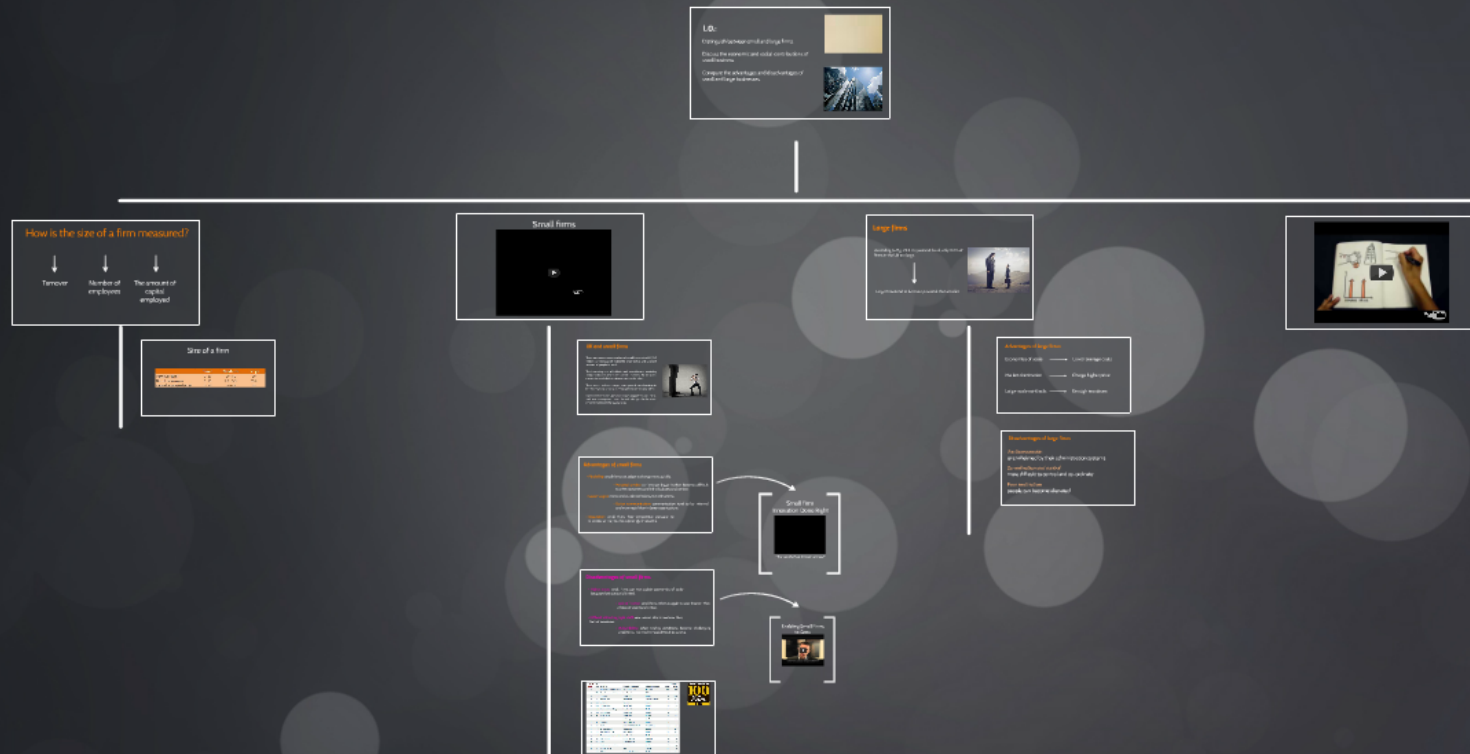




# Advantages and disadvantages of large and small firms

## Chapter 23, SdP



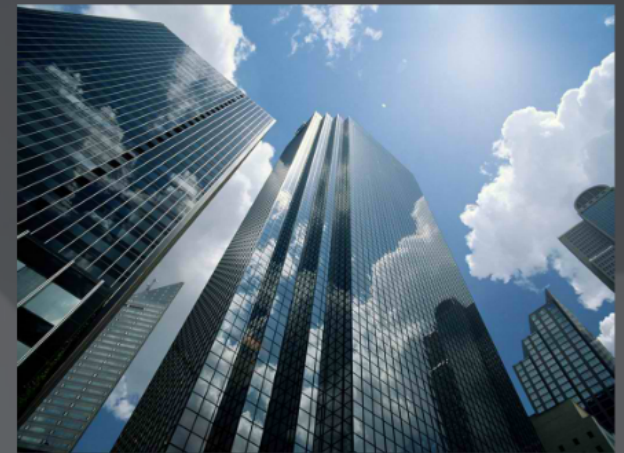


## L.O.:

Distinguish between small and large firms.

Discuss the economic and social contributions of small business.

Compare the advantages and disadvantages of small and large businesses.



