

# Knowledge and Life Cycle of an Organization

Zygmunt Mietlewski<sup>1</sup> and Ryszard Walkowiak<sup>2</sup>

<sup>1</sup>Gdynia Maritime University, Poland

<sup>2</sup>University of Warmia and Mazury, Olsztyn, Poland

[mietlew@am.gdynia.pl](mailto:mietlew@am.gdynia.pl)

[ryszard.walkowiak@uwm.edu.pl](mailto:ryszard.walkowiak@uwm.edu.pl)

**Abstract:** Knowledge is an essential imperative of the company growth and development. This imperative determines the economy of aims realized by the company. The majority of small and medium enterprises (SME) are not aware of that as they do not economize on knowledge efficiently. The authors of the report found out about that while conducting research work within the framework of the Community Initiative Programme EQUAL in Poland in 2004-2006. The research was carried out in the SMEs involved in the Programme "Supporting restructured companies and their employees", the aim of which was choosing and preparing a company for restructuring. The authors recommend their own model of supporting restructured enterprises and their employees

**Keywords:** knowledge, life cycle of the organization

## 1. Introduction

Knowledge in a general sense is a system of categories, conceptual dimensions, operations, principles and procedures representing various conditions and world processes in a human brain: environmental, technical, social and cultural (Kuc 2006). However, in a narrower approach "knowledge constitutes system of cognitive units, conceptual categories and mental procedures which simultaneously play two major functions: orientational and pragmatic" (Nosal 2002). Knowledge is a tool which allows a human being to use gathered information efficiently" (Grudzewski 2004). Together with skills, experiences, character, attitude and behavior, it is a constituent part of competence. A competent entrepreneur is the one who can use his knowledge and skills in practice. The following components of competence are also conducive to that: personal predispositions characteristic of particular actions, general (life) and specific (vocational) experience, attitude towards work and colleagues resulting from individual motivation and organizational aims, and also other behavior determined by cultural values and norms (Kuc 2006).

Entrepreneur's activities take various forms depending on external and internal conditions affecting the company. Moreover, organization may be in different stages of development. Thus, the entrepreneur's knowledge should be consistent with the life stage of a given organization.

## 2. Organization's life cycle

There are four stages of an organization's life cycle: introduction, growth, maturity and decline which are described in the following way. Introduction stage – high rate of expenditures connected with entering the market and product development; expenditures usually exceed inflows; growth stage – dynamic sales growth which requires searching for external sources of financing in spite of the company's profitability; maturity stage – sales growth is being stabilized (growth rate slows down), withdrawal from external financing sources as a consequence of generating bigger and bigger profits, problem with using cash surplus effectively in the company internal development, reorientation towards external development by investing in stocks and bonds of other companies, possibility of taking control over other companies; decline stage - sales and profitability decrease. The company now has a problem of how to reinvest cash surplus in its internal development. Similarly to the maturity stage, stocks and bonds of other companies are purchased. Apart from that, the company invests in new products. It often withdraws from the market, at the same time entering new future activities. It disposes of assets which decrease productivity.

From the research carried out by the authors, it can be concluded that the owners of micro and small enterprises hold knowledge of organizing management at the first stage of the organization's life. At this stage the enthusiasm is accompanied by high level of optimism connected with sales dynamics, and current barriers of business activity do not seem so strong to control emotions accompanying the enterprise development at all costs. Those entrepreneurs whose undertakings are in the development stage declare also increase in employment more willingly than they do in any subsequent stages.

The companies subject to the research were founded in the transformation period of the Polish economy, that is, at the beginning of the nineties. Nevertheless, they stuck in the first stage of the cycle. Their owners are the biggest threat for their existence. They think the enterprises exist and will still exist as their own

experience treated as capital – risk insurance – will help them. A great number of them understand the necessity for education and developing their managerial skills, but they do not believe that knowledge confronted with economic practice will allow success of their enterprises.

In fact, the market of micro and small enterprises in which they could be easily sold and bought does not exist in Poland. Thus, if the company is in a difficult situation, it can only liquidate its business. Costs of this solution often exceed the costs of starting the undertaking. Hence, owners of such enterprises decide to keep the company at any cost, even at the price of its functioning beyond the limits of law. In the authors' opinion, solution to this problem can be education of entrepreneurs, the aim of which is mainly to make them aware that the knowledge they gained can be used not to run the business on their own but to entrust a competent manager with this task.

This is the best suggestion on how to run micro and small enterprises that can be offered at the present stage of the research. However, the following thesis can be formulated: if the entrepreneur's activity is not coherent with the requirements of the development stage in which the company is at the moment, then eliminating it from the market is just a matter of time.

