



# THE TIMES 100

## BUSINESS CASE STUDIES

### Organic & Inorganic Growth – Bibby Line Group

Bibby Line Group started out as a family-run shipping business. It was founded in 1807 and since that time the company has grown to become a global business. It has also diversified into new business areas, such as financial services and asset management services, as well as logistics.



Organic growth is achieved from within a business. It can be from winning new customers, by increasing sales of existing products and services and by introducing new product lines. It can also be achieved by moving into new geographic markets, perhaps by selling more in export markets. Organic growth is often safer than inorganic growth. Once a business has acquired a specialism, such as transporting cargoes by sea, it can be relatively easy to expand, for example, by sailing on new routes. It can be more difficult to buy and integrate another existing business into the existing company. The early history of Bibby Line Group is characterised by organic growth. Starting with seven ships at the beginning of the nineteenth century, the company expanded over the next 20 years to acquire another 18 vessels. Initially it focused on routes to Mediterranean ports, before expanding to support trade with India, China and, later still, South America. Its ships carried many different cargoes, including cotton, sugar, animal hides and many other commodities.

Inorganic growth occurs when a company grows by merging with or acquiring other businesses. Mergers and acquisitions are a much faster way of growing a company than organic growth. The company immediately gains the customers and sales of the acquired businesses, as well as its assets and market position. However, inorganic growth is a more risky strategy than organic growth because it involves taking over a new business, which may have a different culture and way of doing things. It can also be expensive . profitable businesses cannot be acquired cheaply.

Merger	Acquisition
Two companies of similar size join together to create a new company with new shares. This is often described as a 'merger of equals'.	One company takes over another company by buying up 51% or more of the shares in the 'target company'.

The acquisition strategy of Bibby Line Group has enabled the business to diversify into new product and service areas. In 2007, Bibby Line Group entered the convenience retail industry when it acquired a 51% stake in Costcutter. It later took full control of the convenience store retailer in 2011.

Bibby Line Group views the convenience retail sector as an excellent long-term prospect. It plans to support the Costcutter management team in continuing to put retailers at the heart of the business. The strategy of diversification has enabled Bibby Line Group to move into industries with strong growth prospects. For example, in 1982 the company moved into the rapidly growing financial services market. There were real opportunities in this market. Today, Bibby Financial Services is the UK's largest independent (i.e. non-bank) debt factorer. This business provides finance to companies to help with cash flow. Bibby Financial Services now factors over £6 billion of debt in 14 countries. Since the business was set up by the Group it has grown organically, expanding into Hong Kong, Sweden and New Zealand in 2011, and inorganically by acquiring businesses in the UK and Europe. More recently it has created new financial products in Australia and Poland.



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### Questions

1. What is organic growth?

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2. Describe the two main ways inorganic growth can occur.

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3. Using the case study, give an example of how Bibby Line Group has grown both organically and inorganically.

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4. Analyse the advantages and disadvantages of inorganic growth.

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### Task

*Board game* . create a Business Growthboard game. Create an 8 by 8 grid and number the squares from the top left corner down to the bottom right. Add advantages and disadvantages to the squares at random and use these to direct the players either forwards or backwards e.g. inorganic growth is too slow - go back 3 places; new skills and experienced gained through merger . move forward 5 spaces. When completed, make some counters, grab some dice and play the game.

### What have you learned?

Create a mind map about organic and inorganic growth. Make sure you include definitions, methods, advantages and disadvantages.