

# Small-sized and Medium-sized Enterprises' Growth



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# Introduction

As an initial stage, all enterprises seek to access markets, but they soon begin to aspire to development and growth as one of the enterprise's life cycle. This stage may be pleasurable and smooth, or it may be accompanied by tough or coercive operations. In both cases, we want to construct a road map through this guide that will assist enterprises' owners in crossing the road to survival, sustainability, and even development and expansion in accordance with a thorough grasp of the many stages of growth and their requirements. Success and growth require the participation of everyone, so it is necessary to identify the leaders of change and growth, as well as the characteristics required of them, particularly the owners of enterprises who are usually the most influential element in the growth process and who have the ability to lead the enterprise to safety rather than failure and leaving the market.

## Evaluation of the enterprise's current status

To deal with the stages and strategies of growth, it is required to investigate the current situation of the enterprise, which requires recognizing numerous aspects of the enterprise's previous and current march.

Usually, enterprises pass through three stages:

- Startup stage
- Operation and management stage
- Growth stage and its impact on the enterprise's life cycle, (which will be focused on in this guide)

## Enterprise's mission

The mission is the task that defines the role and nature of the activity of the establishment so that it does not go beyond its scope.

The enterprise's mission directs its daily operations, supports making decisions, assists in effective planning, gathers the workforce, and motivates them to achieve the goals, as it expresses its organizational goals that must be met, and it also reflects the entire enterprise in terms of employees, customers, services, technology, and production quality. And its market position in terms of strength or weakness, as well as the extent to which it can continue.

It can be formulated by answering the following:

- What is the purpose of the enterprise?
- What services and products does it provide?
- Who are the enterprise's targeted clients?
- What has to be done to achieve these needs or address these issues?
- What makes us stand out from the crowd?

# Enterprise's mission

The mission is formulated around one or more of the following:

## Products



What are the enterprise's products or services?

## Clients



Who are the enterprise's clients?

## Overview



What are the enterprise's impressions and identity?

## Place



Where does the enterprise operate? Locally, regionally, or globally?

## Community Participation



What are the enterprise's obligations in terms of accomplishing development objectives?

## Philosophy



What values and beliefs prevail in the enterprise's operation?

## Mission characteristics and elements

- Adaptability to objectives, strategies, policies, and work programs
- The ability to apply and profit from available materials
- Considering present and expected societal and environmental conditions
- Meeting the demands of the enterprise's staff and the beneficiaries of its services
- Achieving integration between the various work units of the enterprise
- Clarity, expression accuracy, and briefing
- Taking into consideration future development and expansion aspects

## Analysis of the enterprise's internal and external environment

The enterprise's environment is analyzed whether it is under the enterprise's control (the internal environment) or outside of it (the external environment), by studying all the factors affecting the enterprise's performance, growth, and success, whether as incentives or obstacles.

# Analysis of the enterprise's internal and external environment

The following aspects are analyzed:

## External factors:

- The enterprise's activity sector, information on which can be obtained from private and government sources
- The market's quality and level of competition
- The market's economic situation
- Customer purchasing habits and personality
- International factors, and other...

## Internal factors

- Finance and Human Resources
- Management and systems in force within the enterprise
- Production operations
- Basic resources for operations/operational resources
- Distribution channels
- After sales services and other...

Many analysis tools are employed in it, the most well-known of which are:

- Brainstorming method
- SWOT analysis form 

## Market competitiveness

Competitiveness four levels are:

