

Growing an Established Company

1.1 Introduction

The SBA Learning Center presents: Growing an Established Company.

Produced by the SBA's Office of Entrepreneurship Education this self-paced course offers an overview of how to evaluate your business and create a plan for growth and expansion. There are many growth plans and opportunities available to you as a small business owner. This course will show you what it takes to create a growth plan that uses your current successes and strengths. The subject matter is indexed for quick reference and easy access. It will take about 30 minutes to complete the course. Additional time may be needed to review included resource materials and to complete the "Next Steps" suggested at the end of the course.

Audio is used throughout the training, so please adjust your speaker volume accordingly. A transcript and keyboard shortcuts are available to assist further with user accessibility.

When you complete the course, you will have the option of receiving a course completion confirmation from the SBA.

1.2 Course Objectives

The course has three key objectives:

1. Identify the indicators that your business is ready to expand.
2. Identify three ways to expand your business.
3. Describe the different parts of a growth plan.

1.3 Course Topics

This course will teach you some ways to successfully grow your business. Some of the topics covered in this course are:

- How to evaluate if your business is ready to expand
- Growth and expansion strategies
- How to create a growth plan

Many additional resources are identified to help you. Visit the resource icon in the course player or locate additional tools, templates, and mentors on SBA.gov once you finish the course.

Let's get started!

1.4 Growing Smart

If you're thinking about expanding your business, that's probably a good sign that your business is successful, and you are looking to make more money or take on additional challenges. Like starting a business, expanding isn't as simple as just turning the key and opening the doors. Successful expansion results from good forethought and planning. Knowing when to expand is the first step in growing your business. Let's start by taking a look at some of the ways to evaluate your business needs and determine if you are ready to expand your business.

1.5 S.W.O.T Analysis

One way to evaluate the potential for growth in your company is with a S.W.O.T. analysis. S.W.O.T. stands for Strengths, Weaknesses, Opportunities, and Threats. S.W.O.T. looks at internal factors-factors within your business-and external factors-factors outside your business-to help you make an informed decision. Select each letter in S.W.O.T. to learn some of the questions you should ask when evaluating each aspect of a S.W.O.T. analysis.

When evaluating your business' strengths, ask yourself the following questions: Considering all your resources (human, mechanical, financial, etc.), where does your business excel? What are your assets? What are your core competencies? Where is your business most profitable? Do your revenue streams and profits indicate that you are ready to expand?

When evaluating your business' weaknesses, ask yourself the following questions: Similarly considering your resources, where does your business need to improve? What needs are you not meeting effectively? Will those weaknesses slow down your growth, or will they become amplified during the expansion process? Where are you losing money? Where do you lack resources?

When evaluating your business' opportunities, ask yourself the following questions: Where are the best areas to expand your business? Are there areas that your competition are not covering that you could? Do your customers have new needs that are not being met? Are there economic, political, or social factors that could improve your marketability? Are there technological advances that you can start using to improve efficiency?

When evaluating your business' threats, ask yourself the following questions: Are your competitors expanding in a way that could affect your market share? Are there economic, political, or social factors that could negatively affect your marketability?

1.6 The Cost of Expansion

Expansion of your business will mean additional expenses. Similar to when you started your business, there will be initial costs, whether for equipment, building space, or personnel.

Make sure you understand and accurately predict the costs of expansion. You want as few surprises as possible during this process. This is especially important if you need to find outside financing for your expansion.

1.7 Business Changes

Expansion will result in changes to all aspects of your organization, including your assets, personnel, operations, and even your leadership of the company. It is important to keep this in mind as you anticipate the needs of your business in its growth stage. Select each item to learn more about how growing your business will affect these different areas.

More than likely, growing your company will require you to increase your assets as well. This could mean acquiring new machinery or equipment, or new leases on property.

Whether you are expanding to a new location or adding products and services, you will most likely need to increase the number of employees you have. Do you have current employees who have shown they can handle increased responsibility and take over some of the things you currently manage? Will you need to hire experienced professionals for things you may currently handle such as accounting or information technology? If you are expanding your product or service line, you will need to train your employees on the new products or services. Where will you focus your personal efforts and where will you need your employees to step up and help?

Consider how the expansion will affect your operations. Some of the changes will be obvious, like the inclusion of new equipment or new processes. However, you should also think about how your existing processes will change. Will the expansion affect the demand for your existing products or services, and if so, how will that affect the way you deliver them? Will you need new permits or licenses? How will your employees spend their time, and how will expansion affect the way they perform their daily tasks?

