Growing and Managing the Venture

Q) Growth Strategies.

Small companies or businesses always look for ways to grow their business and increase sales and profits. There are probable techniques that companies must use for executing a growth strategy. The technique used by a company to expand business is highly dependent upon its financial situation, the competition and even government regulations and policies.

Some common growth strategies marked in small scale business are −

- Market penetration
- Market expansion
- Product expansion
- Diversification
- Acquisition

Market Penetration

One of the growth strategies reported in business is market penetration. A small company uses a market penetration strategy when it agrees to market existing products within the same market. Increasing market share is the only way of growing through existing products and markets.

Market share is the share of unit and dollar sales a company acquires within a certain market when compared to all other competitors. The best way to increase the market share is by lowering the prices of the commodities.

Market Expansion

Market expansion is another remarkable growth strategy, which is often referred to as market development that involves selling current products in a new market. There are different reasons explaining why a company needs to consider a market expansion strategy.

Competition may be such that there is no scope for growth within the current market. If an entrepreneur is unable to search for new markets, then it is not possible to increase sales or profits. A small company considers using market expansion strategy if it successfully finds use of its product in a new market.

Product Expansion

A small scale company can expand its line of products or add new features to increase sales and profits. When small companies use a product expansion technique, it is also referred as product development.

The selling continues within the current market. A product expansion growth strategy basically works well when there is a change in technology. Companies may also be compelled to add new products as older ones become outdated.

Diversification

Growth strategies in business involve diversification. By diversification, we mean a company selling new products in new markets. This type of strategy is highly prone to risk and losses.

A small company acknowledges the plan carefully while utilizing a diversification growth strategy. Marketing research is important to identify if consumers in the new market will potentially like as well as buy the new products.

Acquisition

Growth strategies or method to expand business also engages acquisition of other businesses. In acquisition, a company purchases another company to expand its functions. A small company uses this type of strategy to bolster its product line and enter new markets.

An acquisition growth strategy is very risky, but not as risky as a diversification strategy, as in this case the products and market are already authorized. A company must have complete knowledge of exactly what it wants to achieve when using an acquisition strategy, mainly due to the significant investment required to execute it.

Q) Economic Implication of growth.

7 Ways Entrepreneurs Drive Economic Development

There's been a lot of talk lately about the future of work. Much of the time, these conversations are fueled by the anxiety many of us share as we try to understand the impact new technologies will have on our industries. We tend to reduce these discussions to binary arguments -- how smart machines will do extraordinary things to improve our lives, or how this or that innovation will make human labor obsolete, creating a jobless dystopia. Both conclusions strike me as somewhat specious. It's not that these concerns aren't valid, but they oversimplify a more complex phenomenon.

Why do entrepreneurship and innovation fuel economic growth? On the surface, the answer seems intuitive: entrepreneurs create businesses and new businesses create jobs, strengthen market competition and increase productivity. Here in the United States, entrepreneurism is part of our American identity and self-image. It's non-partisan, too; both sides of the political spectrum celebrate entrepreneurial small business as a fount of innovation and growth. Entrepreneurism is seen as a route to upward mobility -- a way for average people to build wealth. Let's take a closer look

1. Investing in products and services people need.

What motivates a person to start a new business? According to traditional models, entrepreneurs create new businesses in response to unmet needs and demands in the market. That is, there is an opportunity to provide a product or service that is not currently in existence, or otherwise available. Economists refer to these business-starters as "opportunity" entrepreneurs in order to distinguish these individuals from those who start businesses for lack of better work opportunities. So-called "opportunity" entrepreneurs, who launch new enterprises in response to market needs, are key players when it comes to fostering economic growth in a region. They enable access to goods and services that populations require in order to be productive. This is not to ignore "necessity" entrepreneurs that launch enterprises because they have no other options. Both can and do contribute to economic growth.

2. Providing employment opportunities.

New businesses need to hire employees. They create jobs and these economic opportunities uplift and support communities through increasing the quality of life and overall standard of living.

3. Commerce and regional economic integration.

Technology has made it possible for small, entrepreneur-led businesses to expand into regional and global markets. When new businesses export goods and services to nearby regions, these enterprises contribute directly to a region's productivity and earnings. This increase in revenue strengthens an economy and promotes the overall welfare of a population. Economies that trade with one another are almost always better off. Politics aside, engaging in regional and international trade promotes investment in regional transportation and infrastructure, which also strengthens economies. This has never been more true than it is today, as we live in an increasingly interconnected global economy. Even for a large and advanced economy like the United States, foreign markets have a significant role. Foreign trade, according to some estimates, is responsible for over 90 percent of our economic growth.

What exactly is innovation and how does it promote economic development? Under what conditions, do entrepreneurs innovate? A widely-accepted definition measures innovation using a set of criteria including how many new products are invented, the percentage of high-tech jobs, and the size of the talent pool available to tech industry employers. More recently and increasingly, our definition of innovation has expanded to include the development of new service offerings, business models, pricing plans, and routes to market. While the role that startups and young tech companies play in job creation is well documented, their contribution to overall productivity is less intuitive and not discussed as often. To better understand how innovation contributes to economic development, I've unpacked a few examples below.

4. New technologies promote efficiency.

The ability to turn ideas into new products and services that people need is the fount of prosperity for any developed country. Economic growth, generally speaking, is driven by new technologies and their creative applications. Periods of rapid innovation historically have been accompanied by periods of strong economic growth. The impetus of innovation is the greatest natural resource of all: the human mind. Creating innovative products and solutions requires an educated population and an environment where collaborative work can take place. In addition to being good for business, education increases workforce creativity and quality of life.

