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LIFE CYCLE ANALYSIS OF BUSINESS ORGANIZATION FORMATION: STRATEGIC ASPECT

This article examines the transformation of business life cycle concepts from a strategic perspective, emphasizing the unique challenges that a business organization encounters at each evolutionary stage. Particular attention is paid to the critical need to continuously integrate strategic foresight into managerial decision-making throughout the organizational life cycle. Furthermore, the study highlights that contemporary economic development–driven by intense globalization, rapid advancements in information technology, and the emergence of innovative digital tools for business process optimization–substantially heightens market competition. Consequently, enterprises must significantly improve the effectiveness of their management systems across all lifecycle stages, fully accounting for their long-term strategic development prospects and market adaptability.

Strategy formation, in turn, involves identifying the inherent opportunities, threats, strengths, and weaknesses of the organization. Within this framework, these critical strategic factors are systematically evaluated using widely recognized analytical tools, including SWOT, PEST, STEP, and TEMPUS methodologies, which allow managers to align internal capabilities with volatile external environmental conditions.

Based on a holistic approach to shaping the life cycle of a business organization in the modern economic environment, the authors propose that strategy should be conceptualized as an organization's ultimate strategic goal. This focus ensures long-term institutional success and operational sustainability. Achieving this requires timely, adequate, and highly effective transitions between different life cycle stages, utilizing appropriate forms of strategy implementation and targeted methods for achieving core strategic objectives.

Keywords: *stage, life cycle, business organization, strategic perspective.*

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АНАЛІЗ ЖИТТЄВОГО ЦИКЛУ ФОРМУВАННЯ БІЗНЕС-ОРГАНІЗАЦІЇ: СТРАТЕГІЧНИЙ АСПЕКТ

У цій статті розглядається трансформація концепцій життєвого циклу бізнесу зі стратегічної точки зору. У ній наголошується на важливості розуміння викликів, з якими бізнес-організація може зіткнутися на кожному етапі свого життєвого циклу. Особлива увага приділяється необхідності постійного врахування стратегічної перспективи на кожному етапі життєвого циклу під час прийняття управлінських рішень. Крім того, у дослідженні зазначається, що сучасний розвиток, зумовлений глобалізацією та швидким розвитком інформаційних технологій, появою нових інформаційних інструментів для організації бізнес-процесів, підвищенням стандартизації та уніфікації, а також простотою використання, призводить до посилення конкуренції та необхідності підвищення

ефективності управління бізнесом протягом усього його життєвого циклу з урахуванням перспектив його стратегічного розвитку.

Формування стратегії, у свою чергу, включає визначення можливостей, загроз, сильних та слабких сторін організації, які аналізуються за допомогою поширених інструментів, зокрема SWOT, PEST, STEP, TEMPUS та інших видів аналізу.

Автори пропонують, виходячи з підходу до формування життєвого циклу бізнес-організації в сучасних умовах, розглядати стратегію як стратегічну мету організації, що забезпечує її довгостроковий успіх на основі своєчасних, адекватних та ефективних переходів між етапами життєвого циклу з використанням відповідних та релевантних форм реалізації стратегії та методів досягнення стратегічних цілей.

Ключові слова: *етап, життєвий цикл, бізнес-організація, стратегічна перспектива.*

Introduction. Numerous scholars have conducted research into the development of organizational life cycles. In fact, the first researchers in the field of strategic management described the relevance of organizational design (Burns and Stalker, 1961; Lawrence and Lorsch, 1967; Thompson, 1967) [2, 14, 30]. The transformation of organizational life cycles is determined by a variety of factors, primarily the level of societal development, its economic well-being, the degree of technological advancement, the effectiveness of communications, and the mechanisms for interacting with various stakeholders. Over time, the process of organizational life cycle transformation has slowed somewhat, as no significant leaps in development have occurred. However, with the onset and subsequent growth of globalization, outsourcing, the spread of the project approach, and the active development of information and communication technologies, interest in organizational design has gradually increased (Miller et al., 2009; Gulati et al., 2012; Van de Ven et al., 2013). Burton et al. (2020, p. 1) [21, 12, 32, 3] points out that «the field of organizational design is experiencing a renaissance.» Accordingly, in the context of modern realities, businesses need adequate organizational models (Galbraith, 1999; Miller, 2003) [8, 19] which will allow them to actualize existing and prospective capabilities (Teece et al., 1997; Zollo and Winter, 2002) [29, 33]. Therefore, at the beginning of the 21st century, there was a need to update research in the field of business organization design, based on the application of a holistic approach (Meyer et al., 1993; Snow et al., 2005) [18, 27], which focuses on the simultaneous interaction of many elements of organizational design.

