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# THEORETICAL AND METHODOLOGICAL FOUNDATIONS OF ORGANIZATIONAL ECONOMIC SUSTAINABILITY

**Ochilov Akram Odilovich**

Head of the Department of Economics at Qarshi State University,

Doctor of Economic Sciences, Professor.
ORCID: 0000-0003-0471-9525; e-mail: akram.oo@mail.ru

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**Odilov Jakhongir Akram ogly -** Researcher of KSU. E-mail: 33djakhongir33@gmail.com; ORCID [0009-0006-6610-1527]

**Abstract:** This article examines the theoretical foundations of the economic sustainability of organizations. Four competing approaches to defining the category — financial, systems, resource-based and adaptive — are compared across five criteria, and an integrated definition is proposed that treats sustainability as a dynamic capacity rather than a static state. The factors affecting sustainability are classified into external and internal groups, and a three-level structure of sustainability (survival potential, stability, development) is substantiated. The article also addresses the measurement problem, arguing for a balanced set of financial and non-financial criteria, and explains why workforce optimization constitutes a critical test of an organization's sustainability rather than merely a cost-cutting exercise.

**Key words**: economic sustainability, resilience, systems approach, resource-based view, human capital, adaptive capacity, sustainability criteria, workforce optimization.

# TASHKILOTLARNING IQTISODIY BARQARORLIGINI TA’MINLASHNING NAZARIY ASOSLARI

**Annotatsiya:** Maqolada tashkilotlarning iqtisodiy barqarorligining nazariy asoslari tadqiq etilgan. Ushbu kategoriyani talqin qiluvchi to‘rtta yondashuv — moliyaviy, tizimli, resurs va moslashuvchan yondashuvlar — beshta mezon bo‘yicha qiyoslanib, barqarorlikni statik holat emas, balki dinamik qobiliyat sifatida talqin qiluvchi integral ta’rif taklif etilgan. Barqarorlikka ta’sir etuvchi omillar tashqi va ichki guruhlarga ajratilgan hamda barqarorlikning uch bosqichli tuzilmasi asoslangan.

**Kalit so‘zlar:** iqtisodiy barqarorlik, tizimli yondashuv, resurs yondashuvi, inson kapitali, moslashuvchanlik, barqarorlik mezonlari.

## Introduction

The economic sustainability of an organization has moved from the periphery of management theory to its centre over the past three decades. The reason is not conceptual fashion but a change in the environment itself. Organizations now operate under conditions in which shocks are frequent

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rather than exceptional: commodity price volatility, rapid technological substitution, shifting regulatory regimes and, most recently, pandemic-related disruptions of supply and demand. Under such conditions the ability to survive and continue developing has become a competitive advantage in its own right.

Despite the intensity of research attention, the category of economic sustainability remains theoretically unsettled. Different schools define it through different lenses — some through solvency ratios, others through the capacity of a system to return to equilibrium, still others through the uniqueness of internal resources. These definitions are not merely alternative wordings of the same idea: they lead to different measurement instruments and, ultimately, to different managerial decisions. An organization assessed as sustainable by financial criteria may prove fragile when judged by the depth of its competence base, and the reverse is equally possible.

This conceptual ambiguity has practical consequences. Managers who equate sustainability with liquidity will protect cash and reduce headcount during a downturn; managers who understand sustainability as accumulated capability will protect competence and accept a temporary deterioration of financial indicators. Both are defensible, but only one of them is right for any given organization, and the choice depends on a theoretical position that is often left implicit.

The aim of this article is to systematize the theoretical foundations of the economic sustainability of organizations and to substantiate an integrated interpretation of this category. The following tasks follow from this aim:

– to compare the principal approaches to defining economic sustainability and identify the limitations of each;
– to formulate an integrated definition that reconciles the static and dynamic aspects of the category;
– to classify the factors affecting the sustainability of an organization;
– to substantiate a level structure of sustainability and a balanced set of assessment criteria;
– to explain the theoretical position of workforce optimization within the sustainability framework.

