

# Unit 53: Planning for Growth

<b>Unit code</b>	<b>D/618/5137</b>
<b>Unit level</b>	<b>5</b>
<b>Credit value</b>	<b>15</b>

---

## Introduction

This unit focuses on small and medium enterprises (SMEs) and how they can broaden their knowledge of business growth. SMEs need to know where they sit in the marketplace and which approaches to take in order to grow business and develop relevant industries and sectors accordingly.

This aim of the unit is to give students an awareness of how SMEs develop and grow. They will understand the options for SMEs in terms of exiting successful or unsuccessful businesses and will be able to appreciate the importance of making informed choices when choosing routes to growth. They will also understand the potential risks vs rewards involved with growth.

Students will learn about and apply techniques for identifying opportunities for growth and appraise options for achieving growth. Students will also learn about the sources of investment finance and consider how an SME attracts investors and the appropriate approaches to gain stakeholder interest.

## **Learning Outcomes**

By the end of this unit a student will be able to:

- LO1 Analyse the key factors that SMEs should consider when evaluating growth opportunities
- LO2 Assess the various methods through which organisations access funding and when to use different types of funding
- LO3 Develop a business plan to communicate a growth strategy in a business to the relevant stakeholders
- LO4 Assess the various ways that a small business owner can exit the business and the implications of each option.

## Essential Content

### LO1 Analyse the key factors that SMEs should consider when evaluating growth opportunities

#### *Competitive advantage:*

The basis of competitive advantage as a foundation for growth: resources and capabilities and core competences.

Linking competitive advantage with opportunities for growth (PESTLE).

#### *New products and services:*

The development of products and services as a basis for growth.

Portfolio strategies, including the Boston Consulting Group (BCG) Matrix and the GE/McKinsey matrix.

The stages of the product lifecycle.

The diffusion of innovation.

#### *Growth options:*

The main routes to growth applying Ansoff's growth vectors – market penetration, product/service development, market development, unrelated diversification.

Identifying and mitigating risk.

The benefits and drawbacks of collaboration, including mergers, acquisitions, joint ventures and strategic alliances, and how they might be applicable growth options for small businesses.

Partnerships in the value chain, e.g. bidding consortia.

The potential of franchising for expanding a business.

International expansion and growth strategies for small businesses.

**LO2 Assess the various methods through which organisations access funding and when to use different types of funding**

*Investment decision making:*

The main methods of financial appraisal to compare strategic or project options, including payback period and net present value calculations, Return on Investment (ROI).

*Sources of finance for growth:*

The main sources of finance for growth and the benefits and drawbacks of each, e.g. bank loans, grants, community development investors, crowdfunding, peer-to-peer lending, merchant cash advances, angel investors, venture capitalists.

**LO3 Develop a business plan to communicate a growth strategy in a business to the relevant stakeholders**

*Strategic intent:*

Developing a vision and mission for the organisation based on areas of strength, identified opportunities, values and ethics, and the expectations of stakeholders.

Exploring successful business growth strategies, e.g. addressing niche markets, market penetration, partnerships, product/service expansion, diversification.

International expansion strategies.

*Preparing a business case for investment:*

The key aspects of a business plan aimed at securing investment and what investors are looking for.

Creating evidence-based justification and rationale for investment requirements.

Stakeholder analysis: power vs interest mapping.

Types and depth of business plans – LEAN plans, traditional business plans, financial outlines, contingency planning reports.

Strategic, tactical and operational plans subject to stakeholder analysis.

Appropriate business case formats to address investor and stakeholder needs.

Different business case formats to meet needs of culturally diverse expectations of stakeholders for international growth.

**LO4 Assess the various ways that a small business owner can exit the business and the implications of each option**

*Exit for success and failure:*

The key reasons for business failure, both external and internal, and how business failure might be prevented.

Mechanisms for exit in the event of failure, including going into administration, declaring bankruptcy.

Exit routes for successful businesses, e.g. selling or floating the business, valuing the company.

Owner-manager exit strategies: internal, e.g. partners, management, family, employees vs external, e.g. recapitalisation, initial public offering (IPO), liquidation, financial buyers.

*Growth and succession in the family business:*

How the considerations of growth affect the family business.

Areas of potential conflict.

Succession planning.

Organisational cultural issues in business.

## Learning Outcomes and Assessment Criteria

Pass	Merit	Distinction
<b>LO1</b> Analyse the key factors that SMEs should consider when evaluating growth opportunities		<b>D1</b> Justify specific options and pathways for growth, taking into account the risks of each option and how they can be mitigated.
<b>P1</b> Analyse key considerations for evaluating growth opportunities in an organisational context. <b>P2</b> Evaluate the opportunities for growth, applying an appropriate management tool.	<b>M1</b> Critically evaluate the options for growth, using a range of analytical frameworks to demonstrate the understanding of competitive advantage in an organisational context.	
<b>LO2</b> Assess the various methods through which organisations access funding and when to use different types of funding		<b>D2</b> Devise potential sources of funding, with justified argument for the adoption of a particular source or combination of sources, based on organisational needs.
<b>P3</b> Assess the potential sources of funding available to businesses, in given organisational contexts, addressing benefits and drawbacks of each source.	<b>M2</b> Critically evaluate potential sources of funding for the adoption of an appropriate source/s of funding for a given organisational context.	
<b>LO3</b> Develop a business plan to communicate a growth strategy in a business to the relevant stakeholders		<b>D3</b> Present a coherent and in-depth business plan that demonstrates knowledge and understanding of how to formulate, apply and achieve business objectives successfully.
<b>P4</b> Design a business plan for organisational growth that includes financial information and strategic objectives for a business.	<b>M3</b> Develop an appropriate and detailed business plan for growth and securing investment, setting out strategic objectives and strategies to meet stakeholder needs and expectations.	

Pass	Merit	Distinction
<p><b>LO4</b> Assess the various ways that a small business owner can exit the business and the implications of each option.</p>		
<p><b>P5</b> Assess exit or succession options for a small business, addressing the benefits and drawbacks of each option.</p>	<p><b>M4</b> Compare exit or succession options for a small business to make valid recommendations.</p>	<p><b>D4</b> Provide a critical evaluation of exit or succession options for a small business, with justified recommendations to support effective exit or succession.</p>

## Recommended Resources

### Textbooks

BLANCHARD, K., ONCKEN, W. and BURROWS, H. (2015) *The One Minute Manager Meets the Monkey*. London: Harper Collins.

BURNS, P. (2016) *Entrepreneurship and Small Business*. 5th Ed. Basingstoke: Palgrave Macmillan.

BURNS, P. (2018) *New Venture Creation: A Framework for Entrepreneurial Start-ups*. Basingstoke: Palgrave Macmillan.

WILLIAMS, S. (2019) *Financial Times Guides: Business Start Up 2019/20*. Harlow: Pearson.

### Websites

<a href="http://www.entrepreneur.com">www.entrepreneur.com</a>	Entrepreneur (General reference)
<a href="http://www.isbe.org.uk">www.isbe.org.uk</a>	Institute for Small Business and Entrepreneurship (General reference)
<a href="http://www.marketing-insider.eu">www.marketing-insider.eu</a>	Marketing-Insider New product development process (Article)
<a href="http://www.princestrust.org.uk">www.princestrust.org.uk</a>	The Prince's Trust Business plan pack Business plan template (General reference)

### Links

This unit links to the following related units:

*Unit 8: Innovation and Commercialisation*

*Unit 29: Managing and Running a Small Business*

*Unit 43: Business Strategy*

*Unit 52: Product and Service Development*