

Research paper on advantages of a small business over large ones

[Business](#), [Company](#)



Compare and contrast fixed-price contracts and cost-reimbursement contracts in terms of the benefits and drawbacks of each for your business.

Fixed price contracts and cost reimbursement contracts are two processes of developing contracts for service work. Fixed price contracts entail an agreement between the contractor and the hiring party over a fixed unchanging price before the commencement of a project (Garrett, 2005). Cost reimbursement contracts on the other hand involve reimbursement of the cost of materials incurred at the end of the project as stated in the contract (Garrett, 2005). Both of these methods have their own merits and demerits in a business set up. Initially, I can prefer fixed price contracts in the operation of my business because of its predictability and transparency nature. Consequently, it is easier to determine the cost up front in this contract unlike in the cost reimbursement contracting where costs cannot be predicted until end of the project (Garrett, 2005). This form of contract therefore facilitates easier planning and budgeting as compared to its alternative. Cost reimbursement contracts on the other hand are preferred to the fixed price contracts in cases where there is great effort to minimize risks in a business. This is because an excessively low price may be set in a fixed contract which could result to risks like poor quality. With this contract therefore, such risks can be eliminated.

Analyze at least three (3) opportunities your small business will have compared to large businesses in general.

A Small business refers to an enterprise that is small in both scope and size (Storey, 2002). In most cases, these businesses have private ownership. A

small business is exposed to dissimilar opportunities when generally compared to large businesses. Initially, when operating a small business, I can easily exploit cost opportunities. Unlike the large corporations which require huge amounts of capital to start, small businesses can be set up using small capital depending on the budget of the investor. Additionally, when operating a small business, I can easily adapt to changes in the market place. There is a lot of bureaucracy required to make changes in a large business which is not the case in small enterprises (Storey, 2002). These enterprises can easily adjust their line of business to suit the existing market condition. Lastly, when operating a small business, I have an upper hand in internet marketing. These businesses only specialize in specific line of business and products which make it easier for them to market their good online. This may be difficult in a large corporation that has dissimilar lines of production.

Discuss which element(s) of cost-reimbursement contracts tend to produce the biggest troubles for your small business. Provide a rationale for your choice(s)

The element of cost uncertainty in the cost-reimbursement contract tends to create the largest problems for a small business (Rumbaugh, 2010). This contract entails the compensation of cost incurred at the end of the project. This may prove to be a challenge in a small business which in most cases operates with limited capital and only makes marginal profits. In such a business, it may be difficult to reimburse costs that have gone overboard since this may result to the collapse of the whole business.

Determine which form of contracting would benefit your business the most

among all the forms of contracting described in Chapter 16. Support your response.

The firm fixed price contracting will be the most suitable type of contracting for my business. This is because my business is small and this type of contract will assist me in retaining control of the amount of capital managing the business. Through this type of contract, it will be easy to budget my expenses depending on the amount at hand and meet the contract's maximum price.

Choose the most significant form of contracting that would support large companies (e. g., Boeing) among all the forms of contracting described in Chapter 16. Support your response.

The cost reimbursement contracting is the most appropriate for a large company. Particularly, the cost plus fixed fee contracting would best support the operation of such large companies. This type of contracting entails a payment of acceptable costs plus a fixed amount of fee (Engelbeck, 2002).

This would be the most appropriate for a large company owing to the dissimilar nature of lines of operations of such companies. Consequently, the company can make prior agreements of the approximate amount to be spent and the fixed price to be paid at the end of the project. Since the price is only approximated and not fixed, there will be much care to meet quality demands irrespective of cost measures. This will further assist the companies in retaining their market holds.

Develop a plan on how your company would justify the government to award your company the contract when the form of this contracting supports larger companies.

In order to justify the government to award my company contracts involving such large companies, it would be best to work on a plan. Initially, I will display the government with the information about my company's experiencing in the field of work. Consequently, I will provide them with the details of other large successful projects and works that have been completed by my company as well as information about the number of years that my company has been in business. Additionally, I will avail to the government details about the organization of my company such as the structure, the operational processes and management procedures. This will assist them in understanding how we will handle their project as well as build their trust in the company. Lastly, I will use the information of the current projects that the company is handling to help them in their choices. Therefore, I will avail to them information about the size of the project, the amount of materials being used, expected date of completion and the location of the projects.

References

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