

# The Influence of a Deficit in Employees' Dynamic Capabilities on Job Performance in Organisations During the Decline Stage of the Organisational Life Cycle as a Symptom of Organisational Death

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## Abstract

This article investigates the impact of employees' dynamic capabilities (EDCs) on job performance within organisations during the decline stage of the organisational life cycle (OLC), particularly as they approach organisational death. EDCs, which include an employee's ability to adapt, innovate, and solve problems, have been extensively studied in thriving organisations, but their role during organisational decline remains underexplored. This study addresses this gap by examining whether EDCs positively influence job performance through mediators such as work motivation, job satisfaction, and work engagement in organisations nearing the end of their operations. For two-part empirical analysis, data were gathered from organisations in Italy, Poland, and the USA, some of which were at varying stages of decline due to the external crisis caused by the COVID-19 pandemic. The results indicate that in organisations continuing operations, EDCs had a significant positive impact on job performance, mediated by work engagement, work motivation, and job satisfaction. However, in organisations heading toward death, EDCs failed to influence job performance significantly. The study concludes that EDCs' lack of impact on job performance may be a critical symptom of organisational death, suggesting that organisations unable to leverage their employees' capabilities during times of crisis may be doomed to failure. This research contributes to the OLC literature by identifying the absence of EDCs' influence on job performance as a key predictor of organisational demise, offering new insights for management practices during the decline phase of an organisation.

## Key words

organisational death, employees' dynamic capabilities, job performance, organisational life cycle.

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## Introduction

The subject of the organisational life cycle (OLC) has been the subject of scientific debate for a long time. Many authors who personalise organisation (by analogy with living organisms) point to the main stages of the organisational life cycle, which are, in simple terms, birth, development, maturity,

and decline and/or death (Chandler, 1962; Quinn & Cameron, 1983; Mintzberg, 1989; Greiner, 1972; Hanks, 1990). Lester et al. (2023) underline that decline and death stages are not present in all OLC models. However, while the decline stage should be included in these models, it can be agreed that the death stage of the organisation – which can be seen as no longer belonging to the life of the organisation – goes beyond the OLC models, but accompanies them, as a closure of the organisation's functioning. In the approach considered in this article, both the organisational decline and the eventual death – which occurs because of this decline – of organisations will be treated as natural, albeit avoidable, stages in the life cycle of an organisation. The causes of their occurrence are most often connected to the environment (not necessarily only those perceived a priori as negative), which managers are unable or unwilling to cope with, thus triggering an escalation of negative phenomena in the organisation, including among employees, which subsequently result in the inability to achieve the organisation's goals in both the long and short term. It is not without reason that the concept of organisational decline “is characterised by politics and power (Mintzberg, 1984), as organisational members become more concerned with personal goals than they are with organisational goals” (Lester et al., 2023, p. 343) and “refers to deterioration in the capacity of a certain organisation to adapt to the environment within which it is embedded” (Mouzelis, 2017). In this context, it is natural to ask about the role of the dynamic capabilities of organisations, and particularly the dynamic capabilities of employees, in the stage of organisational decline. The relevance of this topic is further supported by bankruptcy prediction models studied in the literature and applied in practice, as well as by the analysis of symptoms indicating the possibility of organisational decline and death. Among these, a significant role is played by factors related to the broad area of human resource management and the ability of both employees and organisations to adapt to changes in their environment.

According to Teece (1997, p. 516), organisational dynamic capabilities are “the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments”. Similarly, Eisenhardt and Martin (2000, p. 1107) underlined that organisational dynamic capabilities can be understood as “the firm's processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources – to match and even create market change”. Employees' dynamic capabilities (EDCs) concern employees in the organisation, underlining that they are also in constant motion, being prepared and ready for changes in the organisation and the environment. They also have the ability to solve problems occurring because of them. This is because EDCs determine the level of abilities “to be sensitive to changes in the environment, to adapt to changes in the environment, to proactively solve problems arising in the workplace (if they occur), and include innovations in the workplace as well as abilities for continuous personal development and learning” (Bieńkowska & Tworek, 2020). However, not only the level of EDCs is important, but also their effective influence on parameters such as job-related attitudes and then on outcome measures of the employees and the organisation as a whole.

The importance of EDCs to the functioning of contemporary organisations (especially their employees) has been characterised in a number of academic studies (Bieńkowska & Tworek, 2020; Bieńkowska, 2021; Luo & Tworek, 2022). The impact of EDCs on job-related attitudes (Bieńkowska & Tworek, 2020; Wali et al., 2023; Alwali, 2023), job performance (Bieńkowska & Tworek, 2020), and organisational performance, as well as organisational reliability (Bieńkowska et al., 2021; Wali et al., 2023; Keane et al., 2024; Wang et al., 2024) or innovation (Fallon-Byrne & Harney, 2017), has been empirically proven. It was further found that EDCs affect job performance in four stages of crisis: prodromal, acute, chronic, and resolution crisis, with a significant role of person–job fit, work motivation, job satisfaction, and work engagement in boosting such relations (Tworek et al., 2023). Hence, EDCs play a significant role in organisational performance, including under conditions of organisational crisis (Bieńkowska et al., 2021).

Therefore, the question arises of how EDCs behave among organisations in a stage of decline, moving towards the end of their activity, and how the mechanism of EDCs impacts on the job

performance of employees at this stage. There is a research gap in this area in management science. It can be assumed that the potential of employees, lying in their dynamic capabilities, does not impact job performance and other organisational results in a negative way. However, the lack of positive impact of EDCs on job performance implies a lack of utilisation of employees' capital, especially in a dynamically changing environment when change is necessary. This may be a direct contributor to the ultimate death of the organisation.

