UNIT 2.
THE STRUCTURE OF INDUSTRY

2.1 Getting started

Industry refers to the production of an economic good (either material or a service) within an economy. Industry classification systems used by the government commonly divide industry into the primary sector of industry (agriculture, mining, and raw material extraction), the secondary sector of industry (manufacturing), and the tertiary sector of industry (service production). Some governments identify the quarternary sector of industry which consists of intellectual services such as research and development. Market-based classification systems used in finance and market research commonly divide industries according to similar functions and markets and identify businesses producing related products. Industries can also be identified by product such as chemical industry, petroleum industry, automotive industry, etc.

Whichever classification system we use the firm is the key element of industry. Firms are the means through which society transforms less satisfying resources into more satisfying goods and services.

One outstanding feature of the world's industrial development during the last one hundred years has been the growth in the size of the firm. Concentration ratios suggest that the large firms dominate many industries. Yet small firms continue to exist.

In this unit we will be looking at why small firms continue to survive and why they are considered to be an essential feature of the industrial structure. Another point of our consideration will be the reasons why firms grow and the problems associated with large multinational corporations.

Discuss the following points.

1. Which sector do you intend to work or do you already work in?
2. Two hundred years ago the majority of the population of most countries earned their living from agriculture. Today, 2-3% of the people in industrialized countries are engaged in agriculture. Some economists talk about the decline of manufacturing. Is its decline inevitable?
3. Is manufacturing industry still important? Will services replace it?

4. In which sector of industry do you think the firm is most likely to grow fastest?
5. Which sector of industry can provide the most favorable economic environment for small firms, medium-sized firms, and large corporations?

2.2 Look through the following vocabulary notes which will help you understand the text and discuss the topic.

industry industrial an industrialized country	отрасль, промышленность отраслевой, промышленный промышленно-развитая страна
primary/secondary/tertiary/quaternary markets	первичный/вторичный/третьего порядка/четвертого порядка рынки
to manufacture a manufacturer manufacturing	производить производитель, изготовитель промышленное производство
related products unrelated products	сопутствующие товары ненужные товары
a ratio	отношение, показатель
to exist existence	существовать существование
a multinational corporation (MNC)	транснациональная корпорация (ТНК)
research and development (R&D)	научно-исследовательские и опытно-конструкторские работы (НИОКР)
medium-sized firms	фирмы средних размеров
a management buy-out	MBO, выкуп доли компании собственным менеджментом
a benefit to benefit from smth syn. to obtain benefits benefitial	выгода, польза извлечь выгоду получить преимущества выгодный
to divest oneself of smth divestment	лишаться, избавляться лишение права собственности
to extend oneself financially	увеличить свои финансы

a mortgage to mortgage to re-mortgage	ипотека, закладная заложить повторно заложить
long-term debt short-term debt	долгосрочный долг краткосрочный долг
equity capital	собственный капитал
to persue a policy	преследовать политику
per cent a percentage	процент (наименование) процентная доля
to define a definition	определять определение
a share to share	доля разделять на доли
to own an owner ownership	владеть владелец владение
Companies Act	Закон о компаниях
fixed assets current assets net assets	внеоборотные активы оборотные активы чистые активы
to survive survival	выживать выживание
an entrepreneur entrepreneurship	предприниматель предпринимательство
to maintain maintenance	сохранять, поддерживать материально-техническое обеспечение
to subcontract a subcontractor	заключать субдоговор субподрядчик
a seed bed	грядка
to introduce a threshold	установить порог
a generation	поколение
venture capital corporate venturing	венчурный (рисковый) капитал корпоративный венчуринг
to achieve an achievement	достигать достижение
a scale economies of scale	масштаб эффект масштаба

to encourage ant. to discourage	стимулировать, поощрять препятствовать, отговаривать
a merger	слияние
to take over a (friendly/unfriendly) take-over a take-over bid	захватывать, поглощать дружественное/враждебное поглощение предложение о выкупе
internal external	внутренний внешний
unit costs of production	стоимость единицы продукции
a subsidiary	дочерняя или подконтрольная компания, филиал
to undertake smth	брать на себя обязанность
a turnover	оборот
to occur, syn. to arise	возникать
to gain dominance	получить господство, преобладание
despite, syn. in spite of	не смотря на

2.3 Reading

From Small Firms to MNCs and Back to MBOs

There is no one authoritative definition of what constitutes a small firm. The UK Report of the Committee of Enquiry into Small Firms states that generally a small firm is one which employs less than 200 people and has three additional characteristics:

- a small share of its market;
- owners who work and take a personal interest in the firm;
- not a part of another organization.