The methodological basis of the study comprises scientific abstraction, comparative analysis, classification, systems analysis and graphical modelling. The study is theoretical in character; the numerical illustrations used in the figures are conditional and serve to demonstrate the logic of the models rather than to report empirical measurement.

**Literature review**

The financial interpretation of sustainability is historically the oldest and remains dominant in applied work. Within this tradition, an organization is sustainable when it is able to meet its obligations as they fall due and to maintain an acceptable structure of assets and liabilities. The analytical apparatus developed here — liquidity, autonomy and coverage ratios — is precise, verifiable and based on data that organizations already produce. The predictive models of corporate distress developed by E. Altman belong to this line of research and demonstrated that a small set of financial ratios can classify firms by failure risk with considerable accuracy.

The limitation of this approach is that financial statements record the consequences of past decisions rather than the capacity to make good future ones. An organization may display excellent

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ratios in the same year in which it loses the engineering team on which its product depends. The financial approach therefore measures the result of sustainability with precision while leaving its sources outside the field of view.

The systems approach, drawing on general systems theory, treats sustainability as the capacity of a system to preserve its essential structure under disturbance. Here sustainability is not a level of any indicator but a property of the system's organization: the presence of feedback loops, reserves, and the ability to reconfigure internal elements in response to external change. This interpretation introduced the crucial idea that sustainability is dynamic — it is revealed only in the process of responding to a disturbance, not in a snapshot of a balance sheet.

The resource-based view, associated above all with J. Barney, locates the source of sustained competitive advantage in resources that are valuable, rare, imperfectly imitable and non-substitutable. Applied to sustainability, this yields a strong conclusion: the most durable foundation of an organization's stability is not its capital stock, which competitors can replicate, but its accumulated knowledge, routines and skilled personnel, which they cannot. The theory of human capital developed by G. Becker complements this argument by treating expenditure on people as investment rather than cost, which reverses the accounting logic under which staff appear on the debit side of the ledger.

A fourth, adaptive or evolutionary line of research emphasizes not resistance to change but the capacity to absorb it. In this tradition the relevant question is not whether an organization can hold its position but how quickly and at what cost it can move to a new one. The literature on organizational resilience develops this idea through the concepts of absorption capacity, recovery speed and post-shock transformation. J. Pfeffer's work on people-centred management belongs conceptually nearby, arguing that organizations which protect their workforce during downturns recover faster because they retain the capability needed for the upturn.

The strategic measurement literature, notably the balanced scorecard framework of R. Kaplan and D. Norton, made the parallel argument that performance cannot be judged by financial indicators alone and must be complemented by customer, process and learning perspectives. Although developed for performance management rather than for sustainability assessment, this framework provides the methodological justification for the balanced indicator systems discussed below.

Two gaps remain in this body of work. First, the approaches are usually presented as competing rather than complementary, which leaves the practitioner without guidance on how to combine them. Second, the position of workforce decisions within sustainability theory is underdeveloped: employment adjustment is normally treated as an instrument of cost management rather than as an intervention in the resource base on which sustainability rests. This article addresses both gaps.

## Main body

### Comparison of approaches and an integrated definition

Table 1 compares the four approaches across five criteria: the essence of sustainability, the primary criterion, the time horizon, the treatment of personnel and the principal limitation.

