

WHAT IS A STRATEGIC METHOD? Table 11.2 The potential advantages and disadvantages of pursuing organic growth

Potential advantages Usually a lower risk option in that the increase in capacity remains fully under the control of the existing management thereby avoiding the risks of dealing with other organizations is avoided.

Potential disadvantages Usually a slower mechanism compared to external growth methods where the 'bolting on' of a new company or co-operation with other organizations is a faster route to growth than gradual growth by internal means.

merger or acquisition is prevented on the grounds of cost, unavailability of suitable targets or regulatory disapproval;

According to Evans (2015), a strategic method is way adapted to achieve organizations strategic direction's goals and objectives.

Develop through joint development with other organizations by making some form of collaborative arrangement (Evans, 2015, pp 378)

STRATEGIC METHODS IN THE CONTEXTS

Uses the reinvestment of previous years' profits in the existing business + funds provided by shareholders and banks.

Disruption to cash flows is likely to be less than in the case of mergers or acquisitions and to a lesser extent with the various forms of joint development.

Mergers are the shareholders of the organizations come together, normally willingly, to share the resources of the enlarged (merged) organization, with shareholders from both sides of the merger becoming shareholders in the new organization.

The potential problems associated with the integration of differing organizational cultures are avoided.

Develop internally (or organically as it's often called) utilizing existing available resources.

Core competencies can usually be exploited and existing expertise, experience and knowledge can be capitalized upon.

Other methods of development often require large up-front payments whereas organic development allows investment to be spread over time.

Relying on the competencies and resources of a single organization may lead to shortages and might mean that important opportunities are not exploited.

In determining the methods by which strategic development will take place the management of THE organizations are faced with making a choice between three basic options:

Normally By increasing capacity (by, say, offering a larger number of holidays for sale, increasing the number of hotel rooms or managing a larger number of events).

This change will make the organization to adapt more resources to cope with the change (i.e. HR, Technology, ...etc.)

common during the early stages of corporate development as companies build markets and develop new products.

External mechanisms of growth: mergers and acquisitions (M&As)

Merge with/acquire other companies or allow the company to be acquired by another company.

Organic growth is the most straightforward mechanism of business growth. (Large companies use it alongside external growth to consolidate market position).

access to capital is limited to pursue alternative methods;

Organic (internal) growth: (the most used mechanism of growth)

This method tends to be chosen in circumstances where:

suitable partners for joint development are unavailable;

the necessary resources and competencies are available internally

directors want to maintain control; and

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