In this context, the aim of this study is to verify the EDC-based model of job performance for organizations that are in the stage of decline (moving toward organizational death), and to compare it with the model for organizations that were in various other stages of OLC. They were therefore operating without any threat to their existence. The present study will therefore be a probe to complement the state of knowledge concerning EDCs in management sciences in the area of symptoms of organizational decline and death or models of bankruptcy prediction (Altman, 1968; Holda, 2001). The phenomenon of lack of influence of EDCs on job performance should be particularly evident in a crisis environment, where the organisation faces the challenges of making decisions and operating in a high-risk, uncertain and time-critical environment.

In order to achieve the aim, the critical literature analysis was performed, and the hypothesis was then empirically verified using two different data sets. The first empirical research, conducted in one point in time among organizations from Italy, USA and Poland, in which the information about the end of life of the organization is obtained based on the declaration of the respondent. The second empirical research, conducted on the same sample of organizations operating in Italy in three points in time, in which the information about the end of life of the organization is obtained from its confirmed death. Both were compared with organizations, which declared (in the first research) or shown (in the second research) their ability to continue operations. It should also be mentioned that both studies were carried out under the conditions of an external crisis caused by a Black Swan-type phenomenon (Taleb, 2007) – i.e. during the COVID-19 pandemic, which fundamentally affected the operating conditions of the organization, i.e. the dynamics, complexity, and unpredictability of changes in the environment. All of these naturally triggered crises in organizations increased the likelihood of their death, forcing organizations to make immediate adaptive or pre-emptive changes. Not all organizations have been successful, and this has caused them to enter a stage of decline, which ended with their death, which is the focus of this study.

## 1. Literature Review

### 1.1 *Decline and death of organizations as stages accompanying organizational life cycles*

The life cycle of an organization is defined as the succession of its previous states, indicating specific differences, stimulated by a variety of internal and external forces (Machaczka 1998). OLC theories are widely used and quite schematic (Mintzberg, 1989; Lippitt & Schmidt, 1967; Greiner, 1972; Hanks, 1990; Chandler, 1962; Lester et al., 2023). Specific stages of the OLC are usually distinguished, among which three base stages appear in almost every model: birth, youth and maturity (after Lippitt & Schmidt, 1967). In various developed models, there are also other stages given. For example, Quinn and Cameron (1983) indicate the stage of entrepreneurship, collectivity, formalization and control, and creation and adjustment of structure. In some models, the decline and/or death of the organization appear (Mintzberg 1989; Miller & Friesen 1984; Adizes 1979) treated as one or two separate stages. It is interesting to note that they do not appear in all OLC models, even though the decline stage should be clearly understood one of the stages of OLC models.

However, it seems that organizational death is in itself the opposite of life, and as such it is clear that this stage is not included in OLC models. This does not change the fact that the death stage should close the life of any organization and in this context, it accompanies OLC models immanently. Perhaps one should speak of organizational life and/or death cycle models. Moreover, it is clear that OLC theories describe specific sets of criteria that allow to assess the degree of identification with a

particular stage of development, thus providing an indication for reaching the next stage or warning of emerging difficulties. There is a consensus among researchers on the validity of incorporating the assumptions of these theories into both management science and practice (Mosca et al., 2021; Tam & Gray, 2016).

Considering the decline stage of OLC itself, it should be noted that modern organizations are formed, grow and develop in an environment characterized by high complexity and high dynamics – usually known as VUCA, or more recently even BANI (Troise et al., 2022). The events occurring in the environment are also difficult to predict, so the organizations also operate under conditions of high uncertainty and even under conditions that are by definition impossible to predict (for example, the Black Swan-type phenomena noted in recent times (Taleb, 2007)). Growing adversity of external environment is a common reason for the organization to enter decline stage (Miller & Friesen, 1984). The decline stage in an organization is characterized by certain negative trends within the organization, which exacerbate problems in the organization's environment. These include, for example, a centralized structure with few control systems, not particularly sophisticated information processing (however, usually, badly needed), centralized decision making (not complex) or leaving decisions in hands of a few conservative managers (Lester et al., 2003). The indicated organizational operating conditions (internal and external) enable the occurrence of intra-organizational crises, following which the probability of lack of continuity or even organizational death increases. Especially if this is accompanied by the phenomenon of growing internal rigidity (Adizes, 1979). "For some organizations, the inability to meet the external demands of a former stage has led them to a period of decline where they experience a lack of profit and a loss of market share (Miller & Friesen, 1984)" (Lester et al., 2023, p. 343). In this context, the question arises as to how the EDCs (being the negation of organizational rigidity) influence the job performance of employees in such organizations. It is the factor, which influence is crucial for reversing the course into organizational death, as the absence of this influence may mean a lack of utilization of employees' capital especially in a dynamically changing environment, when change is necessary.

