

Business opportunities: sme



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Small Business Company

Introduction

The following paper is a discussion which proves the statement that "Converting an idea into a business opportunity is the key element of the process of business creation". A small business can basically be defined as a business with a small number of employees. However, defining small businesses is not that easy. The definition of small business depends on many things like what industry the company is in and what country the company is located in. (Bank of England, 2004, 1-10)

In a small business there is no hierarchy or chain of command. When a large business may have set ways of operating and established procedures that are hard to change, the small business is often far more flexible. It can also reach a quick decision on whether or not it can do what is required.

Small businesses have a small number of employees, so there is not a great deal of formality associated with the development of an organizational structure. Often this lack of formality is accompanied by a high level of secrecy or just assumptions that people know what is happening and why changes are being made. The reasons that a particular organizational structure is being used are seldom communicated.

As changes are made in the business, especially when a new employee is added, reviewing the organizational structure of the business can be helpful. Rather than hoping people will learn to fit in and get along, it is often more productive to give careful thought to the responsibilities associated with each position in the business and the relationships among these positions.

No two small businesses are organized identically because managers, employees, families, and the work involved vary from one business to another. (Pakroo, 2004, 79-91)

A useful analytical framework is provided by punctuated equilibrium theory (PET), a theory that has been adapted from evolutionary biology into management theory. Researchers who use PET typically focus on three concepts: evolutionary periods, revolutionary periods, and deep structures. From a PET perspective, it can be argued that organizational development is characterized by stable periods of evolutionary change that are occasionally punctuated by periods of rapid change.

For example, an organization's IS can be seen as a form of deep structure. Managerial behaviours can alternately perpetuate or weaken existing structures. PET suggests that behavioural changes in response to punctuations cause structural changes. For example, the decision to change IS strategy and implementation in response to corporate strategy can be seen as a change in the deep structure as a response to short periods of sharp, extensive change (punctuation).

From this perspective, the decision to grow can also be thought of as a punctuation and the information system as a deep structure that may change as the management team responds to the punctuation. (Ang, 1991, 1-13)

Small business contemplating growth must be aware of the effects of transition phases on informal communication and internal transparency within the company. This research speaks clearly to the need to develop

procedures to ensure that Internal Transparency does not unduly suffer and become a significant problem. One approach is to plan a transition to include more formal practices, which might include increased IS usage, to exchange cross-functional information. (Pakroo, 2004, 79-91)

Evaluation of the capabilities of the organizations IS is required. In addition to basic communication support, critical evaluations of proper managerial access and system security are important. Two overriding questions at this stage should be whether the IS is capable of capturing and providing the correct management information needed to provide internal transparency to top management in a timely manner, and are people using it? Finally, there is another awareness issue; an understanding that the communication practices of the post-transition small company will frequently change again during the next transition period.

Using internal transparency as a guide, modifications to a business's structural and organizational characteristics should require corresponding modifications to communication practices. Just as the structural and organizational characteristics that create success in one stage must change for the next, fundamental changes in communication practices must occur as well. (Bank of England, 2004, 1-10)

Theoretical Perspectives

The small business and information technology literature has seen considerable progress addressing specific adoption decisions and implementation practices. Our contribution lies in understanding the process by which a small business information system is changed in response to the

organization entering a growth phase. To do this, we will integrate three research perspectives. First, an overview of the small business literature is provided.

Second, we develop and define a construct, internal transparency, which reflects the extent to which the management team understands the activities and outcomes of the organization, which is partially determined by the team's communication behaviour. Finally, small business growth models, and their framing of management team behaviours, specifically information sharing and communication behaviour, are reviewed. (Bank of England, 2004, 1-10)

Small Businesses

Defining a small business is a controversial topic. Like many authors, we have adopted a commonly used definition from the U. S. Small Business Administration: a small business is independently owned and operated and not dominant in its field of operation. For our discussion of small business, we are excluding micro businesses of less than five employees and focusing our attention on small manufacturing enterprises interested in growth.

