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BUSINESS DEVELOPMENT IN POST-GROWTH ECONOMIES:  
CHALLENGING ASSUMPTIONS IN THE EXISTING BUSINESS GROWTH  
LITERATURE<sup>1</sup>

THOMAS CYRON\*

Jönköping International Business School  
Jönköping University  
Gjuterigatan 5  
551 11 Jönköping, Sweden

JAN CORNELIUS ZOELLICK

Institute of Medical Sociology and Rehabilitation Science  
Charité – Universitätsmedizin Berlin  
Charitéplatz 1  
10117 Berlin, Germany

and

Institute of Sociology  
Goethe-University Frankfurt am Main  
Theodor-W.-Adorno-Platz 6  
60323 Frankfurt a.M., Germany

\*corresponding author  
mail: [thomas.cyron@ju.se](mailto:thomas.cyron@ju.se)  
phone: +46 36 10 1767

**Abstract**

Existing literature has not specifically examined individual business growth in post-growth economies. This paper challenges dominant assumptions in the business growth literature by considering post-growth economies as an organisational context characterised by natural resource scarcity and an absence of macro-level economic expansion. We investigate conceptually how such a context impacts business growth theory by seeking to answer three major questions: (1) What is business growth? (2) Why do businesses grow? (3) And how do businesses grow? Accordingly, post-growth contexts pose three major challenges to business growth theorising: (1) business growth as an increase in measurable outcomes, (2) resource competition and dispositive path dependencies, and (3) detrimental growth modes and strategies. Based upon six revised assumptions, we re-define business development in line with forces at work in post-growth economies. We further suggest a multidimensional research agenda that can catalyse future discussions of post-growth organisations. These discussions have the potential to overcome the inertia in business growth theory and its discrepancies with practice.

*Keywords:* Conceptual, business development, problematisation  
(JEL: M00, M10, M13, O12)

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## 1 Introduction

What does it mean for an individual firm if the economy it participates in cannot or should not continue to expand? In the second half of the 20<sup>th</sup> century, a dogmatic socio-economic context has developed (Schmelzer, 2016) that incentivises, fosters, and almost prescribes quantitative growth for firms and the overall economy, even in the face of ecological degradation and social and economic inequality. However, the macro-level alternative – a post-growth context – is neither well elaborated nor understood, particularly regarding the individual firm. Macro-level analyses cannot simply be translated verbatim into meso and micro levels. Halting the establishment, development, and even growth of individual firms would decrease flexibility, increase transaction costs, and create stagnation.

Currently, critical management scholars (e.g., Atzeni, 2012; Johnsen, Nelund, Olaison, & Sørensen, 2017; Parker, Cheney, Fournier, & Land, 2014) and ecology-oriented literature (e.g., Dietsche & Liesen, 2013; Palzkill & Schneidewind, 2013) are leading the debate in the emerging field of post-growth organisations. Their contributions, however, often reside in a theoretical niche, with little impact on more general discussions – for two reasons. First, they remain silent regarding the role and character of growth in post-growth organisations. Some acknowledge that business growth cannot simply be halted in post-growth contexts (Gebauer & Ziegler, 2013; Reichel, 2013). However, without adequately addressing firm growth – which is central to economic and managerial discourses – these scholars face difficulties gaining broader attention for their innovative ideas. Second, many scholars suggest rather unorthodox solutions to major challenges facing post-growth economies without challenging the assumptions in management theory. Because they speak a different dialect regarding theory, their ideas rarely resonate in management literature at large and in business growth theory in particular. In contrast, we define the role of business growth for post-growth organisations by

thoroughly examining major existing theoretical assumptions. We thus aim to overcome the insignificance of post-growth theorising by translating the ideas into the dialect of mainstream theories.

Our theoretical reasoning is guided by Penrose (1959), who established managers and their use of idle resources as major drivers of firm development. Although Penrose's theory and her successors remain eminent contributions in the business growth literature (McKelvie & Wiklund, 2010; Nason & Wiklund, 2015), Lockett et al. (2011) argue that her reasoning is a product of its age. The 1950s were characterised by extensive macro-economic expansion, leading Penrose to discard any external limits to business growth. Currently, however, economic growth has weakened and competition has increased, so the "assumption of unlimited growth opportunities does not hold" (Lockett et al., 2011, p. 49).

We provide a different perspective by acknowledging empirical aspects of post-growth economies. Early-industrialised economies grow at low rates (World Bank, 2017), and multinational enterprises struggle to maintain their previous expansion (Fisher, Gaul, & Kleinberger, 2017). Correspondingly, post-growth describes an existing economic *context* embedding the individual firm. We apply the methodology of problematisation (cf. Alvesson & Sandberg, 2011) to explicitly tackle the assumptions in business growth literature, and critically assess their applicability to the new post-growth context. Rather than seeing its constraints, we explore what opportunities the post-growth context provides for the *developmental growth* of the individual firm.

Accordingly, we identify three major challenges that necessitate revisions to the common assumptions in business growth literature. By considering these revisions, we define business development in a post-growth context as a qualitative and collaborative process that subordinates the role of business growth to foster resourcefulness and emancipation of market

participants. The revised assumptions further serve as major pillars of a common research agenda that can guide future theoretical elaborations on post-growth organisations.

