

# Challenging the Status Quo: How Growth-neutral Businesses Survive in a Growth-driven Economy

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## Short Abstract

As in recent years it has become apparent that the current economic system is conflicting with biophysical and social limits, perpetual economic growth is called into question. Several propositions for alternative pathways have been brought forward, one of them being degrowth. Common to all alternatives is the need for actors such as businesses to put them into practice. Several types of such growth-neutral businesses exist, but have not been studied in detail yet. Our research questions are therefore as follows: *Which are the drivers of growth for medium-sized companies? Which characteristics do growth-neutral firms have that allow them to escape these drivers?*

First, drivers of growth for individual firms are identified through a systematic literature review. Second, several growth-neutral businesses are studied using a mixed method approach, consisting of semi-structured interviews and questionnaires. The goal is to get an insight into structures and conditions required to support self-sustaining, growth-neutral companies.

## Extended Abstract

In recent decades and years it has become increasingly apparent that the current economic system is conflicting with biophysical as well as social limits. Environmental problems surface in a more and more pronounced manner and are seen to be related to human activity (Daly, 1996; Meadows et al., 1972; Rockström et al., 2009) or even to economic growth (D'Alisa, 2014). Strategies of decoupling the use of environmental resources from economic growth in order to tackle such problems have, in most cases, not proven successful up to now (Jackson, 2009; Polimeni et al., 2009). At the same time, research has shown that a growing economy does not infinitely improve social wellbeing and happiness depends on many other factors apart from a mere increase in income (Easterlin, 2003; Jackson, 2009).

These insights have led several scientists to question economic growth as such and reconsider the currently dominant paradigm or “imaginary” of growth. Various propositions for alternative pathways at a macro-economic level have been brought forward, such as a steady-state economy (Daly, 1991), a-growth (van den Bergh, 2011) or degrowth (D'Alisa, 2014; Georgescu-Roegen, 1979). Various sub-trends exist especially concerning the latter suggestion, such as GDP-degrowth, consumption degrowth, work-time degrowth or a reduction of the material throughput of the economy (Daly, 1996; van den Bergh, 2011).

What all these approaches have in common is that they need actors on the ground that follow the proposed dynamics and put theory into action to achieve change. One group of such actors is businesses. On the micro-level, several approaches and projects already exist in this sphere, such as transition towns (D'Alisa, 2014), businesses in the network for the “economy for the common good” (Felber, 2012) or individual initiatives (Liesen et al., 2014). Although many of these actors seek more generally for an alternative to the current economic system or simply want to avoid ecological or social side-effects, some explicitly state that they do not intend to grow in a traditional quantitative way (Liesen et al., 2014).

So far not much in-depth research has been undertaken to investigate these first attempts. Especially when bearing in mind that these companies are embedded in the same micro- and macroeconomic structures that are commonly believed to make growth indispensable, they become of particular interest for research.

We are therefore answering the following research questions in this paper:

*Question 1: Which are the characteristics and structures of the current economic environment that are imposing an obligation to grow on medium-sized companies?*

*Question 2: Which characteristics do growth-neutral firms have in terms of legal structure, values, vision, networks, product range, etc. that allow them to escape the drivers of growth?*

The first research question is of theoretical micro-economic nature: A systematic literature analysis allows us to identify the drivers of growth from the perspective of individual firms. We thereby draw from literature of various economic schools of thought such as mainstream, environmental and ecological economics and degrowth. Texts from related disciplines such as business administration, law and other fields will also be considered in order to cover a large range of possible aspects and conditions potentially influencing a company's perceived or existing urge to increase its yearly economic outcome.

The second research question demands for a strongly empirical methodology. Several existing growth-neutral business cases are studied using a mixed method approach. A qualitative analysis in form of semi-structured interviews with approximately one dozen companies aims at getting an in-depth understanding of their motivations, strategies and practices related to their growth-neutrality. We are thereby investigating in-depth, yet still in a guided way, how different companies cope with the legal, micro- and macro-economic, as well as social structures that are commonly believed to make sustained economic growth essential for a company's well-being. Having a broader insight into the different corporate approaches the second step consists of a quantitative analysis based on a questionnaire. Informed by the knowledge acquired throughout the interviews, this questionnaire seeks to gain an understanding about the extent to which the named strategies are used by a variety of companies. Another goal of this investigation is to get a better insight into the structures and conditions that policy-makers could provide in order to support the spread of self-sustaining, growth-neutral companies.

These goals in mind, we are convinced that our paper contributes to the scientific knowledge in various ways. First, by providing a more holistic understanding of the drivers of growth for middle-sized companies. Second, by extending the research on growth-neutral companies which so far have been studied only very little and by few institutions. Third, and most importantly, by reconciling these first two elements in an empirical case study. Applying theoretical knowledge on the drivers of growth to the practical implementation of business alternatives will allow us to discuss which structures and conditions are necessary to sustain businesses independently of growth. Finally, this study will discuss how policy-making could transform the current economic landscape so as to allow for growth-neutral economic flourishing which embraces social and ecological responsibilities.

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