product segment or focus on low-end products only or focus on high-end only or dominate high-end but still maintain a presence in the other segments and so on. Once you determine what's your overall strategy, then you may start developing and reposition products based on that strategy. Capsim Tips For Capsim Marketing Module Increase Customer Survey Score: Increase accounts receivables to 90 days to improve your customer survey score. Note, TQM also helps increase the customer survey scores, but it isn't available until later on in the game. Beware, a product with the highest customer survey score will outsell the competitor's product. Increase Awareness: In Capsim awareness is increased by spending the promotional budget which finances advertising and public relations campaigns expenses. Increase Accessibility: Accessibility is built over time by utilizing the product's sales budget. Capsim sales budget finances salespeople and the distribution systems serving customers. Pricing Products in Capsim: Don't price products \$5 above or below the price range. Also remember, the price range decreases by \$0.50 on the low and upper range every year. Achieving 100% accessibility is difficult. In order to achieve 100% accessibility for any product segment, you must have two or more products in that product segment. Once 100% accessibility is reached, you can use a combined sales budget of \$3,500,000 to maintain 100% accessibility. Note, accessibility is concerned with the product segment and not the product, so once a product leaves a product segment then it no longer benefits. Also, unless the product segment still has two products, that segment will no longer benefit from the combined budget. Sales budgets are less effective when products are not positioned within the solid circle and when the product's price and MTBF are not following the product segment guideline. New products invented create a buzz, so 25% awareness is given for free. Therefore, inventing products is highly recommended. Capsim Marketing Recommendations Use a promotional budget of \$3,000,000 annually in the earlier rounds until product awareness is 100%. Then scale back to \$1,400,000 annually to maintain 100%. Depending on your strategy, allow products to drift/age into other product segments to achieve 100% accessibility. Follow product pricing and MTBF guidelines for each product segment. Use no more than \$4,500,000 sales budget for two products in a product segment and use no more than \$3,000,000 sales budget for one product in a product segment. Capsim Tips For Capsim Production Module The production module is where the action happens - products are scheduled for manufacturing. The production units for each product line need to be adjusted to your forecasted sales units. Capsim Production Recommendations Allocating Capacity in Capsim: Always ensure there is enough capacity for each product for the next round before ending your current round. Capacity must be purchased for every product invented. Invest heavily in capacity and automation in the earlier rounds. Avoid selling capacity and automation because there's a loss involved. Capsim Tips For Capsim Finance Module Short-term assets like accounts receivables and inventory are funded with current debt offered by banks. Investments in capacity and automation are funded by bonds and issuing stock. Capsim Financial Recommendations Issue stock and long-term debt in the first three rounds to invest heavily in capacity and automation. Retire stocks once you have excess cash, low debt leverage, and excess working capital. Capsim Tips For Capsim Human Resource Management Module Human resource management is one of the modules that's added later on during the game. For this module, ensure you negotiate when you are asked to. Most importantly, don't be cheap - ensure you try your best to please your workers to avoid strikes. Side note, if you invest in automation during the earlier rounds you reduce your dependence on manual labor, which allows you to save money on hiring workers, so plan accordingly. Managing recruiting and training is the top priority in this module. The minimum recruiting cost is \$1,000 and the maximum \$5,000. Never spend more than \$5,000 on recruiting because there isn't any additional benefit. In fact, there are diminishing returns when \$5000 is spent on recruiting. In terms of training, 80 hours is highly recommended. Spending top dollar on recruiting and training produces a higher productivity index and a lower turnover rate. This, in turn, reduces the need for more workers, thereby lowering labor costs per unit. Capsim Human Resource Management Recommendations Hire employees at \$5,000 and with 80 hours of training. However, this can be adjusted depending on your level of automation and sales units forecast for the upcoming year. Capsim Tips For Capsim Total Quality Management Module TQM module helps reduce the cost of your business operations, shortens the length of time required to complete R&D projects, and increases demand for the products. Capsim Total Quality Management Recommendations Invest \$1,500 per category in the first and second round, then \$1,000 in the third round of TQM. Page 2 of 2 If we double the asset base, the net effect might look like this: Assets Doubled To Emphasise Market Share ASSETS LIABILITIES & OWNER'S EQUITY Cash \$8,000 Accounts Payable \$14,000 7.0% Accounts Receivable \$27,000 Current Debt \$24,000 12.0% Inventory \$40,000 Long Term Debt \$88,000 44.0% Total Current Assets \$75,000 Total Liabilities \$126,000 63.0% Plant and equipment \$169,000 Common Stock \$45,000 22.5% Accum. Depreciation (\$44,000) Retained Earnings \$29,000 14.5% Total Fixed Assets \$125,000 Total Equity \$74,000 37.0% Total Assets \$200,000 Total Liab. & O. E. \$200,000 100.0% Note the trade-offs with other performance measures. We are increasing assets, using a modest increase in equity and heavy leverage. Profits are zero. Dividends are zero. Stock is diluted. The implications for other performance measures include: ROE: Falls because of low profits. May climb if some share is sacrificed near the end of the simulation. ROA: Same as ROE. Asset turnover: Likely stays neutral or falls slightly. Stock price: Falls. No increased book value. EPS is zero. Dividends zero. Shares diluted. Market cap: Falls. More shares at a lower price. ROS: Falls to zero. Cumulative profit: Falls to zero. Of course, the company hopes to suddenly restore profits near the end of the simulation. If they can, all of the performance measures will turn sharply upwards in the end game. Further, in destroying their own profitability, they have also destroyed their competitors. If they can get "big" while competitors stay small (possible, since competitors would seek a profit) , they can sacrifice a small amount of share in the end game for a sizeable, albeit late, profit. The board of directors will almost always impose other performance measures. Applying market share alone is a recipe for self-destruction. Used in concert with cumulative profit, management will feel schizophrenic, but will see a common theme of fast growth.