An alternative definition can be found in the 2006 Companies Act. Small companies are those that have:

1. an annual turnover of £5.6 million or less,
2. total fixed and current assets on its balance sheet of £2.8 million or less, and
3. 50 employees or less.

It's common knowledge that large firms are more efficient than small firms. However, small firms have continued to survive. There are many reasons for this including:

- Small firms often supply a small market. The market may be small geografically or lack demand for specialist goods.

- Small firms provide opportunities for would-be entrepreneurs.
- Small firms maintain better relationships not only with staff but also with customers.
- Firms remain small because owners may not want the risks of growth or may want to maintain control of the firm.
- Small firms provide a personal and more flexible service.
- Large firms often find certain work uneconomic and sub-contract the work of a smaller firm.
- Small firms will always exist where growth confers no economic advantage, e.g. hairdressing, window cleaning.
- Small firms are traditional ‘seed beds’ for new industries and market leaders.

Small firms are less important in the UK than elsewhere. For example in Japan 66% of all employees work for small firms while in the UK the figure is 30%. Since 1980, governments have introduced many measures to aid small firms including

- creating a reduced rate of corporation tax for small firms;
- introducing thresholds below which firms do not have to register for VAT;
- introducing changes to Capital Transfer Tax making it easier to pass a business on intact to the next generation;
- reducing the amount of financial and statistical information that small firms have to provide;
- persuading the private sector to aid small firms in two ways: providing venture capital and corporate venturing.

Many economists argue that the level of efficiency needed to compete in international markets could only be achieved by large firms enjoying economies of scale. For much of the post-war period the government’s policy was to encourage growth in the size of the firm through merger and takeover activities. It should be noted that firms have not only been getting larger but also more complex.

Economies of scale may be internal or external to the firm. Internal economies of scale refer to the situation where unit costs of production fall as the scale of operation increases. External economies are economies of scale enjoyed by an industry as it grows in size.

Yet, despite the apparent advantages of large scale, the recent recession encouraged a number of large conglomerates to return to the ‘core’ business, by selling off some subsidiaries in unrelated activities.

A multinational corporation (MNC) is a business which undertakes production, research and development (R&D), finance and marketing on an international basis. Many MNCs are very powerful firms; some will have a sales turnover larger than the GNP of nations such as Belgium, Ireland or Hong Kong. MNCs are not a new form of organization. They were first established in the 1700s as a means of trading with, and obtaining raw materials from, less developed countries. In the 20th century there was a rapid growth in the number of MNCs. This occurred in order:

- to avoid monopoly legislation;
- to gain market dominance;
- to obtain the benefits of cheap labor or materials;
- to enter markets protected by tariffs.

For many years the restructuring of business has arisen through large firms divesting themselves of operations which do not fit logically with their main business and often unprofitable because of the big amount of time devoted to them. Many of the sales of subsidiaries which we see today are a result of the ill-considered mergers and takeovers of the previous years. The normal course of action was to find some other business to purchase the subsidiary or close down the operation. In recent years a third option – that of selling to the management of the subsidiary has become important.

We can say that a management buy-out occurs when the managers (perhaps with the employees) of a business operation purchase that business from their employers and control that business. Finance for the buy-out comes from two major sources. First the management must extend themselves financially by re-mortgaging houses and selling investments. The rest of the finance is obtained from banks. MBOs are very successful because managers (and workers) as owners are highly motivated. However, the problem of long-term debt becomes apparent in a recession.

2.4 Comprehension

2.4.1 Answer the questions using the active vocabulary.

1. How does the UK Report of the Committee of Enquiry into Small Firms define small firms?

2. The 1985 Companies Act defined small firms as those having
   - turnover under 2 million pounds sterling;
   - net assets under 975,000 pounds sterling;
   - an average of 50 or less employees.

Compare these data with the information given in the text and state the general trend.

