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Sopron, 2021. november 4.
4 November 2021, Sopron

PANDÉMIA – FENNTARTHATÓ GAZDÁLKODÁS – KÖRNYEZETTUDATOSSÁG / PANDEMIC – SUSTAINABLE MANAGEMENT – ENVIRONMENTAL AWARENESS

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Szerkesztette / Edited by: OBÁDOVICS Csilla, RESPERGER Richárd, SZÉLES Zsuzsanna

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Is Urban Farming the Green Economy of the Future?! Investigation of the Sustainable Management of a Hungarian Startup Enterprise

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Absztrakt
Napjainkban óriási az érdeklődés a fenntartható gazdálkodás és növekedés gyakorlatban történő megvalósítása iránt, amely elsőként, az 1987-ben megjelent ENSZ jelentés központi gondolata volt. Előadásunkban ennek valóra váltási lehetőségeit és mozgató rugóit keressük, valamint bemutatjuk a tovább fejlesztési lehetőségeket. Hogyan lehet a pénzügyi számvitel adatait alkalmazni és a kapott eredményeket értelmezni a vállalati növekedés, fenntartható növekedés és fejlődés méréséhez? Milyen operatív és stratégiai lehetőségekre utalhat az SGR növekedési ráta egy induló, de rendkívül innovatív magyar mezőgazdasági startup vállalkozás esetében? Az SGR növekedési ráta befolyásoló tényezőinek feltárása és alkalmazása hogyan segíti a skálázható növekedési stratégia meghatározását, realizálását és kontrollját? Eset- és szituációelemzést végzünk a magyar tanácsadói világból. Kvantitatív technikát alkalmazunk, amely a saját fejlesztésű FINel pénzügy diagnosztikai és értékalkotó szakértői rendszer. A vizsgálatunkban igazoljuk a fenntartható gazdálkodás és az SGR növekedési ráta elméleti felfogásmódja mellett az üzleti gyakorlatban történő alkalmazási lehetőségeit. Indokoljuk a vállalati életciklusokra igazított fenntartható pénzügyek kidolgozását, mint a holisztikus szemléletben történő fenntartható vállalati menedzselés alapját.

Kulcsszavak: fenntartható gazdálkodás, növekedés és fejlődés, mezőgazdasági startup
JEL-kódok: G39, L26, M15, O12, Q01

Abstract
Nowdays, there is a huge interest in putting sustainable management and growth into practice, that was the central idea of the first UN report, published in 1987. In our presentation, we look for possibilities and driving forces to make this a reality, and we show possibilities for further development. How can financial accounting data and its obtained results be used and interpreted to measure corporate growth, sustainable growth and development? What operational and strategic opportunities can the sustainable growth rate (SGR) refer to in the case of a start-up but highly innovative Hungarian Agricultural enterprise in its infancy? How does exploring and applying the factors influencing the SGR help to define, implement, and control a scalable growth strategy? We made case and situation analysis from the Hungarian consulting world. We used a quantitative technique, the self-developed FINel finance diagnostic and value creation expert system. In addition to the theorical conception of sustainable management and SGR, in our study we show its application in business practice. We prove sustainable finance adapted to corporate life cycles as the basis of sustainable corporate management in a holistic approach.

Keywords: sustainable management, growth and development, agricultural startup
JEL Codes: G39, L26, M15, O12, Q01

1. Introduction and objectives

Today, there is a huge interest in putting sustainable management and growth into practice, which was the central idea of the first UN report published in 1987. In our work, we look for the possibilities and driving forces of the harmony and complexity of the principles of sustainable farming-growth-development to become a reality in practice, and we present the possibilities of further development through the example of a Hungarian startup company.

Sustainable corporate finance is an attractive and exciting topic in the sustainability literature.

In addition to the global and national environmental sustainability goals, economic and financial sustainability is becoming increasingly important for businesses of all sizes and stages of development. Accordingly, the literature on economic sustainability management and related tools and approaches has increased significantly. While scientific and practical contributions are growing in this area, the literature seems to have ignored certain types of businesses, namely micro-businesses, including traditionally starting businesses and start-ups. Nevertheless, growing evidence emphasizes the involvement of start-ups and micro-enterprises in the economic sustainability debate.

The aim of our work is to present the possibilities for the realization and further development of corporate management and growth in accordance with the global environmental sustainability principles. We prove the practical feasibility of this in the case of a domestic startup company – whose basic goal is scalable growth – how to adapt and integrate the principles of global environmental sustainability in line with economic growth goals. We publish how financial accounting data and interpretation of its results can and should be used to measure corporate growth, sustainable financial growth and development, and why this is important not only in the life of the company, but also at national level.

2. Introduction of the topic, presentation and evaluation of the relevant literature

Sustainability as a phenomenon has rapidly seeped into both the economic and financial literature and has become a major scientific topic.

Recent developments highlight the importance of companies ‘commitment to responsible behavior in order to transform a company into a truly sustainable business that adds value to business, society and the environment. Sustainable corporate financing and finance are an integral part of global sustainability goals, as all social, environmental and financial factors are

integrally linked and integrated into the global social-economic system created by current and future generations.

According to Soppe (2009), Johnsen (2003) and Peylo (2012), sustainable corporate financing is associated with CSR investments aimed at achieving higher environmental and social performance while they must realize additional revenue for financial sustainability. Huerga and Rodríguez and Monroy (2019) argued that sustainable corporate financing and finance help economies to balance despite the use of dept. surplus. According to Sertsios (2020), companies have internal financing benefits in markets that integrate sustainability factors that promote sustainable long-term cash flow.

