Internal (Organic) Growth

Expansion driven from within a business.

How is this done?

Investment in tech.

Increase sales

New product development

abroad

New factories/ retailers etc.

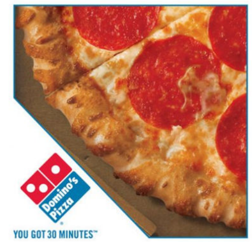
domestically

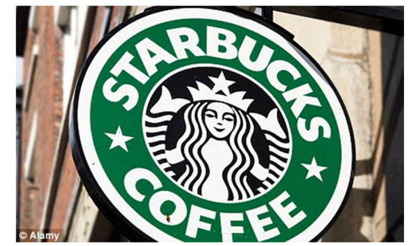
Market share (competitive - USP - price - promotion)

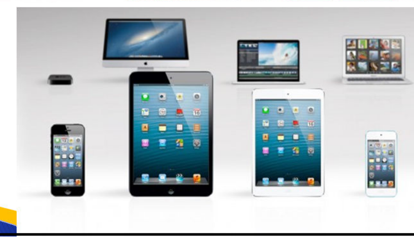
Change in ownership (franchising, 2 Ltd → Plc)

New markets (dev.). Diversify

Internal/Organic Growth





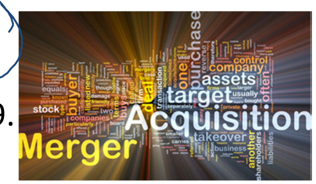


External Growth

- Explain, with examples, the different types of merger and takeover
- Analyse the impact of a merger on stakeholders
- Explain why a merger may or may not achieve objectives
- Evaluate the importance of joint ventures and strategic alliances as methods of external growth

External Growth

Business expansion achieved by merging with or taking over another business, from within or outside the industry. (Page 49)



Refer to the table on page 49.

Answer questions 9, ~~4~~ 10 and 14 on page 53 (briefly, ignore marks available).

Vertical Integration

Forward vertical

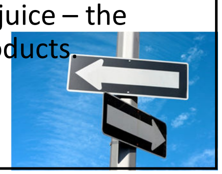


Backward vertical

Horizontal integration

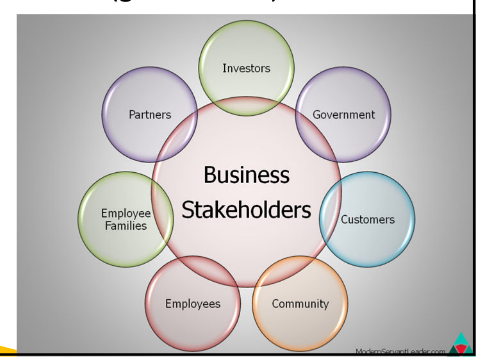
Which way?

- Cosmetics giant L'Oreal bought the cosmetics retailer Body Shop
- German car giant BMW bought the UK car business that manufactures the Mini.
- Google bought YouTube for $1.65 billion.
- Innocent Drinks considering buying Sunjuice – the manufacturer that makes their juice products.



Impacts

Read 'Jet Airways…' on page 50, choose three stakeholder groups and write down one way in which each group could be affected (good or bad)



Integration and Synergy

Merger – an agreement between shareholders and managers to bring two firms permanently together

Synergy – the idea that the whole is greater than the sum of parts (1+1 = 3) - the new business will be more successful than the two businesses could have been separately.

Integration and Synergy

However! Not all mergers achieve synergy, and may even split.

Read 'Daimler sells Chrysler…' on page 50 and write down possible reasons why a merger might fail to achieve synergy.

Alternative? *Joint ventures and strategic alliances*

- No change in ownership and no integration
- Come together for synergy on a temporary basis