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## **The vital role of early identification of the urgent need to take decisive allostatic action for business survival (case study)**

### **Summary:**

The purpose of this article is to present the summary of studies accomplished under a research project concerning the vital role of early identification of the urgent need to take decisive allostatic action for business survival. This paper provides an overview of the research on early identification of the urgent need to take decisive allostatic action for business survival. There was implemented a very specific procedure of diagnosing and positioning organizational situation represented by FOGT business during a particular period of time from 2015 to 2017. The organizational situation of researched company is determined by a recognized level of organizational effectiveness or potential ineffectiveness caused by dysfunctions. The diagnosis is based on qualitative, long lasted depth analysis of the organizational situation of the researched company by means of the author's own implement named "The Business Life Cycle Model of Organizational Effectiveness Influenced by Dysfunctions". The measuring instrument (grading system) of this model is used to introduce the outcomes of the research work. All such way collected outcomes of each individual diagnosis gives the picture of overall organizational performance of given company annually, during the whole period of the research. The outcomes are adequately visualized on an appropriate scale, making the most of the model.

**Keywords:** homeostasis, allostasis, allostatic action, organization, success, failure, survival, growth, change, business life cycle, diagnosing, organizational situation, organizational effectiveness

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### **Introduction**

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Allostasis is a remedy for organizational homeostasis devastated by turbulent environment<sup>1</sup>. "When homeostasis represents the idea of achieving organizational stability through constancy, allostasis represents the idea of achieving stability through change"<sup>2</sup>. An allostatic standard action is needed when a given business is in trouble and entirely lose organizational homeostasis<sup>3</sup>. 85However, much more dynamic and determined allostatic action is required when the survival of the business is directly threatened. The subject of the present paper is organizational situations represented by FOGT's business which was entering its most crucial phase of life cycle directly threatened with bankruptcy. FOGT is an entrepreneur conducting his business activities since 1982. This article presents the results of the study covering 3 years of FOGT's business activities (2015-2017), being a continuation of the previous research focused on years 1982-2014<sup>4</sup>.

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<sup>1</sup> L. Bursiak, A practical application of allostasis as a remedy for organizational homeostasis devastated by turbulent environment based on chosen example (case study), *Firma i Rynek* 1/2017, Zachodniopomorska Szkoła Biznesu, Szczecin 2017, p. 17.

<sup>2</sup> Ibidem.

<sup>3</sup> Ibidem, pp. 17-30.

<sup>4</sup> Ibidem.

It is an interesting fact that during so long period (over 33 years analysed during the previous study) of business activities, thanks to permanent allostatic actions, the researched business organization was never classified as threatened by possible exclusion from business activities. Nevertheless, there was one case of a significant deterioration of the business surveyed, which, however, did not threaten its existence. The case occurred in 2010, "when the situation deteriorated significantly compared to the remaining years of the analyzed period [1982-2014]. In the remaining thirty-two years of the period under the research, the organization was classified as satisfyingly effective (...). Despite the turbulent environment and continued lack of homeostasis as a stable phenomenon, there were no serious threats to the researched organizational effectiveness"<sup>5</sup>. The next surveyed period of activity (2015-2017) was no longer so generous and the risk of potential bankruptcy was very likely.

This paper provides an overview of the research on early identification of the urgent need to take decisive allostatic action for business survival. The study was undertaken to get answers to the following research question: What was the role of early identification of the urgent need to take decisive allostatic action for survival of the researched business? Answers to the research question will be provided based on results obtained with the help of specialized research tool named as "The Life Cycle Model of Organizational Effectiveness Influenced by Dysfunctions"<sup>6</sup>. The model introduces the organizational situation created by activities undertaken by the FOGT over the period 2015-2017. The next part of this article discusses issues concerning such phenomena as business success, failure, survival and growth.

### **Business success, failure, survival and growth**

There are no hidden secrets to succeed in life<sup>7</sup>. However, the road to success is not straight and easy to navigate.<sup>8</sup> It is the result of proper preparation (because: "Proper preparation prevents poor performance"<sup>9</sup>. – "The 5 Ps lead to success in life and business"<sup>10</sup>), very hard work, persistence, learning and growing from mistakes and failures<sup>11</sup>. Referring to business matters, as in any personal life, also in the organizational reality (business) success and failure do not have to be permanent<sup>12</sup>. In many cases, an uninterrupted series of successes in business eventually leads to the situation, in which instead of focusing on continuous improvements wherever they are needed, current successes lull entrepreneurs into thinking that all is well and always will be well in their businesses<sup>13</sup>. In such circumstances, an excessive confidence sometimes leads to a groundless overconfidence, which can easily lead to poor outcomes and even to a failure. Peter Robertson says that "success feeds vanity. The reward of success

<sup>5</sup> Ibidem, p. 30.

<sup>6</sup> The conceptualisation of the model can be find in: L. Bursiak, Organizational effectiveness of Polish small business in years 1982-2015 based on chosen example. Case study, Firma i Rynek 1/2016, Zachodniopomorska Szkoła Biznesu, Szczecin 1/2016, pp. 81-90 and L. Bursiak, Organizational situation of harbour transshipment PH Company in years 1989-2014. Case study, Firma i Rynek 1/2015, pp. 5-18, see also L. Bursiak, A practical application of allostasis as..., op. cit.

<sup>7</sup> See: What is the Secret to Success in Life? [www.wanderlustworker.com/what-is-the-secret-to-success-in-life](http://www.wanderlustworker.com/what-is-the-secret-to-success-in-life) (last access 29.10.2018).

<sup>8</sup> Odkryj pomysły na temat sukces, <https://pl.pinterest.com/pin/100275529178371364/> oraz There's no easy road to success, [www.shiftermagazine.com/kevin-bourne/no-easy-road-to-success](http://www.shiftermagazine.com/kevin-bourne/no-easy-road-to-success) (last access 29.10.2018).

