

# Inorganic Growth

## Quick

### Takeover (Acquisition)

Takes control  
Buys 51%  
Eircom & Meteor  
Hostile - Ryanair & Aerlingus

#### Economies Of Scale

Bigger business, smaller unit cost  
Suppliers of fuel for Air France- KLM  
Cheaper prices

#### Increased Profits

Cuts out duplication  
Staff redundancies  
Opp to increase revenue & decrease costs

#### Quick Access to New Ideas and Products

Saves time developing  
Immediately acquires products, machines, staff  
Adidas bought Reebok  
Securing 20% of US market

### Advantages

### Disadvantages

#### Capital

Costs a lot  
Debt equity ratio increases  
Increased risk of bankruptcy

### Strategic Alliance

Two independent  
Deal to cooperate  
Pool  
Joint venture  
Share costs

#### Swatch & Mercedes (Smart car)

Shared design and style of Swatch with  
Technological knowledge of Mercedes  
Split design and production costs  
Both expanded with new products

#### Cost Effective Expansion

Costs split  
Equipment shared

#### More Successful Expansion

Brainstorm together  
Share knowledge & expertise  
Designers & engineers share ideas

#### New Markets

Open  
New customers  
Increasing sales & profits

### Advantages

### Disadvantages

#### Disagreements

Getting nothing from alliance  
Disagreements about design  
One party dominating

#### Lose Customers

Customers restricted choice  
Switch  
British Airways connecting US flights

### Merger

Joining two businesses permanently  
Air France & KLM = Air France-KLM  
Biggest airlines  
Negotiate better discounts  
Increased sales - combining routes

#### Conflict

Established practices and policies  
Clash of cultures  
Disagree  
Conflict

#### Reduce Employee Motivation

Uncertainty  
Job security  
Redundancy  
Lack of prospects

### Disadvantages

### Advantages

#### Economies Of Scale

Bigger business, smaller unit cost  
Suppliers of fuel for Air France- KLM  
Cheaper prices

#### Increased Profits

Cuts out duplication  
Staff redundancies  
Opp to increase revenue & decrease costs

#### Synergy

Better together  
Better than sum of parts