Monopolistic competitiveness

Complete monopoly / pure monopoly



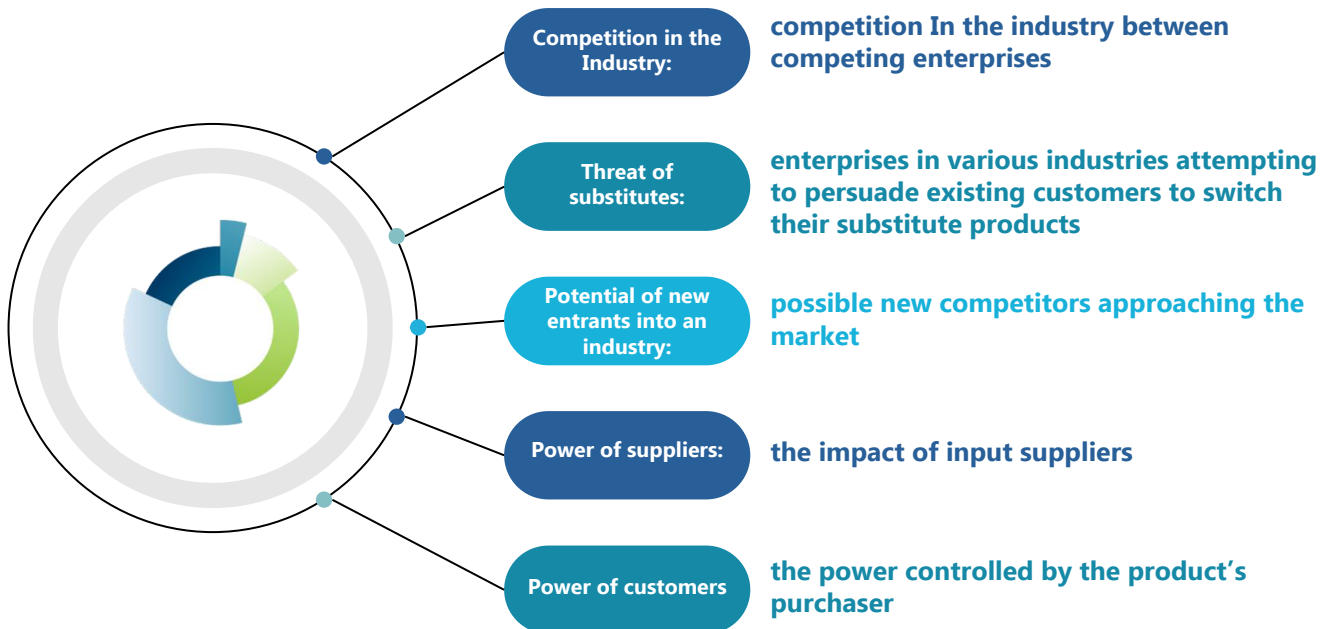
Perfect competitiveness

Oligopolistic competitiveness

القدرة التنافسية للمنشأة تستند إلى مجموعة معايير حيث أنها تربطها علاقات متداخلة فيما بينها فكل معيار يعتبر ضروري لأنه يوضح جانبًا من القدرة التنافسية ويبقى المنشأة صامدة في بيئة مضطربة، ولكنه لا يكفي بمفرده. وعلى خلاف التنافسية اللحظية فإن القدرة التنافسية تختص بالفرص المستقبلية وبمنظرة طويلة المدى.

# Market competitiveness

According to Porter's methodology, enterprises' competitiveness is classified into 5 forces of it:



The degree of competitiveness is determined by three main factors:

- The number of enterprises that control the supply of a particular product. The more enterprises there are, the more intense the competitiveness between them and vice versa.
- The ease or difficulty with which some enterprises enter the market. The easier it is to enter some new enterprises to produce and market a specific product, the more intense the competitiveness and vice versa.
- The link between the volume of products required by market participants and the quantity of these products that enterprises can provide and display. The greater display of a product, the greater the competition, and vice versa.

Analysis of market competitiveness:

- Who are the real competitors in the market?
- What products do they provide?
- How are the market shares distributed among competitors?
- What have their prior achievements and obstacles been?
- What are their current strategies/plans?
- How much do they spend on product promotion?
- What distribution outlets/channels do they use?
- What opportunities can competitors provide you with?
- What risks can competitors expose you to?
- Is it a market for sellers or buyers?

# Market competitiveness

## Criteria for determining the value of a competitive advantage:



### First: advantage sources:

- **Cost advantage:** it is based on lower cost labor and raw material costs and is relatively straightforward for competitors to duplicate (similar products at a lower price).
- **Differentiation advantage:** based on product excellence, service and a good reputation, brand, or close customer relationship. These benefits require the availability of workers with high level skills and competencies.
- **Diversification advantage:** the consumer benefits from a wide range of options and products, ensuring that their aspirations are fulfilled.



### Second: number of advantage sources owned by the enterprise:

The enterprise's reliance on a single competitive advantage exposes it to the risk of being easily imitated by competitors. Therefore, it is necessary to diversify sources of competitive advantage in order to make it more challenging for competitors to imitate.