<sup>9</sup> S. Keague, <https://awakenthegreatnesswithin.com/35-inspirational-quotes-on-preparation/>, see also Proper Preparation Prevents Poor Performance, <https://johnedmathison.org/proper-preparation-prevents-poor-performance/> (last access 29.10.2018).

<sup>10</sup> I. Naji, Proper Preparation Prevents Poor Performance; The 5 Ps that lead to success in Life and Business, <http://gulfelitemag.com/proper-preparation-prevents-poor-performance-the-5-ps-that-lead-to-success-in-life-and-business/> (last access 29.11.2018).

<sup>11</sup> L. Graham, Learning and growing from mistakes and failures, <https://lindagraham-mft.net/learning-growing-mistakes-failures/> (last access 29.10.2018).

<sup>12</sup> R. Kessler, Success isn't permanent — but neither is failure, [www.linkedin.com/pulse/success-isnt-permanent-neither-failure-randy-kessler](http://www.linkedin.com/pulse/success-isnt-permanent-neither-failure-randy-kessler) (last access 29.10.2018).

<sup>13</sup> G. Nanninga, Change is not necessary (?), <http://planninga-from-nanninga.blogspot.com/2010/12/change-is-not-necessary.html> (last access 29.10.2018).

has become a sleeping pill, the befuddled senses that follow a bottle of good wine. The hangover comes the next day, when you wake up and find yourself in a strange room"<sup>14</sup>.

Taking into account all factors mentioned above, it has to be said that entrepreneurs who have achieved several consecutive successes should not lose their organizational vigilance<sup>15</sup> and thoroughly searching for signs of any deviations, because even enjoying several decades of uninterrupted growth, an unexpected business failure is always possible<sup>16</sup>. The success guaranteed in the past can simply vanish in conditions of uncertainty. In this context also "unexpected growth may appear to be an unusual cause of business failure"<sup>17</sup>. It is quite likely that the given business will no longer survive. The reason is fact that success and survival are not compulsive. Unless entrepreneurs operate in proactive mode and modify to remain wholly applicable to the target markets, causing that despite the tough environmental conditions, their businesses will not only survive but also still thrive<sup>18</sup>.

Contemporary firms are facing a rapidly changing business environment. There are no exceptions and the external environment for all enterprises is rapidly changing<sup>19</sup>. "Virtually every industry has been experiencing rapid, massive, and sometimes devastating change over the last couple years"<sup>20</sup>. Changes are omnipresent. "Over time, things change. Technology changes, consumer desires change, consumer expectations change, the competitive landscape changes, new product substitutions are created, your product's place on the product lifecycle changes, your place in the economic cycle changes, your employee mix changes, processes become obsolete, and so on. The point is that with all of that change going on (and most say it is even accelerating), it is extremely unlikely that the winning strategy before that change will be identical to the winning strategy needed after all that change"<sup>21</sup>. In these circumstances, running a business effectively and be successful as an entrepreneur is not a simple task.

It is obvious that everyone wants their small business to be successful. "Success is every entrepreneur's dream [but] there is no magical key (...). Successful entrepreneurs are those who overcome both objective and subjective hurdles"<sup>22</sup>. Undoubtedly, running and manage effectively an own business in an constantly changing environment is increasingly difficult but in many such cases it can be highly complex and challenging task. "It takes a lot of hard work and effort, time and determination, perseverance,"<sup>23</sup> readiness for challenges, to be tested as an entrepreneur and prepared to fail<sup>24</sup>. "But failure can be [really] devastating. (...) The secret to success as an entrepreneur is to get back on your feet again, pick up the pieces and apply what you've painfully learned so that you'll get different results the next time"<sup>25</sup>. "Making mistakes is no problem. Not learning from them is the real problem"<sup>26</sup>. "The point is that you don't have to change, but it is key to survival. Over time everything changes and you must be able to keep up with the changes and adapt or change also. If you don't,

<sup>14</sup> P. Robertson, Always change a winning team: Why reinvention and change are the prerequisites for business success, Cyan Communications, 2005, p. 12.

<sup>15</sup> L. Graham, Learning..., op. cit.

<sup>16</sup> See D. Sull, Why good companies go bad? Harvard Business Review, <https://hbr.org/1999/07/why-good-companies-go-bad> (last access 29.10.2018).

<sup>17</sup> Reasons for business failure, <https://www.inc.com/encyclopedia/business-failure-and-dissolution.html> (last access 29.10.2018).

<sup>18</sup> G. Nanninga, Change is not..., op. cit.

<sup>19</sup> D. Chan, The challenges facing management in a rapidly changing business environment, Cass Business School, London 2013.

<sup>20</sup> M. Matarelli, How can businesses adapt to a rapidly changing world? Forbes, Quora Contributor, Jan 5, 2018

<sup>21</sup> G. Nanninga, Change is not..., op. cit.

<sup>22</sup> L. Haddad, 12 tips for entrepreneurs to succeed in business (and life), [www.entrepreneur.com](http://www.entrepreneur.com) (last access 29.10.2018).

<sup>23</sup> [www.forbes.com/sites/gabrielshaoolian/2018/05/21/how-starting-and-running-your-own-business-is-exactly-like-competing-in-professional-sports/#](http://www.forbes.com/sites/gabrielshaoolian/2018/05/21/how-starting-and-running-your-own-business-is-exactly-like-competing-in-professional-sports/#) (last access 29.10.2018).

<sup>24</sup> Ibidem.

<sup>25</sup> Entrepreneurial Skills for 2018, [www.compassoffices.com/en/about-us/blogs/entrepreneurial-skills-for-2018/](http://www.compassoffices.com/en/about-us/blogs/entrepreneurial-skills-for-2018/) (last access 29.10.2018).

<sup>26</sup> L. Haddad, 12 tips..., op. cit.

things will pass you up and eventually you won't survive. (...) Of course, you don't have to change, because there is nothing to say you have to survive"<sup>27</sup>.

