

Successful Non-Growing Companies

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He would know...



“I think one of the biggest management problems is going to be to understand how to manage a successful non-growing company — and how to get out of the frame of mind that success is measured only by growth”.

Jay Forrester (Hopkins, 2009, p. 10-11)



Background



- Economic growth proves increasingly hard to realize in western economies
 - Traditional political hopes associated with economic growth are hardly being fulfilled
 - Environmental problems created by economic growth are becoming more severe
 - Research: Relationship between perceived quality of life and additional income decreases sharply in richer countries (Lane, 2000) or does not exist (Easterlin, 1995)
- ⇒ Discussions gaining momentum **on whether growth of GDP should continue to be a dominant political goal in rich, western societies**
- (Degrowth (Georgescu-Roegen, 1979), Uneconomic Growth (Daly, 2005), Post-growth (Jackson & Victor, 2011), Right-sizing (Research and Degrowth, 2010) and Décroissance (Latouche, 2006; Muraca, 2012, 2013)).*
- Attempt to find a solution to the “limits-to-growth dilemma”, i.e. the notion that on a planet with finite resources, population and economies cannot grow infinitely
 - Lack to sufficiently discuss the role and functioning of companies
- **It will be vital for the transformation to *any form* of post-growth macroeconomic state *how companies can define their role and success within the new paradigm.***

Aims of paper



- **Transitioning to any state of post-growth economy will require**
 - a paradigm shift
 - significant changes in the way which our societies and economies function
- ⇒ **Open up the vital macroeconomic discussions on post-growth economies to the company level**
 - Start with the obvious: there are small and medium-sized enterprises (SMEs) that actively decide not to grow
- ⇒ **Conceptualise one possible form of a post-growth company**
 - Early awareness by economists that economies cannot grow forever (e.g. Smith, 1776 vs. Mill, 1888)
 - Management literature almost exclusively focusses on managing growing companies in growing economies; few exceptions like Optimal Firm Size, Diseconomies of Scale, Right-sizing profits (Reichel 2010)
- ⇒ **Formulate avenues for future research**
 - at this stage more questions than answers...



Method



- **Working definition: Successful Non-Growing Companies (SNCs)**
 - Companies that are not primarily aiming for a maximisation of traditional management indicators such as sales, market share, profit or employee numbers, but want remain roughly constant in “size” (cf. Burlingham, 2005).
- **Method: Document analysis**
 - Academic and grey literature, sustainability reports of SMEs and media sources (i.e. popular newspapers, business press, business magazines, internet sources, interviews and scripts of TV-interviews)
 - Sample after document screening: 10 existing Successful Non-Growing Companies (SNCs) that offer sufficient material to answer our research questions
 - Publicly available material originally developed to serve another purpose than our research
- **Three research questions:**
 - What motivates companies to follow a non-growth strategy?
 - What are key performance indicators applied to measure success in SNCs?
 - What strategies do SNCs follow to pursue their companies' goals?



Sample (10 SMEs)



Name	Year established	Sector	Sales (Year)	Employees (Year)
b.r.m. Technologie- und Managementberatung, Inhaber Harald Rossol e.K. (BRM)	1991	IT-services	N/A	6 (2010)
Christian Bollin Armaturenfabrik GmbH (CBA)	1924	Production of valves	3.6 Mio. € (2011)	30 (2011)
Die Möbelmacher GmbH	1988	Production of wooden furniture	1.6 Mio. € (2009)	17 (2011)
Elektrizitätswerke Schönau GmbH	1994	Energy supplier	≈100 Mio. € (2011)	65 (2011)
Neuland Bremen GmbH	2005	IT-consulting	5.77 Mio. € (2011)	53 (2011)
Neumarkter Lammsbräu Gebr. Ehrnsperger e.K.	1628	Brewery	13 Mio. € (2011)	101 (2011)
Nils Holger Moormann GmbH	1982	Production of design furniture	≈2.5 Mio. € (2008)	20 (2012)
Oktoberdruck AG	1973	Printing company	2.2 Mio. € (2011)	20 (2011)
Richard Henkel GmbH	1922	Production of steel furniture	2.2 Mio. € (2005)	50 (2011)
Waldviertler Werkstätten GmbH	1994	Production of shoes	7.4 Mio. € (2009)	120 (2011)

Motives



A variety of reasons can serve as a motivation for CEOs to follow a non growth strategy on the company level:

- organisational structure and related costs, work-life balance, risk aversion and environmental and social motivations.
- For numerous companies in the sample, motivations from different categories overlap.

CEO of internet service provider Neuland Bremen keeps sales stable:

“We could probably work with 80 instead of 40 people here. Question is however if the company with double the number of persons is still as productive and effective” (Manz, 2010, para. 4) and he than “would not be able to personally deal with my customers but had to focus on being the manager. I would not like that” (Schröder, 2010, para. 4)



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Managing director of valves producer CBA states:
“Every expansion comes at a price. It usually requires a higher work load – at the expense of quality of life.”
(Schumann, 2006, para. 5) and *“We wanted to protect ourselves from the risk of creating a large bubble that, at some point, bursts”* (Schumann, 2006, para. 6)



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For brewery Neumarkter Lammsbräu:
Quantitative growth is limited to the
amount of ingredients they can source
from the region (Dpa, 2012)



Key Performance Indicators



The diverse motives of SNCs result in diverse key indicators for measuring performance and success.