For these businesses, an important source of competitive advantage is the ability to remain flexible and responsive to the business environment. While this adaptability is beneficial during transition periods, small businesses are more challenged than large companies by resource constraints such as access to financial capital, and technical or managerial skills, which often significantly reduce the number and type of options available to management. (ACOST, 2000, 78-90)

Small businesses are typically characterized by a flat organizational hierarchy and close proximity to co-workers, which is believed to contribute to effective communication practices, often comprised of informal channels, and typically carried out face-to-face as the need arises rather than through regularly scheduled meetings, formalized status reports, or structured briefings. These channels are considered a significant benefit of the small business environment, providing superior operational flexibility and responsiveness. These communication practices allow the small business manager to understand very well what is going on within the firm. (Birley, 1999, 107-117)

This awareness is threatened, however, during small business growth as changes in organizational structures, such as levels of organizational complexity, formalization, and centralization, break down existing ways of working. Further, as growth occurs, managerial capacity constraints imply that existing behaviours are further reduced in frequency as new behaviours are adopted to manage the growing firm. As small businesses undergo these changes, a differentiating factor between successful and unsuccessful firms is that successful firms act in "anticipation of bigness". These firms proactively lay the foundation for the bigger enterprise before growth occurs, thereby pre-empting avoidable barriers to growth such as reactive management. (Sitarz, 2002, 56-61)

Growth stage theories provide a measure of predictability regarding what to expect in anticipation of getting bigger. However, while there is significant literature on the stages of growth theory, it is focused at the firm level of analysis and describes characteristics (particularly in relation to complexity, <https://assignbuster.com/business-opportunities-sme/>

formalization, and centralization) that are likely to be present at a certain growth stage. There is little literature that describes the evolution of these characteristics or managerial actions at the start of a growth phase, and particularly so at the level of the individual or management team. (Pakroo, 2004, 79-91)

This is surprising as it is well-accepted that as a result of growth, managers become removed from business operations, which creates a broad set of difficulties in areas of communication, coordination, and control. The dynamic process by which these problems arise seems to be under-studied. As growth occurs, the management team become less involved with daily matters and begins to receive information indirectly from many sources. As organizational complexity and formalization increases, informal communication practices may no longer provide the necessary level of managerial information.

Therefore, we would anticipate that an outcome of small business growth would be that management's communication behaviours will change and that business outcomes will be affected by the degree to which these changes constrain or facilitate the availability of requisite information for decision-making purposes.

While stage models have been criticized as a theoretical and simplistic, they are useful in understanding the organizational aspects of what should change in a business. However, they are ineffective in answering our research questions, which concentrate on why and how things change. As this study is focused on the start of a growth period, after initiation but

before success can be determined, growth stage models would identify the position at which we sit, the expected characteristics, perhaps the characteristics of the next plateau, but unfortunately little else. (Sitarz, 2002, 56-61)

So, while our investigation is informed by growth stage theories, punctuated equilibrium theory is a more appropriate frame for the type of small business growth under investigation. Newman and Robey (1992) proposed that PET may be a useful perspective for modelling the development of IS within organizations. As well, Sabherwal et al. (2001) used PET to investigate the relationship between strategic business and IS alignment. (Pakroo, 2004, 79-91)

Drawing upon case studies of three large organizations, they found that the evolution of an organization's IS, including sustained periods of misalignment, could be analyzed using a PET lens. As mentioned earlier, an organization's IS can be seen as a deep structure, decisions to change corporate strategy as punctuations, and changes over time as responses to regain equilibrium within the organization. This study follows Sabherwal et al. in viewing a change in business strategy as a punctuation. (Cohen, 2005, 119-131)

Small Business and IS

While small businesses have been traditionally seen as reluctant to invest in IS, evidence over the past decade shows an increase in the awareness and management of IS in small businesses by owners and managers. IS research has considered a variety of these situations. First, technology adoption

problems have been investigated wherein factors such as the role of the president/CEO, perceived usefulness or relative advantage, and ease of use were identified.