It has to be clear that that business survival is not compulsory. "Lots of companies who used to be on top of the world and swimming in success are now struggling to survive. Think Netscape, AOL, Kodak, A&P, Blockbuster, Sears, etc. And the business graveyards are full of companies who no longer exist but used to be highly successful"<sup>28</sup>. Keeping constantly in mind the fact that "[b]usiness survival is not mandatory; you have a choice! However, when you make the obvious choice to survive, you must face the reality that you have chosen a most difficult challenge"<sup>29</sup>. Sometimes the failure may be initiated by a single contract concluded under time pressure without taking into account far-reaching consequences, which can lead the entrepreneur even to the edge of business survival. Being in danger of falling "business must seek to do that which is essential to their survival"<sup>30</sup>.

A responsible entrepreneur should consider the fall threat as a real challenge and under no circumstances should perceive it as an easy undertaking. "To be an entrepreneur is to exist in the Twilight Zone, without knowing whether your risks will bear fruit and transform to viable businesses"<sup>31</sup>. "Despite the uncertainty and ambiguity associated with entrepreneurial contexts,"<sup>32</sup> it is obvious that "entrepreneurs cannot just take the risk and succeed but they must manage it"<sup>33</sup>. "To run a successful business, [entrepreneur] need to be ready for the inevitable, the impossible and the unexpected. That's the only way to succeed"<sup>34</sup>. However, certain serious organizational risks can occur on the way to the presumed success. "Some risks arise from events outside the company and are beyond its influence or control"<sup>35</sup>. There are also preventable risks. "These are internal risks, arising from within the organization, that are controllable and ought to be eliminated or avoided"<sup>36</sup>. "Internal risks are faced by a company from within its organization and arise during the normal operations of the company. These risks can be forecasted with some reliability, and therefore, a company has a good chance of reducing internal business risk"<sup>37</sup>. Among all internal business risks there are mistakes made by professionals and entrepreneurs. "The majority of professionals and entrepreneurs are not particularly interested in reliving their mistakes (...),<sup>38</sup> and they lose the chance to learn from mistakes and avoid repetition in the future. "There are seven vital steps in learning from your mistakes. Depending on the nature of the endeavor or situation being dissected, these steps will need to be adjusted, and the follow-on components to these steps will change. Nevertheless, the seven vital steps are:"<sup>39</sup> (1) Review your aspirations; (2) Detail your results to date; (3) Identify the discrepancies; (4) Compile a list of all the "mistakes"; (5) Specify the lessons you need to learn; (6) Aggregate the mistakes from a number of failed business initiatives; (7) Learn the bigger lesson (see also adequate descriptions table 1).

<sup>27</sup> M. Wrye, Survival is not mandatory, [www.aleanjourney.com/2013/10/lean-quote-survival-is-not-mandatory](http://www.aleanjourney.com/2013/10/lean-quote-survival-is-not-mandatory), (last access 29.10.2018).

<sup>28</sup> G. Nanninga, Change is not..., op. cit.

<sup>29</sup> R. E. Crandall, W. R. Crandall Vanishing boundaries: How integrating manufacturing and services creates customer value, 2nd Edition, CRC Press Taylor & Francis Group, London 2014, s. XXV.

<sup>30</sup> Ibidem, p. 4.

<sup>31</sup> A. Fridman, , Being a Successful Entrepreneur Is Not Easy, Inc.com,[www.inc.com/adam-fridman/being-a-successful-entrepreneur-is-not-easy.html](http://www.inc.com/adam-fridman/being-a-successful-entrepreneur-is-not-easy.html) (last access 29.10.2018).

<sup>32</sup> H. Hoang, J. Gimeno, Becoming a founder: How founder role identity affects entrepreneurial transitions and persistence in founding. *Journal of Business Venturing* 25 (2010), p. 48.

<sup>33</sup> A. Pikos, Ł. Czarnecki, Botnet Strikes Back: Entrepreneurial Risk Management, [in:] S. Gudkova, Exploring Entrepreneurship: Inspirations from the Field, Kozminski University, Warsaw 2014, p. 66.

<sup>34</sup> [www.forbes.com](http://www.forbes.com) op. cit.

<sup>35</sup> R. S. Kaplan, A. Mikes, Managing Risks: A New Framework, *Harvard Business Review*, June 2012 Issue.

<sup>36</sup> Ibidem.

<sup>37</sup> B. Beers, How Companies Can Reduce Internal and External Business Risk, [www.investopedia.com/ask/answers/050115/how-can-companies-reduce-internal-and-external-business-risk.asp](http://www.investopedia.com/ask/answers/050115/how-can-companies-reduce-internal-and-external-business-risk.asp) (last access 03.11.2018)

<sup>38</sup> R. A. Prince, How To Learn From Your Business Mistakes, *Forbes* Jul 23, 2015.

<sup>39</sup> Ibidem.

Step	Activity	Description
1.	Review your aspirations	Going into each business initiative, you should be clear about your aspirations
2.	Detail your results to date	While you've determined that the initiative is a failure, there are different degrees of failure. You need to precisely describe the current state of affairs and where you see things going.
3.	Identify the discrepancies	What's important is to quantify, where possible, and highlight everywhere you can, the differences between what you expected and what has happened
4.	Compile a list of all the "mistakes"	Without attributing blame or responsibility, put together a list of all the errors that resulted in each discrepancy. Very often the best way to do this is to construct a matrix, as many of the same mistakes produced multiple discrepancies.
5.	Specify the lessons you need to learn	By carefully considering the causes of the discrepancies, you're likely to see both core singular errors in judgment as well as broader-based patterns of miscalculations. From these conclusions, you need to tweeze out the lessons so as not to repeat the same mistakes
6.	Aggregate the mistakes from a number of failed business initiatives	Often you will not see a pattern of miscalculations by evaluating a single failure. Only by considering a number of unsuccessful ventures will you recognize the decisive mistakes you're making.
7.	Learn the bigger lesson	Across multiple unsuccessful initiatives, you can determine ways of thinking, habitual actions, and repeated poor judgments. From here you can discern the bigger lessons you need to master in order to ensure you only make new mistakes

**Table 1. Seven vital steps in learning from your mistakes.**

Source: Own elaboration based on R. A. Prince, How To Learn From Your Business Mistakes, Forbes Jul 23, 2015.