### Third: the advantage's level of renewal, improvement, and continuous development:

To avoid imitating or simulating the competitive enterprises of their current competitive advantage, the enterprises innovate new advantages at a faster rate, and the enterprise must continuously evaluate the performance of its competitive advantage based on prevailing standards in the sector. These criteria can be enhanced to precisely analyze them and identify the level of their success, and a decision is made to maintain them or eliminate them if they do not meet the desired goal, which is dominance over competitors.

## Competitive strategies for the enterprise:

Although there is a broad agreement on the levels of strategy in the enterprise, they have been categorized as follows:

- **General strategy** which seeks to define a sector of activity in which the enterprise may compete, succeed, and grow its financial returns.
- **Commercial strategy** which aims to find a competitive advantage for the business and create market competitive plans. At this stage, the major goal is to adopt a high-return strategy.
- **Functional strategy** which may be the enterprise's strategy in the field of research and development, marketing, or human resource development, or it may be something else, such as a marketing strategy that aims to build strong relationships with the work audience (customers / partners / distributors) or to provide appropriate products.

# Market competitiveness

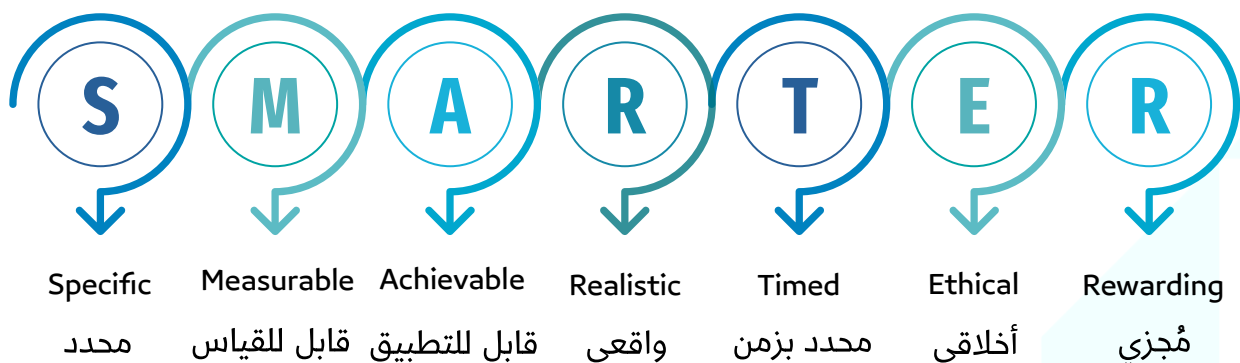
Whatever the strategy's level, it's based on three basic dimensions:

- **Strategy content:** refers to planning and definition of relationships, offerings, timing, and the pattern of allocating resources in order to achieve a competitive advantage (such as a price increase or service excellence).
- **Strategy formation process:** it refers to the actions engaged by the enterprise to identify the content of the strategy (for example, studying competitors' conditions or market conditions).
- **Strategy implementation:** it refers to the actions and activities taken both inside and outside the enterprise to put the strategy into action (such as control systems and coordination mechanisms).

Difficulties affecting business growth and continuity:

- Decreased revenue
- Increased fixed and variable costs
- Poor human resources efficiency
- Increased competitiveness
- The economic cycle and the consequences of recession
- Weak administrative and financial systems
- Disruption of cash inflows and outflows

Developing growth objectives using SMART Goals or SMARTER





# Enterprises growth levels

## Growth types

Growth in all of its levels is one of the stations of the enterprise's life cycle, which is influenced by a variety of internal and external elements that necessitate identification and employment for the enterprise's good

## Business growth methods:

### Normal growth (organic):

Growth can occur as a result of organically increasing sales levels by expanding the customer base or raising sales per customer, which is referred to as internal growth, and the emphasis is on:

- Increased productivity and cost savings.
- Investment in sales and marketing.
- Adding new markets (geography).
- Employing additional staff members who can offer value to the enterprise.
- Increasing the enterprise's production lines.
- Purchasing more space due to customer growth.