Galaz et al. (2018) examined the relationship between financial considerations and non-linear corporate change in order to develop a methodology that allowed financing activities to be linked to economic performance in order to maintain the Earth's climate system. Hollindale et al. (2019) highlighted the magnitude and reported that the integration of both financial and sustainability performance can be facilitated as a solution to financial reports on quality deficiencies in greenhouse gas emissions. Siegrist et al. (2020) integrated a conceptual sustainable corporate financing framework with risk management, intangible assets, and cost reduction through improved resource utilization and revenue improvement. Thus, it highlights how companies can leverage environmental sustainability in their long-term financial decision-making framework. Banerji and Fang (2020) and Sertsios (2020) brought together corporate finance, industrial organizations and corporate economics to emphasize the sustainable development of market competition, customer-supplier integration, ownership structures and organizational forms, and financial policy interactions. Although sustainable corporate financing has been studied in the literature, the methods that make up corporate financial practices are lacking (Chan et al., 2019).

Companies that incorporate sustainability into their business strategy and decision-making processes can improve their long-term efficiency and increase shareholder wealth and corporate value (Portillo–Tarragona et al., 2018).

Figure 1: Agenda 2030 – Sustainable development goals
Source: https://gcap.global/agenda-2030/

A company's environmental sustainability and development goals were set by Agenda 2030, the new integrated framework for sustainable development which accepted and adopted by the 193-member states of the United Nations in September 2015, with the 17 sustainable development goals (*Figure 1*). *„The Sustainable Development Goals are more important now*

than ever. Now is the time to secure the well-being of people, economies, societies and our planet." (António Guterres Secretary-General of the United Nations)[1]

The three pillars of sustainability – economic, ecological and social – make the equal consideration of corporate decision-making through management tools more concrete and measurable. Sustainability is an advantage for its founder and contributes to a more favourable development of the environment, society, and personal well-being as well. It means and creates added value. Incorporating value-oriented corporate management and sustainability as a goal, including stakeholders, improves return expectations (energy savings, environment protection, etc.) and thus indirectly increases the value of a company. However, a consciously sustainable business / entrepreneur: 1. Is legally responsible ("I obey the law"). 2. Economically responsible ("I operate profitably"). 3. Sustainable responsibility. ("I contribute to the common good").

3. The focus of the study is on a sustainability-driven startup

The bedrock.farm (hereinafter BF) grows mainly leafy greens, micro-vegetables and herbs on a multi-level shelving system indoor, under controlled conditions using hidro- and aero phonic technology which adapted to the needs of the plants. They create a suitable environment for the plants with specially lit lamps, pumps and air conditioning.

Production began in late 2020. They currently work in their cellar farm of 135 square meters. Using this in-house digitized technology, BF owns and operates Budapest's largest commercial indoor urban farm.

BF's goal is to provide to their customers – currently local grocery stores, restaurants – plants that are rich in vitamins and nutrients, fresh, free of chemicals and GMOs, at a fixed price and quality throughout the year. The long-term goal of BF is to make their farmhouse and technology an "easy-to-box" product, so they can create an extensive franchise network not only in Hungary, but from Berlin to Moscow.

This would democratize food production and lower the entry threshold for agriculture, as well as encourage even timid young entrepreneurs to start their own business. Therefore, BF participate and perform at exhibitions and conferences in several places nationwide.

According to their calculations, a production house of about seventy square meters can be created from 10 to 15 million forints. This allows to start a business even those who do not have hundreds of millions of forints for a larger investment or a family farm waiting to be inherited. The basic pillar of BF is the cultivation technology they have developed and digitized, which not only automates cultivation but also ensures the environmental conditions of the plants: it continuously ensures maximum micro-nutrient content and minimum bacterial-level quality.

All in addition, with automation, every point of production can be precisely planned in advance and continuously controlled. The essence of BF's cultivation technology is that it does not adapt the plants to the environment, but the environment to the plants, so the technology can be used not only for the plants they grow, but also in other agricultural industries.

"We want that working in agriculture, be valuable, trendy and profitable." (https://forbes.hu/zold/bedrock-farm-mikrozoldseg-fuszerek-mezogazdasag-startup/)

4. The applied methods

In our study, we use a quantitative technique, which is a self-developed FINel financial diagnostic and value creation expert system (Katits, 2019, 2021). This complex system is suitable to make analysis for the phases of corporate operation – original and derivative foundation, growth, and crisis phases. The modules presented in *Figure 2* can be use together and separately.

[1] *https://unstats.un.org/sdgs/report/2021/The-Sustainable-Development-Goals-Report-2021.pdf,* Downloaded: 30. October 2021.

Life cycles identification; Research on signs and causes	Operative controlling	Strategic controlling	Benchmark	Turnaround controlling	EWS-creating	Value drivers; SV calculation
↖	↖	↑	↑	↑	↗	↗
Basic module for financial analysis and diagnosis						
„Let our business be profitable while remaining solvent, non-indebted, promising and efficient asset and asset management."						

Figure 2: Content of the FINel finance diagnostic and value creation expert system
Source: Own editing

The FINel financial expert system can identify and illustrate not only the strengths and weaknesses of the operation, but also the clear identification of the given operational phase from the initial stage throughout its operation, the early warning signs of a developing crisis, and provides the appropriate decision-making information for a positive turn in successful operational and strategic management.

In this work, we do a case and situation analysis examining the fact and plan financial accounting data of the first three business years of a Hungarian agricultural startup. We emphasize that a single case and a short-term examination narrows the possibility of placing the conclusions on a broader basis, but the financial-economic analysis of sustainability allows for a more in-depth analysis that is also useful for business practice.