**Table 1. Approaches to interpreting the economic sustainability of an organization**

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| Approach | Essence of sustainability | Primary criterion | Treatment of personnel | Principal limitation |
|---|---|---|---|---|
| Financial | Ability to meet obligations and maintain balance-sheet structure | Liquidity, autonomy, profitability ratios | Component of operating cost | Measures outcomes, not sources of sustainability |
| Systems | Capacity to preserve essential structure under disturbance | Presence of feedback, reserves, reconfiguration ability | Element of the system with its own adaptive limits | Difficult to quantify; weak operational guidance |
| Resource-based | Possession of resources that competitors cannot replicate | Rarity and inimitability of key resources | Carrier of tacit knowledge and routines | Says little about short-term financial survival |
| Adaptive | Speed and cost of recovery after a shock | Depth of decline and time to restore performance | Source of flexibility and learning capacity | Requires observation of an actual shock to assess |

*Source: compiled by the author on the basis of the literature reviewed.*

The comparison shows that the approaches answer different questions rather than giving different answers to the same question. The financial approach asks whether the organization can meet its obligations now; the systems approach asks whether it is built to withstand disturbance; the resource-based view asks what it possesses that others cannot copy; the adaptive approach asks how fast it can return. A theoretically adequate definition must accommodate all four questions.

On this basis the following integrated definition is proposed: the economic sustainability of an organization is its capacity to maintain the continuity of its operations, meet its obligations and preserve the potential for development under changing internal and external conditions. Three elements of this definition deserve emphasis. First, it is a capacity, not a state, which means it can exist without being currently visible in any indicator. Second, it includes the preservation of development potential, which distinguishes sustainability from mere survival. Third, it explicitly refers to both internal and external change, since a substantial share of disturbances originate inside the organization itself.

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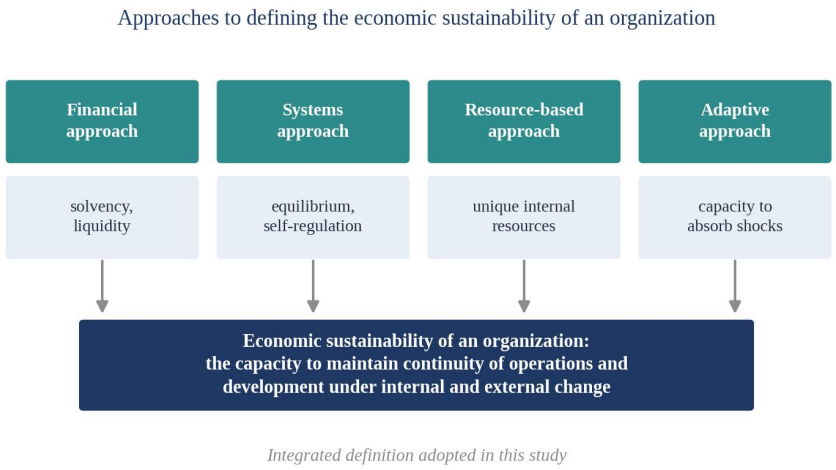



**Figure 1. Approaches to defining the economic sustainability of an organization**

*Source: developed by the author.*

### Sustainability as a dynamic process

The definition proposed above implies that sustainability is revealed over time. Two organizations may be indistinguishable before a shock and diverge sharply afterwards. Figure 2 presents the trajectories schematically. Both organizations experience an equal initial decline, since the shock is external and affects them equally. What differs is the subsequent path: the sustainable organization returns to the pre-shock level and exceeds it, whereas the vulnerable one stabilizes at a permanently lower level.