- Financial indicators, such as profit and costs; sales
- Several non-financial indicators concerning the quality of products and services, efficiency, unused resources, quality of life, working conditions, the social and environmental value of products or local embeddedness

The CEO of IT-Service company BRM states :
“I claim that we do grow. But we don’t use the traditional terminology for growth with saying we generate more revenues, we do more, more, more. Instead we say, we do better, better, better” (Mikich & Otto, 2010, p. 4)



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CEO of furniture producer Richard Henkel states : „*We increase quality and value added, but not production and resource use*“ (Schuhmann, 2010, para. 3) and that sales “*were much too high last year*“ (Bunjes, 2012, para. 4).



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Organic Brewery Neumarkter Lammsbräu rejects pure quantitative growth, measures its qualitative growth with
„the personal development and health of our employees and the beneficial effects of our company for the region“ (Neumarkter Lammsbräu, 2011, p. 16)



Strategic Approaches



To reach the individual company objectives and ensure their continued existence, companies in the sample relied on different strategic approaches

- Some of these approaches are market-related, such as positioning themselves in market niches and reducing dependencies on customers
- Other companies refer to internal processes, such as cost-cutting, efficiency and conducting phases for stability

CEO of Richard Henkel states that with regard to efficiency the company has “*become almost a bit addicted*” (Henkel, 2010, p. 12) and sees “*efficiency – of any sort – as an enormous chance to unlock untapped potential, an enormous fun factor in our daily work, and as securing the location of our production site with a good conscience for climate and people*” (Henkel, 2010, p. 15).



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CEO of valves manufacturer CBA states:
„No customer should amount to more than 10% of our sales over a longer time period, i.e. two or three years. Anything else would create dependencies” (Schumann, 2006, para. 7).



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- Other companies refer to internal processes, such as cost-cutting, efficiency and conducting phases for stability
- Another common feature among the **producing companies**: strategic focus on **durability** and **reparability** of their products, complemented with offering **repair** services (cf. Möbelmacher, Waldviertler, Richard Henkel).
 - At Richard Henkel customers are guaranteed to have their furniture renewed and repaired forever => Company remained financially successful during the financial crisis, when the **share of business coming from service more than doubled** => resulted in **constant profits** despite a decrease in production and sales
- Two companies in the sample limit wage costs by putting a **limit on wage differences** within the company



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Summary



- **Companies distinguish between traditional growth in numbers and growth in qualities.**
 - Not *more* but *better* appears to be the dominant management philosophy.
- **Results hint that when growth in qualities is given preference over quantitative growth, several characteristics follow that are advantageous for the transition to a post-growth economy**
 - switch to repairability and services in producing companies
 - efficiency coupled with no sales growth => no rebound effect on company level
 - importance of quality of products/services
 - importance of quality of work and life
 - importance of collaborative and transformative app
 - ...



Concept of SNCs...



- **has potential to support the cultural shift needed on the company level for the transformation towards post-growth on the macro level**
 - if non-growth would be a more viable option, discussing pathways to macroeconomic post-growth would be easier...
- **offers more questions yet to be answered ...**
 - in which industries?
 - Certain industries in post-growth economies are needed increasingly while others to a lesser extent => not for everyone or different paradigms of scaling
 - under which conditions?
 - What pressures for growth are real?
 - with which organisational forms?
 - not your „usual“ publicly traded company...
 - ...



IÖW's "active work zone"



- **Project „Growth-neutral Companies“ in 2012**
 - self-financed by IÖW with additional support by

Mit freundlicher
Unterstützung von



- **Project „Post-Growth Pioneers“ in 2013/2014**

- in cooperation with



- sponsored by



IÖW's "active work zone"



- **Document analysis to identify SME with an explicit non-growth strategy**
motives, key performance indicators, and strategies
- **Online survey among SME to explore different growth orientations of SME**
strategic importance, meaning, chances & risks of growth, (post-)growth types
- **Qualitative case studies to analyse and communicate success potentials**
strategies & scaling practices, qualities, chances & risks, drivers & barriers, potential to significantly contribute to environmental relief & social and environmental transformation processes
- **Company workshops**
post-growth perspectives on (expandable) scopes of action with regard to various thematic fields
- **etc. pp. (*communication project*)**



Printing company Oktoberdruck wants:
to face the challenge to find a way beyond the established path of
growth that is liveable for all parties involved [...] by

- producing not cheaper and more, but lesser and more valuable
- reducing output ...
- increasing the immaterial benefit of the printing process
- distributing profits and provide a reasonable compensation for all employees (see Oktoberdruck, 2011, p. xi)

Thank you for your attention.

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