5. Discussion of the topic/Research results

There are both quantitative and qualitative versions of corporate growth. Quantitative growth is defined as the change in economic performance, which is a positive change in the products and/or services produced and which can be proved by measuring the change in the company's tangible and intangible assets. We illustrate qualitative growth in change of company's tangible and intangible assets. The tasks of financial management include that the financial managers should recognize and ensure (quantitative and qualitative) the profiting of the growth potentials, quantify the impact of growth (in terms of cash flow and accounting) on ROI, ROA and ROE, and solve the optimal financing of growth.

A paradigm shift is needed urgently in current management goals. The reason for this is, that the economic and financial growth and development of companies in the national economy is as necessary to achieve global sustainability goals as the integration of UN sustainability principles into the operations of businesses to ensure their long-term survival. The source of a company's viability and profitability is its ability to generate revenue. The Internal Growth Rate (IGR) of sales revenue (Parrino et al, 2011) shows the maximum growth of a company without external financing, from retained earnings.

$$\frac{\frac{\textbf{\textit{Net Profit}}}{\textbf{\textit{Assets}}} \times \frac{\textbf{\textit{Retained Profit}}}{\textbf{\textit{Net Profit}}}}{1 - \frac{\textbf{\textit{Net Profit}}}{\textbf{\textit{Assets}}} \times \frac{\textbf{\textit{Retained Profit}}}{\textbf{\textit{Net Profit}}}} = \frac{\frac{NP}{A} \times \frac{RP}{NP}}{1 - \frac{NP}{A} \times \frac{RP}{NP}} = \frac{ROA \times RPR}{1 - ROA \times RPR}$$

where ROA = **R**eturn **o**n Assets; RPR = **R**etention **P**rofit **R**ate; NP = **N**et **P**rofit; A = Total **A**ssets; RPR = **R**etention **P**rofit **R**ate.

As long as the IGR growth rate does not assume the use of external financing, the sustainable growth rate assumes as much external borrowing as it leaves the current capital structure unchanged. The Sustainable Growth Rate (SGR) is the maximum possible growth rate without changing and increasing a company's leverage (Van Horne–Waczhowicz, 2008; Chandra, 2020).

$$SGR = \frac{\frac{\textbf{Net Profit}}{\textbf{Equity}} \times \frac{\textbf{Retained Profit}}{\textbf{Net Profit}}}{1 - \frac{\textbf{Net Profit}}{\textbf{Equity}} \times \frac{\textbf{Retained Profit}}{\textbf{Net Profit}}} = \frac{\frac{NP}{E} \times \frac{RP}{NP}}{1 - \frac{NP}{E} \times \frac{RP}{NP}} = \frac{ROE \times RPR}{1 - ROE \times RPR}$$

where ROE = **R**eturn **o**n **E**quity; NP = **N**et **P**rofit; RPR = RPR = **R**etention **P**rofit **R**ate.

If the revenue growth rate exceeds the size of the IGR, the ***E**xternal **F**inancial **N**eeded* (EFN) provides the size of this additional resource needed for growth.

$$\text{EFN} = \frac{Assets}{NSR_0} \times \Delta NSR - Sales_1 \times \frac{Net\ Profit}{Sales_0} \times \frac{Retained\ Profit}{Net\ profit}$$

$\frac{Assets}{NSR_0} \times \Delta$NSR = asset requirements for sales revenue growth

ΔNSR = year-on-year increase in sales $\frac{Assets}{NSR}$ = asset requirement rate

$NSR_1 \times \frac{Net\ Profit}{NSR_0} \times \frac{Retained\ Profit}{Net\ profit}$ = retained earnings from projected sales

NSR_1 = projected sales revenue; NSR_0 = sales revenue for the current year

$\frac{Net\ Profit}{NSR}$= net profit margin

$\frac{Retained\ Profit}{Net\ profit}$ = retention profit rate

If the increase in the turnover of the companies does not come from the retained profit, or if it does not provide sufficient cover for this, it will in any case require additional sources of financing. This is also the case for fast-growing companies, such as startups however, it does matter whether this additional funding comes from recapitalization, investment or external debt. An external financing source can also unfavourably change a company's capital structure, so keeping a company at an appropriate level is an essential aspect of a company's financial sustainability, for which, knowledge of the so-called SGR is essential.

A sustainable growth rate refers to the maximum rate of sales growth a company can achieve while using internally generated resources and consuming only as many external resources as are sufficient to maintain the capital structure ratio. Because it is important for a company to think comprehensively about its own growth in order to be funding, a useful parameter during the financial planning period is the rate of sustainable growth. The planned expansion program, the business idea that triggers scalable growth and the business model must be in line with the financing requirements. Namely: payment of the corporate tax burden; payment of interest on borrowings included in the existing capital structure; meeting dividend payment expectations; achieving a certain level of self-financing; the solvency ratio that the company intends to maintain.

$$ROE = \frac{C}{NSR} \times \frac{EBIT}{C} \times \frac{NSR}{A} \times \frac{EBT}{EBIT} \times \frac{A}{E} \times \frac{NP}{EBT}$$

↓ ↓ ↓ ↓ ↓ ↘

Operating Interest Equity Tax burden

profit margin burden multiplier

↓ ↓ ↓

B E P

Figure 3: Factors influencing ROE determining of the SGR growth rate

Source: Own editing

where C = **C**ontribution
NSR = ***N**et **S**ales **R**evenue*
$\frac{C}{NSR}$ = ***C**ontribution **M**argin*
EBIT = ***E**arnings **b**efore **I**nterest and **T**axes*
BEP = ***B**asic **E**arning **P**ower*
A = *Total **A**ssets*
EBT = ***E**arnings **b**efore **T**axes*
E = ***E**quity*
NP = *EAT = **N**et **P**rofit = **E**arnings **a**fter **T**axes*

According to *Figure 3*, the factors influencing the sustainable growth rate can be quantified. The effects of each activity-management area can also be demonstrated. Otherwise, if we plan the growth rate, we can derive realistic alternatives for the areas of activity management and even perform a sensitivity analysis. In the case of BF, the EBT/EBIT ratio is 1, because there is no interest payment obligation arising from long-term borrowing in the period under review (I = Interest).

