



MPU-3232

# ENTREPRENEURSHIP

## Topic 9: Managing Growth

# The Dimensions of Business Growth

- Most small businesses have one of the following goals:
  - To survive
  - To consolidate and continue to be successful at their current size
  - To expand and grow

# The Dimensions of Business Growth

## Financial Growth

- Financial growth relates to the development of the business as a commercial entity
- It is concerned with increases in sales, the investment needed to achieve those sales and resulting profits.

# The Dimensions of Business Growth

## Financial Growth

- It is also concerned with increases in what the business owns: its assets.
- These different financial elements help to establish the value of the business - that is, the price a potential buyer would be willing to pay for it.

# The Dimensions of Business Growth

## Strategic Growth

- Strategic growth relates to the changes that take place in the way the organisation interacts with its environment as a coherent (or strategic) whole).
- This is concerned mainly with the way the business develops its capabilities in order to exploit a presence in the marketplace.

# The Dimensions of Business Growth

## Strategic Growth

- Cost leadership means that customer can be offered a lower price, leading in turn to an increase in demand and thus an increase in output.

# The Dimensions of Business Growth

## Strategic Growth

- A differentiation strategy stems mainly from knowledge advantages such as knowing something about the customer, the market or the product that competitors do not know, thus enabling the business to offer something of value to the customer.

# The Dimensions of Business Growth

## Organisational Growth

- Organisational growth relates to the changes that take place in the organisational structure, process and culture as it grows and develops.



# Theorising About Small Business Growth

## Life Cycle

- Stage 1: activities associated with the idea incubation and initial planning of the venture, before opening for business.

# Theorising About Small Business Growth

## Life Cycle

- Stage 2: is the start-up, a business plan is often presented to the potential key stakeholders in the venture such as bankers, investors, suppliers and employees.

# Theorising About Small Business Growth

## Life Cycle

- Stage 3: sustained growth stage, characterised by a strong long-lived increase in sales, leading to a growth in number of employees.

# Theorising About Small Business Growth

## Life Cycle

- Stage 4: maturity stage, when everything comes together and efficient production at the desired organisational size is achieved.

# Theorising About Small Business Growth

## Life Cycle

- Stage 5: rebirth or decline, acknowledging that decline is not inevitable for firms that reach maturity at least in the short to medium term.

# Theorising About Small Business Growth

## Teleology

- The teleology model views development as a cycle of goal formulation, implementation, evaluation and modification of goals based on what was learned by the organization.

# Theorising About Small Business Growth

## Evolution

- Evolution is a theoretical scheme that explains how organisational change proceeds through a continuous circle variation, selection and retention, just as it occurs in nature.

# Theorising About Small Business Growth

## Evolution

- The selection of organisations occurs through the competition for scarce resources and the environment selects entities that best fit the resource base of an environmental niche.



# Theorising About Small Business Growth

## Dialectic

- Dialectical theory focuses on stability and change based on the collision of power between opposing entities.

# Theorising About Small Business Growth

## Dialectic

- The dialectical theory begins with the assumption that organisations or members within organisations compete with each other for domination and control.

# Growth Strategies and Growth Enablers

## Internal Growth Strategies

- Increasing market share
- New product development
- Improving existing products or services
- International expansion

# Growth Strategies and Growth Enablers

## External Growth Strategies

- Strategic alliances
- Licensing
- Acquisitions

# Growth Strategies and Growth Enablers

## Growth Enablers

- Founder characteristics
- Company characteristics
- Company culture
- Networks as growth platforms



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