To re-evaluate and integrate Penrosean arguments in light of the changing macro-level context, the paper proceeds as follows. First, we introduce the method of problematisation. Second, we review the organisational literature on business growth and explicitly outline the underlying assumptions on the firm and its environment. Third, we establish the post-growth context embedding the individual firm. Third, we critically assess the soundness of these assumptions in the changing post-growth context and revise them accordingly. Finally, we outline a common research agenda for studying business development of post-growth organisations.

## **2 Problematisation: A Necessary Step for Post-Growth Theorising**

Some recent studies suggest how renewed theorising on business growth might look (e.g. Reichel, 2017a; Roth, 2016b). However, these and similar publications do not explicitly build on the *existing* business growth literature. In that sense, they risk ending up with “prepackaged problematization attempts” (Alvesson & Sandberg, 2011, p. 252) that oppose theoretical and political agendas instead of meaningfully challenging existing beliefs.

Following Alvesson and Sandberg’s (2011) problematisation methodology, we attempt to bridge the gap between both sides. Accordingly, we (1) identify a coherent literature stream that addresses business growth and (2) articulate its assumptions. We then discuss the potential effects of a post-growth context on individual firms. Based upon these insights, we (3) evaluate the necessity of challenging current assumptions. Combining insights from existing alternative theoretical and empirical viewpoints, we (4) offer alternative assumptions where necessary. Table 1 provides a comprehensive summary of the identified assumptions, corresponding challenges, and suggested revisions. Finally, we (5) relate the revised assumptions to the

existing literature and (6) integrate them into a conceptual framework for developmental business growth in post-growth economies.

- Please insert TABLE 1 about here –

### **3 Unpacking Common Assumptions in the Business Growth Literature**

#### ***3.1 What is Business Growth?***

Business growth literature predominately focuses on growth as increase in some measurable outcome (Achtenhagen, Naldi, & Melin, 2010; Davidsson, Achtenhagen, & Naldi, 2010; Leitch, Hill, & Neergaard, 2010). Indeed, scholars are concerned about finding and explaining the antecedents contributing positively to the growth of individual firms (Davidsson et al., 2010). This focus is justified by equating growth with performance (e.g. Baum, Locke, & Smith, 2001; Box, Watts, & Hisrich, 1994; Orser & Hogarth Scott, 2002) or success (Gundry & Welsch, 2001; Low & MacMillan, 1988). In other words, the expansion of the firm is viewed as a contribution to economic development that benefits all involved actors (Miner, Smith, & Bracker, 1989).

*A1: Business growth describes a desired increase in quantity of certain parameters that contribute to the health and prosperity of the firm and the economy.*

#### ***3.2 Why Do Businesses Grow?***

One major aspect of why businesses grow lies in their existing resources. The resource-based view (RBV) stresses the heterogeneity and immobility of resources, which makes them subject to competition (Barney, 1991; Wernerfelt, 1984). From this perspective, it is not sufficient for a company to possess exploitable resources to create new value, but the value must also respond to clear market needs. The more distinct a firm's resource base compared to other market participants, the higher its competitive advantage and potential for growth (Barney, 1991).

Accordingly, firms that exploit valuable, rare, inimitable, and non-substitutable (VRIN) resources efficiently and effectively are able to sustain competitive advantages and above-average performance (Barney, 1991). This requires administrative management rather than entrepreneurial spirit.

*A2: Firm growth depends on the successful protection of idiosyncratic resources.*

Aside from resources, business growth often depends on individual motivation, especially in SMEs (Baum et al., 2001; Baum & Locke, 2004; Wiklund & Shepherd, 2003). Most smaller firms therefore never grow beyond a certain size (Aldrich, 1999; Cowling, 2006), because many entrepreneurs lack growth motivation (Kolvereid, 1992; Wiklund & Shepherd, 2003). Individual motivation is often determined by the perceived needs of people managing the organisation and the expected consequences of leading a larger business (Cliff, 1998; Davidsson, 1989; Wiklund, Davidsson, & Delmar, 2003). According to such logic, firms are much more likely to embark on a growth path if a present opportunity fits a perceived need (Douglas, 2013). Motivation, however, must also be combined with appropriate resources, i.e., knowledge, skills, and experience (Baum et al., 2001; Davidsson, 1991; Wiklund, Patzelt, & Shepherd, 2009).

While the growth of smaller firms lies in the motivation and capabilities of few individuals, that of larger firms is more dependent upon their structure (Ram, 2000). Following the behavioural approach, a firm develops into different units with autonomous decision-making that depend less on the opinion of a single leader (Cyert & March, 1963; Gavetti, Greve, Levinthal, & Ocasio, 2012). According to the general theory of the firm, its profit-making function is the main driver of growth (Penrose, 1955; 1959). Furthermore, the personal development of individual employees might cause the firm to expand in order to create new positions (Penrose, 1959, Posse, 2015).

*A3: In smaller firms, the motivation of individuals drives growth;  
in larger firms, structural reasons prevail.*

Growing businesses often become more hierarchical in order to reduce transaction costs (Canbäck, Samouel, & Price, 2006). However, more bureaucratic structures are less suitable for entrepreneurial endeavours (Covin & Slevin, 1988). Transitioning from small to large sizes imposes severe challenges on the growing firm that increase the potential for wasting scarce resources and losing the entrepreneurial spirit (Hofer & Charan, 1984; Penrose, 1955). Thus, large hierarchical firms are more oriented toward efficiency and the exploitation of existing resources rather than exploring new ideas.