How will your impact on the business transition? Will you still be providing most of the services, or will you be more of a big-picture visionary? How will the expansion affect the amount of time you have to complete business-related tasks? Which of your current tasks will you delegate to your employees? How will you empower your employees to lead others?

1.8 How Does Expansion Support Your Vision

As with any significant business decision that you make, you should ensure that your proposed expansion is in line with your vision or mission. While expansion into other markets and diversifying your product can be a great way—even a critical way—to expand, don't lose sight of the direction you intend for your company. If you determine that your expansion is outside your current mission or vision statement, then you may consider revising these statements. However, doing so should not be taken lightly. Choosing the wrong method of expansion can confuse the consumer or your employees as to the message of the company, and ultimately compromise not only your growth strategy, but your core competencies as well.

1.9 Is Expansion Optional or Necessary?

Sometimes expansion is a way to grow a business you have loved, and a way to create new and interesting challenges for yourself as a business owner. However, other times expansion could be critical to the future success of your business. For example, if you are no longer able to meet production demands because you are too busy or overwhelmed, or you are turning away potential customers, you may need to expand your personnel or facilities to accommodate the increased demand. Likewise, if your competition is expanding and taking away business from you, you may need to grow in order to maintain your market share.

1.10 Growth Strategies

There are many ways that you can grow your business. However, these generally fall under one of three categories: expanding your target market with your current product or service, expanding your product or service line, and taking market share from your competitors in your current market. Let's explore these strategies in-depth, starting with expanding your target market.

1.11 Expand Your Target Market

One way to grow your company is to target other markets for your product. Doing this will increase your customer base, giving you access to additional sources of revenue. You may pursue selling in a new geographic location or trying to entice new and different customer types within your current location. The internet makes global markets accessible, allowing you to expand without leaving the comfort of your current location! Let's take a look at some of the different ways you can expand your target market.

1.12 Open Another Location

Depending on your business model, opening another location may be the first option you consider when thinking about expanding your business into a new market. It is possibly the safest. Once you have your first location running like a well-oiled machine, you might consider opening a different location. If you decide to open a different location, you must consider the effect it will have on your original location and the cost of expansion.

1.13 Sell to International Customers

International markets make up over 70% of the overall market for goods and services, so there is a lot of potential to tap into there. Obviously, there are many logistical issues to work through as well. But done successfully, international expansion can vastly expand your customer base. Ask yourself the following when thinking about international expansion:

- What other countries might be easiest to expand to? Consider English-speaking countries or other countries where you already speak the language.
- What other countries might like your product the best?

- What are the laws governing exports to the country you're considering? What items are restricted?

As you begin to expand to foreign markets, start slow. Test your product on a small scale and see how the market responds to your product and advertising. Learn what works, change what doesn't, roll things out slowly. Put yourself in a position to adjust quickly with minimal impact if expansion doesn't work. If this is your first time exporting, seek the advice of others with experience. Having a trusted partner or mentor can greatly increase your chance for success.

1.14 Expand to the Internet

Using the Internet as a marketplace is a great way to get access to a larger market. Consider selling using your own website, or you can leverage existing online marketplaces like Amazon, eBay, or countless others with merchant programs.

However you opt to do business, your market presence will be critically important for online sales. Wherever you choose to show your product, your web presence should address the following:

- Answer the question "Why should I do business with you?"
- Make it easy to order
- Have an "About Us" or "Contact Us" area and make sure customers can quickly find a way to contact you with questions
- Have clear shipping and return policies
- Make sure your store is mobile accessible

1.15 Target Other Customers in Your Area

Targeting other local markets is another relatively safe growth strategy. Typically in this situation, you will have been conducting business in the area, but want to target a new customer base. In this case, make sure your product or services can be easily repositioned to appeal to these new customers. Leverage what you already know about what you provide to meet the needs of the new market. Ask yourself:

- How much similarity is there between my current customer base and the new customers I hope to target? It is good if your new target market is similar to your current one, and the more overlap there is, the more likely your expansion will succeed.
- In what ways do my new target customers differ from my current customer base? What will I need to change to meet their needs?
- What other companies are targeting my new customer base? How are they performing? How will this competition affect the success of my expansion?

1.16 Expand Your Product or Service Line

Another growth strategy is expanding your product or service line. Diversification is often an excellent way of growing your business. Successful diversification can provide you multiple and complimentary streams of revenue that may offset each other in slower or seasonal periods. Two examples of diversification that we will discuss briefly are selling other products or services, and franchising. Select each button to learn more about these examples.

