

MBA DISSERTATION SBMA7123

**Comprehensive evaluation and analysis of various investment strategies for
small-scaled business**

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Research background

Small business organizations strive every day to maintain their financial stability and grow in the market. Since they do not have a specific team to manage their infrastructure hence all the tasks such as paying bills, developing business strategy, managing quality and manage workforce are done by a common team. Small business organizations are the one that has employee strength of less than 50. The alignment of the task is very dependent in the small-scale business (Kor, 2006). The critical part for the success of small business is an investment. The company doesn't only need good investors but also need to implement good techniques to utilize the investment. If the investments are not managed properly then the business will not survive in the market for long. Hence it is important to maintain business growth and manage investments.

In terms of small business investment management investment and business development are interlinked concepts. The business owners are aware of the fact that they cannot invest in multiple resources during the start-up phase. Since the business owners and the employees lack the experience for working in the market they are subjected to a lot of risks (Hebb, and Wójcik, 2006). By adopting the right strategy for investment the small businesses can safeguard themselves to a certain extent. When the organization starts making a profit it is the right time when they shall consider investments.

Typically there are three ways the small organizations can utilize the profits and turn them into investments. These are by increasing salaries, investing in resources or invests for the future. Whatever may be the method of investment the practices have to be strategic. The source of investment needs to be flexible because there are many uncertainties in the environment and

the company might need to fetch money for one or more reasons. Hence the investments should be on the right track. The process of developing the correct investment strategy is a comprehensive approach and in small business, it requires joint efforts that include diversification mechanism, risk reduction, setting financial goals and objectives (Teece, 2010).

Research aim and objectives

Small business is most vulnerable to financial instability hence it is important to understand the tactics of right investment. Most of the small business is ignoring the risk of investment and just concentrate on profit making. This sounds attractive for small term goals but as the organization grows there is an increased requirement of funds. Lack of correct investment plans can lead to slow business growth or loss of marketplace hence it is critical to evaluate the investment strategies (Hayes, 2006). Hence in this regards the following thesis aims to elaborate the concept of strategic investment.

Thus, the aim of the thesis is to comprehensively evaluate and analyze the various strategies for the small business organization.

The primary research question is

- What is the role of investment strategies for business development for small organizations?

The sub-questions are

- Why it is important for small organizations to implement strategically investment plans?

- What are the challenges addressed by the small organization while adopting investment strategies?
- In what ways the small-scaled organizations can implement business strategy

Literature review

As per the studies conducted by Shayne Gary (2005), the investment risk that most of the small businesses ignores at the beginning is part of their wealth management. One of the major risks faced by business owners that they will not proactively be able to keep up with their future goals. The profits at the beginning seem to be sufficient for satisfying business needs but as the business grows there is a need for added resources. During that time if the resources are not deployed then the company will miss an opportunity to grow. It is important to keep a little money aside from the beginning of business establishment else there is a chaos later (Shayne Gary, 2005). The biggest resource to the company is its workforce hence the company should invest in up skilling their existing team and recruiting people from outside.

From the studies of Korneva, Plotnikova and Ustuizhanina (2015), it can be known that the stepping stone towards adopting an appropriate investment plan is defining the goals. In the beginning, the small business should set up short-term and long-term goals. After setting up the goals it becomes easier to design an investment plan, it sets limitations to the investment plan for a specific term. It also helps in understanding what type of investment fund will be a part of the conservative portfolio (Korneva, Plotnikova and Ustuizhanina, 2015). After setting up the priorities the investment idea becomes much more productive. There shall be a careful

consideration of risk and then it should be decided whether it is worth investing in that plan or no.

As suggested by Adkins (2007), investing money outside own business firm is a great way to multiply money. It indeed reduces the risk factor as it creates a buffer for the business. If a small company decides to invest a part of its profits which may be low at the beginning but is likely to increase with the growth of business then they should not worry about the ups and downs in the business. At initial stages, the small companies are at the top risk in their own sector. Investing outside the business will enable them with more financial options. This can act as a support and will provide a peace of mind to the business owners. However, often the small industries rely on investment professionals to organize the investment but finding a right professional is not an easy task (Adkins, 2007).

Establishing a business is the fastest way to multiply money. Furthermore, investing in a correct way, protects the money over generations. Every small business needs to maintain a pace between building a portfolio and business needs. As explained by Fu (2008), only by building correct financial strategy the owner can add value to its assets. One such way of managing the business is putting the business premises into the category of Self-Managed Super Fund (SMSF). This helps in saving tax for the business and they are not required to pay for rent on monthly basis (Fu, 2008). By saving and utilizing these policies there can be an increase in the amount of investment.

