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Huffman Trucking Organization has three options available for expansion. It may opt to go public through an IPO, acquire another organization in the same industry, or merge with another organization. Before making a decision as to which option to go for, the management should consider factors such as the strengths and weaknesses of each approach, the opportunities that come with each option and the detrimental effects or threats of each option. Equally important are the effects of globalization on the financial decision made. Mitigating exchange risk and the factors that contribute to exchange rate risks should also be taken into consideration.

Going Public through an IPO

This is an invitation to treat or the first offering to the public to purchase a company's stock. It is commonly referred to as going public. However, this is a risky enterprise since it is unproven and uncertain. For a successful IPO, proper prior preparation should be done. This is usually done in the pre-IPO stage. The IPO process is then executed after sufficient preparation and notification of the public. Several areas of the company will require close review in the pre-IPO stage. These include group structure, corporate governance, risk and compliance issues, and most importantly the selection of an IPO market.

Strengths of an IPO

The founders are able to enjoy an immediate increase in their wealth. The firm is also able to access substantial amounts of capital. The shares of the company are likely to experience increased liquidity. This leads to higher chances of mergers and acquisitions that may be additional sources of

funding (Sherman, 2012). The employees also benefits through increased flexibility for employee ownership and participation in the IPO. The organization markets itself and acquires some form of prestige. The founders of the firm, shareholders and employees of the company enjoy the advantages of going public through an initial public offering. This is because money raised through the IPO can finance the growth of the business.

Weaknesses of raising capital through an IPO

However, this method of raising capital can be disadvantageous due to its risky nature. It is also quite expensive to organize and go through an IPO. This may limit small and upcoming companies from utilizing the method as a tool to go further or higher on the business ladder.

Opportunities and threats of raising capital through an IPO

Public companies are more valuable compared to private companies. This is because of the increased liquidity and availability of information. The organization stands to get many business opportunities due to its new rank. However, the risk of a failure in the IPO is very much possible. This cost is still incurred by the business. Additionally, the company's financial information is made public to competitors and the public, who may misuse the information to the detrimental effects of the company.

Acquisition of another organization in the same industry

Strengths and Weaknesses

This is a very viable option to expand the company. The advantage of acquiring a firm within the same industry is that it will be easier to manage

as compared to the acquisition of a firm in a different industry. The growth will be less risky since most of the policies previously in use will continue to be implemented. The process will also be fast since there will be few or no legal impediments as long as the managing parties agree. The two firms may even complement each other. Subsequently, the new firm arising from the amalgamation will be more efficient and will have fewer weaknesses as compared to the original or parent firms. However, this method of expansion has the disadvantage of conflict in management. There may also be rapid growth, faster than the firm can handle.

Opportunities and threats of acquisition of a company in the same industry

There is a risk of loss of control of business due to the acquisition of another firm. Alternatively, the firm may become dilute due to an increase in the size of the business. The firm also stands to suffer any debts or contracts entered into by the other company. However, the firm can benefit from the acquisition of a firm in the similar line of business. For instance, the firm acquires new clients who are loyal clients of the other company.

Merging with another Organization

Strengths and Weaknesses

A benefit that the Huffman Trucking organization can get in expanding through a merger is increased growth in their sales (Smart and Megginson, 2008). Through this, Huffman Trucking organization will be able to increase its distribution across the country. Consequently, a merger will assist the organization in cutting costs (Dash, 2010). Chandra (2005) provides an

insight to a benefit that the Huffman Trucking organization can get through a merger. This is the increase in the effectiveness of the managerial team. A merger can result to a more experienced and equipped team joining forces with the existing one and in the process improve the company's performance. The discipline in the management team is improved. On the other hand, a merger is likely to bring about issues such as those relating to authority. Different managers will want to have more control and authority over other managers. Additionally, a merger may incorporate a demerger provision, which may affect the future of the organization in case the other organization seeks to opt out of the merger. Furthermore, if the merger is with an organization that is in a different line of business with the Huffman trucking company, complications may arise in the decisions being made between the different employees and this may reduce the performance output of the whole organization.

Opportunities and Threats

The Huffman trucking company can be able to enjoy a bigger market share after merging with another organization. Subsequently, a bigger market share will depend on the kind of business conducted by the other organization. Therefore, this may increase the services offered by Huffman trucking organization. For instance, a merger with a manufacturing plant can help the plant with its transportation needs.

Certain threats are likely to be experienced in a merger. A merger with a more financially capable organization may result to the other organization changing the running of the organization completely. The services offered by

the trucking company might be changed significantly based on the business goals set up by the other organization.

Effects of Globalization on Financial Decisions

Globalization plays a crucial part in contributing to a potential growth in the foreign market. If the organization seeks to form a merger in an international location, the potential benefits to the Huffman Trucking Company have to be taken into serious deliberation. The source of capital is one important aspect to consider.

Factors that Contribute to Exchange Rate Risks

Exchange rates become critical especially where the source of funding becomes an issue. The exchange rate in a foreign country may either increase or decrease the amount of capital to be used by the Huffman Trucking organization. If Huffman does not consider a foreign competitors price, it could either overcharge, resulting in fewer clients, or undercharge for its services. Huffman must also consider the possibility of the value of foreign currency suddenly dropping, and the massive toll it will take on the company's investment. Because of the difference in rates and the chance of those rates changing, Huffman should consider using forward exchange contracts especially since it is in the delivery business.

Mitigating the Exchange Rate Risk

One of the most effective ways Huffman Trucking Company can minimize exchange risk is using a hedging strategy. This strategy incorporates the use of an FX option. “ An FX option is a contract that gives the buyer the right,

but not the obligation, to buy or sell a given amount of currency at a certain price (strike price) by a certain date” (Sekirin, 2012). Long-term risk is managed by frequently monitoring the exchange rates and hedging funds appropriately. Conceptually, this is new for Huffman as they consider International growth. Finally, Huffman can consult a foreign exchange market expert for insight and support.

Conclusion

Huffman Trucking Organization should opt for the IPO in a bid to expand its market base. This is because the firm can pursue its own goals as it expands without external interference from any other firm.

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