However, in Penrose's (1959) world of resource accessibility and abundance, firms constantly need to explore available but unused services hidden within the existing resource base. These resources are *versatile* and enable the firm to gradually develop dynamic capabilities that can provide a foundation for the exploration of hidden resource opportunities (Pettus, 2001). Utilising versatile resources implies entrepreneurial activity. A recent meta-analysis by Nason and Wiklund (2015) reinforces the importance of versatile resources for business growth. It follows that entrepreneurial capabilities are necessary for ongoing expansion.

Taken together, these different factors can be subsumed under the notion of path dependencies. They illustrate how in the Penrosean growth theory, "history matters" (Garnsey, Stam, & Heffernan, 2006, p. 5), meaning that resources in terms of entrepreneurial capabilities (Penrose, 1959) and previously established structures (Greiner, 1972) influence whether a business will grow or not.

Resources and structures are not only drivers of growth, they also influence the direction of business development (Greiner, 1972; Penrose, 1959). Slack resources and the acquisition

of new resources provide a toolbox for entrepreneurial activities and firm development. Organisational actors thereby deploy both existing and acquired resources in a new manner so that the firm can expand its existing value proposition in meaningful ways. This new assembly of resources constitutes the base for development in the future, just as previous assemblies influenced the current one (Pettus, 2001).

*A4: Versatile resources and excess resources promote business growth;*

*path dependencies influence the direction of growth.*

### **3.3 How Do Businesses Grow?**

Research on growth modes offers another perspective on how businesses can grow. Traditionally, researchers have drawn a distinction between organic and acquisitive modes of growth (Lockett & Wild, 2013; McKelvie & Wiklund, 2010; Penrose, 1959). Firms that grow organically in one period are less likely to further grow organically in the next (Lockett et al., 2011), because organic growth is a function of a firm's adjustment costs and its productive opportunity set. Once the firm has exploited its available opportunities from the existing resources, it becomes increasingly difficult to grow at the same rate in future periods – a contingency known as the “Penrose effect” (Lockett et al., 2011). Large firms then often decide to grow further through mergers and acquisitions (M&As) (Ireland, Hitt, Camp, & Sexton, 2001).

*A5: M&As compensate for stagnating organic growth.*

Finally, we can examine how businesses grow by considering their strategies. Hereby, strategy works as an intermediary between motivation, resources, and capabilities as well as the environment (Wiklund, 1998). To remain competitive, managers must adapt their strategy to the overall environment (Aldrich & Martinez, 2001). Porter (1980) identifies three major strategies: cost efficiency, differentiation, and niche focus. Each of these strategies can

eventually generate business growth (Upton, Teal, & Felan, 2001). Additionally, time-based strategies relate to the timing of market entry (Ireland & Hitt, 1997). Firms entering first or following early have great potential to grow. An important criterion that determines successful growth is whether the organisation plans far ahead and is able to change its strategy in a flexible and emergent manner (Titus, Covin, & Slevin, 2011; Upton et al., 2001).

The conclusion, however, that firms should adapt organic structures to retain their flexibility is overly simplistic (Dettmers, Kaiser, & Fietze, 2013). Empirical evidence indicates that mature industries call for mechanistic structures (Covin & Slevin, 1990) and aggressive competitive behaviour (Lumpkin & Dess, 2001), while early and growing industries need organic structures (Covin & Slevin, 1990) and a proactive orientation (Lumpkin & Dess, 2001). Entry during the transition period between early and maturing industries shows higher rates of failure, and niche strategies are most appropriate for small firms once the industry is mature (Agarwal, Sarkar, & Echambadi, 2002). In that respect, firm structure and business growth are not necessarily an individual choice, but might follow from contextual growth drivers.

*A6: Firm growth depends on the successful adaptation of strategy and structure according to the dominant market logics.*

#### **4 Challenging Business Growth Assumptions in Light of a Post-Growth Context**

Accounting for context is a messy but important undertaking to increase the reliability and validity of theory (Rousseau & Fried, 2001; Welter, 2011). For this paper, we adapt Johns' (2006, pp. 386, own emphasis) definition of context as "situational *opportunities* and *constraints* that affect behavior as well as functional relationships between variables". Given the focus on constraints in the post-growth discourse (Schmelzer, 2015), it is important to emphasise new paths and opportunities that can be provided by context (Johns, 2006; Welter, 2011). Furthermore, we investigate post-growth as a broader economic phenomenon (macro) and its impact on the growth of organisations (meso).

Post-growth can be described as a situation in which previous human expansion and impacts are reduced in the interest of long-term socio-ecological integrity (Jackson, 2009; Steffen et al., 2015). Such a conclusion is based on ecological and economic analyses. Compared to pre-industrial times, ecological conditions have deteriorated and even breached several proposed boundaries for the integrity of global ecosystems, and the outlook for the future is grim (Rockström et al., 2009; Steffen et al., 2015). These empirical findings support the computer model predictions made by Meadows et al. (1972) based on parameters such as population increases and resource use. Other criteria for limits to macro-level growth include ecological sink capacities (Jackson, 2009) and resource scarcity (Heinberg, 2007; Miegel, 2010). The proposed absolute decoupling of economic growth from its ecological impact opined by proponents of “green” or “sustainable growth” (OECD, 2014) is deemed impossible (Jackson, 2009; Paech, 2012). Thus, global-scale analyses suggest that continued expansion will exacerbate the already-chastening situation and ultimately confront unchallengeable walls.