Analysis of recent research and publications. As Gardner notes, business organizations «have a green and flexible youth, a time of flourishing vigor, and a turbulent old age» (Gardner, 1965, p. 20) [10]. Many scholars point out that, according to their life cycle theories, organizations pass through a series of phases. In particular, Hanks et al. (1993, p. 7) [13] characterized each life cycle phase as «a unique configuration of variables related to the context or structure of the organization.» According to Van De Ven, the life cycle involves a sequence of events that describe how things change over time (Van De Ven, 1992) [31]. In general, organizational design models allow for the structuring of a multitude of factors characterizing transformational change, which has led to the formation of numerous deterministic models (Stubbart and Smalley, 1999) [28]. Several researchers have assessed the empirical validity of the proposed models (e.g., Dodge and Robbins, 1992; Lester et al., 2003; Primk et al., 2020) [7, 15, 25] and have also identified these models as guiding frameworks for studying the development of specific business practices (e.g., human resource management, corporate governance, innovation management, logistics flow management).

Purpose and objectives of the study. The purpose of the article is to consider the transformation of approaches to the formation of the life cycle of a business organization, to summarize the analyzed approaches in the form of a diagram of the life cycle of a business organization within the framework of strategic management and to propose a formulation of an appropriate strategy in the modern environment.

One of the first life cycle analysis models was Lippitt and Schmidt's (1967) model [16]. According to their view, business organizations passed through three stages of development. As they transitioned through these stages, they could potentially face six major «managerial challenges.» For example, during the nascency stage, challenges included creating a business system and reaching the survival threshold. During the adolescence stage, business organizations faced challenges of stability and maintaining reputation. In maturity, the emphasis shifted to achieving uniqueness and developing a response to the diverse needs of society. The researchers emphasized the need to address current crises in a way that laid the foundation for addressing strategic challenges arising from future crises. The authors point out that failures arise when managers fail to identify significant crises arising during the organization's life cycle from a strategic perspective. The researchers argue that most companies are based on simple organizational structures, unsophisticated product programs, and a standard set of ambitions.

Another well-known model is Greiner's (1972) model, which suggested that the life of a business organization can be represented in five stages of evolution and revolution. The evolution stage is associated with the period of growth, when no major upheavals occur in the life of a business organization [11]. Whereas, revolution is a period of significant upheavals in its life. After each revolutionary period, there is a transition to the next stage.

Greiner (1972) argues that the growth stages are characterized by the following parameters: management focus, organizational structure, top management style, control system, and emphasis on management rewards [11]. And the growth stages include: (1) creativity-based growth, which is interrupted by a crisis of leadership; (2) directive-based growth, which is interrupted by a crisis of autonomy; (3) delegation-based growth, which is interrupted by a crisis of control; (4) coordination-based growth, which is interrupted by a crisis of bureaucracy or a crisis of red tape; and (5) growth based on cooperation, which is interrupted by a crisis of the lack of internal growth solutions. The author also distinguishes evolutionary periods depending on the intensity of industry growth (from 4 to 8 years): in fast-growing industries, these periods are shorter, while in mature industries, they are longer.

The next model of business organizations is the Adizes model (1979), which suggests that the life cycle involves stages of shifting emphasis on certain activities: achieving results (P), entrepreneurship (E), administering formal rules and procedures (A), and integrating individuals into the organization (I) [1]. As a business organization moves from one phase to another during the life cycle, emphasis is placed on different roles, and the resulting combinations of roles lead to different organizational behavior patterns. The primary cause of organizational decline is an excessive emphasis on bureaucracy and a focus on rules and procedures. According to this model, organizations pass through 10 stages: courtship, infancy, rapid growth, adolescence, promising period, maturity, aristocratic period, early bureaucracy, bureaucracy, and death. The transition between stages occurs primarily through overcoming growth challenges.

Galbraith's model (1982) aims to predict the dynamics of the stage-by-stage development of a new business organization. Galbraith argued that business organizations go through predictable stages, but managers don't think in stages, despite their predictability [9]. He focused on start-ups and argued that they develop a business idea that includes a market with a necessary service, products to sell, competitive advantages for dominance in a niche, and the resources and combinations of resources necessary for dominance. The model includes the following stages: a prototype that proves the fundamental feasibility, a prototype shop, serial production, organic growth, and strategic maneuvering. To move from one stage to the next, business organizations must grow in volume. Moreover, the transformation of a business organization's life cycle is also determined by the product life cycle.

The next model for analyzing the life cycle of business organization formation is the Churchill and Lewis model (1983) [5]. Based on an analysis of previously developed models, they identified several of their shortcomings. These include: the notion that a company must grow and develop through all stages or perish in the attempt; the failure to consider important early stages of business emergence and growth; and the indicator of company size being annual sales or, sometimes, the number of employees. As a result, Churchill and Lewis proposed a model that includes five stages: emergence/existence, survival, profitability and stabilization/growth, takeoff, and maturity. Each stage is characterized by an index of size, diversity, and complexity, which are described by management style, organizational structure, the degree of formalization of systems, key strategic goals, and owner participation. This model is primarily oriented toward small businesses.

