

Communication

Organic Growth Theory for Corporate Sustainability

Ahmad Karnama ^{1,*} and Ricardo Vinuesa ²¹ Director of Sustainability, Business Area Managed Services, Ericsson and Stockholm Sweden² SimEx/FLOW, Engineering Mechanics, KTH Royal Institute of Technology, Stockholm, Sweden

* Correspondence: adam.karnama@ericsson.com

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Abstract: This paper introduces a theory for the evolution of corporates in which the growth and sustainability strategies are developed simultaneously. Since the introduction of corporate sustainability, it has been an extra cost for risk mitigation and making ‘compensating’ positive impact. The world has reached a tipping point of volatility, mainly due to climate change but also by emergence of COVID-19, so that the applicability of existing corporate structures is under question and these poses high risk to the existence of our planet. On the other hand, the technology cost for sustainable investment has reached a parity in comparison with non-sustainable alternatives. Therefore, our proposed Organic Grow Theory introduces a step-by-step approach so that corporates can grow and be profitable without compromising the ability of future generations to meet their needs. It is concluded that, a new structure for corporate, called Founcorp, would be needed to direct corporates to evolve being a responsible legal entity.

Keywords: corporate sustainability strategy; corporate growth strategy; Maslow Pyramid; Organic Growth Theory; corporate social responsibility; corporate responsibility; sustainability

1. Introduction

The role of corporates in sustainable development is inevitable and critical [1] [2] [3]. The challenges associated with developing corporate-sustainability strategies have received some attention in the literature over the past decade [4] [5] [6] [7] [8]. It has been argued that, in order to truly incorporate sustainability into corporate decision making and culture, it is essential to develop new governance strategies to fully involve stakeholders [9], so as to positively impact sustainability from the three main perspectives of society, economy and environment [10] [11]. Recent studies have highlighted the importance of five key corporate sustainability practices (perseverance, resilience development, moderation, geosocial development and sharing) to obtain the commitment from employees so as to realize the sustainable-corporate vision [12]. Other studies have focused on the sustainable interaction of corporates with the community, advocating for long-term mutually beneficial commitments beyond philanthropic donations [13]. However, one aspect which has not received the same level of attention in the literature is the way in which corporates grow, and in particular, how to ensure that this process is conducted in a sustainable manner. This is the main topic covered in the present study.

The conventional means of corporate growth is mainly based on inorganic methods and focuses on Mergers and Acquisitions (M&A) [14]. This is an old-fashioned method for growth among corporates with access to large capital. Instead of taking the required steps to grow (i.e. through the progressive development of a basis to grow innovation, creating a positive impact and increasing the number of employees organically), they decide to grow rapidly via M&A. This approach is designed for a less diversified, less global economy. There are two main problems associated to M&A as an approach to grow:



- Post-M&A interdepartmental integration affects the efficiency and effectiveness of new product development (NPD), thus affecting innovation, given the collateral challenges in corporate cultural integration [15].
- It fails to take into account the challenge (and potential consequences) of weak corporate culture assimilation, which is nowadays of high priority for corporates given recruitment costs, over/under qualified labor force and the rise of employment alternatives in the labor market, among others [16] such as energy [17].

In this traditional model, corporates buy smaller companies around them in an attempt to grow. In this way, not only do they negatively influence the competition in the market and reduce the quality of the service [18], but they also create a toxic internal corporate environment with conflicts of interests, unfair competitions, and dense internal politics [19]. This environment will not develop and retain qualified employees, but rather it will support and maintain employees with high political skills. This will eventually lead to reduced quality of service, social losses, and even losses for the corporate itself.

It is noteworthy to mention other rather innovative approaches to corporate growth, as exhibited by Apple (which uses the so-called Ansoff Matrix [20]), combining four growth strategies (market penetration, product development, market development, diversification) which by design give rise to innovation. In other words, Apple develops internal capabilities by investing in accelerating innovation [21]. However, the missing point is how to make a growth by not compromising for the future generation. In the following, we describe and discuss our proposed approach for sustainable corporate growth, i.e. what we call the organic growth theory (OGT).

2. Organic growth theory (OGT)

A forward-thinking way of approaching corporate growth would entail a clear vision for 'impact' and a strategy that supports such a vision. In that model, relevance, measurability and scalability would be used as guiding principles. Similarly, impact-driven growth would require corporates to put in place effective transparency mechanisms to leverage the benefits of this modern approach. Our proposed OGT has three main principles:

1. Create meaningful reasons and impactful visions for growth.
2. Take a step-by-step approach based on the hierarchy of needs by Maslow [22], and a phase-by-phase process based on the concept of ecological thinking articulated by Code in [23], guiding the growth strategy.
3. Increase output by focusing more on internal measures.