### *1.2 Lack of EDCs impact on job performance, organizational decline and death*

Both in the literature and in management practice, there is a lot of attention concerning both predictive models of bankruptcy and symptoms that indicate the possibility of organizational decline or death. The former - as part of bankruptcy theory (Schwartz, 2004) - focuses in particular on hard evidence from the area of financial parameters and is based on statistical discriminant analysis (Altman, 1968; Holda, 2001), such as – in simple terms – working capital, financial result or sales revenue. These are early warning models for business risks. The later refers to exogenous and endogenous (Holda & Strojny, 2019) causes of bankruptcy, often defined qualitatively (Rogowski, 2015). Examples of endogenous factors are the inability of organization to adapt to the changing economic environment or the inappropriate use of financial risk management instruments, thus referring to mismanagement (Szewc-Rogalska, 2014), which is in line with the statements of Slatter and Lovett (2001), who argue that virtually all causes of deteriorating organizational performance can be traced back to mismanagement. By skilfully identifying the causes, it is possible to isolate the symptoms of an organization's decline and death. The symptom is generally understood as a sign of a negative phenomenon. Symptoms not only indicate current issues but also serve as predictors of future outcomes, which is why they play a critical role in diagnosing the causes of organizational decline and in identifying strategies for bankruptcy prevention.

When analysing the causes of organizational death relating to the human resources management area, the literature highlights the importance of: lack of employee motivation (Santorelli, 2013; Kaczmarek, 2002; Swierk & Banach, 2013), poorly delegated competences, lack of employee development (Swierk & Banach, 2013), low qualifications of managers and executives (Tokarski, 2012; Prusak, 2001; Mączyńska, 2013), low adaptability to market changes (Mączyńska, 2013), or lack of commitment (Kaczmarek, 2002). In this context, it seems possible to turn towards the EDC-based



model of job performance as a concept combining the above-mentioned elements and indicating their impact (or rather lack thereof) on employees' job performance.

In this context, the lack of influence of EDCs on job performance can be seen as a key symptom of organizational decline and death. EDCs, as the abilities of employees to adapt, innovate, and respond to change, are essential for sustaining job performance in an evolving environment. When these capabilities deteriorate, it signals deeper issues within the organization, forecasting future failure if unaddressed. The phenomenon of lack of influence of EDCs on job performance should be particularly evident in a crisis environment, where the organization faces the challenges of making decisions and operating in a high-risk, uncertain and time-critical environment.

Crises, however, can also serve as catalysts for transformation, pushing organizations to adapt to external changes. For this to happen, several steps must be taken: recognizing the crisis early, diagnosing its causes and symptoms, and focusing on solving the most strategic, long-term problems (Czerska, 1996). Failure to respond quickly and appropriately leads to missed opportunities and delayed actions. This often results in the organization's inability to implement necessary changes, despite recognizing the need (Weaven et al., 2021; Gupta et al., 2024). The life-cycle models of organizations underscore the importance of constant adaptation to an evolving landscape. However, when an organization fails to leverage the dynamic capabilities of its workforce, it becomes trapped in a state of stagnation and eventual decline, which may ultimately lead to its death.

The lack of employees' dynamic capabilities positive influence on job performance can potentially lead to such organizational death (Weaven et al., 2021; Gupta et al., 2024). This issue may be compounded by the perspectives of work motivation, job satisfaction, and work engagement, crucial for EDC-based job performance model (Bieńkowska & Tworek, 2021), critical for maintaining high levels of job performance in any organization.

Organizational death usually starts with some crisis and inability to tackle these challenges by the organization. Employees may feel overwhelmed by the challenges posed by rapidly changing environment. This can lead to a decline in work motivation, as employees may perceive their inability to adapt as a personal failure. When motivation wanes, it cannot remain a bridge between a proper use of EDCs and their job performance, which typically suffers, as employees may disengage from their tasks and responsibilities (Teece et al., 1997; Amankwah-Amoah et al., 2021).

Moreover, the inability to effectively respond to challenges can lead to frustration and dissatisfaction among employees. When employees feel they lack the skills or support to navigate their roles successfully, their overall job satisfaction diminishes (Weaven et al., 2021), deteriorating the influence of EDCs on job performance through job satisfaction. This dissatisfaction can result in higher turnover rates and a lack of commitment to the organization, further destabilizing the workforce and impacting job performance, as EDCs cannot be properly used in such environment (Cortez & Johnston, 2020; Amankwah-Amoah et al., 2022). The inability to effectively utilize dynamic capabilities can further lead to frustration and loss of satisfaction among employees. When employees are unable to engage in meaningful work or see the impact of their contributions, their job satisfaction declines (Smallbone et al., 2012; Weaven et al., 2021).

Dynamic capabilities are essential for fostering employees' engagement, particularly in times of crisis (Gupta et al., 2024). Employees who feel equipped to handle challenges are more likely to be engaged in their work. Conversely, when employees lack the ability to tackle challenges even with their EDCs, their engagement levels drop, leading to a lack of initiative and creativity in problem-solving and mitigating engagement as the bridge between EDCs and job performance. This disengagement can hinder innovation and responsiveness, which are vital for organizational survival due to lack of positive influence of their EDCs on job performance (Amankwah-Amoah et al., 2021; Teece, 2007). That is because work engagement is closely tied to an employee's ability to leverage their skills and capabilities effectively. Employees who feel disconnected from their work and the organization's goals lead to a lack of initiative and a passive approach to problem-solving, which does

not allow for positive impact of EDCs on job performance (Cegarra-Leiva et al., 2012; Weaven et al., 2021).

Moreover, the absence of collaborative decision-making capabilities can disrupt team dynamics, leading to poor communication and a lack of cohesion among team members. When employees do not engage effectively with one another, it can create a toxic work environment, further diminishing motivation and satisfaction (Cortez & Johnston, 2020). This breakdown in teamwork can lead to inefficiencies and errors, further impacting work motivation, job satisfaction and work engagement and further declining their ability to act as a bridge between EDCs and job performance, ultimately affecting organization (Cortez & Johnston, 2020; Amankwah-Amoah et al., 2021). Furthermore, when some team members struggle to adapt or innovate and put their EDCs in proper use, it can create frustration among more capable colleagues, leading to conflicts and a breakdown in collaboration. This can further diminish motivation and engagement across the team, resulting in a collective decline in job performance (Teece, 2012).