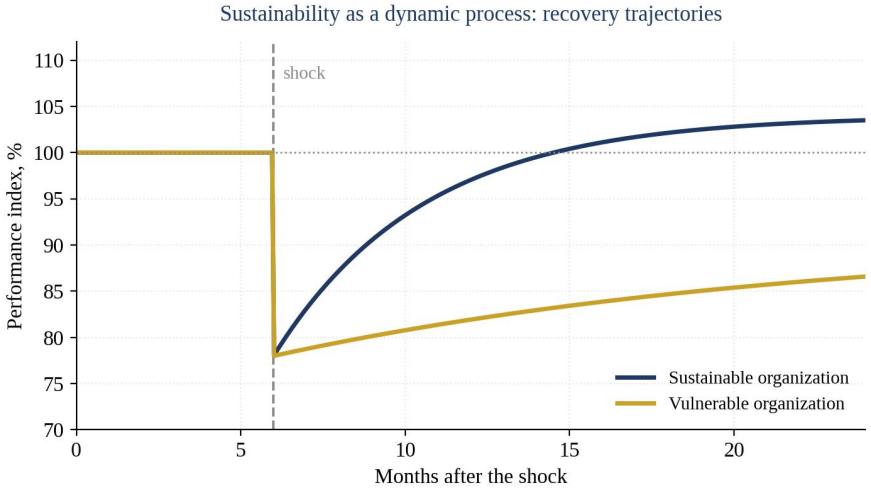



**Figure 2. Sustainability as a dynamic process: recovery trajectories**

*Source: developed by the author (conditional parameters).*

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Three parameters of the trajectory carry analytical meaning. The depth of the decline reflects the organization's absorption capacity, which depends largely on reserves and the diversification of activity. The speed of recovery reflects adaptive capacity, which depends on the flexibility of processes and the competence of personnel. The final level reached reflects transformation capacity — whether the organization used the shock to reconfigure itself or merely endured it. An assessment system that captures only the first parameter, as most financially oriented systems do, will systematically overstate the sustainability of organizations that have preserved cash at the expense of capability.

**Classification of sustainability factors**

Factors affecting sustainability are conventionally divided into external and internal. The distinction is not merely descriptive: it determines the type of managerial response. External factors are adapted to, internal factors are managed. Table 2 presents the classification adopted in this study.

**Table 2. Classification of factors affecting the economic sustainability of an organization**

| Group | Subgroup | Content | Type of managerial response |
|---|---|---|---|
| External | Macroeconomic | Growth rates, inflation, exchange and interest rates | Scenario planning, hedging, reserve formation |
| External | Market | Demand volatility, competitive intensity, supplier reliability | Diversification of markets and suppliers |
| External | Institutional | Regulation, taxation, labour and contract law | Compliance monitoring, legal risk assessment |
| Internal | Financial | Capital structure, liquidity, cost level | Budgeting, cost control, reserve policy |
| Internal | Production and technological | Equipment condition, process automation, quality | Investment programme, process redesign |
| Internal | Human | Competence profile, staff turnover, knowledge retention | Training, rotation, succession planning |
| Internal | Managerial | Decision quality, information systems, feedback loops | Monitoring system, delegation, performance review |

*Source: compiled by the author.*

Two observations follow from the classification. First, external factors cannot be eliminated, only anticipated; consequently, the quality of an organization's monitoring and scenario work is itself an internal factor of first-order importance. Second, the human and managerial subgroups are the least

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represented in conventional sustainability assessment precisely because they are the hardest to quantify — which is an argument for improving measurement, not for excluding them.

## The level structure of sustainability

Sustainability is not a homogeneous quality but a layered one. Figure 3 presents a three-level structure in which each higher level presupposes the one below it.




**Figure 3. Three-level structure of organizational economic sustainability**

*Source: developed by the author.*

The first level, survival potential, consists of the reserves and liquidity that allow the organization to continue functioning when revenues fall, together with the preservation of functions without which operations cannot continue at all. The second level, stability, denotes a balanced financial position, a retained workforce and a predictable level of output. The third level, development, concerns the growth of potential: new markets, new products and new competences. An organization that has secured only the first level is not sustainable in the sense adopted here, since it has no development potential to preserve; conversely, an organization pursuing the third level without having secured the first is exposed to elimination by the first serious shock.

This structure also clarifies a common measurement error. Indicators of the third level — investment in development, share of new products — are attractive to report but meaningless if first-level indicators are deteriorating. A balanced assessment therefore requires criteria drawn from all three levels, as set out in Table 3.

