



## LECTURE 4

# ORGANIZATIONAL ENVIRONMENT

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# LEARNING OUTCOMES

**On successful completion of this lesson, the learner will be able to:**

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- LO1:** Explain the nature of an organizational environment.
- LO2:** Differentiate between internal, task, general organizational environments and organizational eco system.
- LO3:** Describe various dimensions of internal and external organizational environments.
- LO4:** Describe the Organization-Environment relationship.
- LO5:** Discuss different tools and techniques for environmental analysis.



# WHAT IS AN ORGANIZATIONAL ENVIRONMENT?

An **organizational environment** is:

- The elements, forces or institutions that affect performance, operations, and resources of an organization.

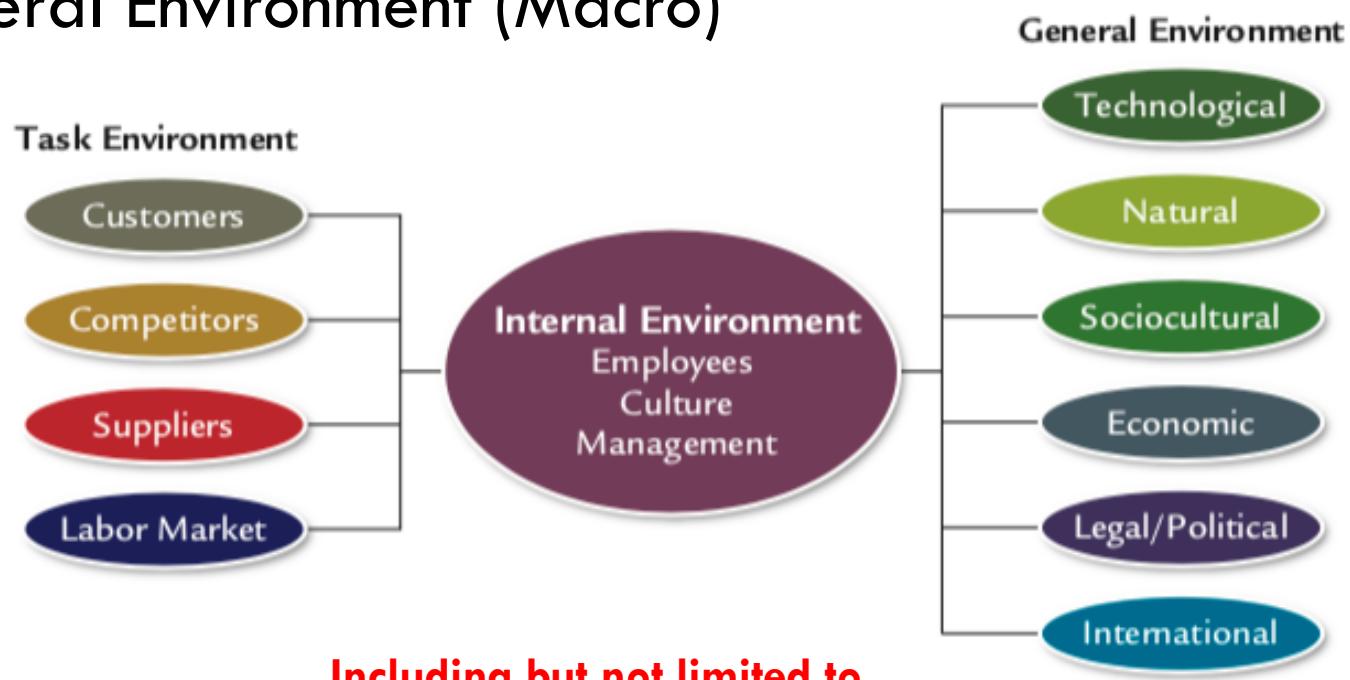




# TYPES OF BUSINESS ENVIRONMENT

A business environment can be classified into:

- Internal Environment
- Task Environment (Micro)
- General Environment (Macro)





# THE INTERNAL & EXTERNAL ENVIRONMENTS

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**A business environment can be broadly classified into 2:**

- **INTERNAL ENVIRONMENT:** All elements within the organization's boundaries.
- **Task Environment**

The sectors that conduct day-to-day transactions with the organization and directly influence its basic operations and performance.
- **General Environment**

Forces that indirectly influence all organizations within an industry.



## **EXTERNAL ENVIRONMENT**

All elements existing outside the boundary of the organization that have the potential to affect the organization.

