

# Expansion – is your business ready?

There are many situations where a business would benefit from expansion. Whether it is because of increased demand for a service or product, adapting to your customers' changing needs, or branching out into a new area, it is important to weigh up both the advantages and disadvantages of growing your business.

## Should I grow my business?

Research is key in making an informed decision as to whether your business should expand. Study the demand for your product, your potential marketplace, your competitors and your customer base as well as the impact expansion may have on your internal processes. It is important to explore every eventuality before making a decision.

You should consider expanding only if your business is healthy. If it is not profitable, expanding may cause bigger problems which have the potential to be disastrous. Assess your current business performance thoroughly, to ensure that you have a solid base that can take the inevitable pressure and upheaval that expansion will present.

Think about why you would like to expand, and whether doing so would result in cost advantages for your business. Expansion often means using more resources and employing more staff. Would the increased business make sufficient profits to bear the weight of these extra costs comfortably?

## Funding an expansion

Then there is the issue of financing your expansion. Funding remains a challenging area for small businesses, but there are other options you could consider instead of the traditional bank loan. Invoice factoring, overdraft facilities or leasing equipment could provide you with more funds and reduce the amount you need for expansion. You could also consider investment finance, which would mean that an investor would share some of your business risk, although if you are unwilling to relinquish some ownership of the business, or are a sole trader or partnership, this option will not be suitable. If you do decide to apply for a business loan, remember to make sure your business plan is watertight before presenting your application to the bank.

Growing a business is challenging and it is important to consider the risks associated with expansion. There is potential for financial loss and you will have to navigate through unfamiliar territory and face numerous other issues along the way. It is therefore important to make sure you feel capable of taking on such obstacles. If all of these issues have been duly considered, the benefits of business expansion can be numerous and extremely rewarding.

## Making it manageable

Managing a business expansion, like any other business project, will mean you need to plan extensively in order to make sure the task in hand does not become overwhelming. Of course, you will not be able to plan for every eventuality, but the more planning you do, the more likely it is that your expansion will run smoothly.

Some tips to help:

- **Consider expanding in stages, according to demand.** Staged expansion means that you will have to keep a close eye on how much demand there is for your increased business and will therefore not expand beyond your obtainable market.
- **Set yourself goals and deadlines.** Meeting your goals will help to build and sustain momentum, as well as giving you a sense of achievement and maintaining the enthusiasm of all those involved in the process.
- **Look at your marketing plan.** Because your business is changing, you will need to change your marketing plan so that it promotes your expanded business, attracts new customers and retains current ones.
- **Set up your systems first.** Organising efficient systems beforehand means that you will be able to cope when business levels start to increase.
- **Delegate.** Remember that you will not be able to do everything yourself. Involve your staff and ensure that you make the best use of their particular skill sets.
- **Manage your customers' expectations.** If you think that the growth of your business may affect your current customers, it would be a good idea to let them know. Remember to keep customers aware of any changes to their service and highlight any improvements that have been made. Making them aware of why their service may be interrupted will minimise frustrations and help to prevent any potential loss of business.

**Remember:** growing a business can be stressful! Make sure you take care of yourself – if you are not on top form, your business won't be either.

We can help you with all aspects of business planning. Please contact us for further advice and assistance.