Finally, employees with limited possibility to meaningfully use their dynamic capabilities may struggle to identify and seize new opportunities for growth and improvement. This inability can lead to stagnation within the organization, as employees may not feel empowered to innovate or contribute to strategic initiatives. The lack of proactive behaviour can result in missed opportunities, which can be detrimental to the organization's long-term viability (Amankwah-Amoah et al., 2022; Teece et al., 1997).

However, among organizations already in crisis, employees lack of possibility to properly use their EDCs first and foremost hinder the organization recovery efforts, leading to long-term consequences, including potential death (Mahto et al., 2022). It is supported by view in various contemporary literature sources. Doern et al. (2019) emphasize that during economic downturns, the ability of employees to utilize their skills and capabilities is crucial for survival. A lack of effective use of these capabilities can hinder recovery efforts and lead to organizational decline. Cegarra-Leiva et al. (2012) highlight that organizations that fail to harness their employees' dynamic capabilities during crises may face significant challenges in recovery, which can ultimately threaten their long-term viability. It remains in line with authors contributing to the development of dynamic capabilities perspective, as Winter (2003) notes that understanding and effectively deploying dynamic capabilities is critical for organizations facing crises. A failure to do so can result in missed opportunities for recovery and adaptation, leading to long-term detrimental effects.

Therefore, it seems that the following hypothesis may be proposed:

*H: EDCs are not influencing job performance through work motivation, job satisfaction and work engagement in organizations preceding their death.*

## 2. Methodology

Two types of research were conducted in order to verify the hypotheses. The first one, conducted in one point in time among organizations from Italy, USA and Poland, in which the information about the end of life of the organization is obtained based on the declaration of the respondent. The second one, conducted on the same sample of organizations operating in Italy in three points in time, in which the information about the end of life of the organization is obtained from its confirmed death.

### 2.1 First research – sample and methodology

The study took place in February 2021, during the ongoing stage of the COVID-19 pandemic and was financed from NCN OPUS project 2020/37/B/HS4/00130 titled “Development of the Job Performance model based on EDC for various phases of crisis in organization”. It was a point in time when many countries were experiencing a new wave of COVID-19, driven by emerging variants of the virus. This period was marked by fluctuating case numbers, the introduction of vaccination programs, and varying levels of restrictions across different regions, which was causing crisis to

emerge in organizations and not all of them were able to maintain their continuity. It was conducted using the Computer-Assisted Web Interview (CAWI) method among managers of organizations. The sample consisted of 1197 organizations from Poland, Italy, and the USA. In order to verify the hypotheses, the sample will be divided into two groups: (1) organizations declaring ability to continue their operations and (2) organizations declaring lack of ability to continue their operations. Table 1 shows the division among them, showing how many organizations declared the ability to continue operations and how many organizations declared lack of ability to continue operations.

**Table 1.** Sample of organizations included in first research.

| country | declared ability to continue operations |           |           |           |           | declared lack of ability to continue operations |
|---------|-----------------------------------------|-----------|-----------|-----------|-----------|-------------------------------------------------|
|         | not in crisis                           | 1st stage | 2nd stage | 3rd stage | 4th stage |                                                 |
| Poland  | 81                                      | 75        | 124       | 121       | 25        | 27                                              |
| USA     | 70                                      | 120       | 212       | 85        | 14        | 49                                              |
| Italy   | 72                                      | 94        | 44        | 17        | 6         | 18                                              |
| Total   | 223                                     | 338       | 377       | 127       | 38        | 94                                              |

Source: own work.

## 2.2 Second research – samples and methodology

Research was conducted in three stages, in order to verify the hypotheses concerning organizations, which died.

### *Stage 1: Early Pandemic – March 2020*

The first stage of the study was conducted during the early stage of the COVID-19 pandemic, specifically in the week of March 18–22, 2020. This period marked the onset of the pandemic in Italy, where the country was grappling with an exponential rise in COVID-19 cases, surpassing 40,000, and a death toll exceeding 4,000. This was the initial wave of the pandemic, characterized by the sudden implementation of strict lockdown measures and the forced transition to remote work for many organizations. This stage aimed to assess how these organizations were adapting to the abrupt and severe changes, providing a unique opportunity to evaluate organizational resilience in a crisis. It was conducted using the Computer-Assisted Web Interview (CAWI) method among managers of organizations. The sample consisted of 115 organizations of varying sizes and operational durations:

- Micro (below 10 people): 19 organizations
- Small (11–50 people): 27 organizations
- Medium (51–250 people): 36 organizations
- Large (above 250 people): 33 organizations

The surveyed organizations included those that had been operational for less than a year to those with more than 10 years of operation, offering a broad perspective on how organizations at different stages of development responded to the crisis during the early stage of the pandemic.

### *Stage 2: Post-Initial Wave – October 2020*

The second stage of the study took place in October 2020, following the initial wave of the COVID-19 pandemic and during a period where many countries, including Italy, were dealing with the aftermath of the first wave of the pandemic and preparing for potential subsequent waves. This stage involved a more extensive survey conducted in Italy, a time when organizations were adapting to a "new normal" with ongoing restrictions and a heightened awareness of the pandemic's long-term impact and provided insights into how organizations were navigating the continued challenges posed by the pandemic after the initial shock had subsided. It was conducted using the Computer-Assisted Web Interview (CAWI) method among managers of organizations.

