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Corporate Life Cycle as a Tool to Solve Technological Unemployment just as to Lift out of Poverty

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Abstract

This article has to find out connections between the technological unemployment and the corporate life cycle and also to prove, that the technological unemployment is not just a threat, but also a tool to lift out of poverty. The companies in the phase of growth or stabilisation should substitute the labour with machines, but they should prevent going the dismissed employees out to competitors, that are in the phases of foundation and decline. Keeping these people in the companies during phases of growth and stabilisation is possible after previous cooperation with multilevel marketing companies, or issuing employee shares.

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Keywords: automation of production; corporate life cycle; innovations; investments; labour; market share; routine operations; sales growth; technological unemployment

1. Introduction

The technological unemployment is an actual problem for more than 200 years. Till the 18th century, the people either worked in manufacturies, or they made one´s living by doing their small business. The most dominant sectors were agriculture, crafts and trade. The first factories, where the machines were used at the production, were based in the late 18th century. But shortly after that, in the early 19th century, the employees thought that machines steal them their job and the machines are the cause of their poverty. So there was formed activistic group of textile workers called Luddites, who tried to smash all these machines. But this solution of technological unemployment was proven to be

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as very bad and it is nowadays called as Luddite fallacy, because the only effect was a high damage on the smashed machines. There were put also some more reasonable suggestions, as mentioned in the next chapter, to solve the technological unemployment, but this economic phenomenon still occurs and it will be even more serious.

There is evident, that the automation of production is suitable for routine operations, that are done periodically especially by low skilled employees. On the contrary, the middle and high skilled workers implement the more creative operations just as innovations. These human activities either cannot be substituted by machines at all, or they can be substituted at the moment, when they are becoming routine.

The automation of production is related very close to the corporate life cycle. Buying machines is a large investment for the company and it is connected with risk. So the company should implement this investment, when there was already reached a high market share and simultaneously the sales are stable or growing. Furthermore, the innovations are necessary especially in the earliest and latest phases of the corporate life cycle. In the phase of foundation the company is not time-proven from the side of potential customers and so the only way to obtain a market share and to raise the sales is to offer a new or better product compared to competitors. This recommendation is valid also for the company in the phase of decline, because if the company wants to start up a new corporate life cycle, then the innovation of products is necessary, too.

So the potential employees can find the job mostly in such companies, that are either in the phase of foundation, or decline, because in these companies they are needed the most. And there is well known, that the dismissed workers are trying to find a similar job, that means a job in the same sector or market. And the situation, when all the companies are in the phase of growth and stabilisation, cannot occur in any sectors or markets. So the companies in the phases of growth and stabilisation substitute the labour with machines and the dismissed workers can go over to the competitors, that are in the phases of foundation or decline. Nevertheless, the companies, who automatize their production, should prevent this effect anyhow, which would consist in promotion of competitors indirectly. Putting a solution to this problem is the main aim of this article.

2. Theoretical background

There are described the most important findings about the corporate life cycle. The emphasis is put especially on the innovativeness and personal management during the corporate life cycle. There are briefly presented also some suggested recommendations to solve the technological unemployment.

2.1. Corporate life cycle

Each company goes through its life cycle, which is analogous to all living organisms. But in the case of the company, the lengths of phases are not set strictly and there is possible to start up a new life cycle, so the corporate life cycles can be repeated. There were suggested some tens of models of the corporate life cycle and each of them uses different number and different names of phases. In this article, there will be mostly used the classification by Reiners (2004), who distinguishes four phases in total, namely foundation, growth, stabilisation and decline. Authors Lester and Parnell (2008), who used their own model of the corporate life cycle for the research, found out, that in the phases of existence and decline the companies are mostly small, whilst in the phases of success and revival mostly big companies are situated. Both small and big companies can switch to the phase of survival.

According to Jawahar and Mclaughlin (2001) the company puts during its life cycle a different importance to individual stakeholders. In the phase of foundation and decline the interest of shareholders, creditors and customers is the priority for the company. On the contrary, in the phases of growth and mature the company tries to satisfy the requirements and expectations of its employees. According to Chawla, Pullig and Alexander (1997) the knowledge and abilities of company´s owners and trends in industry are the critical success factors during early phases of the corporate life cycle. This finding is valid especially for manufacturing companies. In later phases of the life cycle the knowledge about the market is the decisive factor for the success. That is more important for retailing companies than for manufacturing companies in the same phase. Liao (2008) mentions, that in every phase of the life cycle the companies use a different strategy, according to the Porter´s generic strategies, which is derived from their competitive advantage. The companies in the phase of foundation choose mostly the differentiation strategy, in the phase of growth the strategy of cost minimization, in the phase of stabilisation the focus strategy of cost minimization and in the phase