Size of Firms

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Staying Small

Advantages	Disadvantages

1. Owner's preferences
    1. Keep ownership, prevent loss of control
    2. More profit for yourself
2. More complicated when expanding
3. Firm-customer interaction
4. Demand is only to a niche market
    1. low demand
5. Small supply
    1. locally grown
	1. Lack of EOS
	2. Small revenue / less profit
	3. Unlimited liability

Growing Big

Advantages	Disadvantages
1. Greater economies of scale 2. Less competition 1. Due to more market share, integration possibilities 3. Revenue -> profit 4. Meet high demand	1. May lead to diseconomies of scale 2. Owners may lose ownership

Types of Growth

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Internal

Internal growth is when a firm expands by increasing capital, land, labour within their company

External (Firm Integration)

Integration: Buying up other companies that are already producing something

Vertical

When you buy your supply chain
(reduce your costs)

1. **Forward**: buying something further along the chain, like the shops
2. **Backward** : buying something backward like the raw materials

Horizontal

When you buy your competitor

1. **Merger**: buying up company in same industry (competitor)
   1. buy up more than 50% shares of other company
   2. More safety for firms, increase in prices, less competition
2. **Conglomerate**: buying up company in different industry (diversification, not relying on one market)