Similarly, Harrison et al. (1997) used the theory of planned behaviour to explain the actions of small business executives with respect to IS decisions. Implementation has also been discovered. The small business owner's attitude toward IS is understood to be an important factor in determining implementation success. Training and on-going user support are other post-implementation issues of importance. (Cohen, 2005, 119-131)

An important common theme in this research often conflates the president's role as business executive and decision maker with his role as an individual user, which is reasonable given the president's central role in making organizational adoption decisions. In general, understanding the individual roles of managers is considered pivotal to understanding the way in which IS is adopted and implemented in small businesses. (ACOST, 2000, 78-90)

Summary

A positive characteristic of small businesses is the tight communication and coordination within the organization. These businesses operate under significant constraints with respect to capital, managerial time, and expertise. At times of growth, these conditions stress the organization and may lead to changes in information sharing and communication behaviours, which will likely have an impact on internal transparency. Increased use of IS might be expected to enable an increase in the internal transparency available to the firm as it grows.

However, we are interested in the process by which the existing IS becomes seen as no longer supporting internal transparency, and how this further affects ongoing communication practices. Understanding this effect is crucial because without requisite communication, the organization may find itself unable to sustain its activities, much less grow (Pakroo, 2004, 79-91). We have developed a definition of internal transparency to help us understand and discuss how changes in information sharing and communication behaviours impact managerial decision making, which allows us to further examine the relationships between small business growth and organizational IS. In the next section, we introduce the research site and project that we used to understand these processes. (Birley, 1999, 107-117)

PEST Analysis

A PEST analysis has been performed on the current situation facing Small businesses. The most important of the problems we are faced with are due to Political issues in the United States and elsewhere. Due to war in western Africa, diamonds are beginning to flow from the war torn fields of Sierra Leone and Angola, and in Russia, mines are being controlled locally as opposed to in collaboration with small businesses. These challenges alone pose a threat to the power that small businesses currently hold over other industries.

Due to these challenges, we initiated a branding campaign attempting to brand Small businesses diamonds to the consumers. This campaign was cantered in the U. S., where legally, the entire Small businesses group - its officers, its operations, its marketing structure - was in violation of the U. S. antitrust law.

This prohibited small businesses from directly selling in the United States. Additionally, a political issue that we need to leverage to our advantage is the U. S. foreign policy towards helping to rebuild Africa. These political issues will be further addressed in the recommendations section. (Hillstrom, 2002, 90-117)

Economically, there is an expected surge in diamond sales expected to occur in the U. S. this year. This emphasizes the fact that we need to be uninhibited in our marketing and sales efforts in the U. S. if we are to continue to be a successful company. Another economic issue that we are facing is that the historical price of diamonds is levelling off and may even be decreasing as new sources of diamonds are being found.

This decrease in prices could be devastating to small businesses and the diamond industry as a whole and needs to be avoided at all costs. The other large economic issue we are facing is our method of stabilizing the diamond prices. The stockpiling we currently utilize to control the supply of diamonds and, more specifically, control the price of diamonds, is eating away at our profits, resulting in a low stock price. Our shareholders, of whom 21% are from the U. S., are starting to voice dissent about our low share prices.

Therefore it is apparent that the styles of management incorporated with a small and large organisation differ from each other. Team management with a democratic and less formal culture seems to be a style implemented by small firms. Meanwhile, the larger firms tend to follow the authority, hierarchy, formal and an obedience style of management.

This can be established through the management of planning, decision making, contact as well as organisational culture as considered above. Managers in both small as well as large businesses need to have good communication flow and management skills, given that the need to direct employees in the right way to perform tasks in high standards is elementary. It can therefore be concluded that the management of a small business is not exactly the same as the management of a large business. (Birley, 1999, 107-117)

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