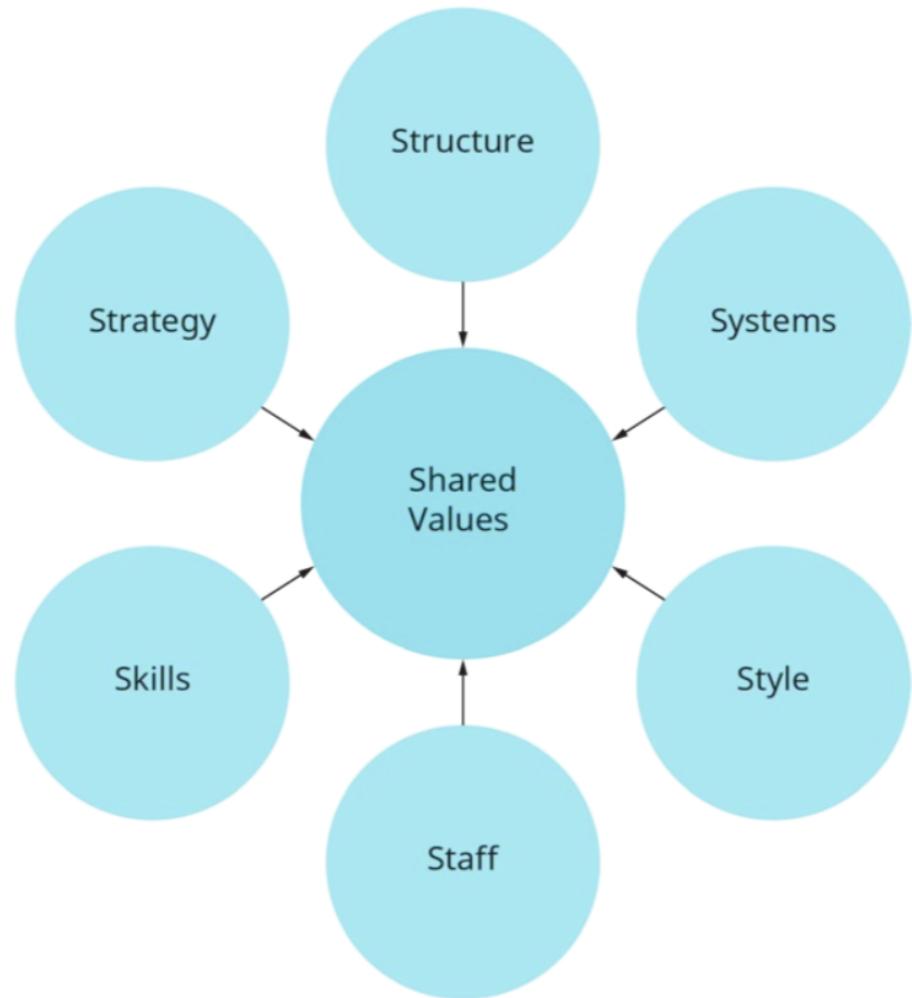


# INTERNAL ENVIRONMENTAL DIMENSIONS

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## McKinsey 7-S model

All revolve around and are interconnected with *shared values* (or culture) in an organization.





# ORGANIZATIONAL CULTURE (1)

- **Clan culture:** an internal focus with a flexibility orientation
- **Adhocracy culture:** an external focus with a flexibility orientation
- **Hierarchy culture:** internal focus with a stability/control orientation
- **Market culture:** an external focus with a stability/control orientation.





# ORGANIZATIONAL CULTURE (2)

- **Adaptability culture:** fast responses and high-risk decision making.
- **Achievement culture:** specific customers, no intense need for rapid change.
- **Involvement culture:** participation of employees to adapt to environmental needs.
- **Consistency culture:** methodical, rational, and orderly way of doing things.



Richard L. Daft (2021, P. 94) <sup>8</sup>



# ORGANIZATIONAL DESIGNS & STRUCTURES

Organizational designs & structures can be broadly categorized in to two:

## Mechanistic

Stable, low uncertainty environment

Top-down hierarchy

Narrow span of control

Specialized tasks

Formal rules

Vertical communication

Structured decision-making

## Organic

Unstable, high uncertainty environment

Less rigid, horizontal organization

Flexible, few rules

Two-way communication

Participatory decision-making

Generalized shared tasks

Wide span of control



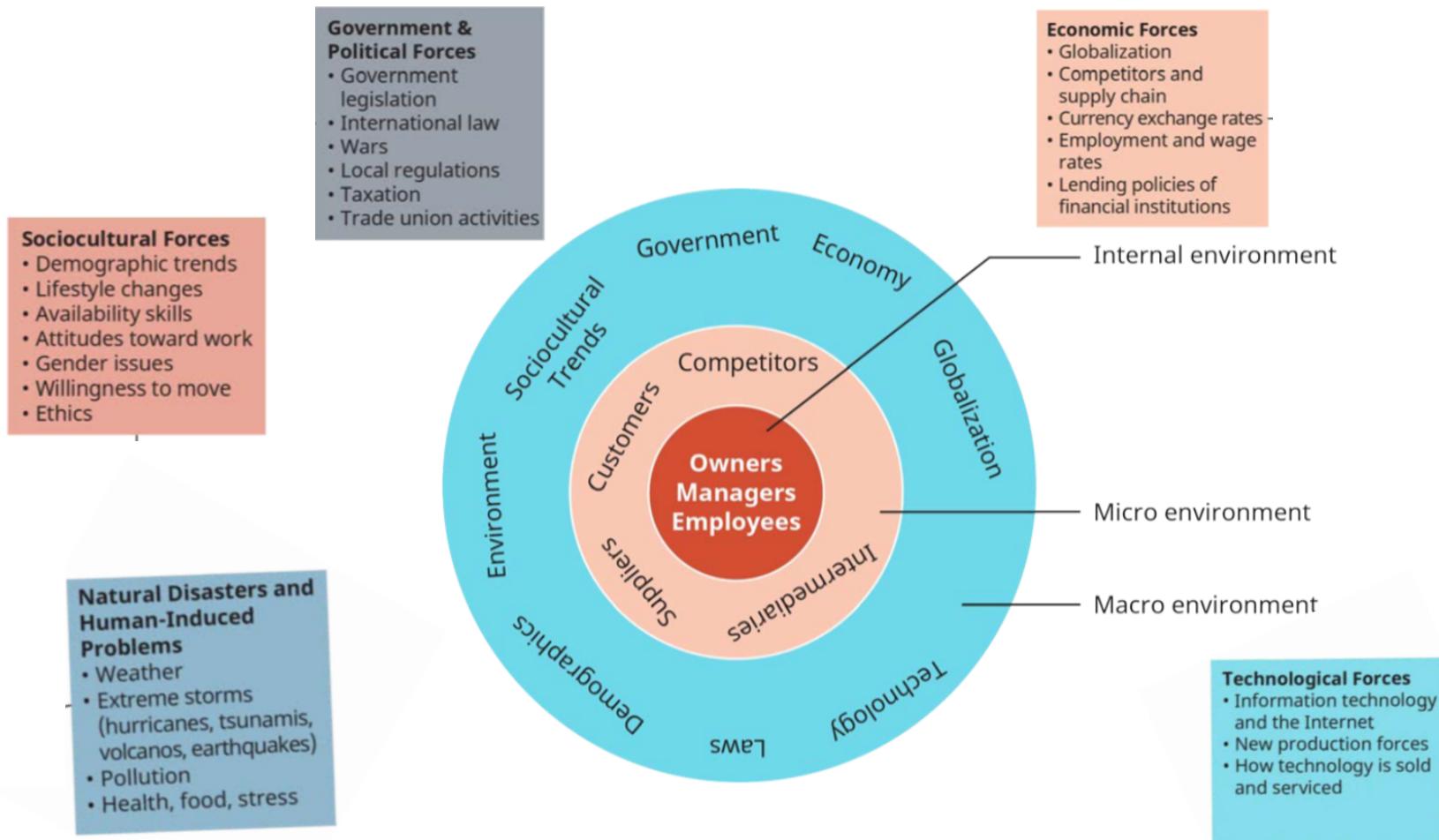
# EVOLUTION OF ORGANIZATIONAL STRUCTURES

Type of Structures	Era 1 Mid-1800s to late 1970s	Era 2 1960s to 1980s	Era 3 Mid-1990s to present	Organic Systems
Mechanistic Systems	1 Functional Structure 2 Divisional Structure	3 Geographic Structure 4 Matrix Structure	5 Vertical Team Structure 6 Virtual Structure	