For an entrepreneur affected by his or her own mistake, a painful lesson can be a chance to return to the path of success. "The secret to success as an entrepreneur is to get back on your feet again, pick up the pieces and apply what you've painfully learned so that you'll get different results the next time"<sup>40</sup>. A clear distinction should be made between the meanings "making a mistake" and "failing." A failure is the result of a wrong action, whereas a mistake usually is the wrong action. (...) Learning from mistakes, and putting that learning into practice, involves change"<sup>41</sup>. Business failure does not have to be considered as the end of becoming an entrepreneur, but that is only a part of the learning process which creates a new opportunity for real business improvement"<sup>42</sup>. Under these circumstances the only change that is really desired in any company is change for better business results.

### Characteristics of the model used to carry out the research<sup>43</sup>

The business life cycle model, as a theoretical construct demonstrates the hypothetical - to a certain degree purposely reduced and simplified (but not reduced too much and not overly simplified) - synthetic picture of organizational reality. This construct based on appropriately selected parameters introduces organizational effectiveness of given company and its trends during a particular period. Constitutional construction of the model comes from the assumption that real business life is a cycle and consists of a predictable sequence of successive stages that an organization (company, firm) goes through. A business life cycle is the period that begins when a new company is born (and exists legally) and ends with its closure (dissolution of the company).

<sup>40</sup> I. Ahmed, 10 Entrepreneurial Skills AIESEC in Karachi's Outgoing Global Entrepreneur Program Teaches You, [www.linkedin.com/pulse/10-entrepreneurial-skills-aiesec-karachis-outgoing-global-isra-ahmed](http://www.linkedin.com/pulse/10-entrepreneurial-skills-aiesec-karachis-outgoing-global-isra-ahmed) (last access 03.11.2018).

<sup>41</sup> How to Learn From Your Mistakes. And Put Those Lessons Into Practice, [www.mindtools.com/pages/article/learn-from-mistakes.htm](http://www.mindtools.com/pages/article/learn-from-mistakes.htm) (last access 03.11.2018).

<sup>42</sup> M. Brännback, A. Carsrud, Fundamentals for Becoming a Successful Entrepreneur. From Business Idea to Launch and Management, Pearson Education, Inc., Old Tappan 2016, p. xiv.

<sup>43</sup> Quoted from L. Bursiak, A practical application of allostasis as..., op. cit. and L. Bursiak, Organizational effectiveness of ..., op. cit., pp. 81-90, also L. Bursiak, Organizational situation of harbour transshipment..., op. cit., pp. 5-18.

“The Life Cycle Model of Organizational Effectiveness Influenced by Dysfunctions” helps recognize the manner, in which dysfunctions influence organizational effectiveness in companies doing business in an increasingly turbulent, complex and demanding environment<sup>44</sup>. Moreover, the model supports the organizational diagnosis and visualizes a synthesized picture of an organizational situation represented by the currently researched company. In this context, it should be noted that inevitably “(...) a modern business organization faces many formidable obstacles nowadays, caused by substantial changes of its most powerful but turbulent environment”<sup>45</sup>. Nevertheless, “in spite of these adverse circumstances, every single organization exposed to severe environmental changes has to cope with emerging difficulties daily in order to survive and being aware of risk creates better conditions for uncertain future”<sup>46</sup>.

The model seriously supports the procedure of organizational analysis and assessment. This helps thoroughly investigate the organizational situation in the researched firm and, finally, synthesizes all the results and situates them properly on its scale. The concept of the model is based on a radical paradigm shift, from conviction of the permanent stability of the organizational environment, to the permanent organizational instability. This state of affairs, causing instability is not only real, but also more and more common, and in fact, almost ubiquitous phenomenon in the world of organizations, triggered by increasingly accelerating environmental changes and turbulences. The adoption of this new paradigm has led to a complete reorientation of organizational priorities. Instead of senseless quest for perfect balance, when it is not possible to achieve a state of long-term stability, companies should concentrate their activities on reducing all identified deviations caused by organizational dysfunctions to an acceptable level and concurrently try to maintain optimal level of effectiveness<sup>47</sup>.

Within the framework of the model, dysfunctional measurements are implemented with direct reference to attained level of organizational effectiveness or ineffectiveness, in harmony with principles governing the model, regardless of the sources and locations of organizational disturbances. After evaluation of the level of intensity (the power of influence) represented by detected dysfunctions, appropriate procedures for positioning the measurement results are carried out. These procedures consist of a cross-sectional distribution of the company’s position on the scale of the model, within one of three explicitly dedicated phases (see figure 1). Each of these three phases contains six distinctive characteristics of intensity (see the description placed directly below the figure 1), which allows one to place and symbolically visualize an organizational situation of the given researched company in a manner consistent with the scope of the model validation<sup>48</sup>.

The first phase within the model (look at phase I in figure 1) embraces the left part of the model, which symbolically represents the organizational situation regarded as safe, with relatively small and relatively benign disorders (the zone of effectiveness). However, even within this part of the model there is omnipresent concern affiliated with the threat caused by possible increase in the number of organizational dysfunctions, having quantitative character<sup>49</sup> in a comparatively wide range of influential

<sup>44</sup> See more L. Bursiak, *Essentials of Organization Behaviour*, podręcznik akademicki, Wydawnictwo Naukowe Zachodniopomorskiej Szkoły Biznesu, Szczecin 2013, p. 7.

<sup>45</sup> Quoted from L. Bursiak, *Essentials of...*, op. cit. p. 105 as paraphrase originated from L. Clarke, *The essence of change*, Prentice Hall, New York, 1994, p. 6.

