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POLICY FORMULATION FOR A CIGARETTE MANUFACTURING COMPANY:
A DYNAMIC SYSTEM SIMULATION

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by

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FOREWORD

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CHAPTER I

INTRODUCTION

Policy formulation for profitable growth is a major concern of most businesses. The size and intricacy of management systems, the multiple conflicting goals within the organization, and the interface between the firm and its market all contribute to make successful policy design difficult. The company's own strategies for controlling resources, marketing, and trading off immediate expense for long-term results can have more impact on its growth than potential market demand. The purpose of this study is to investigate how present strategies in a cigarette manufacturing company are affecting growth, and to suggest policy changes that will yield a rapid profitable growth.

The management of the cigarette company is interested in uncovering strategies to improve growth. Recently, large capital outlays for marketing and capacity expansion have been made in an attempt to enhance sales, profits and market penetration. The results of these expenses, however, have not entirely met the company's expectations. Although the company has captured a substantial share of the industry's sales growth has by no means been profitable. Through the use of a computer simulation model, system behavior is observed, and alternative policies in the areas of promotional expenditures and capacity expansion are investigated.