Business Growth

Internal (Organic) Growth

The business expands by itself, by bringing out new products or entering new markets.

External Growth

The business expands by joining with another business.

- **Merger**

A merger occurs when 2 or more businesses agree to join together and form a new business.

Dixons and Carphone Warehouse merged in 2014

- **Takeover**

A takeover occurs when a business completely takes control of another business.

Kraft acquired Cadburys in 2010

Public limited companies (PLC)

A PLC is an incorporated business that can raise finance through selling shares on the stock exchange

Benefits of being a PLC

- Can raise lots of money through selling shares
- Limited Liability
- Seen as being more prestigious
- Can negotiate better prices with suppliers
- Greater public awareness of the business

Drawbacks of being a PLC

- Risk of potential take over
- Increased public and media attention
- Less privacy – must publish annual accounts
- Greater influence by external shareholders

Examples of PLC's

Financing Growth

To finance growth a business can use either **internal** sources of finance or **external** sources of finance.

Internal Sources of finance

Sale of Assets

Advantages

- A quick way of raising money
- Money doesn't need to be paid back

Disadvantages

- Business loses the benefit of owning the asset
- May not get full value for the asset

Retained Profit

Advantages

- Money doesn't need to be paid back

Disadvantages

- Profit is not guaranteed
- May not have enough profit to fund growth

External Sources of finance

Loan Capital

Loan capital is finance borrowed from a bank

Advantages

- The business gets the money quickly
- Can be paid back over time – helping cash flow

Disadvantages

- Needs paying back with interest
- May not be available to all businesses

Share Capital

This option is only available to Limited Companies

LTDs - can sell shares to family and friends
PLCs – can sell shares on the Stock Market

Advantages

- Do not need to pay it back
- Can raise a lot of money quickly (PLCs)

Disadvantages

- Owners lose some control of the business
- PLCs risk being taken over by a rival
- Expected to pay dividends to shareholders

Business Ethics

Ethics are the moral principles that guide the behaviours of businesses.

Examples of ethical behaviour

- Treating workers and suppliers fairly
- Being honest with customers
- Ethical sourcing of materials
- Investing in the community
- Meeting government requirements
- Caring for the environment
- Operating sustainably

Trade-offs between ethics and profit

Benefits of ethical behaviour

- Consumers are willing to pay premium prices
- Positive media attention and better reputation
- Could attract ethically minded customers
- Increased employee motivation
- Makes it easier to recruit and retain staff

Drawbacks of ethical behaviour

- Acting ethically can increase costs
- People may not actually care
- Could reduce profits

Environmental Issues

Most business operations have short term and long term impacts on the environment

Short-term impacts

1. Traffic congestion through transport and deliveries
2. Air, noise and water pollution through manufacturing

Long-term impacts

1. Climate change
2. Depletion of natural resources e.g. fossil fuels etc.

Reducing the impact

Businesses can reduce their impact on the environment in several ways;

- Recycling
- Using renewable energy
- Replenishing and conserving natural resources
- Using biodegradable packaging
- Reducing food miles – sourcing locally
- Partaking in social enterprises

Business opportunities

As consumers are becoming more environmentally aware it is creating more business opportunities

Being environmentally friendly can …

- Increased brand awareness
- Improve the brand's reputation
- Give them a USP – Differentiate the product
- Allow them to charge a premium price

Pressure Groups

Pressure groups are organisations that try to make businesses change their behaviour or operations.

(e.g)

Pressure groups can cause bad publicity and can damage a business's reputation

Impact of pressure groups on the marketing mix

- **PRICE** - Pressure groups might force businesses to pay a fair price for suppliers increasing costs = higher prices
- **PRODUCT** – Pressure groups could force businesses to use ethically sourced raw materials = higher costs
- **PROMOTION** – Pressure groups may force businesses to obey legislation banning promotion of certain goods
- **PLACE** – Pressure groups could oppose large businesses from opening stores in certain areas

Aims and objectives

Aims

An aim is a long term goals set by a business

Objectives

An objective is a short term target set by a business that must be achieved in order for their aims to be met.

Factors affecting business objectives

Competitors
(Existing competitors bringing out new products or new competitors entering to the market)

New Technology
(Objectives may be linked to innovation of new products using new technology)

Economic Climate
(Changes in demand caused by changes in the business cycle can affect objectives)

Legislation
(New laws can force a business to change their objectives)

Leaders and Culture
(Changes in the working culture of a business can affect objectives)

International Trade

International trade is the exchange of goods and services between countries.

Trade Barriers

Trade barriers are Government action that restricts the flow of imports into a country. This is known as Protectionism.

Tariffs

Tariffs are taxes on imports

Reasons for tariffs

- Protects jobs in domestic industries
- Protects emerging economies
- Prevents cheap imports being dumped onto the domestic market
- Tariffs are a source of revenue for the Government

Competing internationally

To compete internationally businesses can …

- Use of the internet and e-commerce
- Change the marketing mix to meet the needs of the foreign customers
  (e.g.) - Changing the product/advertising /price etc.

How objectives change?

Over time a business's objectives can change

Targets for a growing business

- **Expand the product range**
- **Enter new markets**
- **Increase sales**
- **Increase profits**
- **Gain a larger market share**
- **Take over other businesses**

Targets for a failing business

- **Decrease the product range**
- **Exit markets**
- **Achieve enough sales to break even**
- **Improve efficiency**
- **Maintain market share**
- **Reduce costs**

Business and globalisation

Globalisation

Globalisation is the process by which businesses operate on an international scale.

Imports

The flow of goods and services into a country from another country

Exports

The flow of goods and services out of a country to another country

Multinationals

Multinationals are large companies with facilities and markets around the world.

Benefits of globalisation

- New market opportunities
- Access to technology and resources
- Lower labour costs from developing world

Drawbacks of globalisation

- Threat of foreign competition
- Challenge of adapting products to meet foreign customer's needs

Trade Blocs

A trade bloc is created when the governments of different countries agree to act together to promote trade among themselves.

(e.g.) The European Union