

Expansion

Business



Introduction When various small businesses become successive, they face the issues of handling growth and expansion. This expansion is always characterized by various opportunities and perils. To the owner's advantage, the expansion of the business is associated with corresponding increase in fortunes and it is perceived as a validation of the entrepreneur's business startup idea and of the subsequent efforts to bring in satisfaction. This paper discusses various issues that face the expansion of the small business.

Business expansion During the business expansion process, the owner is faced with a myriad of issues that needs to be addressed.

For instance, the business growth results to the emergence of changes which in turn leads to various legal, managerial and financial challenges (Expanding Small Business). The growth of the business brings many changes in the objectives and structure of the business and it will mean the following; i. Requirement of additional capital, investors, institutional lenders and the creation of new responsibilities for the shareholders. ii. Hiring of new employees who will be in charge of the management of the business. iii.

Expansion of market shares and looking for various strategies that will enable the business to compete in the larger competition market. Methods of growth There are a number of avenues that can be pursued by small businesses that are in a process of expanding their operations. The common one is to enhance the incremental character which involves the increment of the product inventory and the services offered without making very big changes to other business operational components and facilities. On the other hand, the business will be expanded through other options such as pursuing new markets, licensing of the third parties' intellectual properties,

offering of the franchise ownership to other investors, acquisition of other existing businesses, joining the cooperatives to achieve various savings, establishment of business agreements such as dealership and the public stock offering (Madura, J. 2006).

These expansion options will be taken once the owners have determined the exact strengths and weaknesses of the business in order to develop the best structures and processes that will enhance the main capabilities of the business. In using any method/ option of expansion, there are various issues that the owners face. They include i. Personnel issues As the business is expanded, there is need to employ more personnel to meet the high demands that are associated with new administrative requirements, marketing campaigns, recordkeeping and new production. Also the owners are required to hire their personnel carefully especially when the business is in the expansion period which is very sensitive. The expansion of the small businesses increases the opportunities for employees who were working in the business earlier.

If the business owner recognizes these opportunities and delegates responsibilities properly, the growing business will satisfy the needs of employees who need to enhance personal and professional development. Also, the small business owners should recognize that the growth of their businesses may make other employees to go away because they are not able to adjust and adapt to the changing environment. For instance, some employees may desire a more relaxed working environment which is found in the small businesses and others may not be able to grow alongside the

growth of the business and the owner will be forced to allow them to depart (Awe, S. 2006). ii.

Capital issues For the small businesses to grow and expand, additional capital is needed. This requires proper preparation from the owners since it will result to some frustrating experiences when the owner is not well prepared. Capital inadequacy is often the most critical problem that a small business faces. For instance, if the business does not have a good cash flow management and ways of raising more capital, it is likely to get constrained by the capital during growth. The situation becomes worse when the capital goods are required to enhance the process and the small business is not able finance the acquisition of these required capital goods. Further, the business may not have sufficient security to enable support its debts.

Therefore, the business people should come up with good business plans on a suitable basis and update marketing strategies accordingly to ensure that they are able to raise the required expansion funds under the most advantageous terms possible (Winter, 1996). iii. Facilities and profit margins A growing business needs an increasing amount of additional facilities such as houses and equipments. In respect to this, the business owner should anticipate growth and look for a space that will be able to accommodate the future growth. Very large profit margins enhances the growth of small businesses more especially when the owners wants to attract external investors, banks and other money lenders who are always attracted by god profit margins.

More importantly, these financial lenders will tend to evaluate the business' profit margin trends. Therefore the owners should have big profit margins even if they finance their businesses internally. For example, a small business with a profit margin of less than ten percent cannot be able to financially sustain the required growth (Managing a Small Business). iv.

People Every business that is successive benefits from having good people and the importance of good people in a business is to enhance fast growth.

In the expansion process, the workloads will be continuously increasing and some of them may not be predictable. Also, new challenges may come up that will need very innovative ways of solving them. In this case, the business needs good people who can be able to think above their feet and quickly adapt to the changing business environment. These people should also dedicate their extra time to get through the pressures of managing the business which is undergoing growth transition. Therefore, the business owners should involve the people who are always part and excited by the growing business (Managing a Small Business).

v. Services to customers One of the most important factors that contribute to the success and growth of a small business is the good customer services. On the other hand, it can contribute to the fall of the business if the growth of the business takes on a chaotic flavor. When the expansion takes place, the business workload increases and sometimes it is difficult for the owner to back to clients in a timely fashion and hence the customer service that has facilitated the growth of the business becomes very difficult to be sustained. This shows that businesses have greater difficulty in retaining the existing

customers and they become less effective in the securing new businesses (Butler, D..

2006). vi. Ownership issues and choosing not to grow In some cases the business ownership may function well but becomes problematic at the end due to emergence of divergent views. This problem may affect the growth and expansion process of the small business. This happens especially where the business is owned by more than one person and one or some of the owners are unable to keep the pace with the level that the business needs. These owners are considered to be obsolete as they do not make any useful contribution to the growth of the business.

Also, a problem may arise if the involved business owners have varying visions of the business' future status. This may hinder the growth of the business because some members will not be ready to devote the available business resources to explore new markets (Awe, S. 2006). Finally, some business shareholders may decide not to expand their business even if they have the opportunities to do so. Others may not need to face the problems that are associated with more employees in big business and they need small businesses which allows them time to pursue other interests a part from the business expansion activities (Madura, J.

2006). vii. Taxes issues Many small business owners are faced with the challenge of underestimating the effects of taxes when they are making plans for their expanding business. Therefore, they should know that as their businesses grows and becomes more profitable, their tax bills also increases at a rate that may not be anticipated by them and the business will be forced

to move to high tax bracket. In addition, the owners should bear in mind that their quarterly taxes will increase in order to meet the annual increase of taxes. viii.

Planning issues and lack of information When the growth and expansion of the business is taking place at a very fast rate, the planning for future become more difficult and complicated more especially the future income and expenditure plans. Therefore, the business owners must have careful planning and continuous upgrading of their plans. The business cash flow projections should be constantly upgraded as they are very important in a high rate expanding business. Since the expenses of the growing business may be higher relative to the sales, the owners are required to stay on the top of the variations that in the projected cash flows. This will enhance the reduction of expenses at the right time in order to ensure that the business does not run out of the funds. To achieve this, the owners of the businesses may reduce the growth rate of the business.

On the other hand, the entrepreneurs may have inadequate information on the things that works and the ones that do not work. This is due to failure in determining the exact causes of success or failure of the business.

Therefore, the implementation of regular performance tracking methods is necessary because they will enable the entrepreneurs to react to the available opportunities and challenges in a right way (King, J. 2007).

Conclusion Due to the current global development, the owners of small businesses should investigate all possible ways of expansion in order to enhance their survival. The process of sustaining a small business growth is sometimes tricky but through good cash management, motivation of people
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and finding of the proper and adequate facilities, the issues will be encountered.

The negative effects can be minimized by proper planning and preparing for the challenges.