# How is the size of a firm measured?



Turnover



Number of  
employees



The amount of  
capital  
employed

# Size of a firm

	Small	Medium	Large
Turnover (€m)	0 - 10	10 - 50	50
No. of employees	0 - 49	50 - 249	250+
Capital employed (€m)	0 - 10	10 - 43	43

# Small firms



You Tube



## UK and small firms

There are now a record number of small firms in the UK, 5.2 million, an increase of 760,000 since 2010, and a record number of people in work.

The increasing use of tablets and smartphones providing mobile internet access has made it easier for business owners to reach their customers and make sales.

There was a culture change; more people are choosing to be their own boss because of conviction in their own ideas.

Government policies provided more support for small firms and new enterprises have helped change the business environment over the past 5 years.

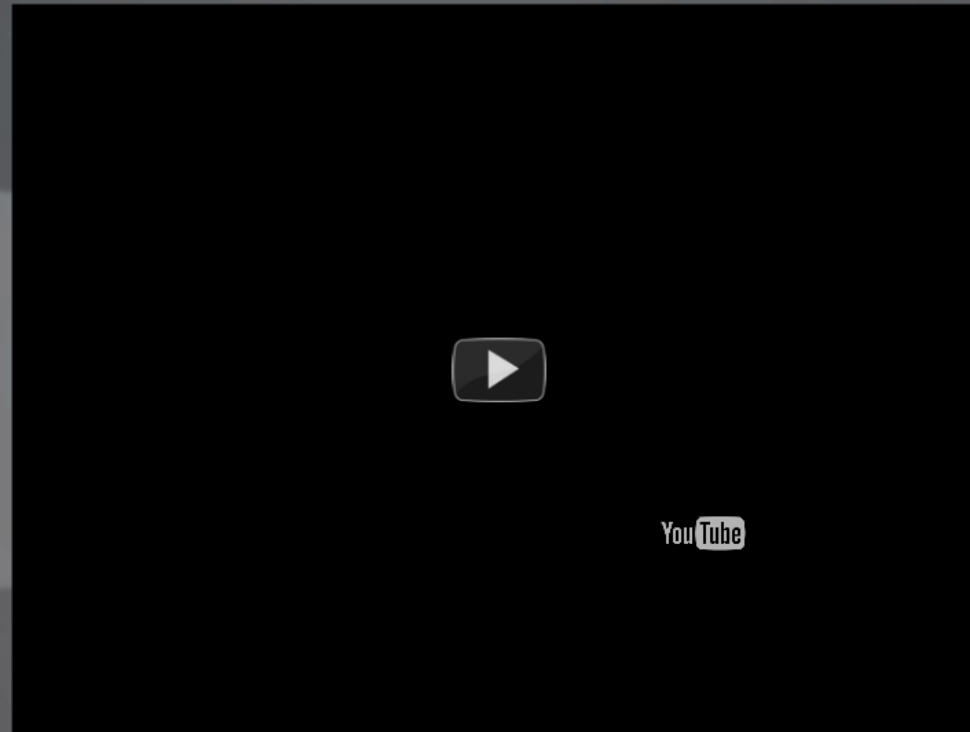


# Advantages of small firms

- **Flexibility:** small firms can adapt to change more quickly.
  - **Personal service:** as firms get bigger it often becomes difficult to offer customers and individual personal service.
- **Lower wages:** many workers do not belong to trade unions.
  - **Better communication:** communication tend to be informal and more rapid than in larger organisations.
- **Innovation:** small firms face competitive pressure to innovate, so they can be surprisingly innovative.



# Small Firm Innovation Done Right



"The World's Most Innovative Dress!"

## Disadvantages of small firms

- **Higher costs:** small firms can not exploit economies of scale because their output is limited.
  - **Lack of finance:** small firms often struggle to raise finance. Their choice of sources is limited.
- **Difficult attracting right staff:** one reason why is because they lack of resources.
  - **Vulnerability:** when trading conditions become challenging small firms may find it more difficult to survive.

# Enabling Small Firms to Grow



2015 rank ▾	2014 rank	Company	Business description	UK headquarters	Staff	Revenue (£m)
1	1	TPP (The Phoenix Partnership)	Healthcare software	Horsforth	237	31.0
2	NEW	Opus Recruitment Solutions	Recruitment	Bristol	62	n/a
3	3	the7stars	Media agency	London	91	100.8
4	NEW	Jenrick Group	Recruitment	Walton on Thames	58	n/a
5	NEW	Reassured	Insurance	Alton	70	8.0
6	NEW	ChapmanBlack	Recruitment	London	62	3.4
7	34	Lawrence Harvey Group	Recruitment	London	68	n/a
8	NEW	Gemini Search	Recruitment	London	50	7.3
9	13	Austin Fraser	Recruitment	Reading	67	20.8
10	41	MVF	Marketing	London	195	18.2
11	10	Periscopix	Digital marketing	London	101	7.1
12	16	4Com	Business communications	Christchurch	165	28.0
13	4	La Fosse Associates	Recruitment	London	78	31.0
14	27	Maris Interiors LLP	Office designers	London	145	n/a
15	6	Premier Group Recruitment	Recruitment	Reading	66	23.0
16	48	Kelly's Storage	Storage facilities	Guildford	59	7.8
17	NEW	Elvis	Marketing agency	London	58	5.2
18	8	The Berkeley Partnership	Consultancy	London	89	21.3
19	45	White Cross Vets	Vets	Guseley	113	4.6
20	23	Softwire	Software development	London	102	9.5



# Large firms

According to Fig. 23.2, in your text book, only 0.1% of firms in the UK are large.