In early-industrialised countries, real growth has lagged behind predictions and hopes for some time (e.g., Reuter, 1998). The reasons of this trend can be found in satisfied markets, asymptotical productivity gains, and diminished purchasing power (Keynes, 1943; Leontief, 1982). In his paper *The Long Term Problem of Full Employment*, Keynes describes the three-stage transition of post-war capitalist economies from demand-excessive to supply-excessive conditions. In the stagnating final stage, demand is widely satisfied making financial investments more lucrative and bubbles more likely. According to Keynes, economic collapse because of falling profit rates can be circumvented only by reducing working hours for the masses. Thus, economic activities in capitalist relations bear in them a restriction on endless growth (Zinn, 1994).

We therefore understand post-growth as an empirical change in institutions and logics based on resource scarcity and economic principles. The perspective triggers questions such as

“what should firms strive for if growth is unfeasible,” or “what does (firm) growth mean in a non-growing economy?” These questions stand in contrast to the normative concept and focus of degrowth. Building on these concepts, we identify three major challenges on the meso-level in line with the major questions of what, why, and how businesses grow: (1) the challenge of business growth as an increase in measurable outcomes, (2) the challenge of resource competition and dispositive path dependencies, and (3) the challenge of detrimental growth modes and strategies.

#### ***4.1 The Challenge of Business Growth as an Increase in Measurable Outcomes***

The post-growth context is characterised by absolute resource scarcity, thus turning economic activity in many areas into zero-sum games (Paech, 2012). Under such circumstances, it becomes problematic to conceptualise business growth merely in terms of an increase in size. In other words, firm size should not be the main explicandum in situations where increasing outputs are not the focus.

*C1: Viewing business growth as an increase in outcomes is problematic in a limited space.*

#### ***4.2 The Challenge of Resources and Dispositive Path Dependencies***

The Penrosean perspective suggests exploring and reconfiguring new resources to expand the firm, but it does not account for absolute limits of natural resources (Heinberg, 2007). Contrary to Penrose’s beliefs, the absolute scarcity of paramount natural resources in the post-growth context (Heinberg, 2007) and the discovery of scarcity in previously non-scarce goods, e.g., minerals (Prior, Giurco, Mudd, Mason, & Behrisch, 2012), might exacerbate corporate competition in corresponding markets. Simultaneously, extraction and utilisation of these resources also cause deteriorating local ecological and social conditions (Kimberling, 2005) and produce conflicts (Ozkaynak et al., 2012).

*C2: Competition for and exploration of resources under zero-sum conditions can result in detrimental effects.*

Internally, bureaucratic complexity and expanding hierarchies may cause diseconomies of scale that consequently punish firm performance (Canbäck et al., 2006). Penrose (1959) did not consider diseconomies of scale as growth barriers so long as firms retain their entrepreneurial capabilities. She trusted organisations to adapt to increasing levels of complexity, which is evident in the existence of many large multinational conglomerates. However, the Penrosean logic is driven by the idea that firms can avoid *financial* diseconomies of scale. It does not consider potential negative environmental and social effects.

*C3: More hierarchies and structures can create diseconomies of scale.*

Further, the bureaucratic nature of large firms is usually associated with relative inflexibility (Crozier, 1964). Posse (2015) has identified multiple “growth drivers”, i.e., conditions and constellations that incentivise or prescribe business growth. Among them are external financing, the existence of shareholders, structural benefits of size, a hierarchical structure within the firm combined with employees’ desire to “climb the ladder”, and the interplay between demand creation and symbolic consumption.

The more entangled firms are in these growth-inducing constellations, the more difficult it is for managers to refrain from pursuing growth. Growth thus becomes an acquired taste (cf. Delmar & Wiklund, 2008). These particular path dependencies become problematic in a post-growth context, because they promote continual growth despite absolute resource limitations. Instead, firms should remain flexible enough to change directions, i.e., to loosen their entanglement with (certain) growth drivers.

*C4: Path dependencies can promote ongoing expansion.*

### ***4.3 The Challenge of Detrimental Growth Modes and Strategies***

Having reached a certain size and organisational complexity, a firm's organic growth rate will stagnate, making M&As the only way to foster growth (Lockett et al., 2011). Simultaneously, M&As frequently fall short of expectations or even fail completely. This often results from severe adjustment costs that arise from complex integration processes (Steigenberger, 2016). Generally, adjustment costs seem to outbalance the benefits of an extended productive opportunity set.

*C5: M&As are wasteful, problematic, and often only implemented as growth drivers.*

Finally, some business strategies are less suitable in the post-growth context than others. Cost-efficient strategies, for example, require economies of scale, i.e., growth that allows for reducing the variable cost of operations. Particularly in cost-competitive environments, lowering costs is paramount for survival. Firms retain their cost leadership only until the competition adapts to the cost leaders. Reichel (2013b) includes ecology as a sixth force in Porter's (1980) framework that fundamentally changes the power field.

