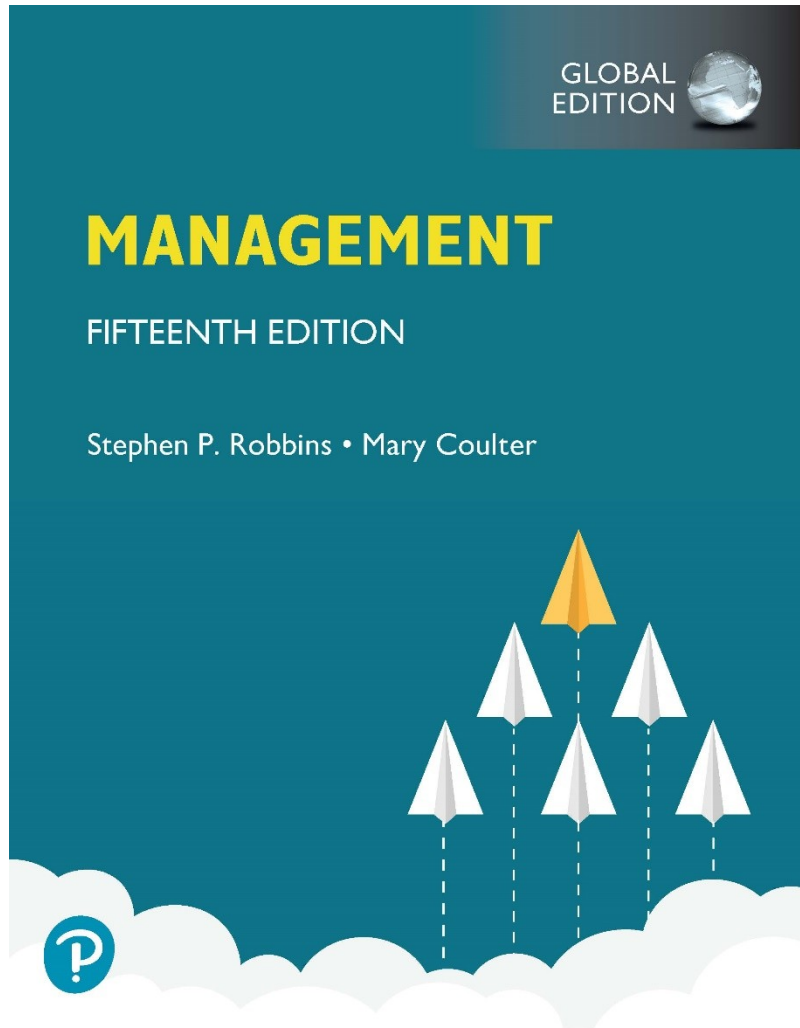


# Management

Fifteenth Edition, Global Edition



## Chapter 3

### Influence of the External Environment and the Organization's Culture

# Learning Objectives

**3.1 Contrast** the actions of managers according to the omnipotent and symbolic views.

**3.2 Describe** the constraints and challenges facing managers in today's external environment.

**3.3 Discuss** the characteristics and importance of organizational culture.

# The Manager: Omnipotent or Symbolic?

**Omnipotent view:** managers are directly responsible for an organization's success or failure

**Symbolic view:** much of an organization's success or failure is due to external forces outside managers' control

# Managerial Constraints

In reality, managers are neither all-powerful nor helpless. But their decisions and actions are constrained.

External constraints come from the organization's environment and internal constraints come from the organization's culture

## Exhibit 3.1 Constraints on Managerial Discretion



Exhibit 3.1 shows that external constraints come from the organization's environment and internal constraints come from the organization's culture.

