



# The Size of Business

- It can be difficult to decide whether a business is small or large

- There are 4 ways in which it can be done:



- **The Value of the Business**

- This measures how much they would get if they sold everything

- **Sales Revenue**

- This measures the value of all the goods the business sells in a year

- **Market Share**

- This measures the value of sales a business makes compared to all sales of the product that they sell

- **The Number of Employees**

- A business with less than 200 workers is usually small, whilst one employing more than 3000 workers would be large



# Why Will Firms Want To Grow?

- There are a number of reasons why a firm may want to grow larger:

- **Lower Costs**

- This is achieved through **ECONOMIES OF SCALE**
- This will mean higher profits for firms

- **Wider range of products**

- This increases security since they are not relying on one product

- **Ensure supplies and outlets**

- This gives them control over the availability of products

- **To prevent competitors gaining an advantage**

- Gaining more control of a market will give a firm an advantage over their competitors

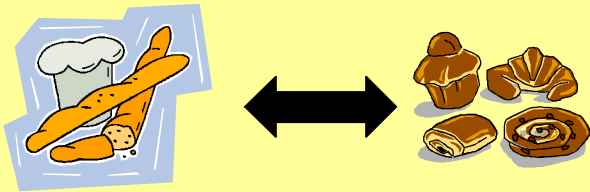




# Types of Growth

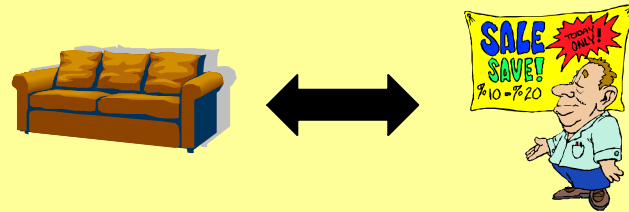
- There are 4 types of business growth

## Horizontal Integration



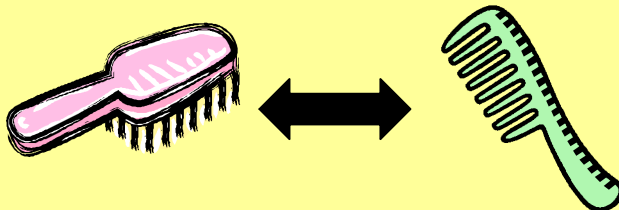
Similar businesses at the same stage of production

## Vertical Integration



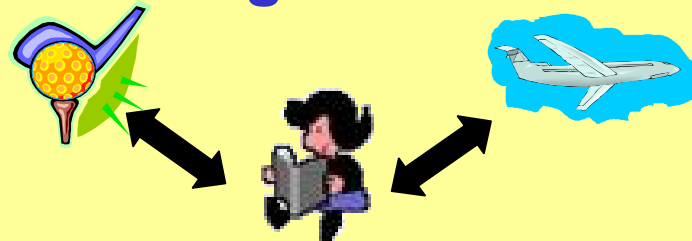
Businesses at different stages of production

## Lateral Integration



Related businesses at the same stage of production

## Conglomerate



A variety of businesses at different stages of production



# How Can Firms Grow?

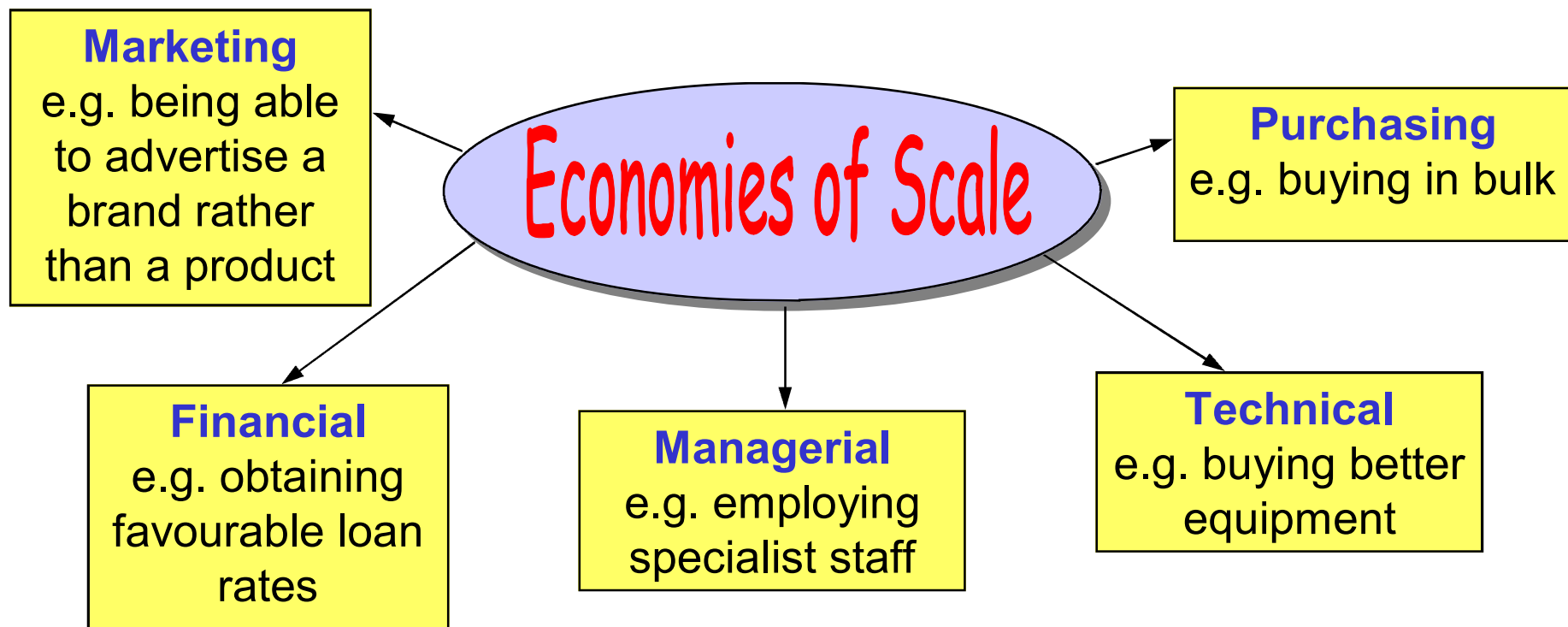
- The type of integration that firms will choose will depend upon the situation they are in
- There are 3 ways in which it can be done:
  - **Internal Expansion**
    - Expanding by opening more outlets, or employing more workers
  - **Mergers**
    - Where 2 businesses join together to form a new business, usually with a new name
  - **Takeovers**
    - Where 1 business buys at least 51% of another business in order to control it.





# The Benefits of Growth

- The main benefit from growth is lower costs
- This is achieved through **ECONOMIES OF SCALE**
- This means that firms can save money by being bigger
- There are 5 main types of economies of scale





# The Problems of Growth

- Sometimes being large can have disadvantages
- These are often referred to as **DISECONOMIES OF SCALE**
- Possible diseconomies of scale include:
  - **Communication**
    - becomes difficult so decisions may take longer
  - **Separation of Managers and workers**
    - This means worker may not work as hard
  - **Firm is less flexible**
    - It may not be possible to change production quickly