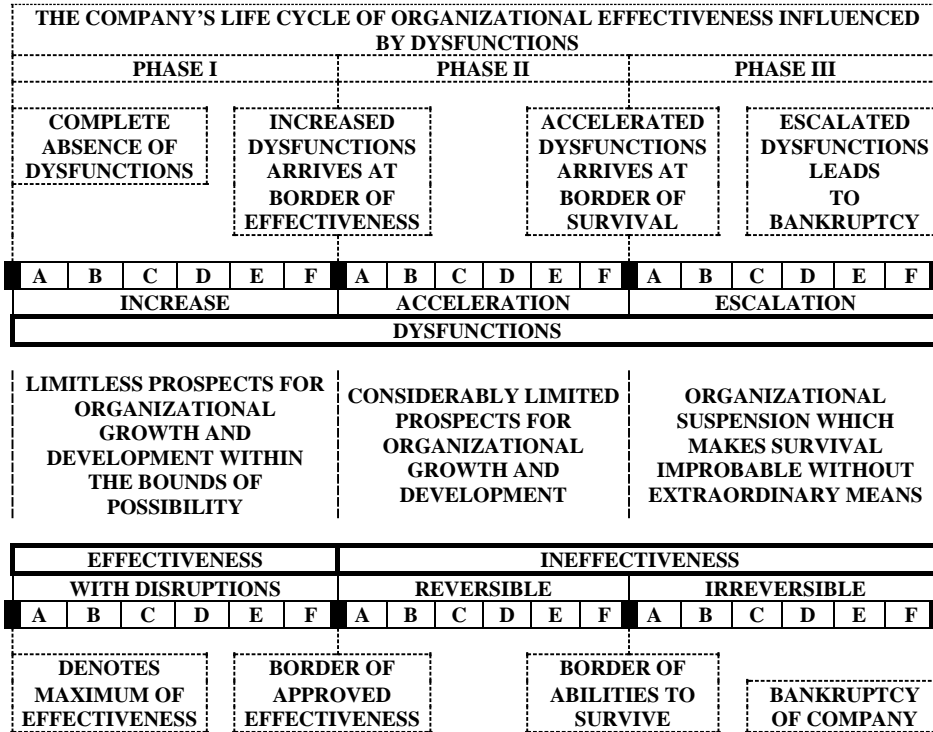
<sup>46</sup> Quoted from L. Bursiak, *Essentials of...*, op. cit. p. 105 as paraphrase originated from J. Bray, K. Brooke, G. Litwin, *Mobilizing the organization, Bringing strategy to life*, Prentice Hall, New York, 1996, p. 277.

<sup>47</sup> L. Bursiak, *Pozycjonowanie firm start-up na skali modelu cyklu życia organizacji – metoda eksperymentalna*, [in:] A. Zelek (ed.), *Nowoczesna inżynieria finansowa dla firm start-up w Polsce w latach 2009-2010 – raport z badań skreeningowych*, Wydawnictwo Naukowe Zachodniopomorskiej Szkoły Biznesu, Szczecin 2013, p. 274.

<sup>48</sup> *Ibidem*.

<sup>49</sup> Within each phase of the model, any changes in the level of dysfunctions have quantitative character. Only a potential dislocation between phases brings qualitative change.

power of intensity (from very weak to critical). All organizational activities within the zone of effectiveness seem to be relatively safe, without direct risks jeopardizing the existence of the given company. Nevertheless, organizational insensitivity to occurring and increasing unsolved disruptions (dysfunctions) may lead to the critical point, where increased dysfunctions arrive at the border of effectiveness<sup>50</sup>.



**Figure 1. The concept of “The Life Cycle Model of Organizational Effectiveness Influenced by Dysfunctions”**

Characteristics of intensity: **A** very weak; **B** weak; **C** average; **D** strong; **E** very strong; **F** critical

Source: Based on: L. Bursiak, *Pozycjonowanie firm start-up na skali modelu cyklu życia organizacji – metoda eksperymentalna*, [in:] A. Zelek (ed.), *Nowoczesna inżynieria finansowa dla firm start-up w Polsce w latach 2009-2010 – raport z badań skreeningowych*, Wydawnictwo Naukowe Zachodniopomorskiej Szkoły Biznesu, Szczecin 2013, p. 275.

When adverse changes creating dysfunctions go beyond the critical point located at the extreme position of the first phase, the company’s organizational situation is classified as related to the second phase of the model (look at phase II in figure 1). This dislocation brings qualitative change occurring between the first phase, where dysfunctions increase, and the second one, where they accelerate. Within the second phase of the model, even from the very beginning, the given researched firm enters the broader zone of organizational ineffectiveness which comprises two phases, the second and the third one. The second phase of the model, proclaims - throughout its whole range - that the company in question is ineffective, but its organizational situation is still reversible without using extraordinary solutions (emergency means). Unlike the second phase, the third location (look at phase III in figure 1) is totally irreversible without making the most of extraordinary solutions. Acceleration of dysfunctions, within the framework of the second phase, leads to cross its critical point, which marks the boundary line ending range of the phase. The crossing of the borderline brings about a radical rearrangement of

<sup>50</sup> L. Bursiak, *Pozycjonowanie...*, op. cit., p. 274.

location and transition to the third phase of the model. This is a very dangerous situation, because uninterrupted escalation of dysfunctions can lead to start liquidation or even bankruptcy proceedings<sup>51</sup>.