# The Environment and Environmental Uncertainty

**Environment:** institutions or forces outside of the organization that could potentially affect performance.

Environments differ on degree of environmental uncertainty

Environmental uncertainty has two dimensions

Degree of change

Degree of complexity

# Exhibit 3.2 Environmental Uncertainty Matrix

|                      |         | Degree of Change  |   |
|----------------------|---------|---|---|
|                      |         | Stable  | Dynamic   |
| Degree of Complexity | Simple  | <b>Cell 1</b><br>Stable and predictable environment<br>Few components in environment<br>Components are somewhat similar and remain basically the same<br>Minimal need for sophisticated knowledge of components         | <b>Cell 2</b><br>Dynamic and unpredictable environment<br>Few components in environment<br>Components are somewhat similar but are continually changing<br>Minimal need for sophisticated knowledge of components         |
|                      | Complex | <b>Cell 3</b><br>Stable and predictable environment<br>Many components in environment<br>Components are not similar to one another and remain basically the same<br>High need for sophisticated knowledge of components | <b>Cell 4</b><br>Dynamic and unpredictable environment<br>Many components in environment<br>Components are not similar to one another and are continually changing<br>High need for sophisticated knowledge of components |

Exhibit 3.2 shows the two dimensions of environmental uncertainty.

# Degree of Change

Environments can be either dynamic or stable

In a dynamic environment the components in an organization's environment change frequently

In a stable environment the components in an organization's environment change very little



# Degree of Environmental Complexity

Environmental complexity looks at the number of components in an organization's environment and the extent of the knowledge the organization has about those components.

Depending on the organizational environment, managers may need to know a lot about the components, or very little.

# The External Environment

Those factors and forces outside the organization that affect its performance

Economic

Demographic

Political/Legal

Sociocultural

Technological

Global

## Exhibit 3.3 Components of External Environment



Exhibit 3.3 shows the different components that make up the external environment.

# The Specific Environment (1 of 2)

**Specific Environment:** the part of the environment directly relevant to the achievement of organizational goals

Most of management's attention typically focuses on the specific environment

# The Specific Environment (2 of 2)

The specific environment includes one or more of the following:

- Suppliers

- Customers

- Competitors

- Government agencies

- Special interest groups

# Specific Environment Components (1 of 2)

**Suppliers:** Managers need to ensure a steady flow of inputs

**Customers:** Organizations exist to meet customer needs

**Competitors:** All organizations have competitors that they need to monitor

# Specific Environment Components (2 of 2)

**Government:** Federal, state, and local governments influence what the organization can and cannot do.

**Pressure Groups:** Special interest groups can have a significant impact on the organization. Lobbyists, protestors, various action groups all effect change.

