

## Different types of Growth

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### Hyper Growth

- Hyper growth is what takes place on the steep part of the growth curve. It is a dizzying, company-stretching type of growth
- Hyper growth means extremely rapid growth, and businesses that grow at this rate are said to experience a radical expansion. Companies in this category are, among others, Facebook, Uber, Dropbox and Twitter
- Hyper Growth experiencing “S” Curve

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## Five Rules for Hypergrowth Management

- 1. Focus first on sales
- 2. Innovate with caution
- 3. Standardize structures and processes
- 4. Delegate decisions to field managers
- 5. Reward action and initiative

• Source: Harvard business review

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### 1. Focus first on sales

- **Rule #1 Sell First and Ask Questions Later**
- Focus on capturing as much of the market as possible.
- Chose just one simple metric for goal setting and performance measurement

### 2. Innovate with caution

- **Rule #2 Don't Try Too Hard to Innovate**
- Do not fall into the trap of looking too far ahead in technological terms
- Look at a technology and how people are using it, and then work out whether and how to apply it in your own market instead of going in blind,

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### 3. Standardize structures and processes

- **Rule #3 Organize Like McDonald's**
- Use standardize technologies, organizational structures, and business processes across all the company's operations.

### 4. Delegate decisions to field managers

- **Rule #4 Push Decisions Out to the Front Line**

### 5. Reward action and initiative

- **Rule #5 Foster a Can-Do Culture**

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## Issues with hyper growth

- Risk of overtrading
- Externally driven growth is likely to hide internal weakness
- Over focus on bottom line but less focus on bottom line

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## Organic Growth

- Expansion of a firm's operations from its own (internally generated) resources, without resorting to borrowing, acquisition or merger with other firms.
- Organic growth strategy involves strengthening company using its own energy and resources.
- Apple has embraced this strategy over its existence, until 2010

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## Organic growth involves strategies

- Developing new product ranges
- Launching existing products directly into new international markets (e.g. exporting)
- Opening new business locations – either in the domestic market or overseas
- Investing in additional production capacity or new technology to allow increased output and sales volumes

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## Benefits of organic Growth

- Developing company's strengths through organic growth can make a stronger competitor in the industry
- Increase market share and improve customer retention.
- Less risk than external growth (e.g. takeovers)
- Can be financed through internal funds (e.g. retained profits)
- Builds on a business' strengths (e.g. brands, customers)
- Allows the business to grow at a more sensible rate

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## Drawback of organic Growth

- Growth achieved may be dependent on the growth of the overall market
- Hard to build market share if business is already a leader
- Slow growth – shareholders may prefer more rapid growth
- Franchises (if used) can be hard to manage effectively

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## Inorganic Growth

- Inorganic growth arises from mergers or takeovers rather than an increase in the company's own business activity.

### Pros

- Potential for substantial and quantifiable growth: Many businesses will nearly double or triple their list of clients with a business merger.
- Immediate rewards: You get a bunch of new clients. Start servicing them as quickly as you can to get things up and running.

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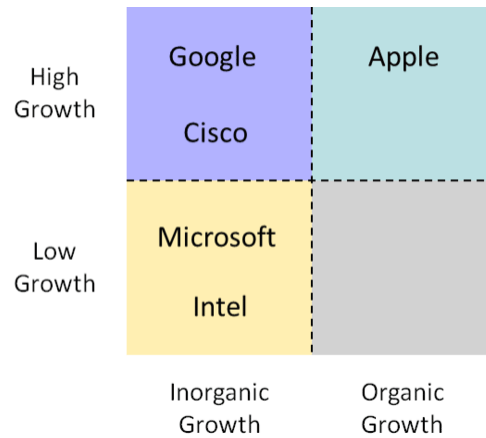
### Cons

- High upfront cost: Buying or merging with another business is not cheap, and you will usually have to shell out some big bucks upfront to make it happen. If you don't have the cash on hand, you'll have to rely on a business loan to purchase the business.
- Transfer risk: Inorganic growth only works if the buyout or merger is a success. If the client transfer bombs, then your cash and growth chances are gone.

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## Organic vs Inorganic Growth



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The strategy of inorganic growth takes place by:

- ✓ Acquisitions
- ✓ Merger
- ✓ Joint Venture
- ✓ Strategic alliances
- ✓ Replication( Franchising & Licensing)

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## Inorganic Growth- Growth by acquisition

- purchase of one company by the another company. The term refers to the acquisition of a public company whose shares are listed on a stock exchange.

- Types of Takeover:

- Friendly Takeover –
- Hostile Takeover –
- Reverse Takeover

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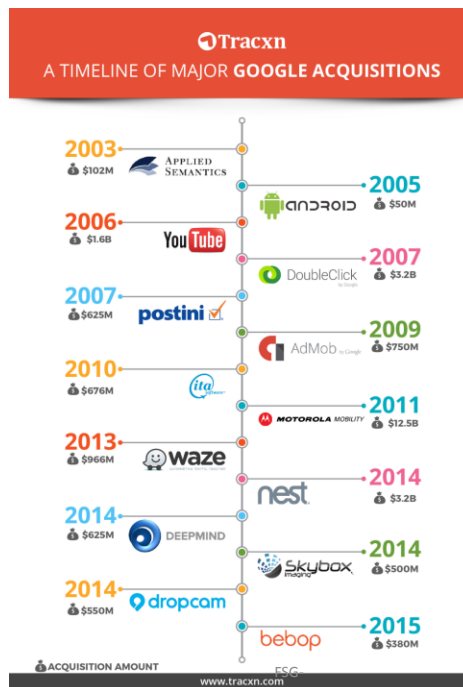
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## Growth by Merger

- Two business are dissolved in to each other
- Legally Mergers are effected by exchange of the pre-merger stock (shares) for the stock of the new firm. Owners of each pre-merger firm continue as owners, and the resources of the merging entities are pooled for the benefit of the new entity.
- If the merged entities were competitors, the merger is called horizontal integration, if they were supplier or customer of one another, it is called vertical integration.

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