**Table 3. Balanced criteria for assessing economic sustainability**

| Level | Dimension | Assessment criterion | Typical indicator |
|---|---|---|---|
| Survival potential | Financial safety | Ability to cover obligations without new borrowing | Current liquidity ratio, reserve coverage in |

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| Level | Dimension | Assessment criterion | Typical indicator |
|---|---|---|---|
| | | | months |
| Survival potential | Functional continuity | Critical functions staffed and documented | Share of key positions with a prepared successor |
| Stability | Financial balance | Independence from borrowed capital | Financial autonomy ratio |
| Stability | Operational stability | Predictability of output and cost | Variation of output; cost per unit |
| Stability | Human stability | Retention of competence | Staff turnover ratio; average tenure of key staff |
| Development | Learning capacity | Renewal of competences | Share of staff completing training annually |
| Development | Innovation capacity | Renewal of products and processes | Share of revenue from products introduced recently |

*Source: compiled by the author.*

**The theoretical position of workforce optimization**

The framework developed above allows the place of workforce optimization within sustainability theory to be stated precisely. From the financial perspective, a reduction in headcount improves cost indicators and therefore appears to strengthen sustainability. From the resource-based perspective, the same decision withdraws part of the resource base on which long-term advantage rests. The two perspectives yield opposite signs for the same action, which is precisely why the decision is theoretically interesting rather than merely technical.

The contradiction is resolved by distinguishing between the functions an organization performs and the people who perform them. Optimization that removes redundant or duplicated functions improves sustainability on all four levels of analysis, since it releases resources without depleting capability. Optimization that removes people while leaving functions intact merely transfers workload and depletes the human subgroup of internal factors identified in Table 2. The former is a structural improvement; the latter is a deferred cost.

It follows that workforce optimization is best understood as a test of organizational sustainability rather than a means of achieving it. An organization with well-documented processes, a mapped competence base and a functioning monitoring system can optimize without damaging its resource base. An organization lacking these will damage its capability whatever the formal design of the programme, because it cannot distinguish redundant functions from critical ones.

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**Conclusions and recommendations**

The study permits the following conclusions.

First, the four principal approaches to economic sustainability — financial, systems, resource-based and adaptive — are complementary rather than competing, since each answers a different analytical question. A theoretically adequate definition must accommodate all four, and the integrated definition proposed here treats sustainability as the capacity to maintain continuity of operations, meet obligations and preserve development potential under change.

Second, sustainability is a dynamic property revealed through the response to disturbance. Its assessment therefore requires attention to three parameters of the recovery trajectory — depth of decline, speed of recovery and final level attained — rather than to a single point estimate.

Third, the factors affecting sustainability divide into external factors, which are adapted to, and internal factors, which are managed. The human and managerial subgroups of internal factors are systematically under-represented in conventional assessment despite being decisive for medium-term outcomes.

Fourth, sustainability has a level structure in which survival potential, stability and development form a hierarchy of preconditions. Assessment systems that draw indicators from only one level produce misleading results.

Fifth, workforce optimization occupies an ambiguous position in sustainability theory: it strengthens sustainability when it removes functions and weakens it when it merely removes people. It is therefore best treated as a diagnostic test of an organization's underlying sustainability.

The following recommendations follow from these conclusions:

– sustainability assessment systems should combine financial and non-financial criteria drawn from all three levels of the structure proposed in Table 3, rather than relying on ratio analysis alone;

– organizations should document the trajectory parameters of past disturbances — depth, duration and final level — since these constitute the only direct empirical evidence of adaptive capacity;

– the competence base should be treated as a measurable asset, with key positions identified, tacit knowledge documented and succession coverage reported alongside financial indicators;

– decisions on workforce optimization should be preceded by a mapping of functions, so that the distinction between redundant and critical functions rests on analysis rather than on administrative targets;

– further research should focus on the empirical estimation of the trajectory parameters proposed here and on the construction of an integral sustainability index that preserves the level structure rather than collapsing it.

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