# Exhibit 3.6 Strong vs. Weak Cultures

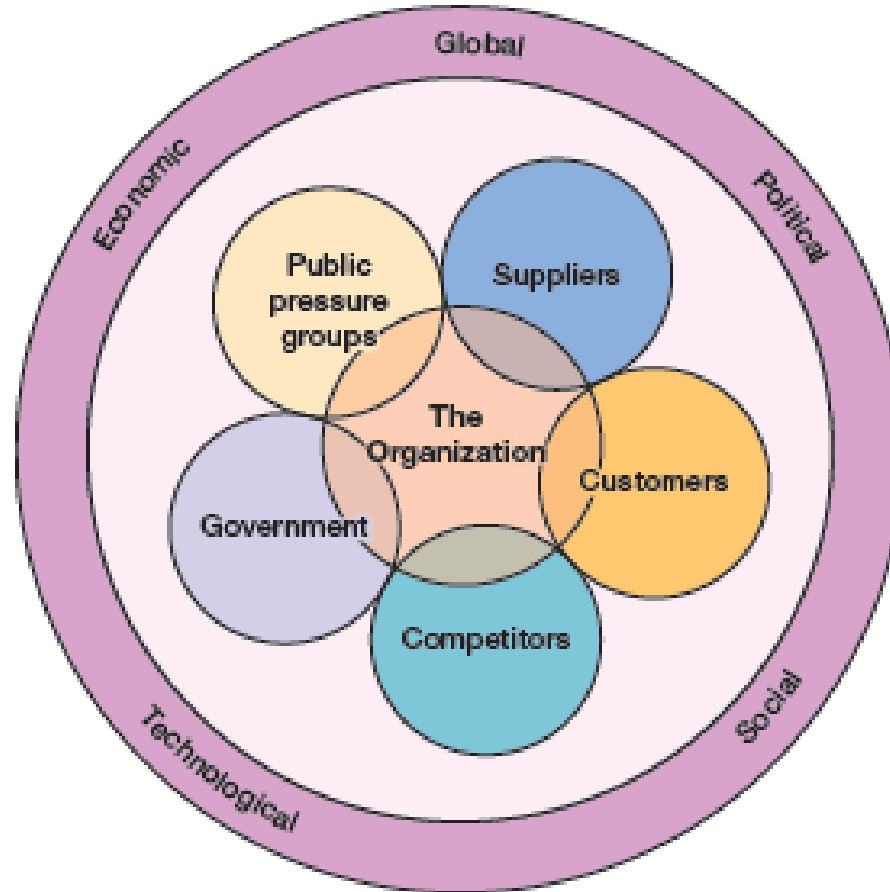


Exhibit 3.4 shows the different components that make up the specific environment.



# Organizational Culture

Just as each individual has a unique personality, an organization, too, has a personality.

# What is Organizational Culture?

**Organizational culture:** the shared values, principles, traditions, and ways of doing things that influence the way organizational members act and that distinguish the organization from other organizations

# Six Dimensions of Organizational Culture

Research shows there are six dimensions that appear to capture an organization's culture:

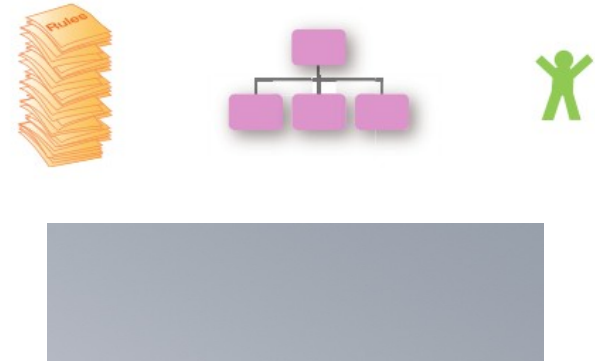
1. Adaptability
2. Attention to detail
3. Outcome orientation
4. People orientation
5. Team orientation
6. Integrity

# Exhibit 3.5 Contrasting Organizational Culture

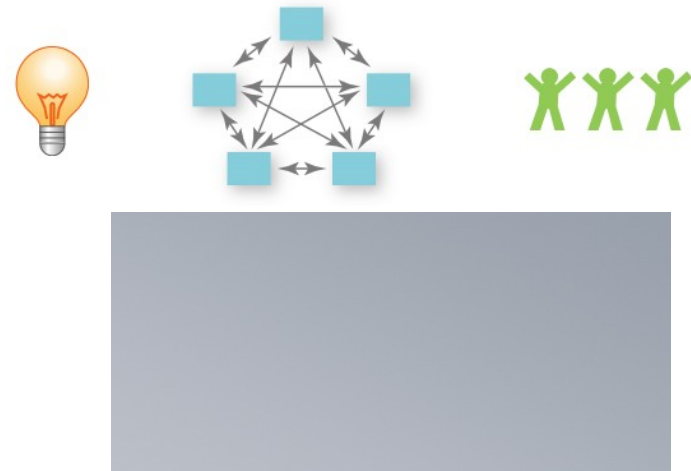
Risk taking and change discouraged  
Creativity discouraged  
Close managerial supervision  
Work designed around individual employees

Risk taking and change rewarded  
Creativity and innovation rewarded  
Management trusts employees  
Work designed around teams

Organization A



Organization B



# Strong Cultures

**Strong cultures:** organizational cultures in which the key values are intensely held and widely shared

## Exhibit 3.6 Strong Versus Weak Cultures

| Strong Cultures   | Weak Cultures  |
|---|--|
| Values widely shared  | Values limited to a few people – usually top management      |
| Culture conveys consistent messages about what's important      | Culture sends contradictory messages about what's important  |
| Most employees can tell stories about company history or heroes | Employees have little knowledge of company history or heroes |
| Employees strongly identify with culture                        | Employees have little identification with culture            |
| Strong connection between shared values and behaviors           | Little connection between shared values and behaviors        |

## Where Culture Comes From and How it Continues

The original source of the culture usually reflects the vision of the founders.