The sample consisted of 378 organizations from Poland (not included in this study) and 115 same organizations from Italy. Out of 115 organization, 99 responded, and 16 were unable to respond because they stopped their operations between 1st and 2nd stage of the study.

#### *Stage 3: Ongoing Pandemic – February 2021*

The third stage of the study took place in February 2021, during the ongoing stage of the COVID-19 pandemic. By this time, many countries were experiencing a new wave of COVID-19, driven by emerging variants of the virus. This period was marked by fluctuating case numbers, the introduction of vaccination programs, and varying levels of restrictions across different regions. The study considered this period as a critical stage where organizations were dealing with prolonged crisis conditions and was focusing on how organizations were managing during this prolonged crisis period. It was conducted using the Computer-Assisted Web Interview (CAWI) method among managers of organizations.

The sample consisted of 1197 organizations from Poland (453), Italy (251), and the USA (550) (not all included in this study). Among them, the same 115 organizations from Italy were once again surveyed. Out of 115 organization, 91 responded, 16 which have not responded during 2nd stage have still remained un-operational, and additional 8 have not responded because they stopped their operations between 2nd and 3rd stage of the study.

**Table 2.** Size and time of operation of organizations included in the sample of second research.

| Organization Size        | Time of Operations |              |               |                    | Total |
|--------------------------|--------------------|--------------|---------------|--------------------|-------|
|                          | Less Than a Year   | 1 to 5 Years | 5 to 10 Years | More Than 10 Years |       |
| Micro (below 10 people)  | 6                  | 5            | 4             | 4                  | 19    |
| Small (11–50 people)     | 4                  | 15           | 7             | 1                  | 27    |
| Medium (51–250 people)   | 1                  | 8            | 20            | 7                  | 36    |
| Large (above 250 people) | 2                  | 4            | 14            | 13                 | 33    |
| Total                    | 13                 | 32           | 45            | 25                 | 115   |

Source: own work.

In order to verify the hypotheses, the sample will be divided into three groups: (1) organizations continuing their operations, (2) organizations, which stopped their operations between 1st and 2nd stage of study and (3) organizations, which stopped their operations between 2nd and 3rd stage of study.

#### *2.3 Variables selection*

The study utilized multiple variables, each measured using established scales to assess various aspects of employee attitudes and behaviours in each stage of the study. Below is a description of these variables and the corresponding measurement methods:

Employee Dynamic Capabilities were assessed through four dimensions: sensitivity to changes in the environment, ability to adapt to changes in the environment, ability to solve problems in the workplace (including innovation), and the ability for continuous personal development. These dimensions were measured using a 5-point Likert scale, allowing respondents to indicate the degree to which they agreed with statements related to these capabilities (Bieńkowska & Tworek, 2020).

Person-Job Fit was measured using a scale developed from the research of Saks and Ashforth (1997). The first stage scale consisted of one item and final scale consisted of three items, each using a 5-point Likert scale, assessing how well employees perceived their job to fit their personal attributes and skills.

Work Motivation was measured based on the conceptual framework provided by Hackman and Oldham (1974). The first stage scale consisted of one item and final scale consisted of three items, also using a 5-point Likert scale, designed to gauge the level of intrinsic motivation employees experienced in their roles.



Job Satisfaction was measured at a global level, without reference to specific facets of the job, following the approach of Judge, Boudreau, and Bretz (1994). This variable was assessed using a revised version of the Job Diagnostic Survey, which included one item during first stage scale and three items using a 5-point Likert scale in final scale, focusing on the overall satisfaction and general feelings towards the job.

Work Engagement was conceptualized based on the assumption that engaged employees feel an energetic and effective connection to their work, perceiving themselves as capable of meeting job demands (Schaufeli & Bakker, 2004). The scale in first stage consisted of one item and in final scale consisted of three items using a 5-point Likert scale.

Job Performance was assessed across four aspects: task proficiency, task meticulousness, work discipline, and work improvement & readiness for innovation. The scale, based on the works of Kwahk and Park (2018), included four items measured on a 5-point Likert scale, providing a comprehensive evaluation of employees' performance.

The detailed analysis of measurement scale, confirming their fit is given in Table 3 for the first research and in Table 4 for the second research, showing that alpha Cronbach remains within the optimal limits, and exploratory factor analysis shows that AVE values also remain high enough (additionally, all factor loadings remain above 0,7).

**Table 3.** Variables overview – first research.

| Stage<br>Variable         | Items | Stage 2 |       |
|---------------------------|-------|---------|-------|
|                           |       | CA      | AVE   |
| Satisfaction (Satisf)     | 3     | 0,630   | 0,576 |
| Motivation (Motiv)        | 3     | 0,714   | 0,637 |
| Work engagement (WrkEng)  | 3     | 0,714   | 0,636 |
| Job performance (JobPerf) | 4     | 0,753   | 0,577 |
| Person – job fit (PJfit)  | 3     | 0,585   | 0,547 |
| EDC (EDC)                 | 8     | 0,843   | 0,478 |

Source: own work.