The company will be able to achieve its financial goals quickly this will also help in getting a competitive advantage. A simple idea, implemented consistently over a lifetime can

create massive financial change, whether it be negative or positive. Time is the common thread that either creates or stunts wealth. Another effective strategic plan to make most of the funds in a small organization is by taking advantage of the Small business Capital Gains Tax. Most of the new business are not aware of government policies. Small business Capital Gains tax to sell a part of their assets without paying any tax. Some upper limit and lower limits are defined in the business to pass the eligibility. All the government across all the countries is striving to protect the small businesses because they understand that these organizations have huge potential to grow implies that they are given support and guidance (De and Meyer, 2008). Therefore, establishing an investment plan keeping in mind government policies will have to maximize the investment funds.

Theoretical framework

The theoretical framework for the study is shown below in the figure. The figure clearly depicts that the investment strategy is critical for the business development for small-scale business. It is important for the managers and owner of the company to evaluate the strategy which suits their business environment and help in utilizing the profits. As analyzed in the literature review small business lack the understanding of market assessment. Both internal and external stakeholders need to be a part of the investment plan else there will be loopholes in the strategy. From the initial annual reports of the company, the customers must be able to relate that the company is equipped with resources and is on the right track so that they build trust in the company (Davenport, 2011).

The literature review also reflects that the investment plans need to be flexible and a variety of approaches need to be adopted. Sticking to a single approach for the investments

a risk factor and the company might need funds at different stages hence they must know the correct source to extract from.



Key terminologies

- Asset allocation:** Asset allocation is an important term used in an investment strategy that differentiates the way the money is going to be put. The broadly identified categories are cash, bonds, and stock. However, as the businesses are becoming dynamic so should be the investment terms (Love et al, 2005). The asset also includes the internal resources of the company such as employees, IT infrastructure, network building, and premises acquisition.
- Cash:** Cash in general terms refers to liquefied money. However financial advisor seeks this as a portfolio builder that consists of a certificate of deposits, treasury bills, and

market money account. Furthermore, due to the development of e-payments and digitalized banking, the reliance on cash transactions have decreased. The cash transaction is however required to day to day expenditures such as buying stationary or repairing. In long-term, if investment cash is risky factor money does not multiply on own and it decreases the transparency in the process (Love et al, 2005).

- Bonds: Bonds are a safer means for the investment for small business owners. Bonds mean giving the loan to a company or government. If everything goes well in the invested and there are no consequences such as bankruptcy then the investor may collect the inverted money along with interest on the maturity (Love et al, 2005).
- Stock: By buying a stock in the company, a tiny ownership is taken in the firm. It is directly related to the performance of the company. The better the company performs the more the share price rises. If the performance of the company is not up to mark then the value can depreciate (Love et al, 2005).
- Gross Margin: It refers to the difference in percentage between what is the cost to produce the product to the company and at what rate the product is sold in the market. This ratio plays a crucial role as it allows the company to invest in the areas of marketing and recognizes the potential market and investor correct strategy of distribution (Love et al, 2005).

Delimitations

The study has specifically focused on the comprehensive evaluation for investment strategy for the small-sized business. The study does not take into account the large enterprise. This is done in order to understand the basic terms of correct investment. For large-scaled

business, the base is already established and they just need to modify it as per business requirements whereas small business needs to start from scratch. Moreover, there are many studies conducted for large businesses but there is no proper recognition for investment for the new business.

Additionally, the empirical data collected for the study is for startups-flourishing throughout the world. Since there is no specific area selected for the study, therefore, internal analysis with respect to a country is not provided. This is done in order to add value to the academic purpose. The upcoming businesses can also make use of the study to understand the investment strategies in broad terms.

Additionally, literature review and the peer-reviews article have been adapted to do a qualitative study. Along with it, the successful start-up's annual reports have been studied to add value and understand the practical implications of investment strategies.

Methodology

The methodological base of the research revolves around the current literature published regarding investment strategies, business plans, risk factors and market orientation of small businesses. This is referred to as the secondary method of data collection as it does not have an interview and the areas of sales, marketing, managerial operations have been scrutinized in detail (Ward, 2012). This provides an in-depth understanding of the financial aspects and its importance in market success and brand positioning.

Majority of the secondary data resources that are part of the study have been validated and their implications are proven in other studies as well. Most of them are identified by Google

Scholar. Google Scholar is a free platform to study e-books, journal articles, and conference papers. They can be differentiated by the means of keywords and the year of publication. An attempt has been made to include the latest resources in order to keep pace with the dynamic business environment.

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