Large firms tend to be more powerful than smaller.



## Advantages of large firms

Economies of scale → Lower average costs

Market domination → Charge higher price

Large-scale contracts → Enough resources



## Disadvantages of large firms

*Too bureaucratic:*

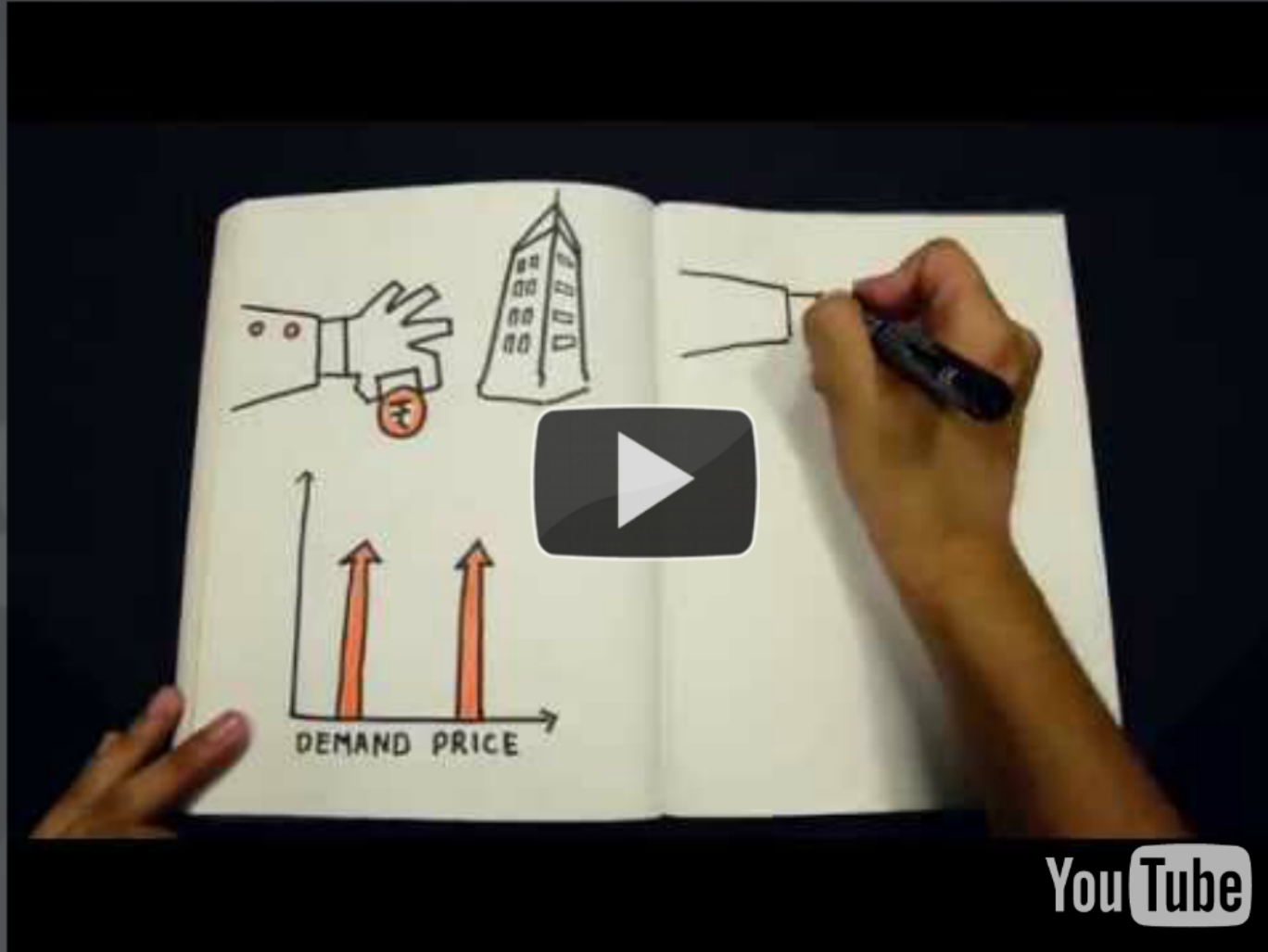
overwhelmed by their administration systems

*Co-ordination and control*

more difficult to control and co-ordinate

*Poor motivation*

people can become alienated



YouTube



# Advantages and disadvantages of large and small firms

## Chapter 23, SdP