Within the scope of the second phase, in contrast to the third phase, diagnosed organizational ineffectiveness can be reduced and reversed exclusively on the basis of own management actions and return to phase I (effectiveness) without the use of extraordinary measures. Therefore, in phase III, identical procedure are not possible without the implementation of extraordinary means, which are qualitatively much deeper issues than conventional managerial interventions. These extraordinary ventures may include one of two groups of defensive actions. The first, and the most expanded, corrective and preventive action is undertaken to protect the given company against highly probable bankruptcy which includes: (1) regulated by law (a relevant legal act) insolvency or restructuring proceedings also possible is (2) a merger with another legal entity (firm), (3) split up into parts, as well as (4) sale or (5) liquidation. The second corrective and preventive action is performed to create a shield as protection against almost inescapable bankruptcy<sup>52</sup>.

A further part of the considerations will concern some intended modifications within the model. Figure 2 shows the central part of the model introduced in figure 1 with some vital textual changes (pay attention and compare the changes in the middle part of the model).

A	B	C	D	E	F	A	B	C	D	E	F	A	B	C	D	E	F
INCREASE						ACCELERATION						ESCALATION					
DYSFUNCTIONS																	
LIMITLESS POSSIBILITIES TO SUSTAIN EFFECTIVENESS						LIMITLESS POSSIBILITIES TO RESTORE EFFECTIVENESS						LIMITED AND RESTRICTED POSSIBILITIES TO RESTORE EFFECTIVENESS					
EFFECTIVENESS						INEFFECTIVENESS											
WITH DISRUPTIONS						REVERSIBLE						IRREVERSIBLE					
A	B	C	D	E	F	A	B	C	D	E	F	A	B	C	D	E	F

**Figure 2. Central part of the model introduced in figure 1 with some vital textual changes**

Characteristics of intensity: **A** very weak; **B** weak; **C** average; **D** strong; **E** very strong; **F** critical

Source: Own elaboration based on: L. Bursiak, Pozycjonowanie firm start-up na skali modelu cyklu życia organizacji – metoda eksperymentalna, [in:] A. Zelek (ed.), Nowoczesna inżynieria finansowa dla firm start-up w Polsce w latach 2009-2010 – raport z badań skreeningowych, Wydawnictwo Naukowe Zachodniopomorskiej Szkoły Biznesu, Szczecin 2013, p.276

Figure 2 portrays a piece of the central part of the model shown in figure 1. Nevertheless, there are some significant changes in the contents located in the middle of the object of interest depicted in figure 2. These changes in the contents are as follows:

- Within phase I; the phrase “Limitless possibilities to sustain effectiveness” from figure 2 replaces the phrase “Limitless prospects for organizational growth and development within the bounds of possibility” from figure 1.
- Within phase II; the phrase “Limitless possibilities to restore effectiveness” from figure 2 replaces the phrase “Considerably limited prospects for organizational growth and development” from figure 1.
- Within phase III; the phrase “Limited and restricted possibilities to restore effectiveness” from figure 2 replaces the phrase “Organizational suspension which makes survival improbable without extraordinary means” from figure 1.

<sup>51</sup> Ibidem, pp. 274-275.

<sup>52</sup> Ibidem, pp. 275-276, see more S. Wrzosek Upadłość i likwidacja przedsiębiorstwa, [in:] J. Lichtarski (ed.), Podstawy nauki o przedsiębiorstwie, Wydawnictwo Akademii Ekonomicznej im. Oskara Langego we Wrocławiu, Wrocław 1995, p. 63.



All introduced shifts in the contents between figures 1 and 2 are very important from an organizational point of view, because they redirect an organizational perception to the problem of organizational effectiveness<sup>53</sup>. The shifts reflect the way, and extend to which, an organizational effectiveness is under the influence of organizational dysfunctions. Taking this into account, it should not be questionable that within the scope of phase I of the model, possibilities to sustain organizational effectiveness are theoretically almost limitless. In phase II organizational prospects are relatively limitless, but only with clear reference to potential restoration of effectiveness. However, in the case of firm where its business systematically goes downhill, being classified as situated within scope of phase III, restoration to complete organizational effectiveness is extremely difficult and requires compliance with strictly limited and restricted extraordinary means. To sum up this part of the discussion, it can be concluded that the changed and transferred textual contents introduced in the middle of the object depicted in figure 2 defines the extent to which organizational effectiveness can be sustained (within phase I) or restored (unconditionally within phase II, but with serious reservations within phase III - bordering on the impossible).

The necessity, sufficiency and specificity of the research and presentation of synthesized organizational outcomes also requires some modification of graphics in the middle of the separated central part of the model introduced in figure 2. For this purpose, the space with textual description has been removed and evenly spaced for 3 horizontal row spaces. The rows have been created to symbolize three consecutive years of the period under research, from 2015 to 2017. Each row space is assigned to a specific year and are divided vertically into eighteen narrow columns. The intersection of a column and a row creates a small box. There are six boxes (cells) in every singular row per each particular phase of the business life cycle (together 18 cells within each row). Only one of the boxes (cells) within the horizontal space (marked with white background) represents a specified year in the model. This box shows the position of the researched company in a given year. Additionally, two black figures (two-digit number) presented upon a white box background, display a specific position of an organizational situation represented by the researched company in a given year. The two-digit number consists of two last digits of the year and is settled within one specific box with white background. The two-digit number "15" symbolize year 2015 and adequately "16" symbolize year 2016. The two-digit number "17" symbolize year 2017, the last year of the research. The two-digit numbers representing the year covered by the research are distributed horizontally along a row (line), and are respectively indicated as one of eighteen white boxes (cells) assigned to each subsequent year. There should be the same number of rows (lines) in the model as the number of years covered by the study.

Vertically, the adequate white box (cell) is an intersection of the identified row space of the model for representing consecutive years of the research, with suitable column space which reflects a specific level of intensity classified as a distinguishing feature (see characteristics of intensity below figures 1 and 2). As it is depicted in figures 1 and 2, each specific level of intensity of a definite feature is represented by capital letters arranged alphabetically. The order begins with letter "A" and finishes with letter "F". Characteristics of intensity represented by the letters means adequately: "A" - very weak; "B" - weak; "C" - average; "D" - strong; "E" - very strong; "F" - critical. When intensity of the feature achieves critical level it shows such accumulation of negative quantitative changes (dysfunctions) that it can cause qualitative change which goes beyond the critical point and, quite possibly, be classified as

<sup>53</sup> Read more about organizational perception and its management in: K. D. Elsbach, Organizational perception management, Lawrence Erlbaum Associate, Mahwah (New Jersey) 2006.

related to the next phase of the model. However, such situation within the third phase of the model may lead to the initiation of liquidation or even bankruptcy proceedings.