**Table 4.** Variables overview – second research.

| Stage<br>Variable         | Stage 1 |       |       | Stage 2 |       |       | Stage 3 |       |       |
|---------------------------|---------|-------|-------|---------|-------|-------|---------|-------|-------|
|                           | Items   | CA    | AVE   | Items   | CA    | AVE   | Items   | CA    | AVE   |
| Satisfaction (Satisf)     | 1       | --    | --    | 3       | 0,630 | 0,576 | 3       | 0,594 | 0,711 |
| Motivation (Motiv)        | 1       | --    | --    | 3       | 0,714 | 0,637 | 3       | 0,639 | 0,581 |
| Work engagement (WrkEng)  | 1       | --    | --    | 3       | 0,714 | 0,636 | 3       | 0,666 | 0,599 |
| Job performance (JobPerf) | 4       | 0,909 | 0,677 | 4       | 0,753 | 0,577 | 4       | 0,812 | 0,474 |
| Person – job fit (PJfit)  | 1       | --    | --    | 3       | 0,585 | 0,547 | 3       | 0,785 | 0,621 |
| EDC (EDC)                 | 4       | 0,853 | 0,563 | 8       | 0,843 | 0,478 | 8       | 0,821 | 0,543 |

Source: own work.

### 3. Research Results

#### 3.1 First research – research results

Multigroup path analysis was performed using IBM SPSS AMOS and the well-fitted and statistically significant model was created. The fit of the model was measured. It was assessed with TLI and CFI (sufficient values above 0,8) and RMSEA (sufficient values below 0,2). The obtained model was statistically significant and well-fitted:  $\chi^2(91) = 953,663$ ;  $p = 0,001$ ;  $CFI = 0,836$ ,  $TLI = 0,922$ ;  $RMSEA = 0,088$ . Hence, it can be established that comparative fit index and Tucker-Lewis index are sufficient to form conclusions based on the obtained model and the RMSEA show a very good fit in the model, showing the more than satisfactory level of badness of the model. The overview of the regression weights established for obtained model for each group of organizations are presented in Tables 5 and 6.

**Table 5.** Regression weights for organizations declaring ability to continue operations.

| Declared ability to continue operations |      |        | Estimate | S.E.  | C.R.   | P      |
|-----------------------------------------|------|--------|----------|-------|--------|--------|
| PJfit                                   | <--- | EDC    | 0.644    | 0.041 | 15,642 | <0.001 |
| WrkEng                                  | <--- | PJfit  | 0.629    | 0.054 | 11,560 | <0.001 |
| Motiv                                   | <--- | PJfit  | 0.684    | 0.052 | 13,234 | <0.001 |
| Satisf                                  | <--- | PJfit  | 0.575    | 0.048 | 11,922 | <0.001 |
| JobPerf                                 | <--- | WrkEng | 0.152    | 0.037 | 4,153  | <0.001 |
| JobPerf                                 | <--- | Motiv  | 0.230    | 0.037 | 6,179  | <0.001 |
| JobPerf                                 | <--- | Satisf | 0,124    | 0.041 | 3,023  | 0.003  |

Note: S.E. – standard error, C.R. – critical ratio, p – probability ratio.

Source: own work.

**Table 6.** Regression weights for organizations declaring lack of ability to continue operations.

| Declared lack of ability to continue operations |      |        | Estimate | S.E.  | C.R.  | P      |
|-------------------------------------------------|------|--------|----------|-------|-------|--------|
| PJfit                                           | <--- | EDC    | 0.850    | 0.133 | 6,405 | <0.001 |
| WrkEng                                          | <--- | PJfit  | 0.637    | 0.130 | 4,881 | <0.001 |
| Motiv                                           | <--- | PJfit  | 0.591    | 0.120 | 4,938 | <0.001 |
| Satisf                                          | <--- | PJfit  | 0.600    | 0.133 | 4,524 | <0.001 |
| JobPerf                                         | <--- | WrkEng | 0.239    | 0.137 | 1,744 | 0.081  |
| JobPerf                                         | <--- | Motiv  | 0.225    | 0.148 | 1,520 | 0.129  |
| JobPerf                                         | <--- | Satisf | 0.038    | 0.136 | 0,278 | 0.781  |

Note: S.E. – standard error, C.R. – critical ratio, p – probability ratio.

Source: own work.

The obtained results of first research, in which the continuity of operations (or lack of it) was a declaration, confirm the initial assumptions. Organizations continuing their operations clearly show that there is an influence of EDC on job performance, mediated by P-J fit, work engagement and work motivation. However, organizations, which were not continuing their operations show lack of such influence, as the relation between all variables and job performance within the model are not statistically significant. Hence, the results from first research allow to accept the proposed hypothesis: EDCs are not influencing job performance through work motivation, job satisfaction and work engagement in organizations preceding their death.

### 3.2 Second research – research results

In case of second research, two sets of multigroup path analysis were performed using IBM SPSS AMOS. First set for organizations in 2nd stage of research and second set for organizations in 3rd stage of research. For organizations in 2nd stage of research, the well-fitted and statistically significant model was created. The obtained model was statistically significant and well-fitted: Chi2 (8) = 33,034; p = 0,001; CFI = 0,926 (TLI = 0,930); RMSEA = 0,073. Hence, it can be established that comparative fit index, Tucker-Lewis index and RMSEA are sufficient to form conclusions based on the obtained model. The overview of the regression weights established for obtained model for each group of organizations (continuing operations in 2nd stage of research and discontinuing operations in 2nd stage of research) are presented in table 7 and 8.

