
Organic growth

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DISTINCTION BETWEEN INORGANIC AND ORGANIC GROWTH

- ▶ *Organic vs. inorganic growth:*
 - ▶ external growth → *inorganic growth*
 - ▶ internal growth → *organic growth*
- ▶ Main differences between the two growth strategies:
 - ▶ *Speed*
 - ▶ *Risk*

METHODS OF GROWING ORGANICALLY

- ▶ *New customers*: rely on driving sales from existing activities
- ▶ *New products*: grow by developing new products
- ▶ *New markets*: grow by finding new markets for their products
- ▶ *New business model*: grow by using a new business model
- ▶ *Franchising*: set up franchising operations

ADVANTAGES OF ORGANIC GROWTH

- ▶ *lower risk* than other growth: extending practices that are *well known* and *understood*
- ▶ *cheaper* than other growth: can be financed from retained profit
- ▶ *retaining control*: management in control of the growth process
- ▶ *financial position* is better protected: less strain on financial resources
- ▶ less likely to encounter *diseconomies of scale*

DISADVANTAGES OF ORGANIC GROWTH

- ▶ *slow pace* may be too slow for some stakeholders
- ▶ inability to tap into *resources of other businesses*
- ▶ slow growth may → business may be left behind in market
- ▶ *economies of scale* may not be exploitable immediately
- ▶ slow growth may not be adequate in a *fast growing market*

KEY TERMS

- ▶ **Inorganic growth:** a business growth strategy that involves two (or more) businesses joining together to form one much larger one
- ▶ **Organic growth:** a business growth strategy that involves a business growing gradually using its own resources

KEY TERMS

REVISION OF CHAPTER 13

- ▶ **Boston Matrix:** A 2x2 matrix model that analyses a product portfolio according to the growth rate of the market and the relative market share of products within the market
- ▶ **Extension strategies:** Methods used to prolong the life of a product
- ▶ **Marketing strategy:** A set of plans that aim to achieve a specific marketing objective
- ▶ **Product lines:** A group of products that are very similar
- ▶ **Product portfolio:** The collection of products a business is currently marketing

KEY TERMS

REVISION OF CHAPTER 14

- ▶ **Collective bargaining:** A method of determining conditions of work and terms of employment through negotiations between employers and employee representatives
- ▶ **Flexible workforce:** A workforce that can respond, in quantity and type, to changes in market demand
- ▶ **Home workers:** People who undertake their regular work from home
- ▶ **Industrial action:** Disruptive measures taken by workers to apply pressure on employers when disagreements cannot be resolved

KEY TERMS

REVISION OF CHAPTER 14

- ▶ **Outsourcing:** Getting other people or businesses to undertake work that was originally done in-house
- ▶ **Multi-skilling:** The process of increasing the skills of employees
- ▶ **Trade unions:** Organisations of workers that exist to promote the interests of their members
- ▶ **Zero-hours contract:** A contract that does not guarantee any particular number of hours' work