In accordance with the model's structure and assumptions, intensity of every distinguishing feature should be symmetrically related to the level of organizational dysfunctions and organizational effectiveness or ineffectiveness. Each year, within the model, is treated as a separated business life cycle (from the beginning to potential closure). All consecutive years following year 2015 (until 2017 inclusively) are considered as separated life cycles. However, all outcomes gathered together within the model constitute a complete, clear and integrated picture of an organizational situation ascribed to the researched company during the period from 2015 to 2017.

### **The procedure of data collection and method employed to introduce the final results<sup>54</sup>**

In accordance with the scope of this research procedure, interviewing was a key method of data collection. The extensive, in-depth interview was held with the owner of the business. The interview was fairly informal and the participant engaged in a form of interactive, spontaneous communication, conversation or discussion rather than in a formal question and answer procedure. The benefits of this approach was that all obtained information and research data were richer, with a deeper insight into the phenomena under-researched areas.

The interview defined as unstructured, contained one single structured element. Each time, immediately after the introduction, a financial situation of a given company based on a financial statement was introduced and discussed. The final evaluation of the financial situation as a first step in the procedure, enables to take another step towards considering the financial position of the researched entity on the scale of the model. This position is the starting point for further considerations because the established financial situation reflects only a part of an overall organizational situation.

In many cases, unexpected organizational dysfunctions deteriorate considerably the picture of the general organizational situation, despite satisfactory financial results. This statement is based on the own relevant research in this area which was accomplished by combining simultaneously (an integrated presentation) the model of a financial and organizational situation of some deliberately selected business organizations. These studies have confirmed the possibility of significant discrepancies between the financial and organizational situation<sup>55</sup>. This is why, the following discussion, during the interview was focused on all other remaining aspects of organizational performance.

Taking into account their validity, all collected data had to be sufficient enough to allow the participants (interviewee and interviewer) to make a conclusive assessment of the entire organizational situation in the business referenced to each year over the period considered (from 2015 to 2017 inclusively). The conclusive assessment is crucial not only for the research purpose, but also for providing potential effective countermeasures against the organizational effects of dysfunctional economic activities.

Proper ordering and interpretation of the obtained qualitative data allows to create a qualitative diagnosis of organizational effectiveness. The overall picture of the phenomenon is obtained by identifying the positioning path on the model scale of all individualized diagnoses assigned to subsequent years of the study. Due to the research method used, the subjective impact of the researcher and the respondent on the results of the research cannot be entirely ruled out. However, the degree of these subjective effects is so negligible, and the degree of generalization is so high that the synthesized results of conducted research correspond to established research objectives.

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<sup>54</sup> Retrieved from L. Bursiak, *A practical application of allostasis as...*, op. cit., pp. 17-30, which was elaborated from L. Bursiak, *Organizational effectiveness of ...*, op. cit., pp. 81-90.

<sup>55</sup> See L. Bursiak, *Pozycjonowanie firm start-up na skali modelu...*, op. cit., p. 313.

**Organizational situation under the research**

The organization chosen to study is diversified construction company owned by Entrepreneur FOGT, who has been running his business activities since 1982<sup>56</sup>. Historically, except for 2010, the business in question had a relatively favourable organizational situation. It means that the situation has been fairly stable over the period 1982–2014, with the exception of the year 2010<sup>57</sup>. This exception will be mentioned later in this article in comparison with the organizational collapse that occurred in 2016 and improved a little bit 2017. The location of the organizational situation within the model in 2010 was exactly the same as it appears presently in 2017 (see white box “17” in figure 3). To complete the picture of the researched organizational situation, the analysis also takes into account the year 2015.

The picture of an organizational situation of FOGT business during the period under consideration covering the years 2015-2017 is introduced in figure 3. The figure occurs as the integrative model depicting organizational effectiveness of FOGT business, being a consolidated view of its organizational situation in years under research. At the beginning of the time period under consideration (2015) the organizational situation of this business was the best during the period under the present research. However, the build-up dysfunctions (with symmetrical distortion of effectiveness) reached a critical level but examined business was still remaining within the first phase of the model (see white box “15” in figure 3). The collected research material showed that very rapid organizational failure arose in 2016 when the first phase of the cycle was firmly and rapidly left by FOGT business. What was worse, the position of organizational effectiveness was located at the end of the third phase of the model (see white box “16” in figure 3). Such positioning of the business in the model means an immediate threat of bankruptcy. FOGT had to undertake extraordinary measures to protect his business. Very effective action in this area was the sale of personal assets to support a failing business. Simultaneously, appropriate countermeasures were taken in the form of a drastic cost reduction, workforce reduction and reorganization of the business. A special emphasis was placed on finding a reliable trustworthy business partners as contractors. The results of all actions taken in order to achieve a desired outcome helped to overcome the risk of bankruptcy and began gradual improvement of the organizational situation. Finally, in 2017, FOGT’s business was outside the phase III of the model, and thus outside the immediate risk of bankruptcy (see white box “17” in figure 3).