*C6: Adapting strategies and structures to industry standards is problematic because some strategies necessitate expansion.*

## **5 Revising Assumptions: From Growth towards Development.**

### ***5.1 Growth as a Qualitative Process of Development***

Despite the prevalent conceptualization of business growth as an increase in measurable outcomes, Penrose (1959, p. 1, emphasis in original) interprets the increase in size primarily as a by-product "of a *process* of development". The transition of a firm through the managerial re-arrangement of versatile resources goes to the core of Penrose's understanding of growth as development. Although this transitional process often appears to be continuous (Levie & Lichtenstein, 2010) – particularly when considering life cycle models of the firm (Clarke, Holt,

& Blundel, 2014) – Phelps et al. (2007) argue that firms might also experience more disruptive ‘tipping points’ (cf. Gladwell, 2000) that do not follow a particular sequence but are triggered by prior growth or environmental impacts.

Firms encounter tipping points in relation to different organisational dimensions, such as people management, strategy, or formal systems (Phelps et al., 2007, p. 13). Encountering tipping points in the developmental process elicits change in the respective dimension(s) of the firm. The outlook of any particular organisation, however, is not merely determined by the firm’s internal motivation. Rather, managers react to and interpret spaces of intelligibility that are framed by the firm’s environment (Aldrich & Martinez, 2001). From a co-evolutionary perspective, the firm’s context may act both as a trigger of change as well as a source of inspiration for the firm’s development *with* the environment (Clarke et al., 2014).

Taken together, we should rethink the label of business growth and instead refer to business development. Business development then encompasses a *qualitative* process of development that includes overcoming challenges. ‘Qualitative’ means that the focus does not lie on growth in terms of increasing sales figures, employment, assets, or outputs, as commonly assumed in the literature (Achtenhagen et al., 2010; Leitch et al., 2010); instead, the focus is on improvements in the nature of the firm.

*RA1: Business development describes an internal, qualitative process  
of improvement that includes overcoming challenges.*

## ***5.2 Growth as a Resourceful and Emancipative Process of Development***

Improvements can be judged by the firm’s ability to develop in symbiosis with the post-growth context. Put differently, firms should utilize arising opportunities and overcome contextual challenges. In general, we argue that business development in a post-growth context must be *resourceful* and *emancipative*.

Planetary boundaries combined with absolute resource scarcity turn economic activity into a zero-sum game (Paech, 2012). In such contexts, competitive behaviour could exacerbate detrimental effects on ecology and society. The role of resources in business development must therefore differ from the common conceptions. Instead of viewing resources as a fundamental antecedent of growth, we need to subordinate business development to the preservation of natural resources. Stated differently, we need to treat resources as capital, not as income (Daly, 1974).

Operational arrangements that foster sufficiency by not increasing business *scale* but business *quality* might be worthy of consideration (Gebauer & Mewes, 2015). Such operations and relationships with resources are suitable for conducting business in a post-growth context, because they move beyond the mere business case of eco- and socio-efficiency to include ecological equity, socio-effectiveness, sufficiency, and eco-effectiveness (Dyllick & Hockerts, 2002). For this purpose, Sachs (1993) introduced four criteria for sufficient business operations: lesser, slower, regionalisation, and de-commodification, which were recently reiterated by Palzkill and Schneidewind (2013).

Taken together, the limitations on natural resources necessitate deriving value not from competitive resource-based growth processes (Nason & Wiklund, 2015; Penrose, 1959; Pettus, 2001) but from developmental processes focusing on the resourceful treatment of scarce natural capital.

*RA2: Business development is resourceful, not resource-based.*

Sufficient business operations also necessitate certain business structures supporting positive macro-level effects in accordance with the post-growth context. Businesses must be able to emancipate themselves from current structural growth drivers (Posse, 2015). Accordingly, publicly traded companies that have an inbuilt incentive to increase ROI for

shareholders (Posse, 2015) should make way for more collaborates and cooperatives, ideally in pursuit of pro-social or ecological purposes (Johanisova, Crabtree, & Fraňková, 2013; Johanisova, Surinach Padilla, & Parry, 2015).

For example, new ventures that are born in the post-growth context can reduce formal hierarchies (Parker et al., 2014), develop informal configurations (Diefenbach & Sillince, 2011), and promote democratic structures (Hamel, 2011), including the corresponding legal arrangements. This increases stakeholder involvement in human resource management (HRM) (Guerci & Rami Shani, 2014). The dynamics in post-growth contexts thus allow firms to actively challenge existing human resource ideologies (Nienhuser, 2011) in support of sustainable HRM (De Prins, Van Beirendonck, De Vos, & Segers, 2014; Lis, 2012).

Already, many SMEs are more likely to refrain from external financing and form on a small scale that precludes hierarchical organisation and large-scale demand creation. Combined with a common lack of growth motivation resulting oftentimes from a concern for employee well-being and work-life balance among the firm's leaders (Cliff, 1998; Wiklund et al., 2003), SMEs are structurally well-defended against growth drivers (Posse, 2015). Although individual attitudes toward growth vary strongly between different types of owner-managers (Birley & Westhead, 1994), empirical studies repeatedly find that 20 to 40 % of all owner-managers have no intention to grow their firm (Cliff, 1998; Orser & Hogarth Scott, 2002). Also, SMEs founded in the growth context adopt a long-term perspective that is often missing in large corporations, which are driven by annual reports and responsibilities to their (short-term-oriented) shareholders (Grothe & Marke, 2012). The main problem thus arises for larger corporations experiencing negative effects of path dependencies in the form of growth pressures.

