Vienna Degrowth Vortrag

Growth strategies for businesses beyond growth. A case for cooperation [ca. 15']

SHORT OVERVIEW (ca. 1'05")

I'd first like to give you a short overview of our presentation:

We start with the observation that businesses have so far been largely ignored by research on degrowth, as agents of transformation. We relate this to a "myth" about growth as a necessity for business that's also shared by mainstream debates on degrowth.
We then discuss what scarce research there is on businesses and degrowth. We identify two hitherto unrelated strands of research that focus on what business de/growth means either for the economy or for the organization itself -- which we call the "good growth" & the "small is beautiful" paradigm, resp.
Both paradigms, however, do face a "growth dilemma" -- a dilemma that is real, as we found out in an explorative study we did -- and a dilemma that can only be overcome through cooperative strategies. We will finally discuss these.
Our aim is to show that, from a diverse economies perspective on sustainable degrowth, it is vital not to ignore "conventional businesses" and also the very political role they have to play, with others, in the necessary transformation.

Debunking the "growth myth" (ca. 3'30")

Businesses are still being largely ignored in debates on degrowth. That's one result of an extensive literature review we did on the issue. Thus, we found an awkward mésallience here between degrowth and mainstream economics, in their shared belief that conventional businesses must grow or die. For most of the debate on degrowth, "conventional business" therefore seems to be part of the problem, never its solution. Thus, if organizations are considered at all, the focus is largely on non-market organizations, such as grassroots nowtopias, community-supported schemes, back-to-landers and so on. Most research on the transition to sustainable degrowth, however, does altogether ignore the meso-level of organizations, focusing instead on system or lifestyle changes, in terms of political frameworks on one side and individual sufficiency on the other. The middle-ground between politics and consumption is generally left void.
The mainstream debate on degrowth, thus, seems to have fallen for the "growth myth" told by mainstream economics. However, this proposition is wrong both for empirical and theoretical reasons.

- First, let's turn to statistical evidence: Indeed, the overwhelming majority of businesses is actually very small and doesn't grow, in terms of sales volume, number of employees, market share or material output. In the EU-28, e. g., 93% of all businesses in 2017 did count less than 10 employees, 99% less than 50, and only 0,2% were big companies with 250 and more employees – and this distribution has remained exactly the same for at least five years. Compound economic growth, obviously, does not equate to business growth, but rather growth in the number of businesses of all sizes. This finding is backed up by qualitative studies showing that only a tiny minority of businesses is actually "growth-driven".
- Second, this also helps to repeal a conceptual prejudice: Capitalist economic rationality which boils down to maximizing profits and growth is not the general rule. It is obviously limited to a small number of businesses. These are indeed mostly big, growth-driven and powerful – not to forget the financial markets that epitomize this rationality in its purest form. Most companies, however, do not follow that "formalist" textbook understanding of economic rationality. Rather, they virtually reverse it, in a more or less "substantivist" way, i. e. profit-making is not their primary goal, but a means to other ends, such as providing goods and services or earning a decent living. Certainly, most of these businesses are still far from being "sustainable" in their operations. Yet, they do not grow either.

So, we may still have to abandon (or at least disempower) capitalism to swing into the path to sustainable degrowth. However, we shouldn't reify "the system" and fall for the myth of growth as a necessity for all businesses. What we need instead is a "diverse economies" perspective that does include businesses (traditional as well as sustainable ones) alongside with non-market actors.

Synthesizing research (ca. 4')

Research on businesses and degrowth is still hard to find, not least owing to the "growth myth" we just identified. Not surprisingly, there's not even a common term that's used for the phenomenon at stake. It's referred to as "non-growing", "post-growth", "degrowth", "growth-neutral" or "growth-independent" businesses, or also "businesses beyond growth". We opted for the latter notion, because it contains all the other, more specific notions and the diverse options businesses do have to deal with growth – because it IS a choice they make.
At the same time, the different terms also do represent different approaches and theoretical perspectives on the issue. Indeed, based on an extensive literature review that also included studies in neighbouring fields (such as "sustainable business models", "hybrid organizations", social business/enterprise, transformation and SME studies) we identified (at least) two, hitherto unrelated strands of research, each based on different notions of de/growth and with utterly different implications for practice.
One strand of research focuses on the macro-economic impact of business de/growth, in terms of (mainly environmental) externalities, advocating the expansion of sustainable businesses at the expense of others. We call that strand the "good growth paradigm".

- It's based on the simple observation that there are "good" and "bad" businesses, in terms of external environmental effects, and that change happens when the good ones supersede the bad ones, as it were. There are again to sub-types of that paradigm that we only mention here:
    - The "Sufficiency" approach focuses on the role of business to actively promote more sufficient (or also subsistent) consumer lifestyles, mainly through "sustainable business models" such as product service systems, access/sharing and repair solutions.
    - The "ecological allowance" approach aims to provide an absolute measure for the "right size" of businesses, i.e. their allowable growth, within ecological limits.
    - Both approaches in the "good growth paradigm" focus on the external (economic & ecological) effects of business growth, they consider growth as a zero-sum game in which only "good" (i.e. sustainable) companies should be allowed to grow, thus effectively reducing the overall ecological footprint of our economy.

Another strand of research focuses on the micro-economic impact of business growth, on the organization itself, advocating the spread of growth-independent businesses of limited size and scope. We call that the "small is beautiful paradigm".