Once the culture is in place, certain organizational practices help maintain it.

The actions of top managers also have a major impact on the organization's culture.

## Exhibit 3.7 Establishing and Maintaining Culture

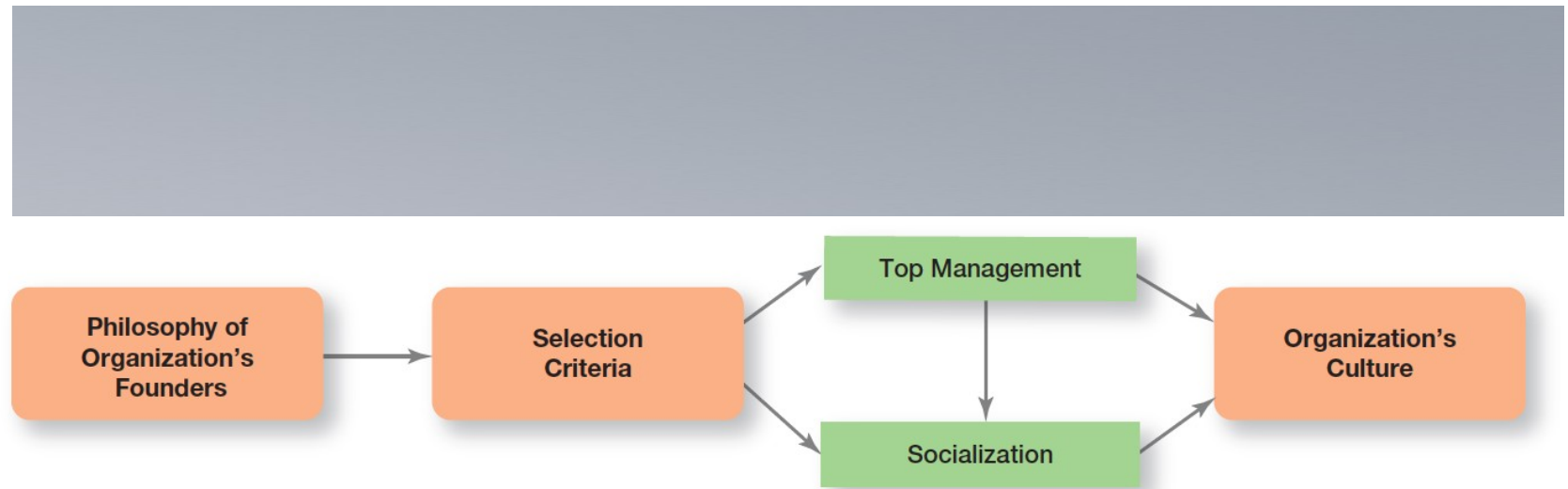


Exhibit 3.7 illustrates how an organization's culture is established and maintained.