**What are the major causes behind the evolution of organizational structures?**



# MICRO & MACRO ENVIRONMENTAL DIMENSIONS





# AN ORGANIZATIONAL ECOSYSTEM

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- A system formed by the interactions among a community of organizations in the environment.
- It includes organizations in all the sectors of the task and general environments that provide the resource and information transactions, flows, and linkages necessary for an organization to thrive.
- Apple's Ecosystem:

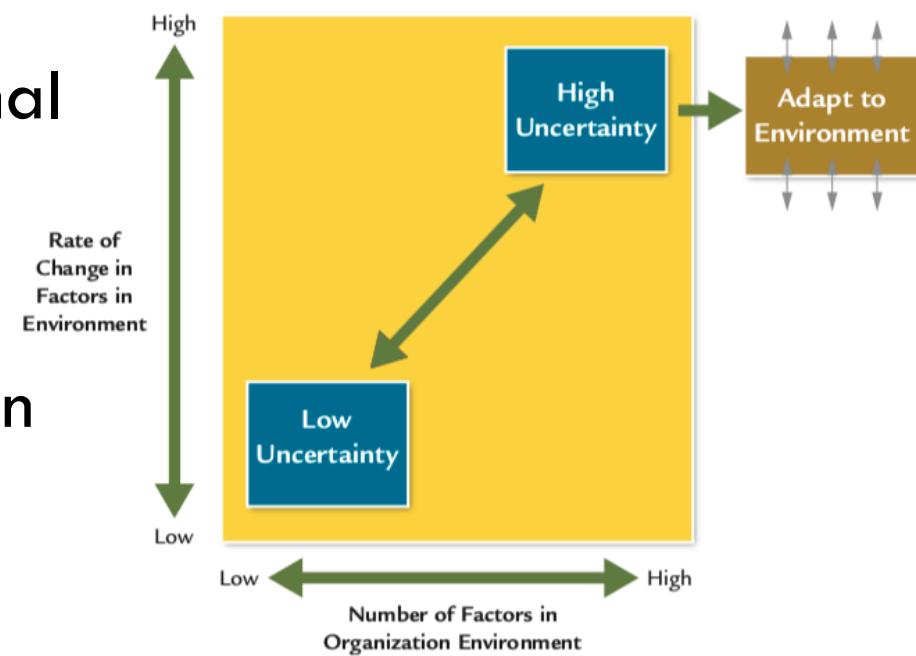




# THE ORGANIZATION-ENVIRONMENT RELATIONSHIP

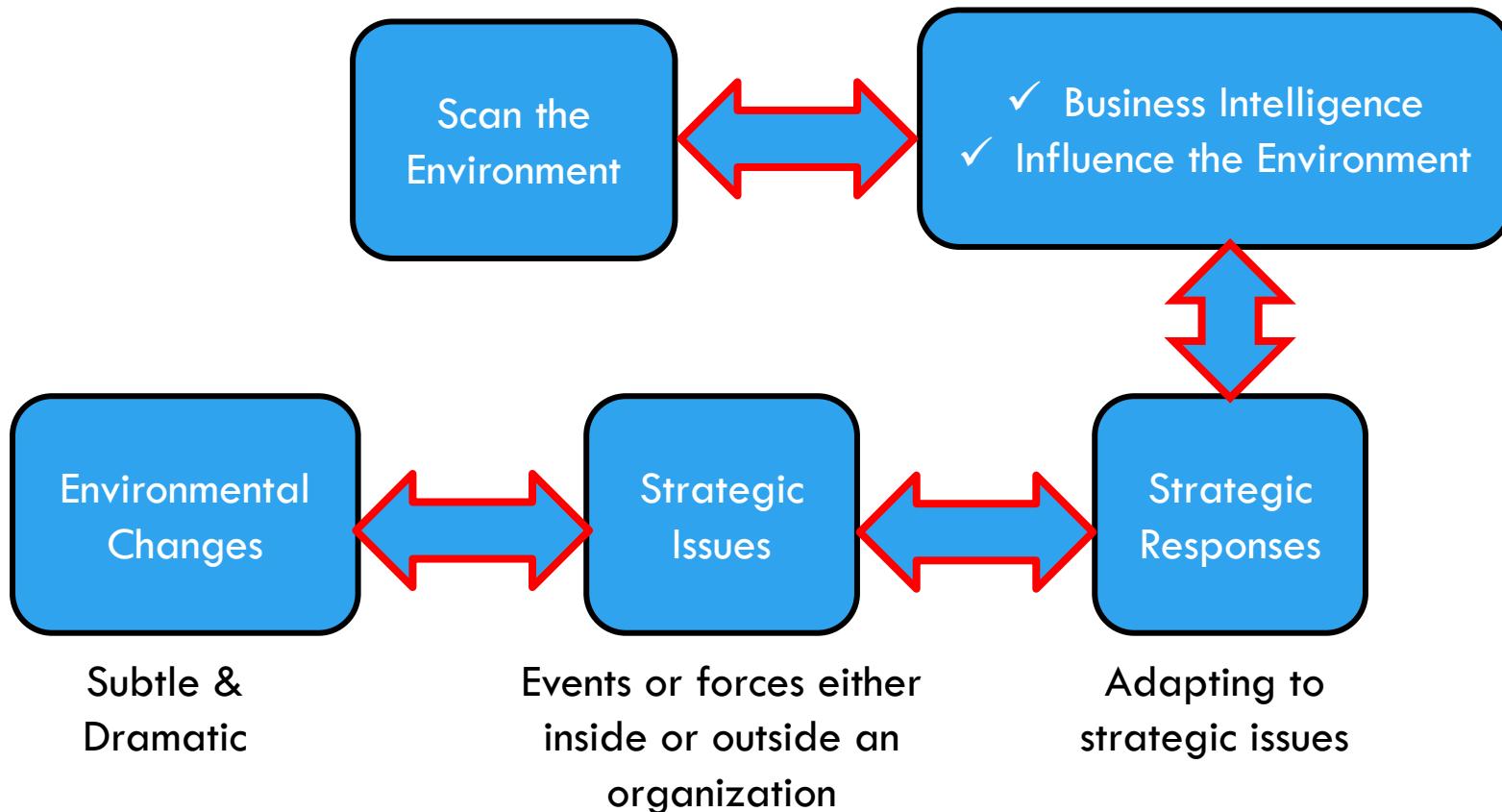
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- There are three main interactions between an organization and its external environment, which are:
  - ✓ Exchanging information
  - ✓ Exchanging resources
  - ✓ Exchanging influence and power





# ADAPTING TO THE ENVIRONMENT





# BUSINESS INTELLIGENCE

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## ➤ Gather information and spot patterns or trends in the environment.