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
<b>INCREASE</b>						<b>ACCELERATION</b>						<b>ESCALATION</b>					
<b>DYSFUNCTIONS</b>																	
					15												16
										17							
<b>EFFECTIVENESS</b>						<b>INEFFECTIVENESS</b>											
<b>WITH DISRUPTIONS</b>						<b>REVERSIBLE</b>						<b>IRREVERSIBLE</b>					
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>

**Figure 3. Integrative model of life cycle depicting organizational effectiveness of FOGT business, as a consolidated view of its organizational situation in years 2015-2017.**

Characteristics of intensity: **A** very weak; **B** weak; **C** average; **D** strong; **E** very strong; **F** critical

Source: Own elaboration on the basis of the results coming from the in-depth qualitative research

<sup>56</sup> All detailed substantive historical information about this business from the beginning of its operation are available in the following publications: L. Bursiak, Organizational effectiveness of ..., op. cit., pp. 81-90.

<sup>57</sup> See ibidem.

Having diagnosed and exposed in the model the organizational situation of the researched business an attempt was made to determine the causes of the threats to survival.

Conducting the investigation a number of questions have been formulated to get satisfying answers. (1) What was the immediate cause of the threat to the existence of the business? The main problem was created by bad debts (unpaid invoices - accounts receivable). (2) What was the primary source of these problems? The main source of problems was in the negligence reaching 2014, when the financial and organizational situation of the researched business was at a satisfactory level. (3) What was the exact reason for the problems? The exact reason for the problems was the lack of due diligence in concluding two contracts for construction works. (4) What steps were taken by the owner to strengthen his business (excluding already discussed emergency measures)? (4a) First of all, he renegotiated the terms of payment of both contracts, obtaining financial resources at the level of half of the value of his invoices. It should be noted that the remaining owners of companies who did not agree to communicate with debtors lost their entire receivables. (4b) Providing financing based on own non-business resources. (4c) Ensuring maximum profitability of other ongoing business activities. (4d) Conclusion and implementation of carefully prepared and properly secured construction contracts with foreign contractors having a built-in mechanism for ongoing financing of investments carried out by investors. (4e) Conclusion of a large contract supported by an appropriate direct financial support enabling its use for all business operations before full participation in this contract. (4f) A categorical refusal to continue a given construction activity after termination of contracts when degraded business conditions are proposed.

FOGT through described above synchronized and very dynamic remedial allostatic actions caused a qualitative improvement of the organizational situation of his business. First of all, the immediate risk of bankruptcy has been eliminated and as a consequence of this fact his business figuratively left the phase III (from white box "16" in figure 3) of the model and change location of the organizational situation within the model as situated in the phase II (to white box "17" in figure 3). In this case it was significant improvement. A completely different perspective of the same location of the organizational situation was seen in relation to the year 2010 in an earlier study. The description of the situation was as follow:

The much more rapid entrepreneurial failure arose in 2010 when the first phase of the cycle was firmly and rapidly left. What was worse, the position of entrepreneurial effectiveness was located at the end of the second phase of the model (see year 2010 in figure 3). In view of the way things turned out in year 2010, the business posing a direct threat of living the second phase and entering the third phase of the cycle were could end up in the danger zone under the threat of liquidation or even bankruptcy. However, the threat did not materialize itself because the negative trend has been stopped at the end of the second phase of the model.<sup>58</sup>

From the perspective of the previous study (transition from the first phase of the model to the left edge of the second phase with the threat of entering the third phase), the subject location of the organizational situation of the examined entity was perceived as a threat. The organizational situation with the opposite trend immediately becomes a chance for improvement.

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## Conclusion

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Allostasis has been proved to be a handy research tool for diagnosing organizational measures aimed at restoring homeostasis devastated by turbulent environment. Currently, this tool has been

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<sup>58</sup> L. Bursiak, A practical application of allostasis as..., op. cit. p. 27.

tested in real action for business survival. Main research question was focused on the role of early identification of the urgent need to take decisive allostatic action for survival of the researched business. The results of the research shows that early identification of the urgent need for adequate allostatic action increases the chances of being able to prevent the negative effects of a sharp deterioration in organizational situation of the business.

In the course of the ongoing research procedure, the most probable causes of business troubles were determined. They were as follow: (1) The main problem was created by bad debts (unpaid invoices - accounts receivable). (2) The main source of problems was in the negligence reaching year 2014, when the financial and organizational situation of the researched business was at very satisfactory level. (3) The exact reason for the problems was the lack of due diligence in concluding two contracts for construction works.

At the initiative of the owner, a set of undertakings was established to prevent further deterioration of the organizational situation of the business under investigation. The owner of the company took the following actions: (1) First of all, he renegotiated the terms of payment of both contracts, obtaining financial resources at the level of half of the value of his invoices. It should be noted that the remaining owners of companies who did not agree to communicate with debtors lost their entire receivables. (2) Providing financing based on own non-business resources. (3) Ensuring maximum profitability of other ongoing business activities. (4) Conclusion and implementation of carefully prepared and properly secured construction contracts with foreign contractors having a built-in mechanism for ongoing financing of investments carried out by investors. (5) Conclusion of a large contract supported by an appropriate direct financial support enabling its use for all business operations before full participation in this contract. (6) A categorical refusal to continue a given construction activity after termination of contracts when degraded business conditions are proposed.

The examination of the organizational situation of the surveyed entities with practical use of "The Business Life Cycle Model of Organizational Effectiveness Influenced by Dysfunctions" provides reasonably objective diagnosis, despite many stipulations related to the applied research method and the research procedure itself. However, proper ordering and interpretation of the obtained qualitative data allows to create a more comprehensive diagnosis of demanded organizational situation of any surveyed entity. This diagnosis contains information not limited only to identification of the location the searched organizational situation within the model, but also classifies organizational effectiveness and organizational dysfunctions. With such a handy diagnostic tool, it is relatively easy to get a synthetic picture of the current organizational situation of the researched business. Obtaining this kind of insight allows you to recognize emerging threats and initiate appropriate preventive allostatic actions. Undertaking this type of activity requires organizational vigilance not eliminated by demoralized influence of constant successes. Only this way can be implemented the vital role of early identification of the urgent need to take decisive allostatic action for business survival. As the results of the study show, the early identification of the urgent need for appropriate allostatic action creates an real opportunity to effectively prevent the collapse of business.

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