Baderman island expansion

Finance

Several methods of expanding a company exist. The Baderman Island resort is looking into different options to expand their operations. This paper will explore the subject of the three main options; acquiring another organization in the same industry, going public through an Initial Public Offering (IPO), and merging with another organization. Additionally, it will provide analysis of the strengths, weaknesses, opportunities, and threats (SWOT) of each option.

Finally, it will provide a recommendation regarding which would be the best option for Baderman Island Resort to use to expand its operations. Acquisition Baderman Island Resort may expand its operations by acquiring Atlantis Resorts to increase growth and market share. Baderman Island would have to purchase Atlantis Resorts stock or assets. This expansion strategy has strengths, weaknesses, opportunities, and threats. The strengths of an acquisition include the potential to acquire more revenue to lead to yet more growth.

Other strengths include financial leverage, lower cost of operations, and increased market share. The weaknesses of acquiring Atlantis resorts include the high cost of acquisition, intangible costs, legal expenses, and possible devaluation of the organization. Opportunities created by the acquisition include the additional resources provided by the Atlantis. Expanded productivity also results from a successful acquisition. Threats also exist in an acquisition strategy. Management of the two companies often struggle over who will run the organizations and its departments.

An acquisition also creates higher employee turnover because of employees unhappy with the new organization. This in turn creates hiring costs. IPO

Offering To expand their resort operation, Baderman Island may explore various financial opportunities to achieve their strategic goal. The first option available is to issue an IPO. An IPO is a distribution of public stock to the open market for the first time (Keown, Martin, Petty, & Scott, Jr, 2005). Baderman Island would sell new shares to the public to generate the appropriate capital needed to meet their operational/financialgoals.

An IPO offering couldfinancethe expansion plans for Baderman Island, but they must review both strengths and weaknesses that exist before making a clear decision. By selling shares in the organization, they can use the newly generated funds for research and development for the organization, to pay off an existing debt, or to bring public awareness to the organization, all of which are strengths gained from the IPO offering. By issuing an IPO and obtaining outside investors, it will force the organization to become financially transparent to their investors.

Additional disclosures will need to be provided, and the organization will be forced to follow rules and regulations established by The Security and Exchange Act of 1934 and commit to periodic financial reporting (Keown, 2005). They must make this information available to investors, employees, and competitors. This additional work and required open disclosure of confidential information might be viewed as a weakness or intrusion to organizational privacy. Baderman Island management must look at the opportunities for each of the options for growth.

Pursuing an IPO will provide the influx ofmoneyneeded for expansion, a higher industry profile, and a greater opportunity for stock investors. The pursuit of an IPO has various results that could threaten Baderman Island's organizational and financial goals. By issuing public stock, Baderman Island will have to comply with stringent reporting to the SEC that may reveal important company information to the competitors. Last, the addition of stockholders will restrict certain control of major managerial decisions. Merger A merger is yet another avenue Baderman Island has at its disposal to expand its business.

Mergers create a number of strengths, weaknesses, opportunities, and threats. A SWOT analysis of using a merger to expand operations follows. A strength from performing a merger is the ability to acquire a company's unused debt. " Some firms simply do not exhaust their debt capacity. If a firm with unused debt capacity is acquired, the new management can then increase debt financing, and reap the tax benefits associated with the increased leverage" (Keown, 2005, pp. 23-4). Another strength is enabling Baderman Island to remove an ineffective management strategy or team.

Baderman Island has the option to decide who stays with the merged company, and who is out the door. Often times, a weak management leading team is the problem the organization has not evaluated for its mediocre success. " The merger of two firms can result in an increase in market or monopoly power. Although this can result in increased wealth, it may also be illegal. The Clayton Act, as amended by the Celler-Kefauver Amendment of 1950, makes any merger illegal that results in a monopoly or substantially reduces competition.

The Justice Department and the Federal Trade Commission monitor all mergers to ensure that they do not result in a reduction of competition" (Keown, 2005, pp. 23-4). Weaknesses of a merger for Baderman Island are the many distractions that rise to the surface. Employees may show concern with the future of his or her employment, rather than concentrating on the job-at-hand, thus causing lower production and quality control. Baderman Island is vulnerable to losing customers during the merger. Consumers may question whether or not the previous company will conduct business in the same way in which he or she has become accustomed.

Some opportunities for Baderman Island would be to reach customers where it may not have previously. New markets, cash, revenue, and capital are available to Baderman Island to complete its expansion. Finally, threats in an acquisition mainly take the form of other competition. Multiple resorts exist and are always on the lookout for new competition and what they are doing. Baderman Island must stay vigilant with maintaining a sound management team, to steer clear of a larger resort organization trying to merge with it.

Recommendation The suggested option for Baderman Island Resort to take at this point is to merge with a larger chain of resorts. According to the several blogs available on the resort's site, there is room to upgrade in virtually every aspect of the resort including service, amenities, and reservations. Upgrading these systems seems to be a necessity. Merging with a large resort would not only bring financial stability, but also the management skills present in such large chains would alleviate many of the issues found in the resort.

Conclusion This paper explored the three main options for the Baderman Island Resort to expand; acquiring another organization in the same industry, going public through an Initial Public Offering (IPO), and merging with another organization. Additionally, it provided analysis of the strengths, weaknesses, opportunities, and threats (SWOT) of each option. Finally, it provided a recommendation regarding which would be the best option for Baderman Island Resort to use to expand its operations.