A success-oriented entrepreneur should adapt his activities to the stage of the company life cycle. Proper enterprising actions, understanding the rules of entrepreneurship and knowledge connected with it, will enable to adjust individual actions to the life cycle of an organization and to maximize the effects of these actions, thus allowing the entrepreneur to achieve success understood as efficient realization of the company's aims. The present work shows experience of experts/counselors participating in the Project *Supporting restructured companies and their employees* realized within the Community Initiative EQUAL. Managers of companies were supported by the author's model, the basis of which was equipping the entrepreneurs of micro, small, and medium companies with knowledge necessary for efficient action.

What struck attention during the first meeting of experts/counselors with the entrepreneurs taking part in the project, was their absolute commitment in company's activity and often depression caused by the fact that their success did not bring expected results. Most of them have considerable experience in the sphere they act. They also possess a certain scope of theoretical knowledge which is not really useful because they cannot use it in practice. Moreover, they often claim that theory of organization and management is not coherent with managerial practice. They perceive the results of bad management as a cause, and they tend to blame the environment for the present state of action.

### **3. Model to support restructured enterprises and their staff**

The experts' aim is to equip the entrepreneurs with the competence that is substantial to identify and solve problems as well as to help them become professionals. That can be achieved, among other things, by drawing attention to determinants of professionalism localized in:

- entrepreneur's personality represented by curiosity, willingness to develop skills and to improve quality and work efficiency;
- outer reality referring to the training system of managers and candidates for entrepreneurs, access to finance, etc.

As far as professionalism of entrepreneurs is concerned, opportunities and methods of improving their managerial skills are the most significant things. Entrepreneurs commonly believe that training focus mostly on theoretical knowledge. After completing such courses, they still have difficulty in solving problems. Apart from that, they do not gain knowledge and skills to diagnose and then to determine what actions must be taken to improve the situation. During the courses realized in the programme they do exercises within autodiagnosis of their own economic undertakings through EMPI method (Economic Matrix of Information Connections).

In the light of the above deficiencies, the following procedure has been developed to support the entrepreneurs and their workforce (Fig. 1).

Within the framework of the first stage, self-presentation is made during which the company owner(s) and experts/advisers sound out their willingness to cooperate. If this willingness appears, the entrepreneur is asked to describe current situation in the company.

During the talks the experts/advisers listen attentively to the contents of given information and try to spot the differences between the condition in which the company is at that moment and the condition that is desired

or expected by the entrepreneur. The final result of Stage One is a report identifying the problems. What is more, a list of subjects and range of appropriate training courses are suggested, both for the employees and the company owners. The trainings aim at improving current skills and also at acquiring new ones. The owner (or the person in charge) is encouraged to acquire skills that allow them to prepare the autodiagnosis of the company's condition.

Trainings and workshops on setting budgets by the means of EMPI method are conducted at Stage Two. Due to participation in these activities, company owners learn to prepare autodiagnosis of managing the company's assets and identifying the normative strategy to achieve the goals. The final result of this stage is the entrepreneur's autodiagnosis.

At Stage Three (Reaction) the experts/advisers hold another meeting with the entrepreneur and the staff. Basing on the autodiagnosis, the company's economic situation is analyzed and then possible solutions are presented. Also, problem-solving strategies are worked out. However, the way of restructuring and implementing particular solutions are to be chosen by the entrepreneur. At this stage, a training/workshop is conducted to diagnose their managerial predispositions and skills.

Stage Four is the time when the experts/advisers evaluate actions taken by the entrepreneur and submit a final report to the Project administrator

