

Non-growing enterprises – analysis and evidence

Summary:

Growing enterprises are at the heart of the growth society and their growth drivers are both internal and external. However, not all enterprises grow, in particular many SME are in a steady state. There are various arguments why an enterprise may not pursue growth; it may be limited markets, economic arguments or values. Increasingly, studies are being carried out about non-growing enterprises, and some start to accept a coming-out. Hence, we get insights in their strategies such as niche construction, use of efficiency potentials, quality leadership, improvement of customer ties etc. Also non-growing enterprises may grow temporarily: for instance as start-up or due to new investments, but they differ from others by considering growth as an inferior objective.

Abstract:

„I think one of the biggest management problems is going to be to understand how to manage a successful nongrowing company – and how to get out of the frame of mind that success is measured only by growth...

... maintain vitality, ... product progress, ... within a fixed demand on the environment. I don't think I've heard of that being taught in management schools“

J. Forrester (in Hopkins 2009: 10-11)

At the heart of growth societies are enterprises and consumers. The first are supposed to produce more and more, the latter to buy, use and consume this constantly growing output. This paper is concerned with enterprises.

Since the 1950s enterprises have become highly growth-oriented, and growth has become an object by itself, often the most important.¹ The reasons are manifold, and they may be distinguished in internal and external growth drivers. Internal growth drivers are for instance the enterprises' objectives, constitution, capital intensity, economies of scale. Among external growth drivers are taxes, regulation, competition (prices, technologies etc.) in the market environment, price competition, overall business environment and culture including training.

Yet, not all enterprises grow. Many SME such as of builders and trade contractors have been familiar with steady state situations for decades. Also, new businesses in design and art seem to not grow beyond a minimum of employees and turn over. And there are now enterprises who purposely take a strategy of non-growth – at least partially (such as Patagonia). To get an insight why and what enterprises grow or do not grow surveys have been carried out. We are knowledgeable of two of them (Bakker et al. 1999, Liesen et al. 2013).

In principle there are three reasons why enterprises may not grow: a) they are in a stagnant or shrinking market and it is not sensible/possible to grow at the expense of the competitors (if there

¹ The founder of the management model of St. Gall, H. Ulrich, wrote in 1984: „... in economic policies a growth-oriented thinking has been accepted, and enterprises are with the alternative to also grow or to die. The policies of big businesses are growth-oriented and often they pursue growth rather than increasing profits, in particular increasing returns on capital. ... Unfortunately, the long and relatively undisturbed period of growth has accustomed us to a stable situation“ (1984: 257).

are any); b) economically it may be sensible to not grow, for instance in case of diseconomies of scale, of an optimum that is reached, of efficiency potentials to be exploited or resilience to be assured; there is also the argument that a larger firm would change its nature (more complex management) which is not desired; c) value arguments may support non-growth such as sustainability, well-being of the owner and employees, or enough is enough etc.

Although so far mainstream management sciences have not taken up the topic of non-growth, there are some recent theses and books that focus this topic (and also some older ones), and there are practical approaches such as the economy for the common good or social enterprises for which growth is a subordinate aim if at all. And there are many enterprises that have not been growing for years and are being identified now and accept a coming out.

Hence, insights are being gained about the strategies of these non-growing enterprises. Non-growing enterprises focus long term objectives and quality leadership, they establish niches, use environmental efficiency potentials, improve their ties with customers, change their constitutions from incorporated companies to cooperatives or foundation, reduce work time and aim at employee satisfaction. Growth up to a certain size or in combination with new investments is not excluded. Hence, non-growing enterprises are no never-growing ones, but enterprises for which growth is not a constant and dominating objective.

In the presentation, the topics addressed above will be elaborated.

References

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