3. What do you think are the most relevant reasons for small firms to exist?

4. Why do you think small firms are referred to as ‘seed beds’ for new industries and market leaders?

5. Why is creation of a more favorable tax regime for small firms important?

6. Can you guess the difference between venture capital and corporate venturing if there is any?

7. What is the economic effect of economies of scale?

8. The benefits of growth include the development of a skilled workforce. Which of the two kinds of economies of scale does this statement examplify?

9. Could you think of any examples of multinational corporations which have become household names?

10. What were the reasons for the rapid growth in the number of MNCs in the 20th century?

11. What is the driving force for businesses to restructure?

12. What was the normal course of action of a business to divest itself of unprofitable operations?

13. When does an MBO occur?

14. What are the sources of financing MBOs?

15. Why do you think the problem of long-term debt becomes apparent in a recession?

2.4.2 Mark these statements T(true) or F(false) according to the information in the text. If they are false say why.

1. Many buy-outs benefit from unfavorable loan agreements.
2. Managers (and workers) as owners of an MBO are highly motivated.
3. The buy-out team consists of inexperienced managers knowing neither the business nor the industry.
4. A small firm is independent of any other organization.
5. A small firm is owner managed.
6. The major opportunity small firms present is the chance for the owner to be his own boss.
7. Many small firms survive today because of the bad relationships which they have with their customers.
8. A small business owner may lack managerial expertise and financial support.
9. MNCs take decisions in the best interests of the ‘host ‘country.
10. MNCs are able to transfer resources from one country to another so as to gain the benefit of cheap labor and low taxation.
11. MNC power within an industry may be so small that other firms never follow their actions and competition really exists.
12. MNC profits are an important source of tax revenue to the ‘developing’ country.
13. External economies of scale are enjoyed by an industry as it decreases in size.
14. Internal economies of scale refer to the situation where unit costs of production rise as the scale of operation increases.
15. Small firms suffer from high level of competition.

2.5 Language practice

2.5.1 Match the English terms in the left-hand column with the definition in the right-hand column.

1	industry	A	The purchase of one company (the *target*) by another

			(the *acquirer*, or *bidder*).
2	ratio	B	Reduction of some kind of asset for either financial or ethical objectives or sale of an existing business by a firm
3	MNC	C	A security interest on real property granted to a lender.
4	MBO	D	A way for large companies to develop and broaden their business without acquiring other companies but investing in small companies so that they can grow faster than they otherwise would.
5	divestment	E	The cost advantages that a business obtains due to expansion.
6	merger	F	A group of firms producing goods or services that are close substitutes-in-consumption.
7	takeover	G	The cost of production per unit.
8	mortgage	H	A form of acquisition where a company's existing managers acquire a large part or all of the company.
9	venture capital	I	An offer to purchase enough shares of a company to overtake the current majority shareholder.
10	corporate venturing	J	An entity that is controlled by a separate higher entity.
11	economies of scale	K	A relationship between two amounts that is represented by a pair of numbers showing how much greater one amount than the other.
12	subsidiary	L	It happens when two firms agree to go forward as a single new company rather than remain separately owned and operated.
13	take-over bid	M	An enterprise that manages production or delivers services in more than one country.
14	unit cost	N	Financial capital provided to early-stage, high-potential-growth startup

			companies.

2.5.2 Complete the following text using suitable words or phrases from the box below.

A	directors	E	Venture capitalists
B	venture finance	F	growing companies
C	profits	G	investment
D	venture capitalist	H	equity risk capital

Venture Capital

Venture capital may be defined as provision of finance to ____(1)____. Much of this money will be ____(2)____. ____(3)____ may demand as part of their agreement the appointment of ____(4)____, management changes, the distribution of ____(5)____ and the right to realize their ____(6)____ after a specified period. There are now more than 150 firms providing ____(7)____ in the UK. Some investments are spectacular success. Not all investments are so successful, though it is only in about 20% of cases that the ____(8)____ loses money.

2.5.3 Complete the text. Replace the Russian words and phrases by the English equivalents.

Corporate Venturing

There are also some large ***промышленные компании*** who pursue a ***политику инноваций*** and ***роста*** through investment in small firms. This is termed ***корпоративный венчуринг*** and is particularly advantageous where two firms are operating ***на одних и тех же рынках***. Corporate venturing infers a situation where ***более крупная фирма предлагает деньги***, management ***знания и опыт*** and ***знание рынка***. In return the small firm shares ***своими новыми идеями*** and its ability ***быстро реагировать*** to changed ***рыночным условиям*** by giving the larger company a ***долю собственного капитала*** in the firm, a ***процентную долю*** of the profits or marketing rights.