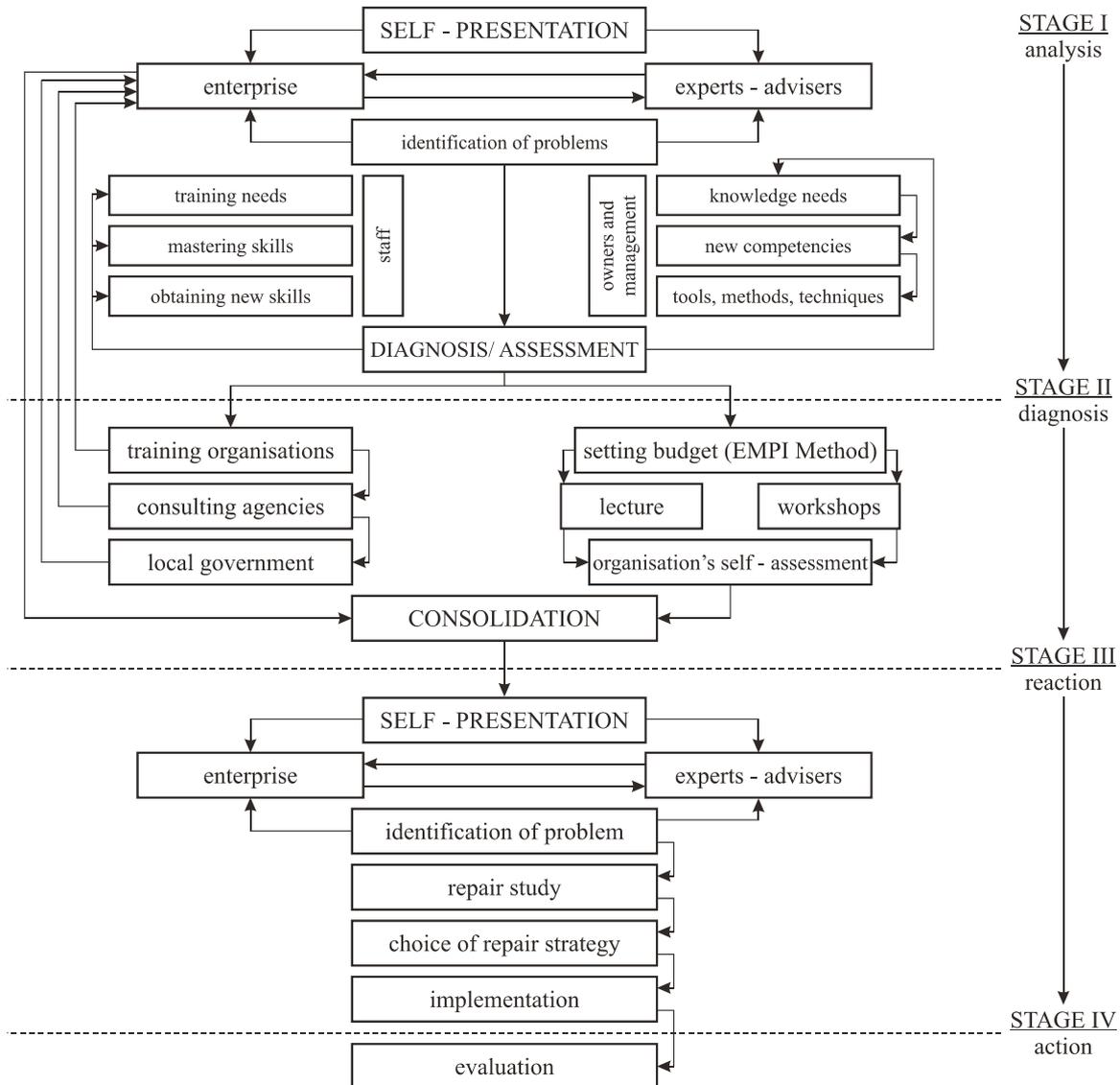


Figure 1: Model to support restructured enterprises and their staff Source: own elaboration.

#### 4. Conclusion

On the basis of experience resulting from the contacts with numerous entrepreneurs participating in realization of the Project, it can be concluded that most of them cannot find themselves in dynamically changing environment in which new challenges and problems to be solved appear constantly. They make routine decisions. According to the authors, the reason for the situation is a competence gap which can be defined as difference between individual (managerial) and institutional (organizational) entrepreneurship. When both of those types of entrepreneurship are not coherent, then the conflict of the entrepreneur's and the company's interests appears. Entrepreneurs often do not possess knowledge which is required by the company because they do not make the diagnosis of their company systematically and, as a result, they do not know at which stage of life cycle the company is. This lack of knowledge often leads to the company's failure.

#### References

- Grudzewski W., Merski J. (2004) *Zarządzanie wiedzą istotą współczesnych organizacji inteligentnych*. Wyższa Szkoła Ekonomiczna w Warszawie, Centrum Promocji Karier, Warszawa.
- Kuc B.R. (2006) *Kontroling narzędziem wczesnego ostrzegania*. Wydawnictwo Menedżerskie PTM, Warszawa.
- Mietlewski Z. (2003) *Metodyka analizy i oceny danych w budżetach przedsięwzięć gospodarczych podejmowanych przez bezrobotnych*. Wyd. ORGMASZ, Warszawa.
- Mietlewski Z., Walkowiak R. (2002) *Zasady podejmowania działalności gospodarczej*. Materiał szkoleniowy dla pracowników objętych programem restrukturyzacji zatrudnienia. Wyd. TP Sircom Szkolenia i Rekreacja Sp.z o.o. w Gdańsku, Olsztyn.
- Nosal Cz. S. (2002) *Psychologia decyzji kadrowych*. PWE, Warszawa.
- Walkowiak R. (2004) *Model kompetencji menedżerów organizacji samorządowych*. Wyd. UWM, Olsztyn.