Firm Objectives

Economics

What firms actually maximise, beyond the textbook assumption.

Objectives and their effects.

Objectives

- Profit maximisation — the standard model
- Revenue or growth maximisation
- Market share
- Satisficing — good enough profit
- Managerial utility

Why they differ

- Ownership separated from control
- Managers rewarded on size or growth
- Uncertainty makes optimising impossible
- Stakeholder pressures beyond shareholders

> The separation of ownership from control is the root of the divergence: managers' incentives are not the owners' incentives.