In this work, with the goals of sustainable management in mind, we aim to demonstrate the multiphasic use and utility of this essential financial indicator.

Table 1: Evolution of the factors influencing the growth rate of SGR with actual and planned data

Denomination	2020	2021	2022	2023
SGR	216%	19%	52%	160%
ROE	68%	16%	34%	62%
1. NSR/A	0,01 !	0,66 !	1,80 ✓	2,4 ✓
2. NP/NSR	4731%	23%	18%	24% ✓
ROA (1x2)	68%	15%	32%	58%
3. A/E	1,01	1,05	1,06	1,07
4. C/NSR	pointless	0,562 ✓	0,432	0,474 ✓
5. EBT/C	pointless	0,464	0,446	0,553 ✓
6. NP/EBT	0,99	0,88	0,91	0,9 ✓

Source: Editing based on my own calculation

If the value of the growth rate of SGR exceeds the growth rate of NSR calculated from the income statement, the company cannot maintain the capital structure of the current year in the annual balance sheet while its retention rate (RPR) is 100%, ie equity increases from this internal source. This is the case for BF, so it is necessary to increase its asset efficiency (line 1 of *Table 1*) and thus be able to increase the amount of resources intended for self-financing (line 2 of *Table 1*).

The favourable parameters of the scalable growth of BF – NSR, NSR/A, C/NSR, EBT/C – which at the same time illustrate the factors influencing ROE and thus the growth rate of SGR, but also justify the financial management of operational management or the current year's business management KPIs (***K**ey **P**erformance **I**ndicators*). Anyway, the favourable trend is also confirmed by the declining values of the ratios of fixed and variable operating costs. However, the SGR growth rate is not only a financial planning parameter but can also be used well in financial analysis. We can judge the operating result of the period under review (margin, operating and net profit margin, tax effect, ability to generate revenue from assets), return on capital invested in assets, development of financing cash flow (self-financing, thus dividend

payment, equity increased or decreased within total capital). All of this was done here in a time-series but also cross-sectional analysis.

5.1. Measuring corporate growth, sustainable growth and development

Here, we will discuss how the use of BF's financial accounting data and the interpretation of the results obtained will help to measure corporate growth, sustainable growth and development. As we examine a startup, we present our findings on a monthly and annual basis.

Investors in startups insist that the growth rate of sales revenue will increase in short term and that the growth trend will continue. The tools in the case of BF, is the realization of the long-term goals of economic sustainability and profitability.

In connection with the annual report, the necessary criteria for measuring the size of the company are the sales revenue, the fixed assets, the balance sheet total, and the net profit that remains after any dividend payment. Merely concentrating on increasing sales revenue would be dangerous, as it is "only" a means to success, to make a profit. An increase in sales revenue is a possible indicator for profit, but a significant growth rate in sales revenue does not necessarily mean high profit (*Figure 4*).

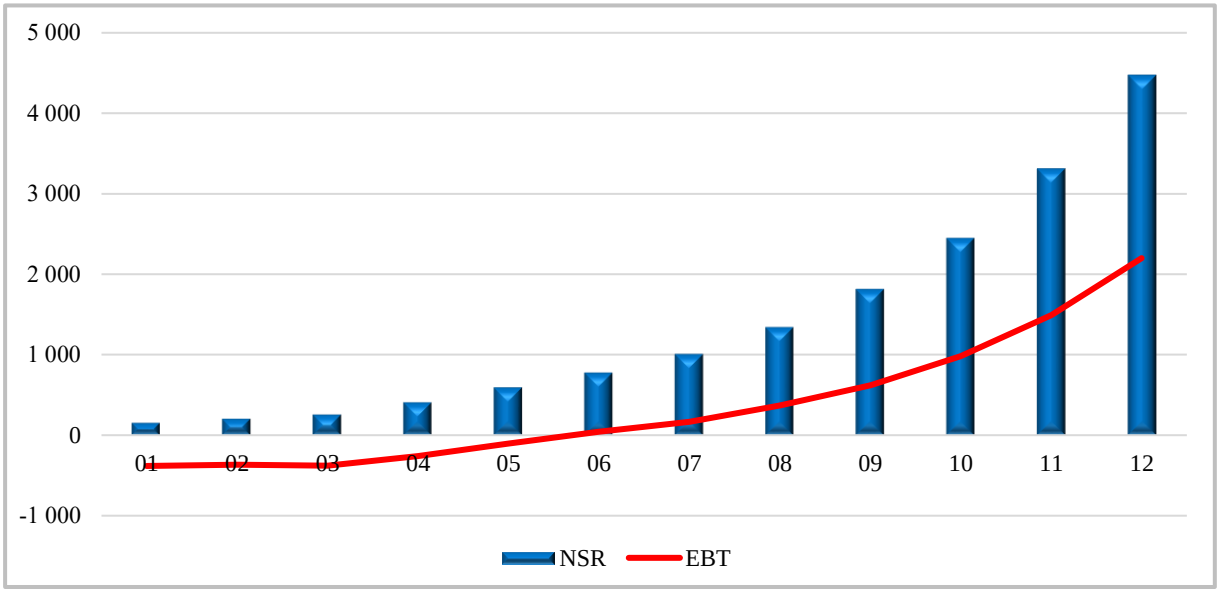

Figure 4: Monthly NSR and EBT development of BF-startup in 2021 (thousand HUF)
Source: Editing based on my own calculation

Nowadays, companies are undergoing constant adaptation and transformation processes, which ensure their growth and thus their survival. Growth is thus not only an expansion, but often an organizational transformation, and a transformation in the production program, performance, and in markets that the company serves. The strength of an organization therefore stems essentially from a sense of readiness to adapt to change, and not just from the growth of the business. It would be a big mistake to equate the size and strength of a company! After all, the strategy for corporate growth is the "strategy for change".