One of the easiest ways to diversify and expand is by selling complimentary products or services. It is a good way to keep in line with your mission or vision and give your customers the option to view you as a “one stop shop” for your product or service. The consumer and your employees can clearly see the connection between the expansion area and your core capabilities.

One way to add to what your business offers is to sell your business model rather than your products or services. Here, you will end up expanding your products (as your business itself becomes your product) and your target market. This strategy is called franchising. A franchise is a legal agreement between the owner of a business trademark and another individual wanting to use that trademark for his or her own business. In order to be a viable franchise, your business must be easily replicated and easy to share and teach. Additionally, you will need significant capital in order to finance the legal costs associated with setting up a franchise-likely \$250,000 or more. For these reasons, franchising is rarely a good option for expansion. However, if you think your business meets these criteria you might consider it.

1.17 Take Market Share from Your Competitors

The final growth strategy we will talk about is Taking Market Share from your Competitors in your existing market. Growing in your existing market is a good strategy because you know the nature of the market and how your product- or service-line fits into that market. Select each button to more about some specific strategies in this area.

When expanding your current market share, focus on researching what your competitors offer and determine how you can adjust your business to make it more appealing to customers in the current market.

Find another, complementary business in your area and work with the owner to increase your market share, to the benefit of both businesses. Your alliance partner should have knowledge in an area that you don't and be related to your field of business. Likewise, you should be able to bring certain skills, abilities, or products to the alliance that will benefit your partner. Avoid the pitfalls of such alliances by setting up communication guidelines and having clear expectations of the role of each partner in the alliance. Make sure both partners are working toward a common goal, and not two goals that are closely related.

If it makes sense for your business model, consider expanding your market share into the public sector. Government contracts are often steady, stable work. They are diverse, with some catering to niche markets, small business size, and other criteria. If you are interested in government contracts, check out [SBA's Contracting Support for Small Businesses](#) at the link on the screen.

1.18 Developing a Growth Plan

As with any major business decision, you should not attempt growth or expansion without careful planning. You should:

- Be clear about the goals of your expansion,
- Be able to predict your revenues and expenses to an acceptable degree of certainty, and
- Understand the ways in which the expansion will change your business needs and practices.

Your Growth Plan should identify your target market and how you intend to reach them. The next slides will talk more about developing your growth plan.

1.19 Set Goals

Setting clear revenue and timeline goals for your expansion will help you regularly evaluate its success. You should set realistic goals for when you expect to see results from your growth plan. If these goals are not being met, then you should make adjustments or considering abandoning the project.

1.20 Modify Your Business Plan

Depending on the method of expansion you choose, you may want to modify your business plan to reflect the changes in your company. It is a good idea because it will help you think through the changes you may need to make as a result of the expansion. In some cases, this will be necessary if you want to apply for financing. Potential lenders will want to see how the funds will be used and your strategy for marketing your expansion.

1.21 Adapt Personnel

Develop a plan to address your new personnel needs as a result of your expansion. Will you need more divisions in management? Who will your managers be? Will you hire from outside or are there current employees that are positioned to be promoted? How many additional employees will you need to cover the added workload of expansion?

What if you have been the sole operator of your company? Will expansion require you to start hiring employees? If so, you will need to be prepared to handle issues like payroll, benefits, and other legal requirements surrounding employees. Will you outsource payroll and other HR functions? How will you empower your new employees to make decisions that you are used to making?

1.22 Develop a Market Plan

As with your business plan, you should create a new marketing plan that explains how you will reach your new customers. Updating your marketing plan is not only good practice, but it may be required by lenders. Your marketing plan should include information about your marketing budget and your expected Return on Investment (ROI) for your marketing strategy. It should outline how you will track the effectiveness of your marketing plan. In this way, you will know where to increase or decrease funding for your marketing strategies.

1.23 Leverage Technology

There are lots of systems available to the small business owner to help streamline your growth. Whether it's accounting software, planning software, time-tracking software, or e-mail management, there are online systems and services that can manage much of your workflow and add efficiency to your business. You should also consider outsourcing certain functions like web design or book-keeping.

1.24 Identify Financing for Growth

There are many ways to finance the additional costs. The first thing you should consider is your cash flow. See if there is a way you can use it more effectively to free up money needed to expand. If not, there are several financing options available through banks and other lending institutions, many of which are guaranteed by the SBA.