**Table 7.** Regression weights for organizations continuing operations in 2nd stage.

| Declared lack of ability to continue operations |      |        | Estimate | S.E.  | C.R.   | P      |
|-------------------------------------------------|------|--------|----------|-------|--------|--------|
| PJfit                                           | <--- | EDC    | 0.950    | 0.143 | 9,765  | <0.001 |
| WrkEng                                          | <--- | PJfit  | 0.630    | 0.098 | 6,457  | <0.001 |
| Motiv                                           | <--- | PJfit  | 0.613    | 0.053 | 11,543 | <0.001 |
| Satisf                                          | <--- | PJfit  | 0.622    | 0.059 | 10,503 | <0.001 |
| JobPerf                                         | <--- | WrkEng | 0.220    | 0.086 | 2,562  | 0.01   |
| JobPerf                                         | <--- | Motiv  | 0.543    | 0.136 | 3,983  | <0.001 |
| JobPerf                                         | <--- | Satisf | 0.022    | 0.130 | 0,172  | 0.864  |

\*S.E. – standard error, C.R. – critical ratio, p – probability ratio

Source: own work.

**Table 8.** Regression weights for organizations discontinuing operations in 2nd stage.

| Declared ability to continue operations |      |        | Estimate | S.E.  | C.R.   | P      |
|-----------------------------------------|------|--------|----------|-------|--------|--------|
| PJfit                                   | <--- | EDC    | 0.644    | 0.051 | 8.742  | <0.001 |
| WrkEng                                  | <--- | PJfit  | 0.765    | 0.099 | 7.715  | <0.001 |
| Motiv                                   | <--- | PJfit  | 0.717    | 0.051 | 14.096 | <0.001 |
| Satisf                                  | <--- | PJfit  | 0.801    | 0.047 | 16.918 | <0.001 |
| JobPerf                                 | <--- | WrkEng | 0.549    | 0.540 | 1.016  | 0.309  |
| JobPerf                                 | <--- | Motiv  | 0.636    | 0.930 | 0.684  | 0.494  |
| JobPerf                                 | <--- | Satisf | 1.446    | 0.854 | 1.692  | 0.091  |

Note: S.E. – standard error, C.R. – critical ratio, p – probability ratio.

Source: own work.

For organizations in 3rd stage of research, the well-fitted and statistically significant model was created. The obtained model was statistically significant and well-fitted: Chi2 (8) = 33,034; p = 0,001; CFI = 0,929 (TLI = 0,923); RMSEA = 0,108. Hence, it can be established that comparative fit index, Tucker-Lewis index and RMSEA are sufficient to form conclusions based on the obtained model. The overview of the regression weights established for obtained model for each group of organizations (continuing operations in 3rd stage of research and discontinuing operations in 3rd stage of research) are presented in table 9 and 10.

**Table 9.** Regression weights for organizations continuing operations in 3rd stage.

| Declared lack of ability to continue operations |      |        | Estimate | S.E.  | C.R.  | P      |
|-------------------------------------------------|------|--------|----------|-------|-------|--------|
| PJfit                                           | <--- | EDC    | 0.933    | 0.076 | 9.607 | <0.001 |
| WrkEng                                          | <--- | PJfit  | 0.639    | 0.109 | 5.872 | <0.001 |
| Motiv                                           | <--- | PJfit  | 0.854    | 0.092 | 9.260 | <0.001 |
| Satisf                                          | <--- | PJfit  | 0.562    | 0.121 | 4.645 | <0.001 |
| JobPerf                                         | <--- | WrkEng | 0.185    | 0.076 | 2.434 | <0.001 |
| JobPerf                                         | <--- | Motiv  | 0.472    | 0.077 | 6.114 | <0.001 |
| JobPerf                                         | <--- | Satisf | 0.086    | 0.071 | 1.217 | 0,015  |

Note: S.E. – standard error, C.R. – critical ratio, p – probability ratio.

Source: own work.

**Table 10.** Regression weights for organizations discontinuing operations in 3rd stage.

| Declared lack of ability to continue operations |      |        | Estimate | S.E.  | C.R.   | P      |
|-------------------------------------------------|------|--------|----------|-------|--------|--------|
| PJfit                                           | <--- | EDC    | 0.540    | 0.091 | 5.403  | <0.001 |
| WrkEng                                          | <--- | PJfit  | 0.685    | 0.456 | 1.502  | 0.133  |
| Motiv                                           | <--- | PJfit  | 0.999    | 0.105 | 9.496  | <0.001 |
| Satisf                                          | <--- | PJfit  | 0.169    | 0.282 | 4.153  | <0.001 |
| JobPerf                                         | <--- | WrkEng | -0.014   | 0.191 | -0.075 | 0.083  |
| JobPerf                                         | <--- | Motiv  | 0.816    | 0.402 | 2.028  | 0.940  |
| JobPerf                                         | <--- | Satisf | 0.005    | 0.288 | 0.019  | 0.985  |

Note: S.E. – standard error, C.R. – critical ratio, p – probability ratio.

Source: own work.

Therefore, the obtained results of second research confirm the results obtained from first research. However, in this case, the continuity of operations (or lack of it) was not a declaration, but an observed fact. In case of organizations from 2nd stage of research, those continuing their operations clearly show that there is an influence of EDC on job performance, mediated by P-J fit, work engagement and work motivation. However, those organizations, which were not continuing their operations show lack of such influence, as the relation between all variables and job performance within the model are not statistically significant. Similar results are obtained for organizations from 3rd stage of research. Those continuing their operations clearly show that there is an influence of EDC on job performance, mediated by P-J fit, work engagement, work motivation and job satisfaction. Once again, those organizations, which were not continuing their operations show lack of such influence,

as the relation between all variables and job performance within the model are not statistically significant. Hence, the results from second research also allow to accept the proposed hypothesis: EDCs are not influencing job performance through work motivation, job satisfaction and work engagement in organizations preceding their death.