Examining the growth prospects is an analysis based on classification, is we can state that BF is growing above average: in 2021, it doubled its sales revenue every 2 months. Sales in August 2021 are six times higher than in February. Sales in December are expected to be more than three times higher than in August. Scalable growth is proven, but investors expect this for a minimum of 3 years.

Growth prospects are determined by the amount of cash flow estimated for the investor. An above-average growing company will be characterized by a multiplication of operating cash flow (CFO) per investment. So growth prospects = CFO/Total capital.

Below we evaluate the growth prospects of BF for a period of 3 years! The data are shown in *Table 2*, which shows that the growth potential of BF is excellent.

Table 2: Growth prospect for BF

Denomination	2021	2022	2023
Cash flow (thuosand HUF)	16 805	62 410	139 520
Total capital (thousand HUF)	26 523	37 475	70 774
Growth prospects for BF (%)	63,4%	166,5%	197,1%

Source: Editing based on my own calculation

In the case of BF, sustainable development prevails because

- its definition does not describe a fixed term but a business model that is completely thought out;
- meets the interrelated economic, social and ecological needs of each individual in a balanced way, without jeopardizing the basis for meeting the needs of future generations.

5.2. The SGR growth rate from an operational and strategic perspective

Let's not forget two things here!

1. The Shareholder Value item, which is one-dimensional, for the purpose of owner profit, is at odds with the three-dimensional goal of sustainability, which is equal to each other as ecology, social and economic. The ecological goal (reducing the greenhouse effect, increasing the recycling rate, using energy-efficient production processes and supply chains, saving raw materials) and the social goal (fair wages, social performance and training opportunities, a high level of job security, positive impact on civil society, cooperating partners) they are ultimately based on the proper and sustainable financial success of the business. So controlling tools help to achieve this triple goal system. Consequently, for the ecological, social and financial-economic performance of a business, data needs to be highlighted, evaluated and communicated.
2. The growth rate of SGR is an increase in sales calculated with an unchanged capital structure, which is in fact the case for BF, as the current ownership structure does not want to change the capital structure in the short term. Thus, the growth rate of the examined, highly innovative Hungarian agricultural startup SGR from the point of view of business and operational management is as follows:
   - Contribution (C) is a compass for safe operational management, in particular because collateral is not only the difference between net sales (NSR) and variable costs (VC) but also fixed costs (FC) and operating (operating) profit. So, if C increases, we can rest assured that in addition to the return on FC, EBT has also formed. On the other hand, it does not matter at all how the ratios develop. If C increases because FC rises, the hedging point on the hedging analysis graph will rise to the right, meaning more and more will have to be produced and sold, which will increase business risk. If the ratio of EBT increases, the operating profitability rate will also improve due to the increase in operating profit. If the margin ratio also increases with the increase in sales, which means/assumes a scalable increase in the case of BF, then the specific margin and thus the profit content of the product will also become more favourable. As BF has no interest-bearing short-term or long-term borrowings, EBT is equal to EBIT. Thus, the increase in the EBT/C ratio also justifies the increase in the specific profit content, which ensures -financing and thus the creation of an internal source of financing. Let's compare the two months in 2021 when the realized NSR tripled (*Table 3*)!
   - The SGR in terms of strategic options is as follows:
     The capital of entrepreneurs and investors is shown as equity in the SGR formula, namely the A/E ratio, which has already been reported in *Table 1*. The A/E ratio for the BF startup will remain around 1 because no creditor capital is planned. Thus, only the perspectives of owner-investors are the starting point for all, including strategic decision-making. The calculation of the SGR and the reported influencing factors for BF are consistent with the

increase in investment and equity financing of the growth strategy through the strengthening of internal equity (RPR), keeping the A/E ratio around 1 and the NSR/A asset efficiency makes it increasingly plannable and controllable.

Table 3: Realized results of BF in 2021

Denomination	4th month	8th month
Contribution (C)	66 thousand HUF	779 thousand HUF
Contribution marge (C/NSR)	16%	58%
EBT/C	operating loss	27,4%
ΔEBT	295%	
ΔNSR	328%	

Source: Own editing

5.3. How do the factors influencing the growth rate of SGR help to define, implement, and control a scalable growth strategy?

The term scale comes from the Latin word scale, which means "stairs". The stairs go up to the next (or next higher) level. In a business context, this means that the business model can expand – through higher sales and profits or the presence of new customers in the international market for startups. It is also worth mentioning the expansion of sales channels or products and services. The business model is then "scalable".

Scalability is one of the driving forces that transforms a start-up company. Steve Blank, a startup pioneer, once defined startups as "temporary organizations" looking for a "repeatable, scalable, and profitable" business model.