2.5.4 Text for discussion.

a. Look up the dictionary for the meaning and pronunciation of the following words and word-combinations and use them to discuss the problems outlined in the text.

Retained profits; fixed assets; productive capacity; a means of; to combine assets; a merger; a take-over-bid; a controlling interest; the open market.

b. Briefly scan the text and outline the list of major points.

c. Read the text more carefully and comment on the following items:

- the reasons for which internal growth is slower than external growth;
- the difference between mergers and takeovers;
- friendly and unfriendly takeovers.

Internal and External Growth

Internal growth occurs when firms utilize retained profits and whatever other money they can raise to purchase fixed assets and expand their productive capacity. As a means of increasing size it is often slow.

External growth is a situation where two or more firms combine their assets and form a single organization. This is by far the quickest and the most popular method of growth. External growth may take the form of a merger or take-over-bid. A merger occurs where there is an agreement on the part of two or more firms to combine their assets. A take-over-bid is not the result of an agreement between two firms, but where one company offers to purchase the shares of another (normally reluctant) company and obtains a controlling interest through the open market.

2.6 Render the passage in English using the English equivalents of the italicized phrases given in Russian. Express the main idea of the passage in one sentence or entitle it.

Направления Роста Компаний

Горизонтальная интеграция **(horizontal integration)** происходит **(occurs),** когда фирмы, производящие *один и тот же вид* **(the same kind of)** продукции, продающие одного и того же вида товары или оказывающие *схожие* **(similar)** услуги, *объединяются* **(come together)**. Наиболее *распространенные* **(common)** мотивы компаний при горизонтальной интеграции следующие:

- *достижение* **(to obtain)** эффекта масштаба;
- *устранение* **(to eliminate)** конкуренции;
- *достижение главенствующего положения на рынке* **(to gain market dominance)**;
- *противостояние предложению покупки* **(to fight off a bid)** со стороны *нежелательной* **(unwelcome)** компании;
- *устранение слабых сторон* **(to offset weaknesses)** фирмы *за счет объединения с* **(by amalgamating with)** другой фирмой, которая *в этих областях деятельности имеет преимущества* **(has corresponding strengths)**.

Вертикальная интеграция **(vertical integration)** включает *объединение* **(bringing together)** *под общим владельцем (владельцами)* **(under common ownership)** всех стадий производственного процесса. Это происходит, когда фирма *объединяется со* **(amalgamates with)** своими *поставщиками* **(suppliers)** или своими *сетевыми розничными фирмами* **(production outlets)** *по стратегическим причинам* **(for strategic reasons)** *охраны* **(to safeguard)** источников сырья или розничных сетей, *а также в целях достижения* **(as well as to achieve)** эффекта масштаба.

Unit 2 Reading Self – Control Test

From Small Firms to MNCs and Back to MBOs

1. Which of the following is the main idea of the text?

(A) Restructuring of business.
(B) Small firms.
(C) Structural development of industries.
(D) Economies of scale.

2. Judging by the economic background information in the text which you have familiarized yourself with the author is most likely to be

(A) an American
(B) a Russian
(C) a Japanese
(D) a Britisher

3. It can be derived from the text that a small firm is one which

(A) has an annual turnover of £2.8 million or less.
(B) has the total value of fixed and current assets on its balance sheet in the amount of £5.6 million or less.
(C) a part of another organization.
(D) has 50 employees or less.

4. It can be inferred from the text that

(A) small markets are more efficiently supplied with small firms.
(B) large firms prefer not to subcontract the work of a smaller firm.
(C) a company's growth inevitably confers an economic advantage.
(D) only large firms maintain better relationships not only with staff but also with customers.

5. Which measure according to the information in the text is meant to help small firms ?

(A) elimination of VAT for small firms

(B) permission of non-disclosure of financial information for small firms
(C) a decrease of Capital Transfer Tax rate for small firms
(D) a requirement for MNCs to provide venture capital to small firms

6. It can be derived from the text that in the post-war period to increase firms' competitiveness the government encouraged them to

(A) sell a large part or all of the company to managers.

(B) close down the operation.

(C) divest themselves of operations which do not fit logically with their main business.