- ✓ **Personal internal:** Managers gather information by talking with colleagues and subordinates within the organization about what is going on.
- ✓ **Personal external:** Managers develop positive relationships with individuals working at competing firms, suppliers, and customer organizations in an effort to gain information about what is going on.
- ✓ **Organizational internal:** Managers gather information by reviewing internal reports and documents for useful data about what is going on.
- ✓ **Organizational external:** With this approach, managers keep up with news reports, industry reports, and research databases about what is going on.



# INFLUENCE THE ENVIRONMENT

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- Boundary spanning by political lobbying
  - To influence government officials to take actions that will positively affect their business performance.

## Goals

Influence government decisions, policies, or legislation.

## Focus

Government officials, legislators, and policymakers.

## Methods

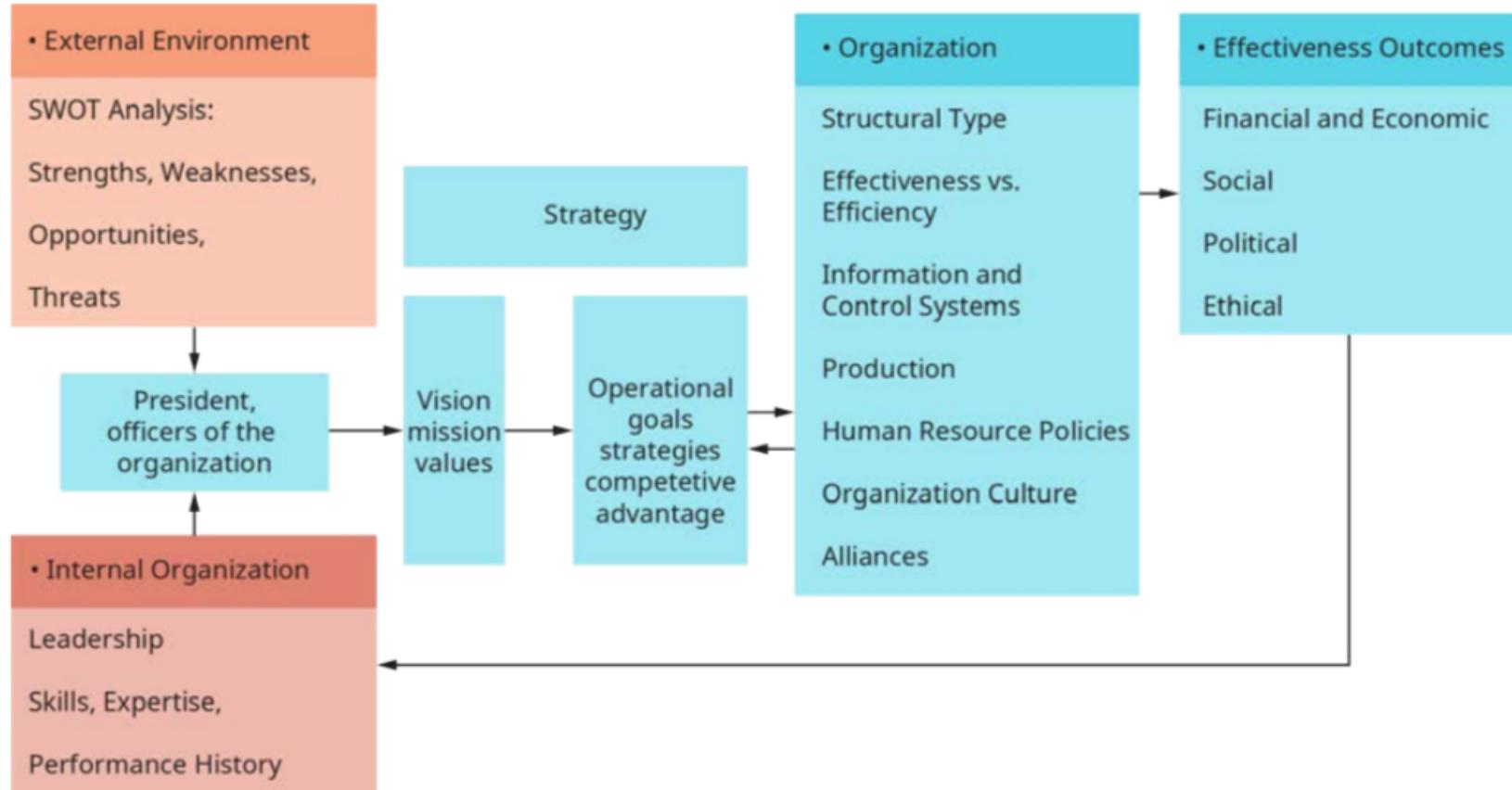
Directly contacting policymakers, advocating for specific changes, and mobilizing resources.

## Examples

Meeting with lawmakers, writing position papers, and advocating for bills



# THE HOLISTIC VIEW





# COMPETITIVE BUSINESS ENVIRONMENT: STRATEGIC ANALYSIS

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- **Strategic Analysis:** The study of the many different layers and aspects of a firm's competitive environment.
- **A Firm's Competitive Environment:** All components inside and outside the firm.
- **Internal Factors:** Characteristics of the firm itself.
- **External Factors:** Things in the global environment.
- **Environmental Scanning:** Systematic analysis of a firm's competitive environment.
- **Strategic Groups:** Groups of businesses that follow similar strategies in the same industry.



# IDENTIFYING THE STRATEGIC GROUP

In which group are you?