The more factors that favour the expansion of the business model, the greater the degree of scalability. Scalability does not end with the expansion of the business model alone. It is also about the extent to which this growth (sales, acquisition of new markets) can be increased without further significant investment in infrastructure, production or recruitment (*Figure 5*).

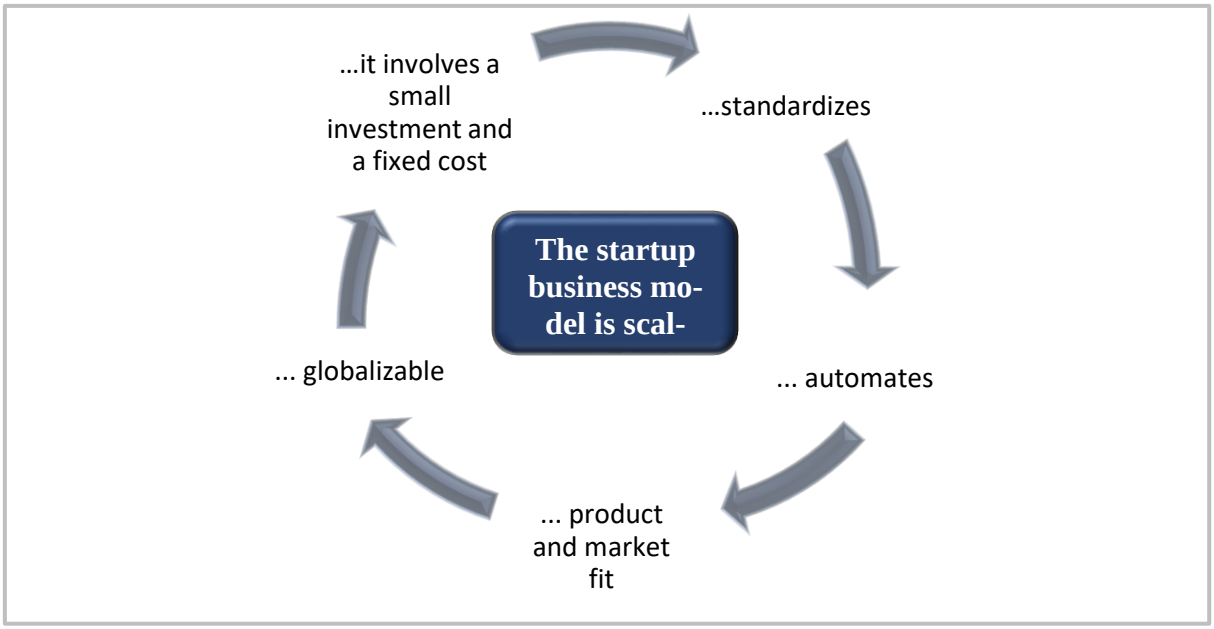

Figure 5: Characteristics of scalable startup growth
Source: Own editing

Scalability also means that the efforts of this expansion must be in line with growth. The more favourable the ratio of effort to growth, the more successful the scalability. This is why it is difficult to scale a company that has to invest a disproportionate amount of money to grow.

So highly scalable business start-ups can expand quickly and cheaply and also cater to increased demand. Thus, it is able to reach new international markets almost without any problems.

The checklist below captures all the factors that make your business model scalable.

- High extensibility of the business model. A scalable business model is relatively easy to expand into new markets. Selling a product or service on international markets also works with virtually no problems – mostly with translation into the national language (or English) and minor regional adjustments.
- Low initial investment. Startups with relatively low capital requirements are generally better able to increase sales without major investments.
- Low fixed costs. Fixed costs should not increase significantly in the business model, even with expansion. The ratio of fixed costs to total costs is low (and will remain so). So scalable business models have a high proportion of variable costs.
- High level of automation and standardization. Highly scalable business models are often very highly automated. Processes are optimized and standardized to make the steps in the service creation process faster and more efficient. Automation is done using algorithms or using software.
- There is no (or high) capacity limit. The offer can be used by many people at once, regardless of location. This works especially well with digital products, which can be distributed infinitely often without compromising quality – unlike, for example, hardware products that are tied to raw materials and batch sizes. For a website, it doesn't matter how many customers stop and buy each day.
- Available around the clock. Otherwise, the business can, under certain circumstances, develop a well-scalable business model – if it can be expanded, for example through a franchise system. This does not achieve the scalability of some digital business models, but at least the principle is given: automated processes, scalability, and low fixed costs (for the franchise tax).

We list the 10 most common and at least as dangerous mistakes an executive or board can make in a significant development of an organization: too rapid growth; lack of focus; premature recruitment; faulty management; there is no long-term goal; fragmentation; marketing deficit; lack of investors; scalable infrastructure; lack of agility (https://growthhackers.hu/10-hiba-ami-lassitja-a-startup-novekedeset/). In order for a company to have a stable financial operation, the process of income generation, solvency in terms of cash flow and the efficiency of asset management must be kept under monthly control.

