

## Organisational growth – IMI

Growth is a common goal, also known as a business objective, for many organisations. A business may pursue a growth strategy to increase its market share, improve efficiencies through economies of scale or to increase revenue. IMI's growth strategy focuses on the markets where it is, or has the potential to become, the market leader. One method used to grow a business is organic growth, sometimes called internal growth. Organic growth occurs when a business grows by selling more products or services. Ansoff's matrix outlines four ways this can be achieved:

- market penetration – selling more of its products to existing customers
- market development – selling its products to a wider market, either at home or abroad
- product development – increasing the product portfolio by selling new products or services to existing markets
- diversification – selling new products or services to new markets.



Organic growth is a long-term strategy. It is a lower risk growth strategy than inorganic growth as it is building on the company's strengths to increase sales. IMI seeks to maximise organic growth opportunities by developing innovative new products. IMI's strategy for growth has seen increased investment in new product development to increase exposure to the higher growth emerging markets. For example, IMI's Severe Service division has experienced growth in emerging economies such as Argentina where its market-leading control valve technology gained new customers in the oil and gas industry. New product development also drives IMI's organic growth in all divisions. For example, IMI's Beverage Dispense division engineered a premium juice dispensing unit for McDonalds.

Inorganic, or external, growth is another method used to grow a business. The main sources of inorganic growth come from mergers and acquisitions with other businesses. A merger is when two companies join together to create a new company. An acquisition is where one company buys another company which it then controls. Although a much faster method of growth than organic methods, inorganic growth carries greater risks. It is often very expensive to buy a business. If acquiring a business that strays away from the organisation's core competencies it must ensure it has the skills and knowledge required to run the business profitably. When analysing an acquisition, it is essential to recognise that a business is not just purchasing tangible items such as employees, stock and buildings, but also non-tangible ones such as reputation, intellectual property, liabilities and goodwill.

Carefully planned acquisitions are key to IMI's growth strategy. IMI focuses its acquisitions on companies that are complementary to its existing businesses and will help it achieve its mission and goal. This involves acquiring companies that are leaders in their respective fields to strengthen IMI's market share. Two examples are IMI's Severe Services platform acquisition of German industrial valve maker Zimmermann & Jansen in 2010 and the leading Italian engineering business Remosa in 2012. These enabled IMI to become the leader in custom engineered valve and control solutions for critical in-plant processes. Both companies operated in power generation and oil and gas, industries in which IMI already had a wealth of expertise. They also gave IMI a strong presence in emerging markets, including South America and Asia, where Remosa, for example, was already highly active.



# THE TIMES 100

## BUSINESS CASE STUDIES

### 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 IMI 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 Growth’ board 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.