### Abnormal growth (Inorganic):

Occurs as a result of changes in corporate ownership, such as mergers or acquisitions, and is referred to as external growth, which emphasizes on:

- Merging with another enterprise.
- Acquisition of a business or other enterprise.
- Partnerships

## Growth levels:

All enterprises, whether small, medium, large, or even global multifunctional, go through stages of development, also known as "life cycle", and each stage has unique qualities and needs.

All enterprises go through the stage of birth, then develops and grows, and comes to an end after a while, so there are many enterprises that are established daily and others that end up closing their doors permanently; therefore, these basic stages are known as the "enterprise life cycle."

As a result, the enterprise must be aware of the stages of its growth and development, as well as how to make future plans that qualify it to move to the next stage.

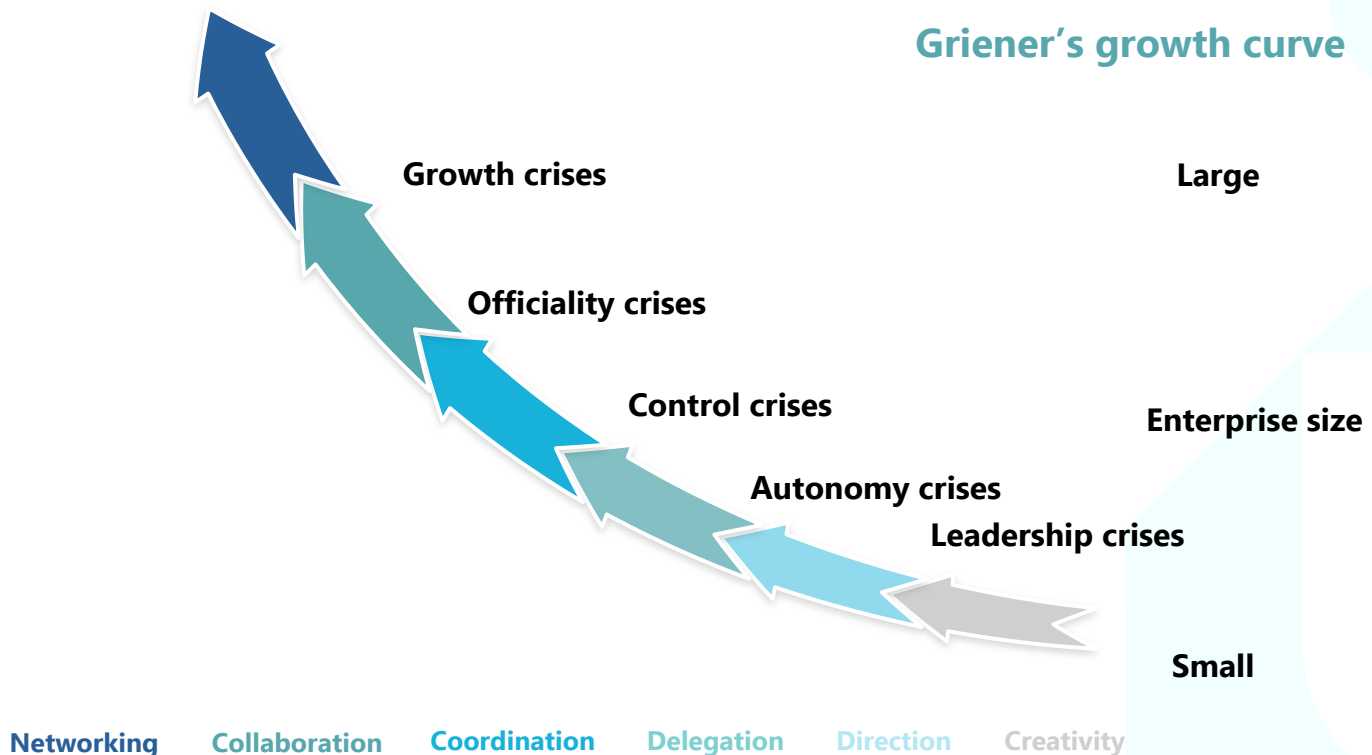
Each stage has different success requirements that differ from the preceding stages' requirements, which can be administrative, personnel, regulatory authorities, and other needs may exist.

