

The Information Content of Cost Behavior Components

Discussion By

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At ABFER Conference

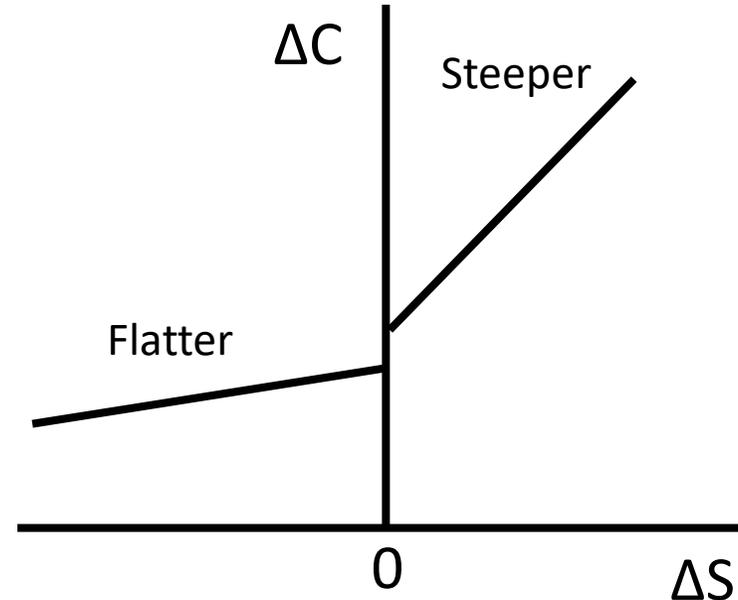
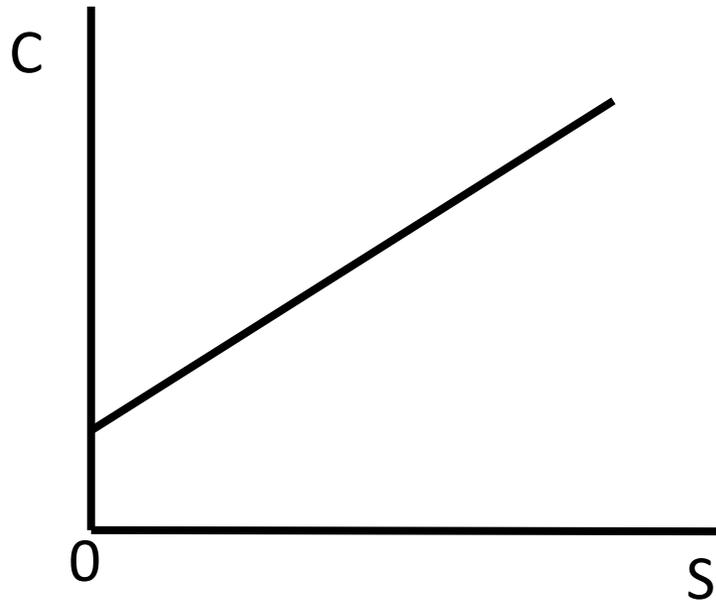
Singapore

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Principal Contribution

- Builds on estimates of firm level asymmetric cost behavior in response to direction of sales changes
- To explain and predict macro-economy level behavior of gross job inflows and outflows

Asymmetric Cost Behavior

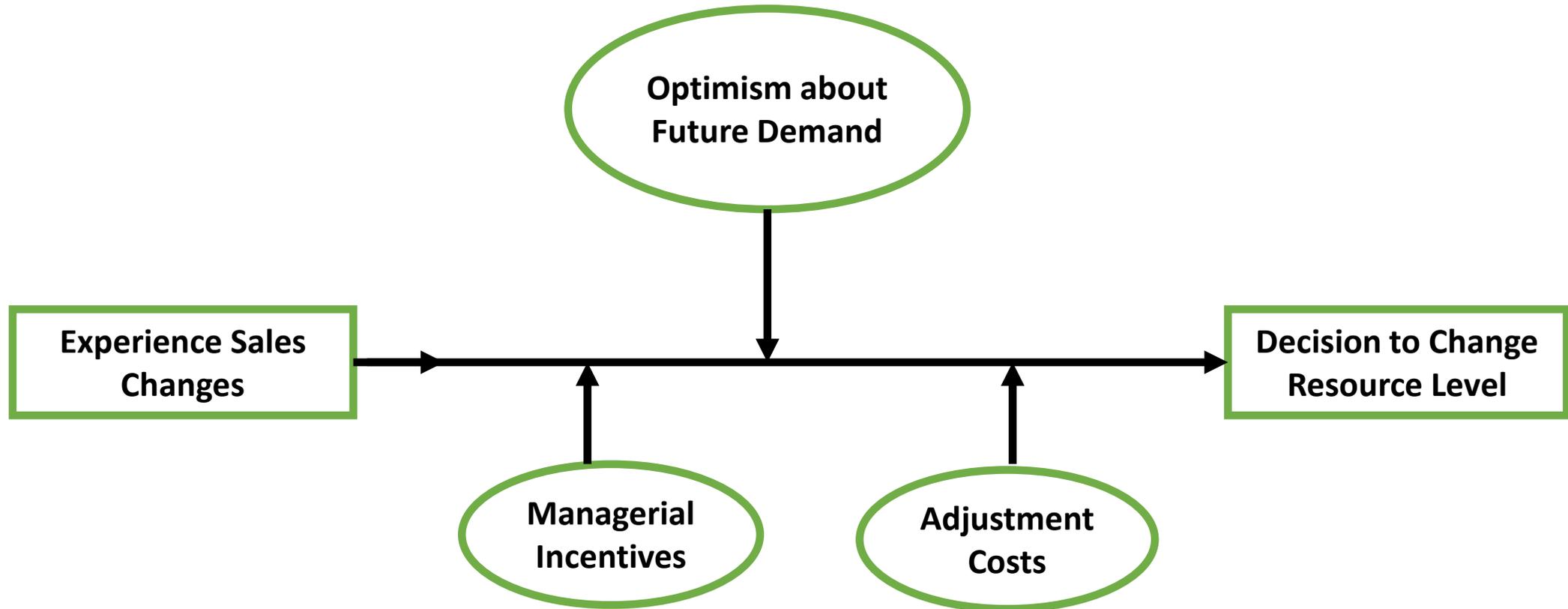


Think of managerial decisions when changing level of resources

Some Factors Causing Asymmetry

- Optimism/Pessimism
 - E.g. repeated sales declines
 - Direct study of German CEOs
- Adjustment costs
 - When reducing resources
 - Comparative study of OECD countries
 - When adding resources
 - Comparative study of different industries
- Managerial incentives
 - Studies of manufacturing firms, healthcare organizations, electricity distribution firms

Inferences from Observed Behavior



Strategy and Cost Asymmetry

- What value proposition requires greatest cost asymmetry?
 - Product Leadership
 - Customer Intimacy
 - Operational Excellence
- Conduct studies of industry-level job inflows and outflows