- Luxury Department Stores
- Discount Retailers
- Specialty Stores
- “Big Box” Stores

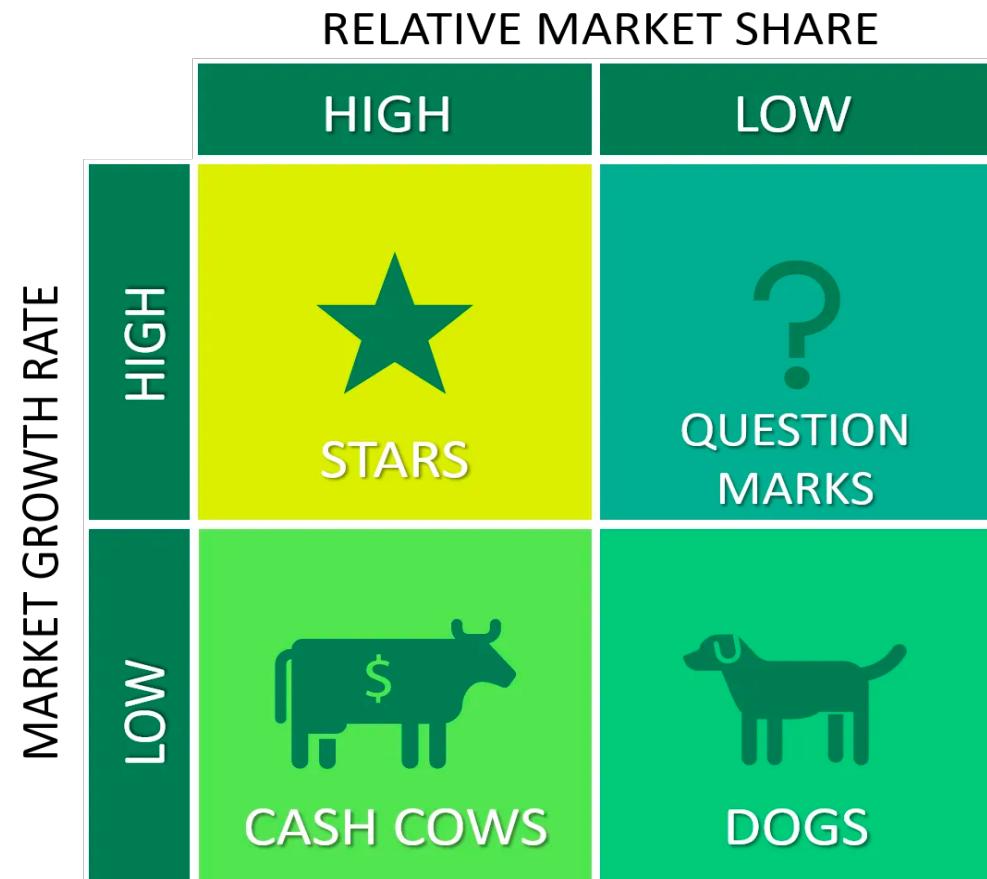




# IDENTIFYING THE STRATEGIC POSITION

## The Boston Consulting Group's product portfolio matrix (BCG matrix):

A systematic reviewing of an organization's product portfolio that helps with long-term strategic planning for growth by understanding its current strategic position in terms of market growth and market share.





# SWOT ANALYSIS



**Strengths:** What a firm is good at

**Weaknesses:** What a firm is not good at

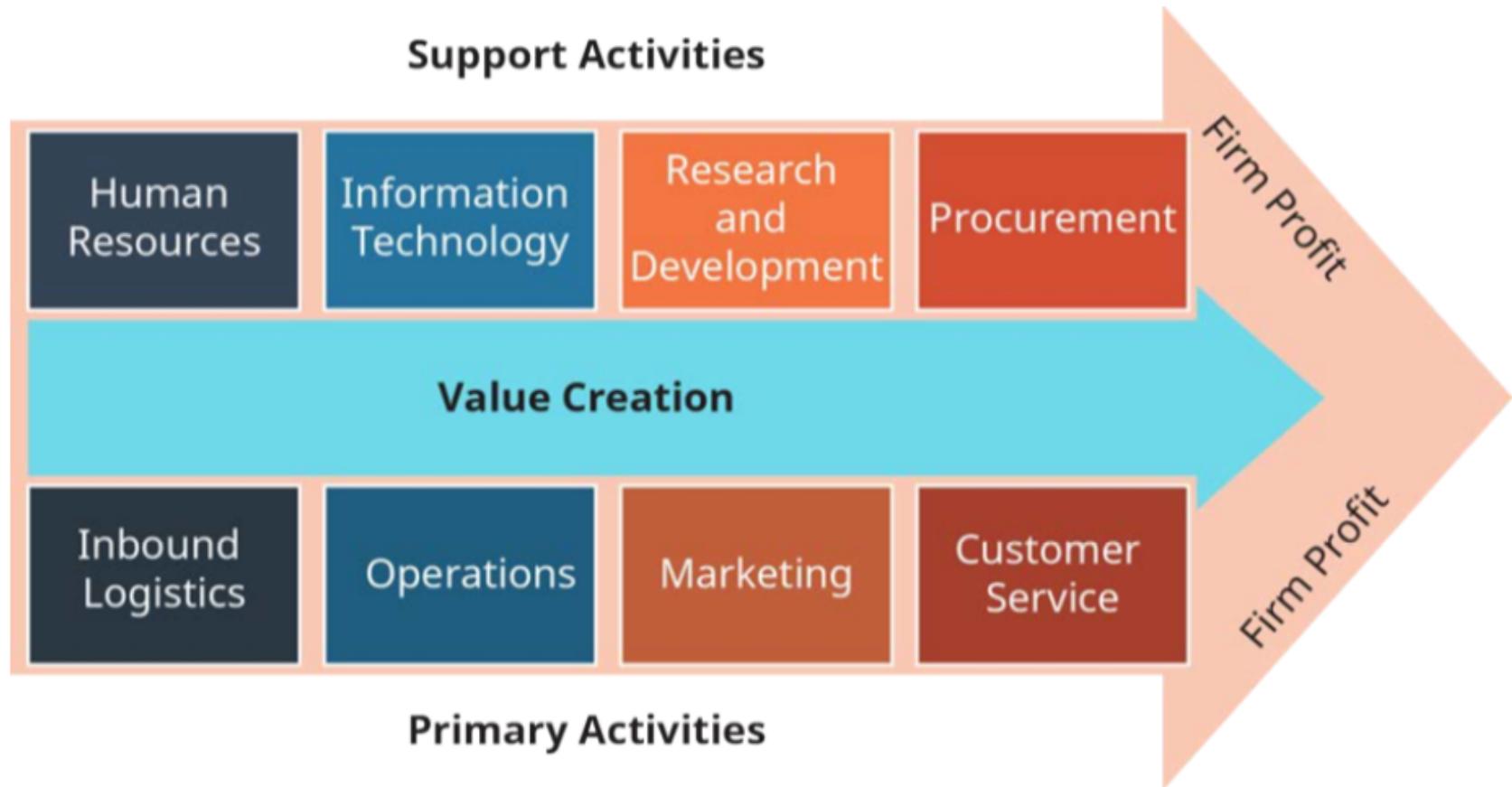
**Opportunities:** Potential situations that a firm is equipped to take advantage of.