Lester, D. L. [15], proposed a five-stage model, including the existence stage, also known as the entrepreneurial stage (Quinn & Cameron, 1983) [4] or the birth stage (Lippitt & Schmidt, 1967) [16], which marks the beginning of organizational development (Churchill & Lewis, 1983) [5]. The primary focus is on viability, or simply determining the number of customers needed to sustain the organization. Decision-making and ownership are concentrated in the hands of one or a few individuals, and the environment is considered unanalysable (Daft & Weick, 1984) [6]. Business organizations at this stage typically create or shape (Bedeian, 1990) [23] their own environment. In the second stage, Survival, business organizations strive for growth (Adizes, 1979; Downs, 1967) [1, 23], formalization of structure (Quinn and Cameron, 1983) [4], and the development of distinctive competencies (Miller and Friesen, 1984) [20]. At this stage, goals are regularly formulated, the main ones being the generation of sufficient income to continue operations and the financing of sufficient growth to remain competitive (Churchill and Lewis, 1983) [5]. In turn, the Survival stage offers several interesting alternatives: some organizations grow to a large size and prosper well enough to move on to the third stage, others «operate with varying success,» earning insignificant profits in some financial cycles, and still others fail to generate sufficient income to survive. Most organizations at this stage view the environment as amenable to analysis (Daft and Weick, 1984) [6].

During the «Success» stage, commonly referred to as maturity (Adizes, 1979) [1], control is formalized through bureaucracy (Quinn and Cameron, 1983) [4]. A common problem at this stage is the emergence of «bureaucracy» (Miller and Friesen, 1984) [20], which means having to wade through layers of organizational structure to get anything done. Job descriptions, policies and procedures, and hierarchical reporting relationships become much more formal. Such organizations have been tested for survival, having grown to the point where they may seek to protect what they have built rather than expand the market. Top management focuses on planning and strategy, leaving day-to-day operations to middle managers. The environment is viewed as amenable to analysis (Daft

and Weick, 1984) [23]. In the fourth stage, «Renewal,» the business organization demonstrates a desire to return to leaner times (Miller and Friesen, 1984) [20], when collaboration and teamwork fostered innovation. The generation of new ideas is sometimes facilitated by the use of a matrix structure, and decision-making is largely decentralized, significantly increasing the business organization's adaptability. The organization remains large and bureaucratic, but its members are encouraged to work within the bureaucracy without contributing to it. Customer needs are a priority.

In the fifth stage, «Decay,» collapse may be triggered. The Decline stage is characterized by politics and power (Mintzberg, 1984) [22], as organizational members begin to care more about personal goals than the organization's objectives. Therefore, for some organizations, the inability to meet the external demands of the previous stage has led to a period of decline, during which they experience a lack of profits and a loss of market share (Miller and Friesen, 1984) [20]. Control and decision making tend to be concentrated in the hands of a small group of people, which ultimately undermines the viability of the organization.

Thus, the presented approaches to studying the stages of the business organization's life cycle can be generalized and applied, taking into account the current and transformative characteristics of the strategic environment. A diagram of the business organization's life cycle within the framework of strategic management is presented in Figure 1.