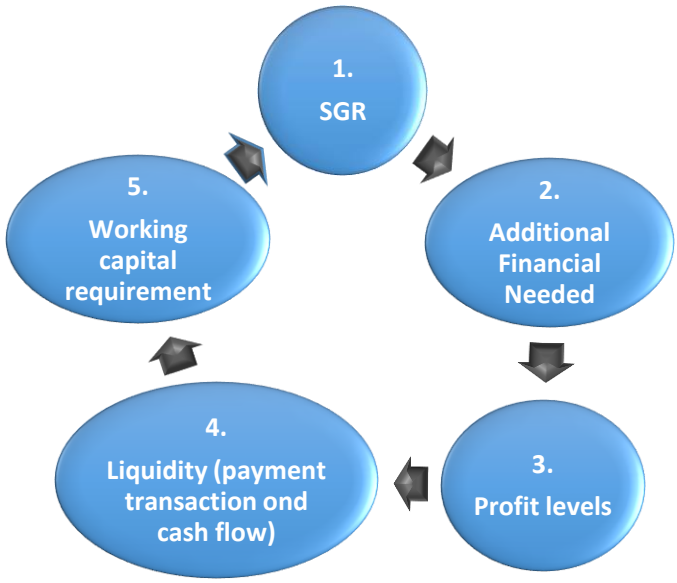

Figure 6: Financial control points for sustainable management
Source: Own editing

It is also necessary to plan and check the liquid working capital requirement on a monthly basis, which, when added together, can provide the amount from the cash balance of the liquidity plan as a liquid source (*Figure 6*).

Problems that may arise must be ruthlessly revealed by management through a comprehensive and precise audit from year to year, and at the same time they must be able to make effective decisions but also to implement them. In short, a professional management plans, directs, controls, and implements in the right way. The growth path generated by the financing required for investments should be in line with revenue growth, revenue generation and financing, for which the growth rate of SGR and the calculation of additional financing demand are also suitable planning and analysis control parameters.

Here we propose a financial calculation that can be prepared from year to year, ie can be adjusted with dynamic and operational-investment-financing parameters, which is provides a so-called dynamic financial sustainability. We take the difference between the closing and opening equity value calculated with the cash flow achieved/calculated with the capital structure formed with the SGR growth rate chosen/planned in the given business year. If the capital value taken at both the closing and opening dates is the same, the long-term profitability of the company, is its source of income and ability to pay taxes, is ensured. Profits are considered to be a permanent withdrawal from the enterprise if the investment and financing measures that will ensure the current cash flow in the future have been implemented. Thus, the profit for the current year is derived from the amount expected in the future (ex ante rate), which is discounted to the closing date of the business years. Remember that the closing capital value is the opening capital value of the next business year. We cannot perform such a calculation based on the expected future cash flows with the items in the balance sheet. We consider this calculation as a tool for decisions made by the company's management regarding the "triple pillar" for the future. The final result of this calculation shows how much can be paid as a dividend for sustainable operation. Sustainable operation does not mean maintaining the condition of certain assets, but preserving the dynamically sustainable capital value calculated annually. In the event that the ex ante profit (deductible amount) exceeds the after-tax profit and is paid in full, it is no longer possible to retain equity on the balance sheet. Especially nowadays, in times of rising prices, the profit after tax exceeds the amount of profit that can be deducted to preserve the value of capital (*Figure 7*).

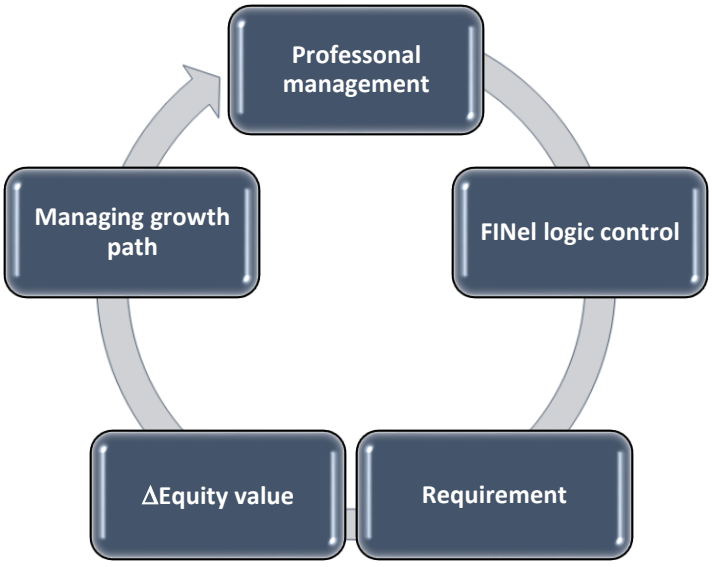

Figure 7: Dynamic financial sustainability
Source: Own editing

The flexible adaptation of sustainable companies to the circumstances, the responses to their future difficulties, and the adaptation to the market needs of new technologies and products are all vital components of sustainable development. Sustainability can be seen as a new paradigm in corporate governance that offers an alternative to the traditional profit creation and maximization model as the primary goal of the organization. A sustainability approach is a value creation framework that applies to achieving sufficient revenue for a company and meeting the needs of a diverse range of stakeholders in the company. Sustainability serves not only the interests and owners of investors, but also the responsibilities of those stakeholders who are involved or involved in the business in some way.