**Threats:** Anything that would make it harder for a firm to be successful.



# THE VALUE CHAIN ANALYSIS

**Clear path for greater profit**

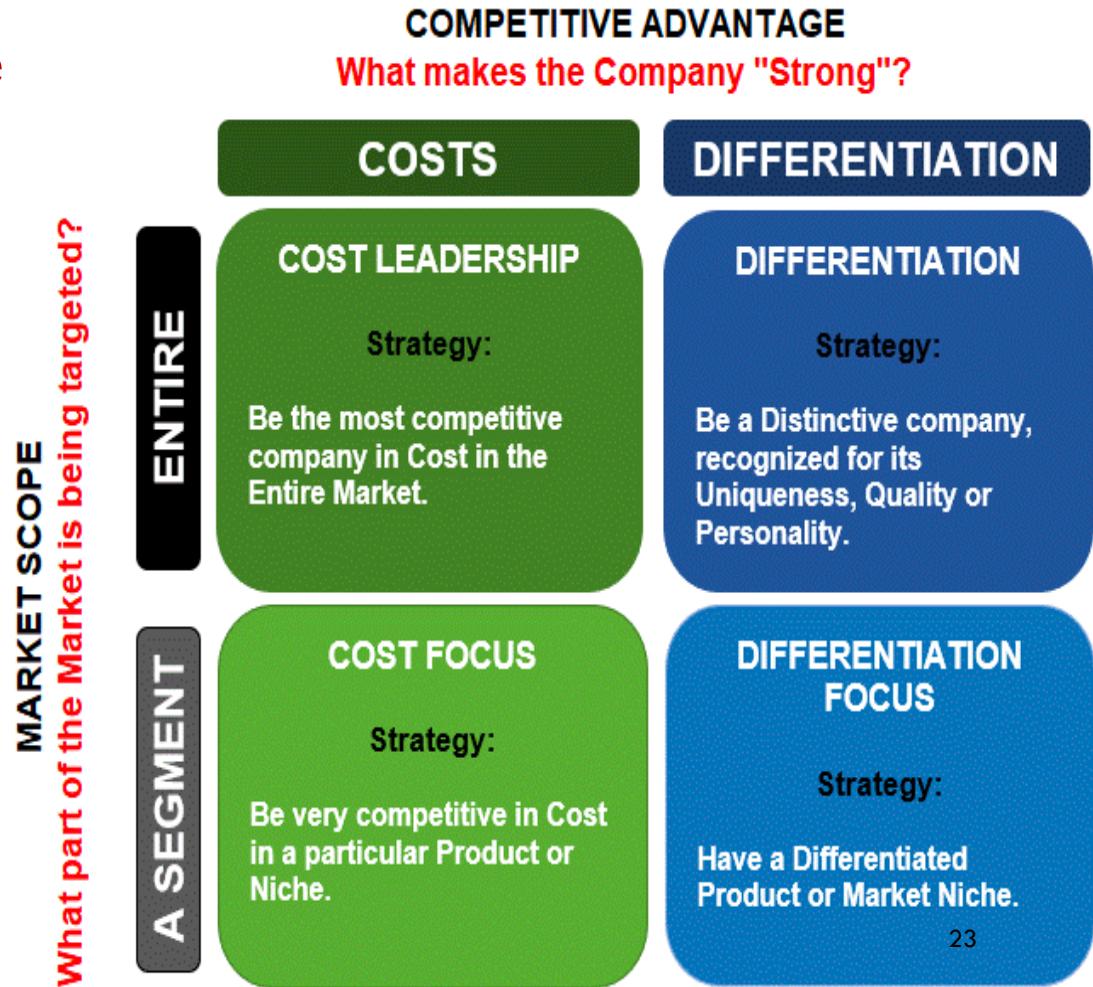




# GENERIC STRATEGIES MODEL

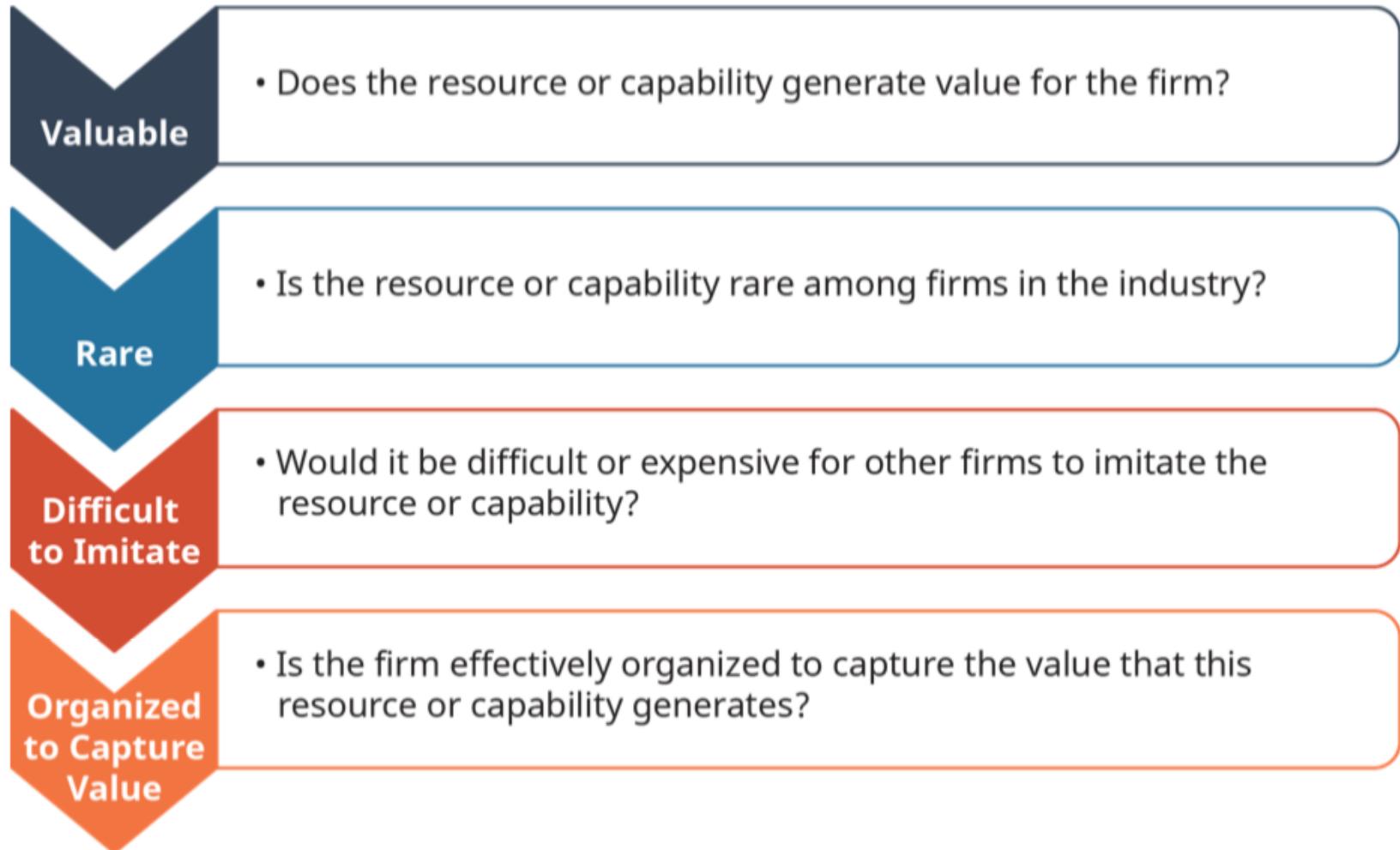
## Options for Competitive Advantage

Basic methods of organizing firm value chain activities to compete