In the OGT framework, we denote the next generation of corporates as Foundation Corporates (Founcorps for brevity). Founcorps focus on bringing meaningful reasons and impactful visions to a corporate. As mentioned above, the proposed OGT approach is based on two well-known theories: Maslow's hierarchy of needs [22] and the concept of ecological thinking [23]. The former is a behavioral motivation theory in psychology comprising a five-tier model of human needs, often depicted as hierarchical levels within a pyramid, as illustrated in Figure 1.

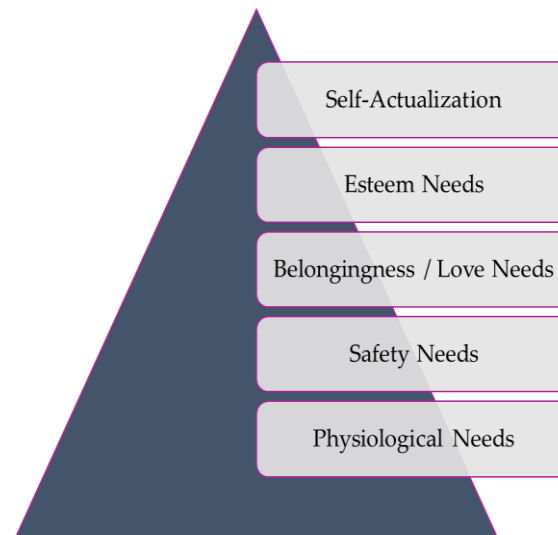


Figure 1. Schematic representation of Maslow's hierarchy of needs [22].

Needs further down in the hierarchy must be satisfied before individuals can attend to needs higher up. From the bottom of the hierarchy upwards, the needs are physiological, safety, love and belonging, esteem, and self-actualization. These steps have been translated to the corporate world, as displayed in Table 1.

Table 1. Relation between examples of needs highlighted by Maslow for individuals [22] and their equivalent in corporates.

	Maslow Pyramid	Personal	Corporate
1	Physiological Needs	Oxygen, Food, Water, Sex, Sleep, Warmth	One Employee, Product / Service, Business Strategy, Small Funds, Workspace, Stationery, Phone, Computer, Internet
2	Safety Needs	Protection, Security, Order, Law, Limit, Stability	Stream of Revenue, Multiple Employees, Steady Retention Rate, Office Space
3	Belongingness / Love Needs	Family, Affection, Relationships	Employee Relations, Investors, Clients
4	Esteem Needs	Achievement, Status, Responsibility, Reputation	Brand Recognition, Partnerships, IPO, Press Coverage
5	Self-Actualization	Personal Growth, Fulfillment	Sustainability, Corporate Citizenship, Corporate Social Responsibility

For corporates, it starts from basic needs for strategy and funds before leading to sustainability, corporate citizenship and corporate social responsibility (CSR). An interesting example illustrating this point is the case of Aramco [24], the largest oil company in the world, since their entire CSR focus is on corporate citizenship. While all the CSR activities are appreciated and invaluable, it is important to evolve corporate structures to grow in a responsible way. The growth path is described in OGT (Organic Growth Theory) and the goal is that the corporates should evolve to be responsible entities called Founcorps (Foundation Corporates).

In the OGT framework, the five steps depicted in Table 1 need to be repeated in three different phases until a company can become a truly Founcorp. These three phases are based on the concept of ecological thinking [23], and they are illustrated in Figure 2.

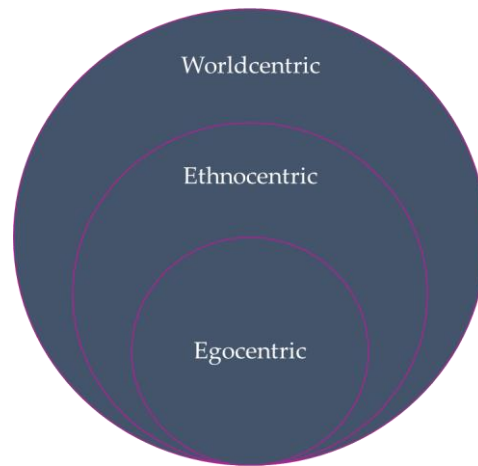


Figure 2. Representation of the three phases within ecological thinking [23].