5. Addressing environmental challenges.

Innovation is (and will continue to be) crucial when it comes to addressing the enormous environmental challenges we face today: combating climate change, lowering global greenhouse gas emissions, and preserving biodiversity in the environment. Without power for extended periods of time, commerce comes to a halt. Without water, we cannot live. Reliable access to these innovations (such as irrigation technology, electricity, and urban infrastructure) increases productivity and enhances economic development.

6. Innovation impacts socio-economic objectives.

Innovative business practices create efficiency and conserve resources. Innovation in agriculture is especially relevant for addressing socioeconomic challenges (in addition to encouraging economic growth). In the U.S., for instance, we waste billions of dollars annually due to inefficiencies and uncompetitive practices in our healthcare system. Hopefully, new ideas and innovations in the future will address these problems, resulting in further reforms. When this occurs, Americans' overall health and quality of life will benefit, and so will our economy if our wasteful healthcare costs also decrease.

7. Innovation happens where there is competition.

In essence, there is a positive feedback loop among innovation, entrepreneurship, and economic development.

New and growing businesses represent the principal sources of job creation and innovative activity in an economy, two factors that generally result in the rising standards of living for all.

However, it's important to understand that entrepreneurship and innovation are dependent on access and participation. For entrepreneurs to bring new ideas to life, they need access to education and a level-playing field on which to compete. In this vein, the role of government leaders and public policy is to create conditions that allow more entrepreneurs to start businesses by implementing policies which nurture that environment so those businesses can grow. Economic growth suffers when entrepreneurial activity is unevenly spread socio-economically, demographically, and geographically. Under the right conditions, entrepreneurs have an incredible power: they help regional areas prosper economically, and they also serve society as they help engineer innovative solutions to problems and challenges.

Q) Implications of Growth for the firm.

Implications of Growth for the Firm

- Pressures on Existing Financial Resources
  - Firm's resources can become stretched quite thin.
- Pressures on Human Resources
  - Problems of employee morale, employee burn out, and an increase in employee turnover.
- Pressures on the Management of Employees
  - May require change in management style and in dealing with employees.
- Pressures on Entrepreneur's Time
  - Diverting time to several activities can cause problems.

Q) Overcoming Pressures on existing Financial & Human Resources.

Overcoming Pressures on
Existing Financial Resources

- To overcome pressures, the entrepreneur could acquire new resources.
- The acquisition of new resources is expensive, whether in terms of the equity sold or the interest payments from debt.
- The need or the magnitude of the new resources required can be reduced through better management of existing resources.

Financial Control

- Managing Cash Flow
  - The entrepreneur should have an up-to-date assessment of the cash position.

        - A daily cash sheet would provide an effective indication of any daily shortfall and of problems or errors that might have occurred.
        - Compare budgeted or expected cash flows with actual cash flows.

- Managing Inventory
    - Perpetual inventory systems can be structured using computers or a manual system.
    - To check the inventory balance, it may be necessary to physically count inventory periodically.
    - Link the needs of a retailer with the wholesaler and producer allowing for a fast order entry and response.
    - Transport mode selection can also be important.
- Managing Fixed Assets
    - Generally involve long-term commitments and large investments for the new venture.
    - Equipment will require servicing and insurance and affect utility costs; will also depreciate over time.
    - Leasing can be an alternative to buying depending on:
        - Terms of the lease.
        - Type of asset.
        - Usage demand.
    - Lease payments can be used as a tax deduction.
- Managing Costs and Profits
    - Compute net income for interim periods during the year.
    - Assess each item to determine cost reduction.
    - Consider raising prices to ensure positive profits.
    - Compare current actual costs with prior incurred costs.
    - Allocate expenses as effectively as possible, by product.
    - Avoid arbitrary cost allocation.
- Taxes
    - Withhold federal and state taxes for employees.
    - Pay a number of taxes (state and federal unemployment taxes and business taxes).
    - Allocate taxes as part of any budget.
    - File end-of-year returns of the business.
    - Consider use of a tax accountant.
- Record Keeping
    - It is helpful to consider using a software package.
    - It may be necessary to enlist the support and services of an accountant/ consultant.

  - It is important to use a system for storing and using customer information.
  - Build organizational knowledge to reduce dependency on any one individual.

Overcoming Pressures on Existing Human Resource

- Some entrepreneurs are using professional employer organizations (PEOs) for various HR activities.
- Decisions regarding the proportion of permanent and part time employees should be made; involves several trade-offs.
- Give employees regular feedback; identify problems along with a proposed solution.
- Maintain the corporate culture despite the influx of new employees.
- Activities to institute a more participative style of management:
  - Establish a team spirit.
  - Communicate with employees.
  - Provide feedback.
  - Delegate some responsibility to employees.
  - Provide continuous training for employees.

- Benefits of effectively managing time:
  - Increased productivity.
  - Increased job satisfaction.
  - Improved interpersonal relationships.
  - Reduced time anxiety and tension.
  - Better health.

- Basic Principles of Time Management

  - Principle of desire - A recognition of the need to change personal attitudes and habits regarding the allocation of time.
  - Principle of effectiveness - A focus on the most important issues.
  - Principle of analysis - Understanding how time is currently being allocated, and where it is being inefficiently invested

- Principle of teamwork - Acknowledgment that only a small amount of time is actually under one's control and that most of one's time is taken up by others.
- Principle of prioritized planning - Categorization of tasks by their degree of importance and then the allocation of time to tasks based on this categorization.
- Principle of reanalysis - Periodic review of one's time management process.

Q) Implication of Firm Growth to the Entrepreneur.

Four Types of Entrepreneurs and Firm Growth