If large businesses want to counteract increasing diseconomies of scale, they also need to rethink hierarchies and strive for more self-managed arrangements, i.e. to include more

democratisation in business structures and more rights, privileges, and power for the dependently employed (Bontrup & Müller, 2006). Some prominent examples, such as W.L. Gore and Morning Star, already illustrate how large firms can benefit from more democratic corporate structures (Hamel, 2011). Empirical research further shows that interactions between individual business units are more prosperous when the units themselves initiate cooperation in a bottom-up manner (Martin & Eisenhardt, 2010). Employee emancipation (Willmott & Alvesson, 1992) could thus lead to further development because it is not achieved at the expense of product and service quality or human dignity (Laloux, 2014). Additionally, it can also increase work engagement and innovative behaviour (De Spiegelaere, Van Gyes, De Witte, & Van Hootegem, 2015). Other options include reducing paid working hours for the dependently employed with simultaneous capacity building for self-sufficient, non-paid work and expertise (Keynes, 1943; Paech, 2012).

Some parameters indicate that post-growth contexts begin to exert pressure on large corporations. Those who see external limitations on their expansion and wish to survive actively freeze their expansion endeavours (Fisher et al., 2017). Instead of expanding and adding new customers, they aim to improve existing customer relationships and the quality of their value proposition. Although it does not follow that such strategic developments have no underlying growth intentions, they illustrate that the occurrence of diseconomies of scale already pushes large firms to rethink their existing business models. Such re-orientation in strategy might therefore support the shift of larger businesses toward developmental processes, in line with a post-growth context. The goal is not to overcome structural challenges for the sake of further business growth, as commonly assumed by growth theory (Greiner, 1972; Penrose, 1955), but to emancipate individuals and firms at large from structural growth drivers:

*RA3: Business development emancipates firms from structural growth drivers.*

Hart's (1995) natural resource-based view (NRBV) illustrates such gradual development toward more systemic changes in a firm's business model. The idea behind the NRBV is threefold. First, companies experience increasing pressure to reduce their pollution and improve their efficiency, e.g., via implementing total quality management. Second, such experiences will incentivise firms to "minimize the life-cycle environmental costs of their product systems" and obtain better product stewardship (Hart, 1995, p. 994). Third, these two 'stages of development' might incentivise more systemic changes to a firm's business model. In that sense, larger firms – similar to smaller market participants – will experience a push toward effectiveness and eventually sufficiency (Young & Tilley, 2006).

However, how can businesses overcome the aforementioned structural barriers to shift from resource-based to a resourceful understanding of development? Although resources are limited in absolute terms, this transformation would require the input of resources to change the existing structures; i.e., it would initially cause increased resource consumption.

Such dynamics assume that any type of resource is limited. However, the idea of planetary boundaries assumes limited resources, but only if they are defined as physical entities; if resources are defined in such a way that includes knowledge, creativity, or ideas, then not all resources are limited.

In that sense, we agree with Reichel (2017a, p. 109) that "[s]carcity is not a fundamental problem [...]. It is a problem of the social organization of economic transactions." Internal and external pressures then provide an opportunity for businesses to change their logics in accordance with resourcefulness and emancipation. Such changes are essentially fostered by entrepreneurial capabilities and resource versatility, thus appearing to make Penrose's (1959) ideas compatible with a post-growth context. The post-growth context then merely changes the objective of re-imagining and exploring hidden alternatives in existing resources:

*RA4: Resource versatility provides the grounds for resourcefulness and emancipation, not the firm's ongoing expansion.*

### **5.3 Growth as a Collaborative Process of Development**

Post-growth contexts challenge acquisitive forms of growth modes if they are purely driven by growth necessities, such as internal or economic stagnation (Lockett et al., 2011). Nevertheless, some possible scenarios align acquisitive growth with a post-growth context. For example, empirical evidence suggests that many SMEs resist adopting sustainable business practices because of time and monetary shortages when managing the complex expectations of multiple stakeholders (Grothe & Marke, 2012). In addition, SMEs might also persist at mere subsistence levels, thus wasting scarce resources over long periods without creating value. Therefore, to provide stronger social or environmental contributions, a takeover by another firm could be more valuable for the post-growth context. In that sense, development also involves exit (Achtenhagen, Brunninge, & Melin, 2017).

Similar to versatile resources, it is thus possible to accommodate M&As in post-growth contexts if they foster resourcefulness and emancipation, i.e., if the objectives of the acquisitions align with a post-growth context. In that sense, the common objective of M&As, namely, fostering organic growth (Lockett & Wild, 2013; Penrose, 1959), shifts from benefits of individual market actors to benefits of the environment and society.

Additionally, strategic orientations can change from absorbing smaller firms toward other, expanded modes of cooperation via hybrid forms of growth (Achtenhagen et al., 2017; McKelvie & Wiklund, 2010). These newly developed notions of growth modes include many collaborative alternatives that support a *cooperative* understanding of business development. Network-based growth strategies, for example, where firms grow by maintaining close relationships with their suppliers and customers, foster cooperation and provide an alternative to vertical integration (Achtenhagen et al., 2017). Here, new ventures that are adept in these

constellations might share knowledge with large corporations and support their transition by developing symbiotically.

Several empirical examples support the alignment of such growth modes with a post-growth context. Sachs' (1993) sufficient business criteria, for example, were empirically underscored by Palzkill, Wanner, and Markscheffel (2015) based on a network of social enterprises in Wuppertal, Germany. These organisations offer multiple sufficiency services, such as vernissages, repair cafés, or bike sharing, but most importantly, they engage in community building through co-working spaces and participatory structures. Instead of detached entities along a value chain, firms in a post-growth context could forge networks of close collaboration to upscale their (social) innovations (Gebauer & Ziegler, 2013). Further empirical evidence is provided by Dini (1998; cited in Phelps et al., 2007), who investigated a 450-member SME hub in Chile, in which firms support each other's operations and form a border-transgressing collective.