# Enterprises growth levels

According to “Griener” model of organizational evolution, the enterprise goes through 6 basic strategies at its inception:

- **Growth with creativity:** enterprise growth through creativity and innovation in products.
- **Growth with direction:** enterprise growth through leadership guidance and counseling.
- **Growth with delegation:** enterprise growth through broad delegation of authorities to employees to build loyalty and independence by approving the enterprise’s growth and geographical spread.
- **Growth with coordination** is characterized by great coordination between expanding, varied, and diverse operations of the enterprise.
- **Growth through collaboration**, which is the self-growth in which it maintains its ability to meet the threats and risks to which it is exposed due to its massive size by creating collective bonds and internal interaction to perform in it.
- **Growth through networking**, at this stage, the enterprise faces numerous challenges that are impossible to overcome on its own, necessitating collaboration with other enterprises.

The enterprise encounters a predictable crisis at each level. You can view/have a look at the [Griener curve phases of growth](#) for more information on the stages and their crises.



# Growth-related factors

There are various factors that contribute to determining success or failure in the end, and their relevance changes as the business grows and develops, including:

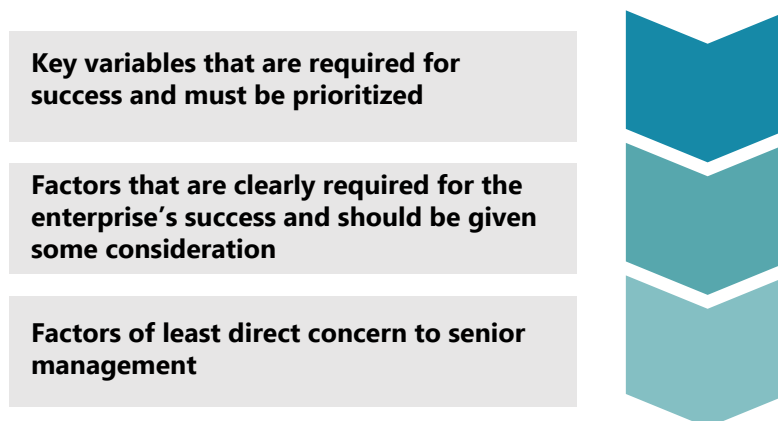
## Four of them are related to the enterprise:

- **Financial resources:** including cash, cash flow, solvency, and borrowing capacity.
- **Human resources efficiency:** which is related to the quantity, depth, and quality of employee performance, particularly at the senior and middle management levels.
- **Building systems:** in terms of information system creation, planning, and control.
- **Business resources:** include customer relationships, market share, supplier ties, manufacturing and distribution operations, technology, and reputation, all of which help the enterprise create a place in its sector and market.

## Four of which are related to the enterprise's owner:

- The owner of the enterprise's objectives for both the owner and the enterprise.
- The owner's operational competencies in carrying out critical duties such as marketing, development, production, and distribution management.
- The ability of the strategic establishment's owner to look beyond the present and align the establishment's strengths and weaknesses with its objectives.

The value of these characteristics changes as the business progresses from one stage to the next. As a result, we consider factors in three levels of importance:



## Growth-related factors

**Important factors to consider in order to improve the enterprise's growth prospects:**

- **The ability of the enterprise's owner to accomplish the work that keeps their business running. Small-sized and medium-sized enterprises rely on the owner's abilities, such as the capacity to sell, manufacture, develop, or do anything else.**
- **As the enterprise grows, other people enter sales, production, or engineering, and they first support, then replace the enterprise's owner.**
- **The enterprise's owner must raise the quantity of work done by other employees, which requires delegating.**
- **The significance of making monetary modifications as the business evolves, as it is a critical resource in the beginning, easily controllable in the success period, and a huge problem if the business begins to develop.**
- **The alignment of the enterprise's commercial aims and personal goals is critical during the establishment stage, because the enterprise's owner must be aware of and adhere to the financial requirements and the considerable effort demanded by the new business.**

**Finally, business owners seeking this growth should question themselves:**

- **Is my workforce of high quality and diverse enough to handle a developing enterprise?**
- **Do I currently have, or will I soon have, the mechanisms in place to handle the demands of a larger, more varied enterprise?**
- **Do I have the desire and ability to delegate decision-making to facility department managers?**
- **Do I have the funds and assumptions to pursue rapid growth, as well as courage to risk everything?**



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