Ecological thinking is a natural way for responsible corporates to work and grow. It allows the concerned corporates to be part of the natural rebalancing process in the lives of people and nature [25]. It also enables corporate concerns to serve the entire interdependent web of nature and life. Furthermore, it makes the corporate concerns valuable to the people and nature. To summarize, the nine steps required to become a Founcorp are shown in Figure 3.

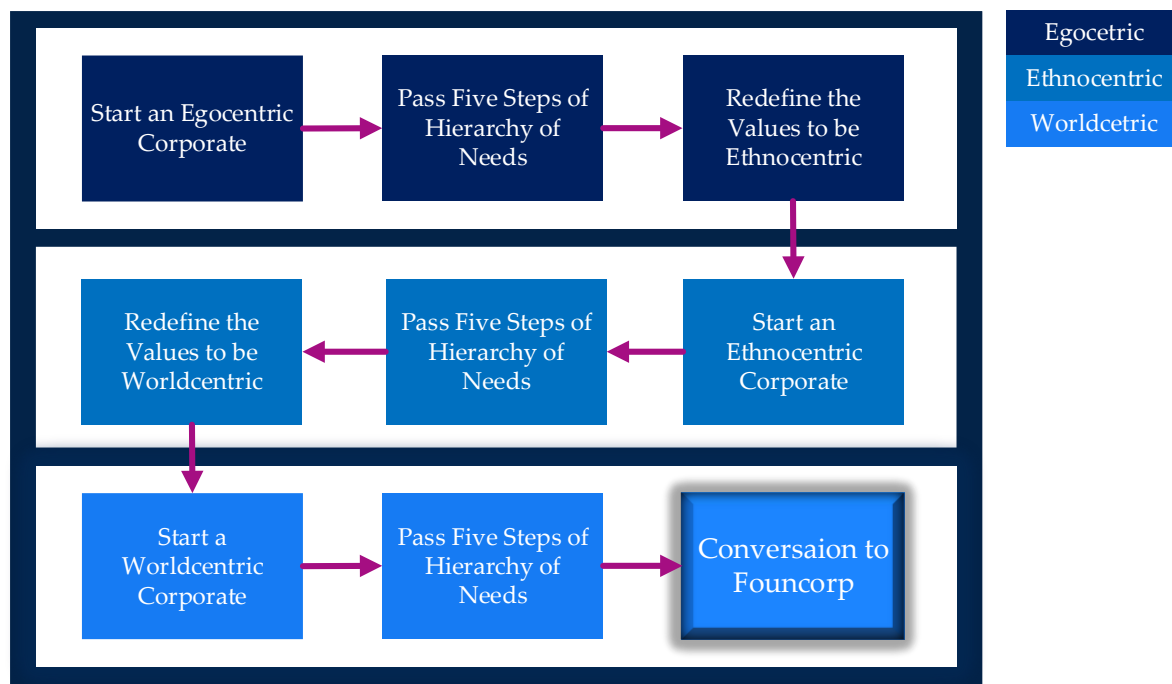


Figure 3. Summary of the 9 steps required for a corporate to become a Founcorp, in the proposed OGT framework.

As shown in Figure 3, it is necessary to take the 5 steps of Maslow's hierarchy of needs [22] to grow. However, this is not enough. Those 5 steps need to be taken in line with the 3 phases of ecological thinking [23]. These steps and phases constitute what we define as a Founcorp, which is world centric with meaningful reasons and impactful visions for growth.

3. Discussion and concluding remarks

The development of sustainable societies is influenced by and affect corporate sustainability. The interdependence of the areas which are used to be independent is now even more trivial as it can be seen in [26]. There is high demand for corporates to evolve to be responsible entities in the societies and Organic Growth Theory introduces a step-by-step approach to reach that. The role of data handling in this evolution is inevitable.

The current revolution of artificial intelligence (AI), which has the potential to highly benefit society, has also revealed the numerous hazards associated with irresponsible use of the technology [11]. Although profiling and automated decision-making algorithms have the potential to provide enormous opportunities to corporates, it is of utmost important to follow ethical and transparent guidelines in these applications [27]. This particular point becomes particularly relevant in the context of public emergencies, such as that of the COVID-19 pandemic [28]. Therefore, we argue that a transparent and ethical handling of data and AI-based tools is an integral aspect for a company to become a Founccorp.

The needs of a Founccorp are essential to not only grow but also to make our growth organic and produce prosperous societies. The role of governments is to empower Founccorps by prioritizing the focus areas for Founccorps. We argue that this can be a replacement to current tax payments where, instead of paying tax, Founccorps can invest their revenue to bring about social value. This novel concept builds on current tax-exemption schemes currently applied to businesses creating social value in certain European countries.

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