in a product market that can be used by any sized firm in any industry.





# THE VRIO ANALYSIS

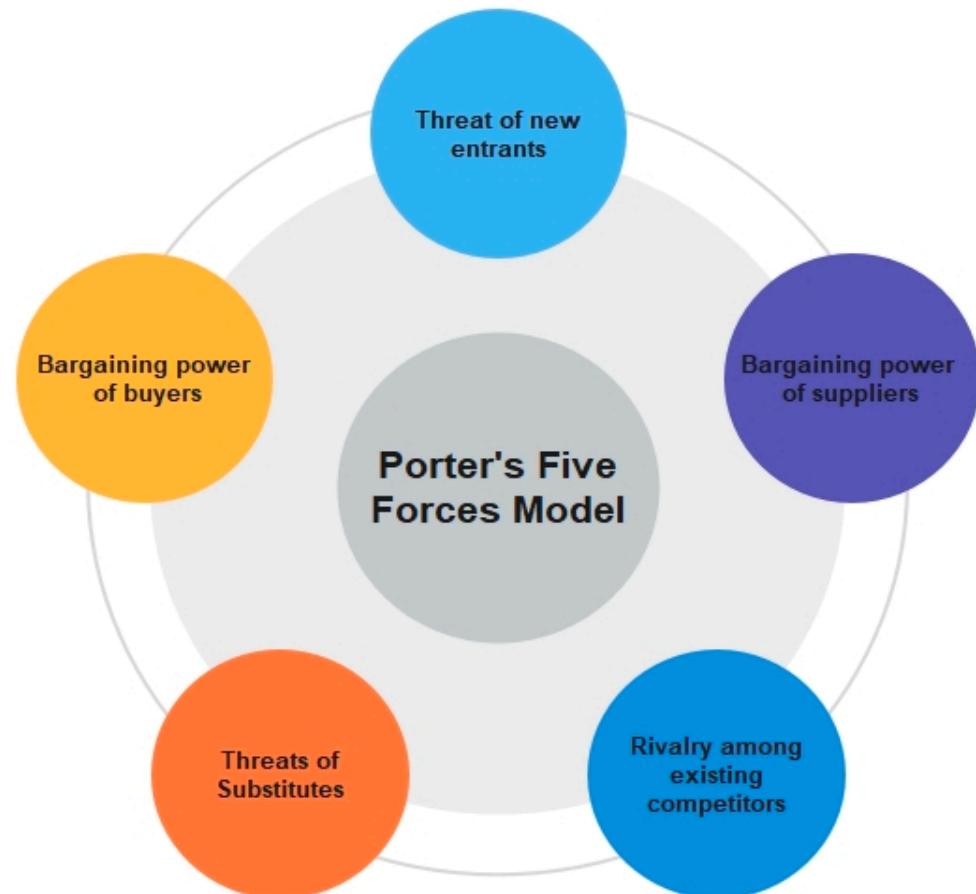




# PORTER'S FIVE FORCES ANALYSIS

There are five forces that determine the competitive position of an organization in the market.

It helps to identify the strength of an organization's current competitive position.