Taken together, these examples advise current business growth theorising to assign a different role to growth modes in post-growth contexts. Breaking up the dichotomy of organic vs. acquisitive growth provides a plethora of different options including several cooperative modes. By means of collaboration instead of competition, it is then possible to align the emancipation of individual actors with shared environmental and societal goals.

*RA6: Business development builds on different forms of cooperation.*

The topic of competition further necessitates a discussion of market-oriented strategies and their role for business development in post-growth contexts. Among traditional strategies offered by Porter (1980), a niche focus is seen as less competitive and thus more appropriate for a post-growth context (Gebauer & Mewes, 2015). In their sample of 11 SMEs in Germany that shifted from classical growth trajectories after systematically addressing the “growth

question,” Gebauer and Mewes (2015) found changes toward a strategic niche focus based on product segments, quality, and regions. Additionally, these firms tilted toward services instead of products, operated with capacity buffers, and rejected external financing in order to avoid growth pressures and to be resilient in times of crisis. They also explicitly decided against pursuing opportunities to quantitatively grow in order to first, maintain quality relationships along the supply chain with internal and external satisfaction at a high level, and second, to avoid falling into a spiral of reinforcing growth imperatives and pressures resulting from additional fixed and variable costs, interest rates on external loans, and hierarchical organisational re-arrangements. With such managerial behaviour, the appearance of “tipping points” led to more qualitative approaches to growth, not quantitative ones.

New ventures can occupy context-specific emerging niches, differentiate between economic and dis-economic resource configurations, operate eco-effectively, and form networks with like-minded firms by reinterpreting value production along the supply chain collaboratively (Gebauer & Ziegler, 2013). When approaching tipping points, such firms are likely to refrain from growth in size because of the normative framework in which their managers operate or their niche existence based on product quality or region, as evidenced by Gebauer and Mewes (2015).

Reichel (2013) further argues that a post-growth context might expand Porter’s Five Forces by introducing ecological and societal limits as additional “forces”. This approach would extend the strategic horizon beyond cost leadership, diversification, or a niche focus to include additional strategies. Reichel (2017b) proposes (1) *domination*, i.e., an aggressive zero-sum game in defence of scarce resources, (2) *reduction*, i.e., a focus on the sufficiency of consumption, (3) *renovation*, i.e., the promotion of product service systems and repair, and (4) *collaboration*, i.e., a focus on value co-creation. Reichel (2013) also argues that strategic

planning will become even more paramount in the new context, particularly if more diverse indicators are considered in the form of triple-bottom-line accounting.

The argument ascribes further importance to the strategic balance between short-term and long-term considerations. On the topic of climate change, firms that strongly polarise between the short and long term tend to be reactive and narrow-minded and to despise the problem (Slawinski & Bansal, 2015). Conversely, firms that juxtapose between the short and long term invent and apply more inclusive solutions (Slawinski & Bansal, 2015). However, particularly large firms will not be able to switch their strategic positioning quickly and dramatically. Rather, their point is to acknowledge ambidexterity and to actively address intertemporal tensions instead of ignoring them (Hahn, Pinkse, Preuss, & Figge, 2016).

Taken together, the above illustrates an overlap of growth modes and market-oriented strategies in post-growth contexts. When businesses develop in collaborative modes and rely upon network structures, the meaning of strategy needs to shift dramatically. “Replacing ‘organization’ with ‘networks’, with diverse and heterarchical networks of value creation, makes the inner core of the form of the firm look very different” (Reichel, 2017, p. 103). In this way, strategies and strategic management are no longer tools or requisites for individual market actors to compete, as commonly understood by growth theories (Barney, 1991; Demir, Wennberg, & McKelvie, 2017; Porter, 1980); rather, strategies include multiple actors within a network who plan ahead and democratically determine how to achieve shared environmental and societal goals.

*RA6: Business development treats strategies as market-spanning, collaborative plans aimed at resourcefulness and emancipation.*

## **6 Towards a Theory of Business Development in Post-Growth Contexts**

What is the role of business growth in the context of post-growth economies where individual firms are confronted with absolute resource scarcity and stagnating growth rates? While most

of the literature on business growth remains quiet and possibly ignorant of these contextual effects, a niche stream of literature on post-growth organisations has recently provided some valuable starting points for theoretical investigations. However, existing contributions either focus on particular aspects of post-growth organisations without accounting for the bigger picture of the firm, or they derive their arguments from radically different positions that impede a common research agenda. Borrowing the method of problematisation (Alvesson & Sandberg, 2011), we challenged prominent views in entrepreneurship and management literature on business growth and illustrated another perspective that aligns with the idea of post-growth economies: business development as a qualitative and collaborative process that subordinates the role of business growth to foster resourcefulness and the emancipation of market participants.

The idea builds on six revised assumptions that provide a foundation for future theorisation of business development in post-growth contexts. First, business development describes an internal, qualitative process of improvement that includes overcoming challenges. Rather than focusing on growth as an increase in firm size, this view rejuvenates developmental and processual definitions of business growth by focusing on qualitative dimensions (cf. Penrose, 1959). Consequently, we suggest avoiding the term ‘business growth’ altogether when discussing post-growth organisations and instead label it ‘business development.’