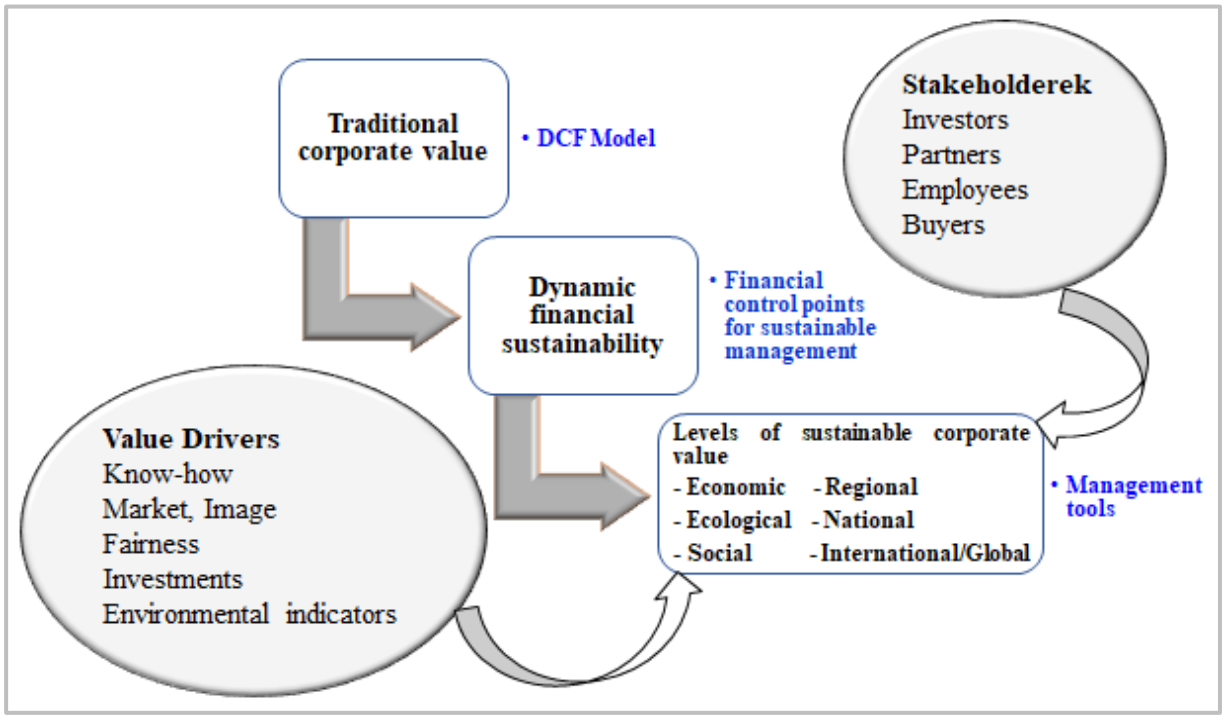

Figure 8: Sustainable corporate value
Source: Own editing

The operation of sustainable companies must be viewed holistically, so the "impact" of ecological and social responsibility must be reflected in financial processes and results, and it is not enough to think traditionally. However, the current accounting is not yet prepared for this, and many things do not appear, such as neither positive nor negative externalities. In contrast, savings in environmental resource use can be quantified. We emphasize complexity, modern, innovative and creative approach and action, but we still vote in favour of quantitative methods, because we need support, compasses that help to limit the company's long-term success path with the principles of sustainability.

Nowadays, businesses have shifted from relying solely on profitability when they explore how they create value for the company and its stakeholders. Emphasis is placed on aspects of value that go beyond changes in financial resources, but also in non-financial resources, such as employees, customers, suppliers, communities, the environment, and intangible assets. Increasingly, the most important aspects of value creation are the company's operations and impacts, dependencies (e.g., resources and relationships), and vulnerabilities. Sustainable management means integrating key stakeholders into corporate strategy and day-to-day operations. The financial statements give a true and fair view of the changes in the value of assets and liabilities. In the context of corporate sustainability, it also serves to explore and understand business/financial as well as social and environmental measurement opportunities. The measurement of value is an indication of the long-term durability and survival of an enterprise. Measuring and creating value is extremely important for stakeholders, as it helps them understand

the nature of their relationship/attachment to the company and how they can respond to new norms of social and environmental change/evolution.

6. Conclusions/Summary

The growing global population and the unsustainable use of natural resources are having a devastating effect on our planet, causing climate change, destroying nature and raising pollution levels. We need to develop a strategy to build sustainable and resilient economies and societies. It is time to fully commit to decoupling economic growth from environmental degradation, reducing carbon emissions, improving resource efficiency and promoting sustainable living. It is also necessary to adapt this approach to the mission of the companies operating the economy.

Addressing the issues of green and sustainable finance requires a new financial methodology that goes beyond traditional ideas of finance and behaviours through the conscious use of sustainable corporate finance. Global sustainability goals must also be applied at the small business level, which are an integral part of the national economy. Growth and development must be guided by these aspects. There is a need for a higher focus on the financial sustainability of small businesses, which are elements of a sustainable national economy. It is not "non-growth" that is the goal of the national economy, but growth that leads to unjustified additional resources and environmental damage.

In addition to the theoretical approach to sustainable management and the growth rate of SGR, our study confirmed the possibilities of its application in business practice. We justify the development of sustainable finances adapted to corporate life cycles as the basis for sustainable corporate management in a holistic approach, which is also in the national economic interest. The examples listed also demonstrate the coherence and complexity of expectations for sustainable economic growth, corporate profitability and financing in line with global sustainability goals. Nor can we lack this knowledge in the financial planning-analysis-control phases of businesses. The derivations and correlations presented here create a direct interaction between the phases, so they can be easily integrated into existing business and financial modules, all of which can function as an automated decision support system.

The growth rate of SGR is a significant and useful indicator of the financial controlling system of corporate sustainability. During financial planning, this rate is an aid in preparing the planned income statement and balance sheet. Based on this, it also facilitates cash flow and fund flow planning. In the case of financial analysis, it is also expedient to use it because we can quickly identify the company's strengths and weaknesses by knowing the factors influencing the growth rate of SGR. In a corporate due diligence, analysts can easily recognize that the problem is with efficiency or profitability, or that the sustainability program is not in line with the needs of investors.

Eliminating environmental decline and restoring our planet is essential for sustainable development. Everyone and every organization need to work together, no matter what level they leave their mark on in this ecosystem. Even for a small startup, because the global economy needs to work together globally to ensure we can deal with worsening and parallel health, economic and environmental crises. Today, strengthening multilateralism and global partnerships is more important than ever.

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