# PESTEL ANALYSIS

## Political Factors

- Tax rates, tariffs, trade agreements, labor and environmental regulations

## Economic Factors

- Employment levels, interest rates, exchange rates

## Sociocultural Factors

- Demographic trends, consumer preferences, market diversity

## Technological Factors

- The internet, smartphones, connectivity, automation

## Environmental Factors

- Resource scarcity, recycling, alternative energy sources

## Legal Factors

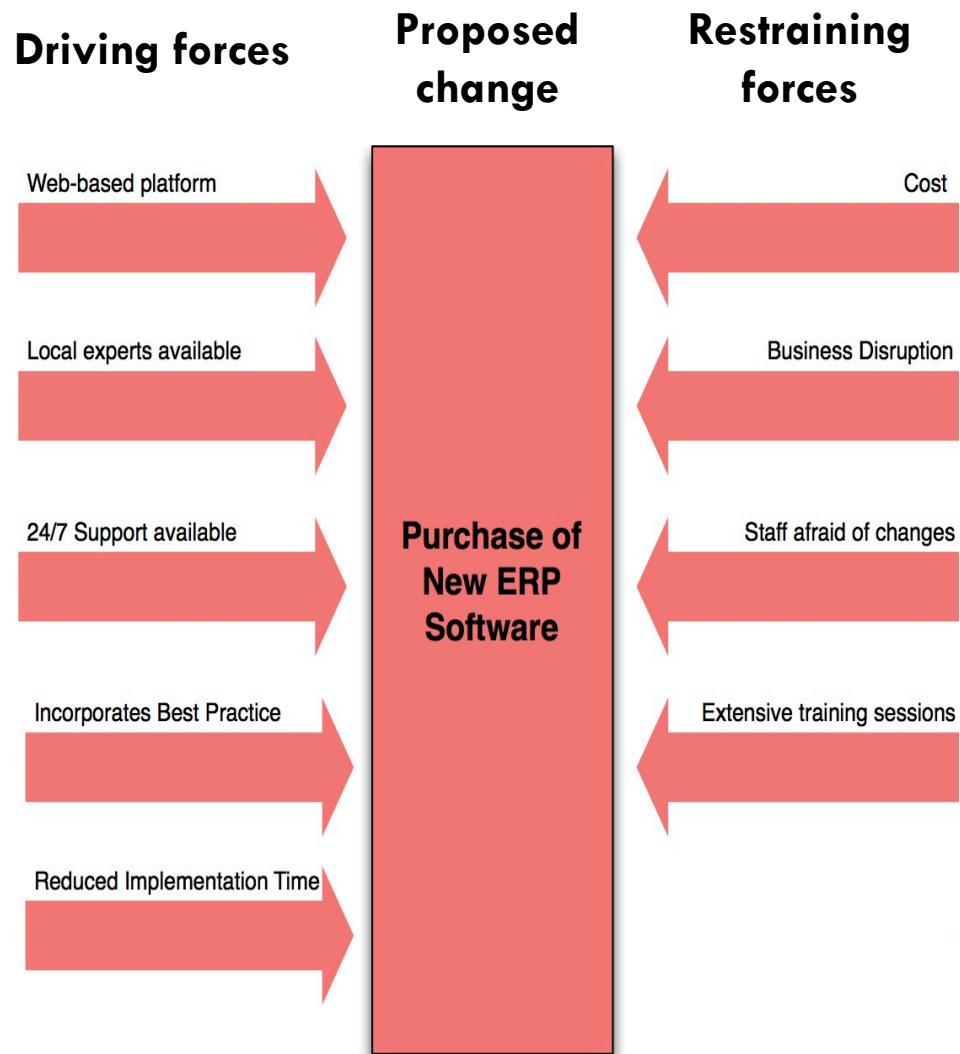
- Contracts, laws, intellectual property rights



# FORCE FIELD ANALYSIS

## Proposed change analysis:

- Key factors that support for the proposed change.
- Key factors that resist proposed change.

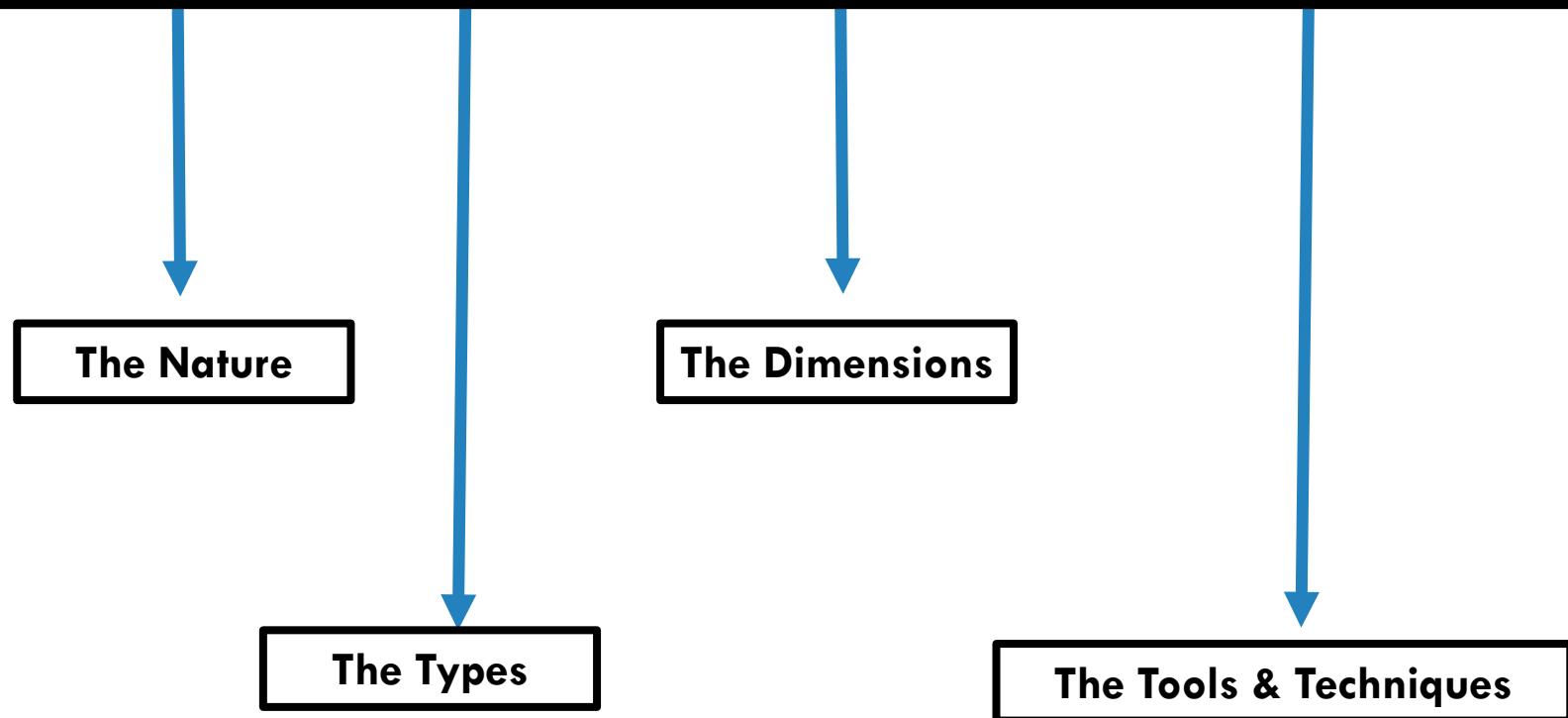




# SUMMARY

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## ORGANIZATIONAL ENVIRONMENT





# GROUP ACTIVITY

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- Analyze the organizational environment of KDU using appropriate tools and techniques.



# REFERENCES

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- Richard L. Daft, *Management* (USA: Cengage, Boston, 2021), pp.3-29.
- Openstax. *Principles of Management* (Texas: Rice University, Houston), pp. 16-28. <http://cnx.org/content/col28330/1.8>
- <https://research-methodology.net/apple-ecosystem-closed-effective/>