The processual and developmental perspective in itself does not suffice to account for post-growth contexts. In addition, the remaining five revised assumptions must outline the focus and boundaries of business development.

The second assumption reverses the role of resources. Instead of viewing resources as mere inputs for outcome-increasing business growth, they become a focal aspect of investigation. In line with the absolute scarcity of natural resources, the following question arises: How can business development foster the *resourcefulness* of individual market actors?

Third, we acknowledge the problem of path dependencies fostering continued expansion of individual firms. Furthermore, increasing hierarchies and structures create detrimental diseconomies of scale. If businesses are to align with post-growth contexts, they need to break with growth drivers that dictate ongoing expansion. Further research should thus address how business development can *emancipate* individual market actors from structural growth drivers.

Fourth, if businesses need to shift from their current positions to accommodate emancipation and resourcefulness, then they require flexibility and entrepreneurial capabilities. Accordingly, the Penrosean idea of versatile resources (cf. Nason & Wiklund, 2015) still applies, although with a different focal outcome. Instead of theorising the role of versatile resources for their potential to increase the firm's size, we need to investigate how businesses make use of versatile resources to increase resourcefulness and emancipation.

Fifth, the focus on broader economic, environmental, and societal goals that results from a post-growth context potentially clashes with the aims and goals of individual market participants. To overcome such challenges, it is necessary to gradually question the notion of businesses as singular entities that follow egoistic, profit-maximising goals (cf. Penrose, 1959). Instead, our fifth revised assumption argues that business development accounts for 'growth modes' that build on collaborative forms of organisation. In line with common goals, collaborative forms of business development dilute the notion of singular entities. Although initial theorisations on these topics exist (e.g. Reichel, 2017a), future research should investigate how such collaborative forms gradually transform individual market actors.

Finally, increased collaboration will also require a fundamental revision of predominant notions of strategy and strategic management. Instead of limiting them to behavioural guidelines for individual firms, they can be reimagined as market-spanning, collaborative plans aimed at resourcefulness and emancipation. Broadening strategy to include multiple market actors provides vast research opportunities.

Taken together, these six revised assumptions illustrate a common research agenda that promotes a theory of business development in post-growth contexts. Starting with common assumptions in the business growth literature and acknowledging some of their applicability, the proposed approach has the potential to gain broader attention (cf. Roth, 2016a). Although the approach suggests focusing on qualitative developmental processes, it does not exclude quantification of our suggested dimensions for larger-scale studies. Quite the opposite, quantification of the proposed assumptions might further legitimise research on post-growth organisations.

The proposed revisions to current growth theorising also provide an opportunity to close the gap between theory and practice (Achtenhagen et al., 2010). Challenges posed by post-growth contexts lead growth theory to focus on qualitative aspects of development that reflect the understanding of business growth among practitioners. Further, the suggested changes in understanding could also contribute to the ‘de-economisation’ of society (Roth, 2016b, p. 9). Ideally, future research on post-growth organisations would support a qualitative shift in business education toward “soft skills, [...] critical thinking, and a broad, holistic triple-bottom-line understanding of management with the development of a shared vision for all stakeholders” (Nonet, Kassel, & Meijjs, 2016, p. 729). Young students and future managers would obtain the necessary skills and capabilities to develop firms in new directions in a post-growth context. To achieve this goal, however, future research on post-growth organisations must act in concert. The suggested multidimensional perspective provides some guidelines for such a common research agenda.

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**Appendix**

Table 1. List of Assumptions in the Managerial Literature, Their Post-Growth Challenges, and Revisions.

<u>Dimension</u>	<u>Assumptions</u>	<u>Challenges</u>	<u>Revisions</u>
What is business growth?	A1: Business growth describes a desired increase in quantity of certain parameters that contribute to the health and prosperity of the firm and the economy.	C1: Viewing business growth as an increase in outcomes is problematic in a limited space.	RA1: Business development describes an internal, qualitative process of improvement that includes overcoming challenges.
Why do businesses grow?	A2: Firm growth depends on the successful protection of idiosyncratic resources.  A3: In smaller firms, the motivation of individuals drives growth; in larger firms, structural reasons prevail.  A4: Versatile resources and excess resources promote business growth;	C2: Competition for and exploration of resources under zero-sum conditions can result in detrimental effects.  C3: More hierarchies and structures can create diseconomies of scale.  C4: Path dependencies can promote ongoing expansion.	RA2: Business development is resourceful, not resource-based.  RA3: Business development emancipates firms from structural growth drivers.  RA4: Resource versatility provides the grounds for resourcefulness and

	<p>path dependencies influence the direction of growth.</p>		<p>emancipation, not the firm's ongoing expansion.</p>
<p>How do businesses grow?</p>	<p>A5: M&amp;As compensate for stagnating organic growth.</p>	<p>C5: M&amp;As are wasteful, problematic, and often only implemented as growth drivers.</p>	<p>RA5: Business development builds on different forms of cooperation.</p>
	<p>A6: Firm growth depends on the successful adaptation of strategy and structure according to the dominant market logics.</p>	<p>C6: Adapting strategies and structures to industry standards is problematic because some strategies necessitate expansion.</p>	<p>RA6: Business development treats strategies as market-spanning, collaborative plans aimed at resourcefulness and emancipation.</p>

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