Here are some guidelines to consider when looking for financing:

- You can get the best rates on loans when you anticipate your needs, rather than waiting until you are pressed for cash.
- Your needs are most critical during transitional periods, so plan your growth around your seasonal activity or business cycles.
- Have a clear plan for your expansion or growth and be prepared to explain it. Lenders will want to understand the specific needs of your business before they lend you money.
- On a similar note, make sure you have a business plan, as lenders will want to assess that.
- Again, understanding your personnel is important because lenders may also assess your management team.
- You may also consider new, non-traditional ways of raising capital, such as crowd-funding. This typically involves getting smaller amounts of money from many different sources in exchange for the promise of early prototypes or exclusive access to your products or services.
- Look for venture capitalists who are looking to invest money in growing or expanding companies.

1.25 SUMMARY

You have completed the course on Growing an Established Company. Now you should be able to:

1. Identify the indicators that your business is ready to expand.
2. Identify three ways to expand your business.
3. Describe the different parts of a growth plan.

Remember, just like starting a business, the successful growth of your company requires careful planning and strategizing, knowing your market, and setting realistic goals that are in line with your company's vision or mission.

1.26 Next Steps

Now it's time to apply what you've learned to your own business. Start by evaluating your business to see if you are ready to expand. Consider using the S.W.O.T. analysis you learned in this course. Then you should identify the best way to grow your business. Once you have decided, then create a growth plan that outlines how you will expand and how you will approach the changes that will occur to your business as a result of growth. Remember, you are not alone! If you'd rather talk to someone, the SBA has a broad network of skilled counselors and business development specialists waiting to help you.

1.27 Resources

SBA has a broad network of skilled counselors and business development specialists. Below is a short description of our resource partners:

- There are more than 1,000 **Small Business Development Centers (SBDCs)** located around the country. SBDCs provide management assistance to current and prospective small business owners.
- **SCORE** is a powerful source of free and confidential small business advice to help build your business. More than 10,000 SCORE volunteers are available to share their experience in lessons learned in small business.
- **Women's Business Centers (WBCs)** assist women and men in achieving their dreams by helping them start and run successful businesses. Over 90 WBCs are located around the country.
- The **SBA** has over 60 **District Offices** located throughout the country to help you start and grow your business.
- The **SBA Learning Center** is a powerful virtual campus with online training, videos, tools and links to local resources.
- The SBA's **Office of Women's Business Ownership (OWBO)** serves as an advocate for women-owned businesses. The office oversees a nationwide network of 110 Women's Business Centers that provide business training, counseling and mentoring geared specifically to women, especially those who are socially and economically disadvantaged. The program is a public-private partnership with locally based nonprofits.

- The **Veterans Business Outreach Program (VBOP)** is designed to provide entrepreneurial development services such as business training, counseling and mentoring, and referrals for eligible veterans owning or considering starting a small business. The SBA has 15 organizations participating in this cooperative agreement and serving as Veterans Business Outreach Centers (VBOC).
- **Procurement Technical Assistance Centers (PTACs)** provide local, in-person counseling and training services for you, the small business owner. They are designed to provide technical assistance to businesses that want to sell products and services to federal, state, and/or local governments. PTAC services are available either free of charge, or at a nominal cost. PTACs are part of the Procurement Technical Assistance Program, which is administered by the Defense Logistics Agency.

Find your local resource using our handy [zip-code tool](#).

1.28 Have a Question?

- Call SBA at 1-800 U ASK SBA (1-800-827-5722)
- E-mail SBA at answerdesk@sba.gov
- Locate a SCORE counselor, SBA district office near you, or an SBDC office near you at www.sba.gov/local-assistance
- To provide feedback, comments or suggestions for other SBA online content, please email learning@sba.gov

1.29 Certificate

Congratulations on completing this course. We hope it was helpful and provided a useful understanding of Growing an Established Company. Click the certificate to receive a course completion confirmation from the U.S. Small Business Administration.

2.0 Recommendation

A.C.T. NOW!

The Article, Course, and Tool listed below are related to the course you just completed. They are provided to help you take action on your path to entrepreneurial success. You can also get in-person assistance for all of your business needs through a local resource center. And if you liked the course, please help spread the word by sharing it with your friends!

[Click here to share on Twitter](#)

[Click here to share on LinkedIn](#)

[Click here to share on Google+](#)

[Click here to share on Facebook](#)

Read an SBA Article

The article, [Forecasting for Growth](#), explains five criteria to help you define your ideal outcome and make your vision come true.

Take Another Course.

SBA's [Strategic Planning](#) course explains why strategic planning is important and describes typical steps taken in the planning process.

Try a Tool.

SBA's partner, BusinessUSA created the [Access Financing Tool](#) that, in a few quick steps, will guide you to government financing resources for your business.

Find local assistance!

[SBA has a broad network of skilled counselors and business development specialists.](#)