- It's based on the simple observation that there are "big" and "small" businesses, and on the premise that the latter could provide the breeding ground for an economy that's focused on becoming "better", instead of just "bigger". Research has again taken two directions.
    - One approach focuses on the "dis-economies of scale", highlighting the negative effects of business growth and strategies to avoid or resist the various pressures and drivers of growth that do exist, and to aim for "optimal size" instead.
    - Another approach focuses on alternative notions of growth, particularly getting "better" instead of bigger, in terms of improving the quality of products, services, processes and relationships, based on a craftsman's passion for what they were doing.
    - So, both approaches in the "small is beautiful paradigm" focus on the internal (mainly economic and social) effects of business growth, they show that not growing is a feasible option and could be a model for a "better", more sustainable "small-scale" economy.

So far, these two strands of research haven't been synthesized. As we shall see, they relate to two different types of businesses for which "de/growth" is indeed an issue -- and which share a common dilemma that can only be solved through cooperation. That's where we turn to now.

A strategic dilemma to be solved through cooperation (ca. 5')

The last main part of this presentation is based on an exploratory/qualitative study we did on 30 companies in Austria, Germany and Hungary. We studied organizations of different sizes and in different industries, both on a growth trajectory or non-growing, either by habit or tradition, or because they didn't want to grow.
So, apart from companies that follow the textbook wisdom of growth ("high-growers") and conventional SMEs for whom growth was a rather neutral issue ("traditionalists") we also found businesses that, in their

structures and strategies, pretty well matched with the two paradigms that we had identified in the research literature: We called them "good-growers" and "small beauties".
In our heuristic typology -- a 2x2 matrix based on their respective takes on growth and sustainability -- these businesses can be found on the right side. Both aim at contributing to sustainable degrowth, yet both have a different take on (organizational) growth:

- "Good-growers" wanted to limit their externalities and grow at the same time, based on sustainable business models, hoping to grow their market share at the expense of "bad" competitors.
- "Small beauties" wanted to limit their size and scope mainly, as models for a new, more locally based and embedded economy of human organizations.

Their different takes on growth, however, proved to be problematic. "Good-growers" anticipated that getting big could eventually force them to make compromises. Small beauties anticipated that staying small could eventually render them ineffective. So, both faced the same dilemma, even if from different sides: How to grow impact (and contribute to sustainable degrowth) without growing an organization, indefinitely?
Some of the companies we studied, however, had already experimented or at least tinkered with solutions for this dilemma -- and these strategies were all cooperative (or more specifically coopetitive) ones. So we dubbed these "collaborative growth strategies beyond growth". Let's finally turn to these strategies.
While there were frequent instances of "commoning", where businesses actively shared work and resources, we will focus here on their efforts to share entire business models, in a solidary, collaborative fashion. We distinguished three types of such collaborative growth strategies by their respective degrees of formality.
1) Most frequent were instances of open assisted dissemination or emulation of a business model.

- We found this to be very prominent in the emerging market of zero waste stores. Business owners here were generally sharing their experiences and know-how with potential "coopetitors". In one case, a pioneer in that market even provided on-line video tutorials on how to start up such a business. Several times, also in other sectors, our interviewees likened this sort of "commoning" to the "open source" approach in software development -- as in one quote given on the slides: >> "“We want to exemplify a new business model – and we're going to make it available as »open source«.”
- Our interviewees frequently used other analogies as well. Some thought of their company as a "mother" (or a "mother ship") ready to care for their "offshoot", if these were willing to follow suit. Others imagined future expansion in terms of "metastases" or - a friendlier image - "dandelion seeds". A founder of a regional organic food chain welcomed what he saw as a "fractal" emulation of their model in other regions. In all these cases, the goal was to spread a business model and expand geographically through loosely connected, formally independent local affiliates.

2) Apart from the mentioned loose forms of cooperation, we also found instances of more formal cooperation:

- An organic food store chain that's run as a cooperative, e. g., intends to share its cooperative business model with the members of the cooperative union they co-created. What they said was: "Those small owner-managed shops – they're not our rivals, and them we would like to support by opening up our co-operative to them."

3) Eventually, we also found instances (actually plans) for licensing & "social franchising" schemes – likely the most formal/structured cooperative strategy for scaling up and increasing social impact.

- The founder of an innovative repair and upcycling business was just preparing a handbook for such a social franchising scheme – and very optimistic for this model (as can be gathered from the quote on the slides >> "I want to build up a “social franchising” scheme [...] and the question is: How can I use that and do it in a way that's different from McDonald's.”"

Whatever form they take: Eventually, all these collaborative growth strategies boil down to one single aim >> “Then, it's rather the idea that grows, as it were, or the market – it's the whole thing that grows.”

Conclusion (1'30")

These collaborative strategies for business model sharing are quite remarkable: Usually, that's what businesses - particularly if they are innovative -- are supposed to guard particularly jealously. In the cases we studied, however, they were very fond to share it.

So we found that these "collaborative growth strategies beyond growth" are fundamentally based on solidarity between like-minded peers that prefer to cooperate to reach a common higher goal. It's obviously the mind-set that makes all the difference.
This mind-set implies other notions of a business and its "success", beyond growth and competition -- yet also beyond a "privatist" notion of business that's content with staking out a niche and increasing the individual room for manoeuvre, aloof from the "regular market".
This collaboration with other businesses and non-market actors is really a political manouevre, because it's about changing the very rules of the game -- it's about transformation, both from the inside and the outside.
So, our presentation was to highlight these two things: First, this political dimension is probably what distinguishes -- or should distinguish – "businesses beyond growth" from simply sustainable businesses. And second, while changing the rules of the game - and thus, changing the game -- is essential for the transition to sustainable degrowth, businesses must and certainly can play a role in that.

Thank you for your attention!