Subject Content	What students need to learn?
2.1.1 Business Growth	Methods of business growth and their impact: • Internal (organic) growth: new products (innovation, research and development), new markets (through changing the marketing mix or taking advantage of technology and/or expanding overseas) • External (inorganic) growth: merger, takeover Public limited company (PLC) Sources of finance for growing and established businesses

Internal (Organic) Growth

Internal growth occurs when businesses choose to expand using their own initiative to increase sales. This could be:

- Through the creation of new products that have been researched
- Entering into new markets with an already existing product
- Changing the marketing mix (e.g. through advertisement)
- Take advantage of technological advancements to expand

External (Inorganic) Growth

Merger: An agreement between two firms who join to form a new company

Takeover: When one firm buys out the shares of another firm to incorporate them into their company

Advantages of Internal Growth

- More sustainable as slower
- Less risk than external growth
- Builds on a firm's existing strengths

Disadvantages of Internal Growth

- Growth based on the growth of the market
- Slow growth
- Hard to increase market share if a market leader

Sources of Finance

Selling Shares: Creating new shares that can be sold on the stock market

Retained Profit: Profit kept within the business that is not paid out in dividends to the shareholders. This source of finance is the best if the business wants to expand.

Bank Loan: This is an arrangement where the amount borrowed must be repaid over a clearly stated period, in regular instalments. The amount is paid back with interest.

Selling Assets: Selling items that the business owns to raise funds. For example, selling property or machinery.

Advantages of External Growth

- Quicker than internal growth
- May get rid of competition
- Can get new ideas and new expertise

Disadvantages of External Growth

- May be a clash of culture
- May be stopped by the competition authorities
- Increased costs in the short term

Public Limited Company

A company that sells its shares on the stock market

This makes it much easier to raise finance but makes the business prone to takeovers