Shareholders enjoy growth at dick's sporting goods

Business

Shareholders Enjoy Growth at Dicks Sporting Goods How has Dicks Sporting Goods grown to be so financially successful? Dicks Sporting Goods has grown to be so financially successful due to the leadership efforts of CEO Ed Stack. His leadership performance has resulted in a company that is modern and adaptable to change. Part of Stacks determination to see the sporting goods store succeed is due to the fact that he has such a large stake in the business. This means that there are incentives for him to perform well so that the company can thrive in the marketplace. One of the key successes of Dicks Sporting Goods is the fact that products are stocked according to a local areas seasons. This can reduce costs, which in turn the company can pass onto the customers in the form of cheaper yet high quality products. Another reason why business has flourished is because Ed Stack has placed a key emphasis on the customer experience. For any business that is struggling to establish itself in the marketplace, developing strong relationships with customers is one of the few things that can be controlled. There are so many other variables that can change depending on different factors, but being nice and courteous to customers is something that is attainable. Ed Stack has realized this and the result has been that many repeat customers have been created.

2) Why does too rapid growth of a company cause a stress on finances?

The reason why rapid growth can sometimes be a bad thing for a company is because it has not prepared to expand business operations. Few experts can predict when a company will take off, so when it does it often happens by surprise. This causes the firm to adjust its strategic goals and objectives, and sometimes it does not have long enough to accurately form these. Another reason why rapid growth is not such a good idea is because expenses tend to rise faster than revenue, creating a short-term loss. While this may not prove to be fatal to a company, it can mean that the company has to secure external financing in order to break even, and doing this can strain company finances and resources. It is often the case that steady growth is better than rapid growth for the long term because the company can adapt its strategies at a pace that keeps up with the companys growth. Trying to accomplish this feat when the company is expanding rapidly is difficult to do because simple mistakes can cause damage the company in the long term.

3) What could be some financial challenges in growing Dicks Sporting Goods to 800 stores?

As the company currently has only 400 stores, expanding this figure to 800 too soon may cause Dicks Sporting Goods to over expand. Even if the company is able to do it, there will likely be a short-term financial loss because at least for the first year or two all those new stores will struggle to break even. Having half of its stores not even make a profit may cause shareholders to become concerned and withdraw their support or financial backing. The company almost collapsed when it tried to expand too quickly before, so doing this again may not be such a smart move because this time the worst case scenario may actually happen.