# How Employees Learn Culture

Stories

Rituals

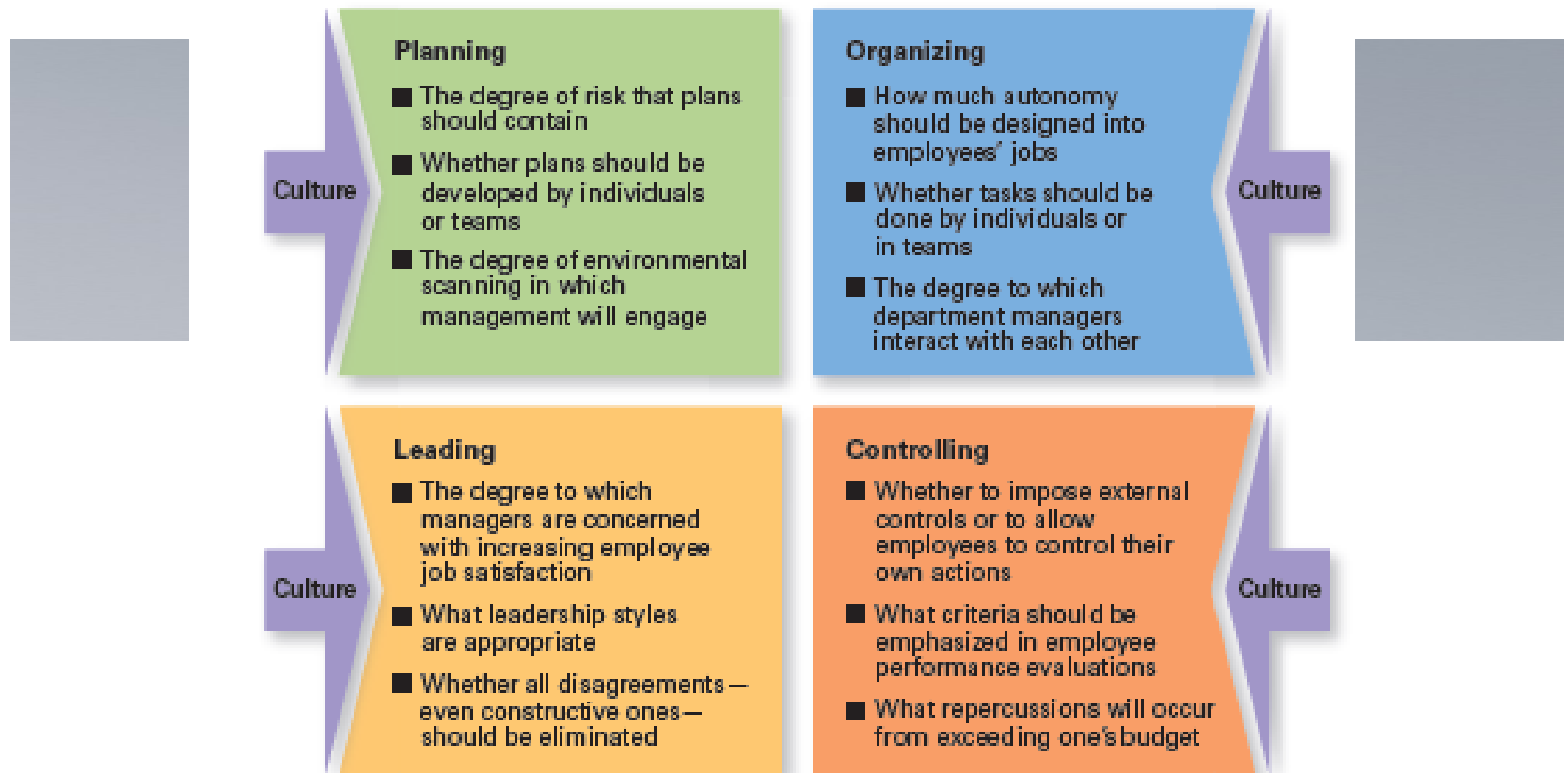
Material Artifacts and Symbols

Language

# How Culture Affects Managers

Because an organization's culture constrains what they can and cannot do and how they manage, it's particularly relevant to managers.

# Exhibit 3.8 Types of Managerial Decisions Affected by Culture



As shown in Exhibit 3.8, a manager's decisions are influenced by the culture in which he or she operates.

# Review Learning Objective 3.1

## **Contrast the actions of managers according to the omnipotent and symbolic views.**

Omnipotent view: Managers are directly responsible for the organization's success or failure.

Symbolic view: Much of the organization's success or failure is due to external forces outside of the manager's control.

The two constraints on managers' discretion are organizational culture (internal) and the environment (external).

# Review Learning Objective 3.2

## **Describe the constraints and challenges facing managers in today's external environment.**

The external environment includes those factors and forces outside the organization that affect its performance.

The main components of the external environment are economic, demographic, political/legal, sociocultural, technological, and global.

These components can constrain and challenge managers because they have an impact on jobs, environmental uncertainty, and stakeholder relationships.

# Review Learning Objective 3.3

## **Discuss the characteristics and importance of organizational culture.**

The seven dimensions of culture are: attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, stability, innovation, and risk taking.

The stronger the culture, the greater the impact on the way managers plan, organize, lead, and control.

The original source of the organizational culture reflects the founder's vision.

Culture is transmitted through stories, rituals, material symbols, and language.