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THE QUEST FOR SUSTAINABLE FIRM VALUE

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Abstract. The maximisation of shareholder-value is often perceived as the most important corporate goal by the investment community and corporate managers. A firm's value depends, among other, on its long-term ability to create cash-creating growth and pay dividends to its shareholders. However, investment decisions are often based on short-term earnings, with a focus on shareholder value creation, which may have contributed to the recent corporate failures and current global financial crisis. The question could be asked if a focus on the quality and efficient utilisation of the firm's tangible assets could contribute to the creation of sustainable firm-value. In order to test this question, a study on the concept of accounting value, the role of earnings in value creation and the key principles to create sustainable firm value was conducted, focussing on 15 resource firms' asset turnover, and its corresponding earnings over the period from 1998 to 2008. This information was statistically analysed in order to determine whether there are possible relationships between asset turnover and earnings. Based on this analysis no statistical relationships between asset turnover and earnings could be found. In order to create sustainable firm-value, a firm should therefore not only manage its short-term earnings or its tangible asset-base, but manage knowledge-based strategies that effectively utilize the intangible and human assets.

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