(D) consolidate under single ownership.

7. It can be conferred from the text that economies of scale

(A) are most efficient during the crisis.

(B) decline long-run average cost that occurs as a firm increases all inputs and expands its scale of production.

(C) are as efficient as conglomerates.

(D) have no apparent advantages.

8. Which of the following statements would the author most probably agree with?

(A) The rapid growth of TNCs was caused by the necessity to penetrate foreign markets.

(B) Divestment is used to avoid monopoly legislation.

(C) Many of the sales of subsidiaries are caused by new monopoly legislation.

(D) A conglomerate is most effective during the crisis.

9. Which of the following statements would the author most probably disagree with?

(A) A small firm is owner managed.

(B) Small firms suffer from high level of competition.

(C) The sources of financing MBOs are re-mortgaging personal assets and selling investments.

(D) External economies of scale are enjoyed by an undustry as it decreases in size.

10. What is most likely the subject of the extract which is missing from this text?

(A) public finance

(B) problems facing small firms

(C) technology

(D) competition policy

Unit 2 Glossary

ANNUAL: A standard 12-month period, or one year, used for reporting economic and financial data.

ASSET: Something that you own. For a person, assets can be financial, like money, stocks, bonds, bank accounts, and government securities, or they can be physical things, like cars, boats, houses, clothes, food, and land. The important assets for our economy are the output we have produced and the resources, capital, and natural resources used to produce that output.

BENEFIT: Economic benefit, the positive contribution to national product (or other measure of value) from an economic activity or project.

BIG BUSINESS: A small number of the largest businesses (usually corporations) in our economy that (1) produce a substantial share of total output, (2) control a bunch of our economy's resources, and (3) have a great deal of market control in their respective industries.

CONGLOMERATE: It is a combination of two or more corporations engaged in entirely different businesses together into one corporate structure, usually involving a parent company and several (or many) subsidiaries.

CONTROLLING INTEREST: In a corporation means to have control of a large enough block of voting stock shares in a company such that no one stock holder or coalition of stock holders can successfully oppose a motion. In theory this normally means that controlling interest would be 50% of the voting shares plus one.

CORPORATE VENTURING: A way for large companies to develop and broaden their business without acquiring other companies but investing in small companies so that they can grow faster than they otherwise would.

CURRENT ASSET: It is an asset on the balance sheet which is expected to be sold or otherwise used up in the near future, usually within one year.

DIVESTMENT: It is the reduction of some kind of asset for either financial or ethical objectives or sale of an existing business by a firm. A divestment is the opposite of an investment.

ECONOMIES OF SCALE: Declining long-run average cost that occurs as a firm increases all inputs and expands its scale of production.

ENTREPRENEURSHIP: One of the four basic categories of resources, or factors of production (the other three are labor, capital, and land). Entrepreneurship is a special sort of human effort that takes on the risk of bringing labor, capital, and land together and organizing production.

EQUITY: This has two uses in our wonderful world of economics. The first is as one of the two micro goals (the other being efficiency) of a mixed economy. This use relates to the "fairness" of our income or wealth distributions. The second use of the term equity means ownership, especially the ownership of a business or corporation.

FIRM: An organization that combines resources for the production and supply of goods and services. The firm is used by entrepreneurs to bring together otherwise unproductive resources. The key role played by a firm is the production of output using the economy's scarce resources. Firm's are the means through which society transforms less satisfying resources into more satisfying goods and services. If firms didn't do this deed, then something else would. And we would probably call those something elses firms.

FIXED ASSETS: The term is used in accounting for assets and property which cannot easily be converted into cash. This can be compared with current assets such as cash or bank accounts, which are described as liquid assets. In most cases, only tangible assets are referred to as fixed.

HORIZONTAL MERGER: The consolidation under a single ownership of two separately-owned businesses in the same industry.

HOSTILE ACQUISITION: In the world of mergers, the acquisition of one company by another against the wishes of the company being acquired. Also termed a hostile takeover, this is accomplished by purchasing controlling interest in the stock of the acquired company, usually by offering to pay a price exceeding the current market price. A hostile takeover might be motivated to eliminate competition, to sell off the assets of the company for more that the takeover payment, or to temporarily inflate the price of the stock.