#### 4. Discussion

The proposed research provides significant insights into the EDCs role within the framework of the OLC literature, offering a new and fresh perspective on the decline and eventual death of organizations in the context of predictive models of bankruptcy and symptoms of organizational demise or death, among which a significant role is played by those related to the broader field of human resources management and the adaptation of employees and the organization to changes in the environment. While prior research has emphasized the importance of dynamic capabilities at the organizational level (Teece, 1997; Eisenhardt & Martin, 2000), this study highlights a critical gap in understanding the role of EDCs (as the dynamic capabilities of employees themselves, not organization as a whole) during the organization decline, aimed at its death, particularly in organizations facing existential threats. It was assumed that the crisis in which the organizations under study found themselves, being a Black Swan-type phenomenon (Taleb, 2007), allowing the phenomena under analysis to be precisely observed. The findings of this study make a notable contribution to the literature by identifying the lack of EDCs' influence on job performance as a critical indicator of organizational death.

Previous studies (Bieńkowska & Tworek, 2020) have shown that EDCs positively impact job performance by enhancing employees' adaptability, problem-solving capabilities, and innovation. However, this research demonstrates that when the influence of EDCs on job performance ceases to exist – specifically through the key mediators such as work motivation, job satisfaction, and work engagement – the organization is likely approaching its demise, and it may be one of the reasons for its death.

This was confirmed by the results of an empirical study in which, among organizations that declared their ability to continue in business, EDCs had a clear and statistically significant positive impact on job performance, mediated by variables such as work motivation, job satisfaction and work engagement. Conversely, in organizations that were unable to continue their operations or were in the final moments of decline, the relationship between EDCs and job performance was not statistically significant. This lack of impact highlights a critical failure to realize the potential of employees, reinforcing the view that when EDCs no longer contribute to performance outcomes, it signals an organization's inability to adapt and survive in a changing environment. Data from both empirical studies - those using self-reported operational capability and those using confirmed organizational death - strongly support the theoretical framework that the lack of impact of EDCs on performance outcomes is a reliable predictor of organizational death. The results support this study's contribution to the OLC literature by empirically demonstrating that the lack of EDC use during organizational demise is a critical symptom of impending organizational death.

The absence of EDCs' impact signifies not merely a low level of dynamic capabilities but, more critically, a disconnect between employees' abilities and the organizational outcomes needed for its survival, showing lack of ability to properly use employees as the main resource of the organization. This disconnect, as the results suggest, is a symptom of deeper organizational stagnation that often precedes organizational death. This challenges the traditional view that organizations can rely solely on organizational dynamic capabilities to adapt to environmental changes (Salvato & Vassolo, 2018), emphasizing that the mere presence of EDCs is insufficient if they do not translate into tangible performance outcomes.

Moreover, the study extends the OLC literature by positioning the lack of EDCs influence on job performance as a critical symptom of organizational death, which complements existing models of organizational decline (Mintzberg, 1989; Miller & Friesen, 1984; Mosca et al., 2021). While decline

has long been recognized as a stage of OLC, the findings suggest that the absence of EDCs' influence on job performance serves as an early warning signal that organizations are failing to harness their most valuable asset – employees' capabilities. In environments characterized by volatility and uncertainty, organizations that cannot leverage EDCs to maintain performance are likely to face imminent failure.

Hence, this research significantly contributes to the literature by framing the lack of EDCs' influence on job performance as a leading indicator of organizational death. It provides a valuable lens for understanding how organizations in decline fail to utilize their employees' dynamic capabilities, which ultimately accelerates their collapse. Future research can build on this study by exploring interventions that could restore the influence of EDCs in declining organizations, potentially offering pathways for recovery and organizational renewal.

## Conclusions

This study makes a significant contribution to the OLC literature by identifying the lack of EDCs influence on job performance as a critical indicator of organizational death. It extends existing research by empirically demonstrating that when EDCs fail to impact job performance during the decline stage, it signals a deeper organizational inability to adapt, ultimately leading to failure. This study adds to the understanding of EDCs' role not only in organizational survival but also in predicting the end of an organization's life cycle, offering a new lens for analysing organizational decline.

While this study provides valuable insights into the relationship between EDCs and organizational decline, several limitations should be acknowledged. First, the research primarily focuses on organizations from three countries (Italy, Poland, and the USA) and during a specific external crisis (the COVID-19 pandemic). As such, the findings may not be fully generalizable to organizations operating in different cultural contexts or under different external pressures. Second, the study relies on self-reported data for the first stage of research, which may introduce bias due to respondents' subjective views on their organization's ability to survive. The second stage of research, though more objective, still does not capture real-time organizational behaviours, as it was conducted at set intervals. This may limit the ability to observe rapid changes in EDCs utilization or the exact moment an organization moves from decline to death.

Future research should aim to address these limitations by broadening the scope to a more diverse set of organizations, both geographically and by industry. Comparative studies in different cultural and economic settings would help to verify the results and assess whether the relationship between EDCs and organizational death persists in different contexts. In addition, longitudinal studies involving real-time data on organizational decline and death could provide deeper insights into the dynamics of EDC over time and how organizations attempt to reverse the decline stage.

Further research could also explore the role of external variables, such as leadership effectiveness, market competition or technological innovation, as moderators in the relationship between EDC and organizational performance. Investigating whether certain leadership strategies or structural adaptations can restore the positive impact of EDC in failing organizations could offer practical solutions for companies facing such crises. Finally, integrating a more comprehensive approach that explores the direct relationship between EDCs and broader organizational performance, including financial performance, market share and long-term profitability, would provide a more holistic view of how dynamic capabilities operate across the organizational lifecycle.

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