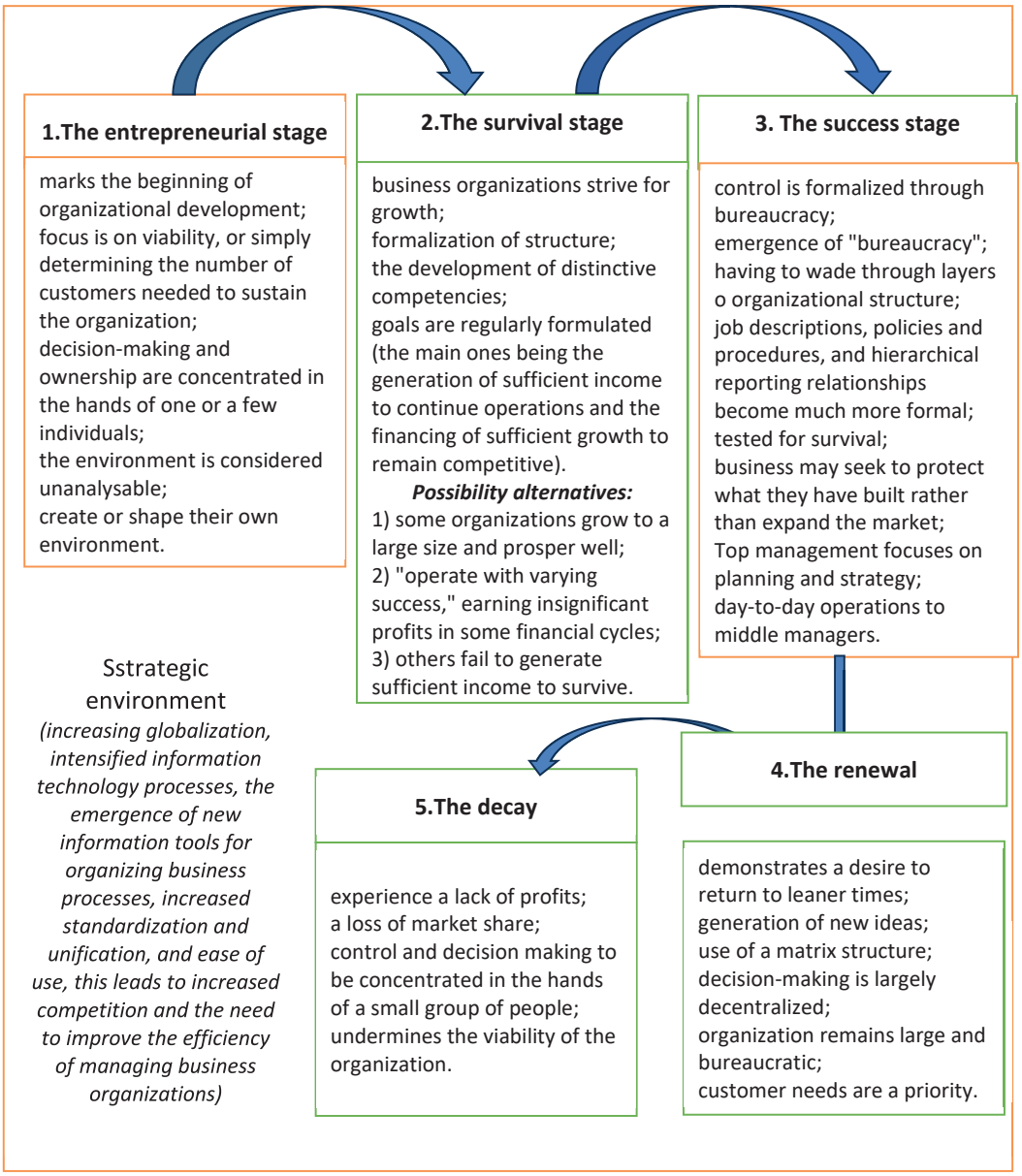

Fig. 1. Business organization development life cycle diagram under strategic management.

Source: summarized by the authors.

However, in today's environment, characterized by increasing globalization, intensified information technology processes, the emergence of new information tools for organizing business processes, increased standardization and unification, and ease of use, this leads to increased competition and the need to improve the efficiency of managing business organizations throughout their life cycle, taking into account the prospects for their strategic development.

Therefore, each business organization must clearly understand its strategic development prospects and systematically adapt them to potential changes affecting it at each stage of the life cycle. All this ensures the effective implementation of the business organization's strategy. As Porter argued, strategic management, the art and science of formulation, is the implementation and evaluation of decisions that help the organization achieve its goals (Porter, 1999) [24].

Strategy formation, in turn, includes identifying the opportunities, threats, strengths and weaknesses of the organization, which are analyzed using common tools, including SWOT, PEST, STEP, TEMPUS, and other types of analysis.

Henry Mintzberg [22] defines strategy as «a program that moves an organization from a given point to a more advantageous position, a paradigm of actions taken over time, and the organization's positioning; for example, decisions about introducing specific products to a specific market and attitudes toward future prospects.» Michael Porter defines strategy as the selection of various action options to deliver unique value.

In our view, based on the approach to shaping the life cycle of a business organization in the current environment, strategy should be viewed as the organization's strategic goal, ensuring its long-term success, based on timely, adequate, and effective transitions between life cycle stages using appropriate and relevant forms of strategy implementation and methods for achieving strategic goals.

The practical significance of this research lies in its potential for improving the transition process between stages of a business organization's lifecycle and developing measures that mitigate the shortcomings of each stage. The use of modern decision-making methods facilitates the acceleration of information collection and analysis for decision-making, its periodic updating, depending on the urgency of the update, and effective and rapid communication between decision-makers regarding strategy implementation.

Conclusions. Determining the life cycle stage of a business organization is an important step in making strategic decisions regarding future development prospects. Depending on the life cycle stage, businesses may face various challenges. Therefore, it's important to consider possible solutions in advance, assess their strengths and weaknesses in both current and strategic terms, and make the optimal decision based on this information.

The prospects for further research opportunities include deepening the theoretical and methodological foundations for developing a system of core decisions for each stage of a business organization's lifecycle to improve the effectiveness of strategic business decision-making. Further development of approaches to collecting, processing, and transmitting data indicating a business organization's relevance to a particular lifecycle stage is also advisable.

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