HOSTILE BID: The price a buyer is willing to pay to purchase enough stock to obtain controlling interest in company during a hostile takeover. A hostile bid price is inevitably greater than the current market price of the stock. The higher price is designed to induce reluctant stockholders to sell their stock.

HOSTILE TAKEOVER: In the world of mergers, the acquisition of one company by another against the wishes of the company being acquired. Also termed a hostile acquisition, this is accomplished by purchasing controlling interest in the stock of the acquired company, usually by offering to pay a price exceeding the current market price. A hostile takeover might be motivated to eliminate competition, to sell off the assets of the company for more that the takeover payment, or to temporarily inflate the price of the stock.

INNOVATION: The introduction and dissemination of a new idea, product, or technological process throughout society and the economy. The innovation process should be contrasted with the act of invention, which is the creation of something new, but not the dissemination. Innovations are often thought of as applying to physical products and technology.

MANAGEMENT BUY-OUT: (MBO) It is a form of acquisition where a company's existing managers acquire a large part or all of the company.

MANUFACTURING: It is the use of machines, tools and labor to produce goods for use or sale. The term may refer to a range of human activity, from handicraft to high tech, but is most commonly applied to industrial production, in which raw materials are transformed into finished goods on a large scale.

MERGER: The consolidation of two separately-owned businesses under single ownership. This can be accomplished through a mutual, "friendly" agreement by both parties, or through a "hostile takeover," in which one business gets ownership without cooperation from the other. Mergers fall into one of three classes -- (1) horizontal--two competing firms in the same industry that sell the same products, (2) vertical--two firms in different stages of the production of one good, such that the output of one business is the input of the other, and (3) conglomerate--two firms that are in totally, completely separated industries.

MORTGAGE: It is a security interest on real property granted to a lender,

MULTINATIONAL CORPORATION: (MNC), also called a Trans-National Co-operation, (TNC) or multinational enterprise (MNE) It is a corporation or an enterprise that manages production or delivers services in more than one country. It can also be referred to as an international corporation.

PRIMARY SECTOR OF THE ECONOMY: It involves changing natural resources into primary products. Most products from this sector are considered raw materials for other industries. Major businesses in this sector include agriculture, agribusiness, fishing, forestry and all mining and quarrying industries.

PRODUCTIVE CAPACITY It is a term used to define maximum possible output of an economy.

QUATERNARY SECTOR OF THE ECONOMY: It is a way to describe a knowledge-based part of the economy which typically includes services such as information generation and sharing, information technology, consultation, education, research and development, financial planning, and other knowledge-based services.

RESEARCH AND DEVELOPMENT: According to the Organization for Economic Co-operation and Development, refers to "creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this stock of knowledge to devise new applications"

RETAINED PROFITS: These are the portion of a company's profits that it keeps to reinvest in the business or pay off debt, rather than paying them out as dividends to its investors.

SECONDARY SECTOR OF THE ECONOMY: It includes those economic sectors that create a finished, usable product: production and construction. This sector generally takes the output of the primary sector and manufactures finished goods or where they are suitable for use by other businesses, for export, or sale to domestic consumers. This sector is often divided into light industry and heavy industry.

SHORT-TERM DEBT: An account shown in the current liabilities portion of a company's balance sheet. This account is comprised of any debt incurred by a company that is due within one year. The debt in this account is usually made up of short-term bank loans taken out by a company.

SUBSIDIARY : It is an entity that is controlled by a separate higher entity.

TAKEOVER BID: It is an offer to purchase enough shares of a company to overtake the current majority shareholder. There are a variety of different takeover bid strategies, including friendly, hostile, and two-tier.

TAKEOVER: It is the purchase of one company (the *target*) by another (the *acquirer*, or *bidder*). In the UK, the term refers to the acquisition of a public company whose shares are listed on a stock exchange, in contrast to the acquisition of a private company.

TERTIARY SECTOR OF THE ECONOMY: (also known as the service sector or the service industry) It is one of the three economic sectors, the others being the secondary sector (approximately the same as manufacturing) and the primary sector (agriculture, fishing, and extraction such as mining).The tertiary sector of industry involves the provision of services to other businesses as well as final consumers.

VENTURE CAPITAL: Financial capital provided to early-stage, high-potential growth Startup companies.

VERTICAL INTEGRATION: The situation in which a firm participates in more than one successive stage of the production or distribution process.