

The Environment of Organizations & Culture



Chapter Outline

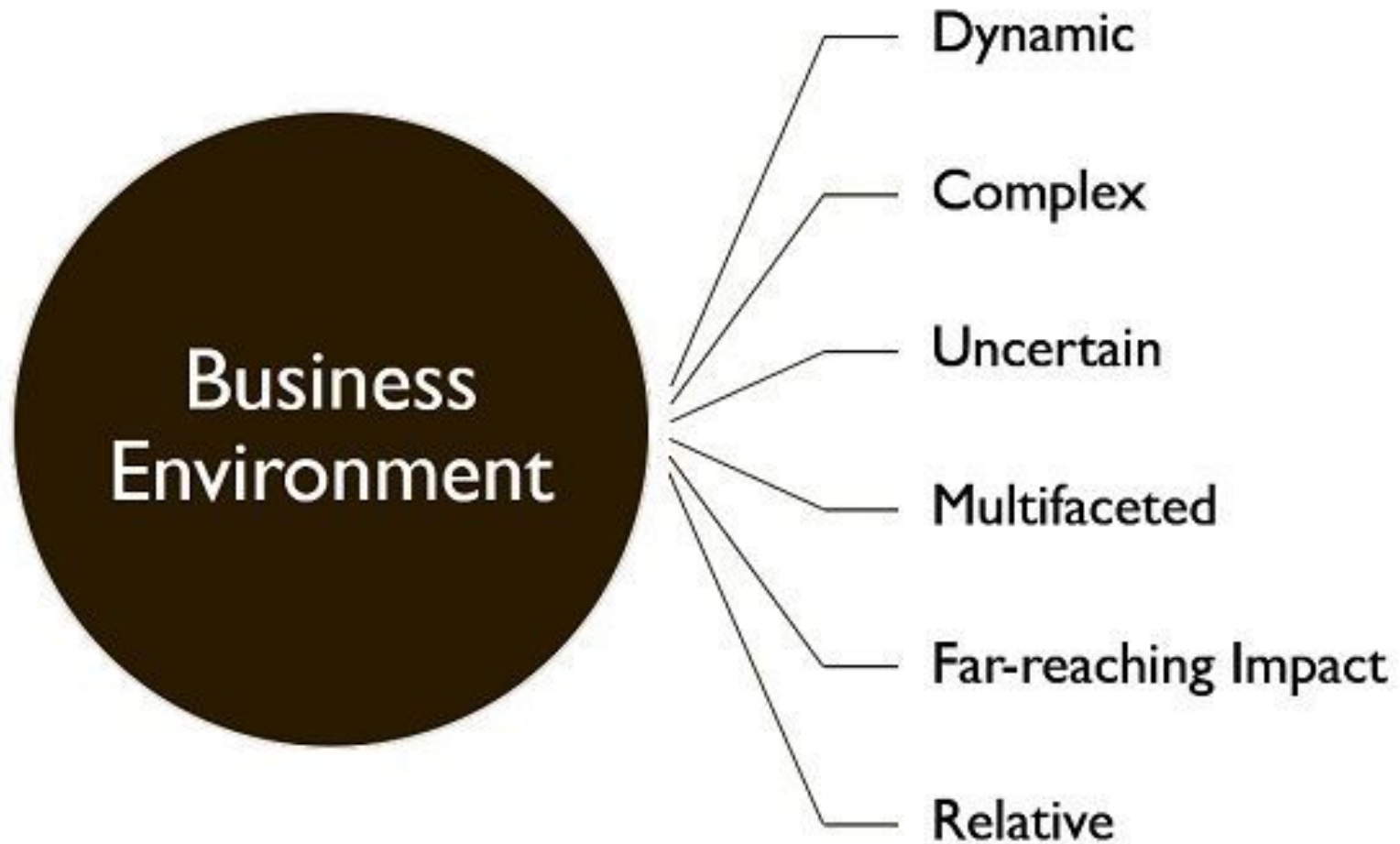
- The Organization's Environments
- The External Environment
- Task environment
- The Internal Environment
 - **Owners**
 - **Board of Directors**
 - **Employees**
 - **Physical Work Environment**
- Organizational-Environment Relationships
 - **How Environments Affect Organizations**
- The Environment and Organizational Effectiveness
 - **Models of Organizational Effectiveness**
 - **Examples of Organizational Effectiveness**

Business environment

Business environment refers to different forces or surroundings that affect business operations. Such forces include customers, competitors, suppliers, distributors, industry trends, substitutes, regulations, government activities, the economy, demographics, and social and cultural factors. Others are innovations and technological developments.



Business environment



The Business Environment

✓ External Environment

- ✓ – **General environment** is everything outside an organization's boundaries—economic, legal, political, socio-cultural, international, and technical forces.
- ✓ – **Task environment** is composed of specific groups and organizations that affect the firm.

✓ Internal Environment

- Conditions and forces present at work within an organization

The Organization and Its Environments

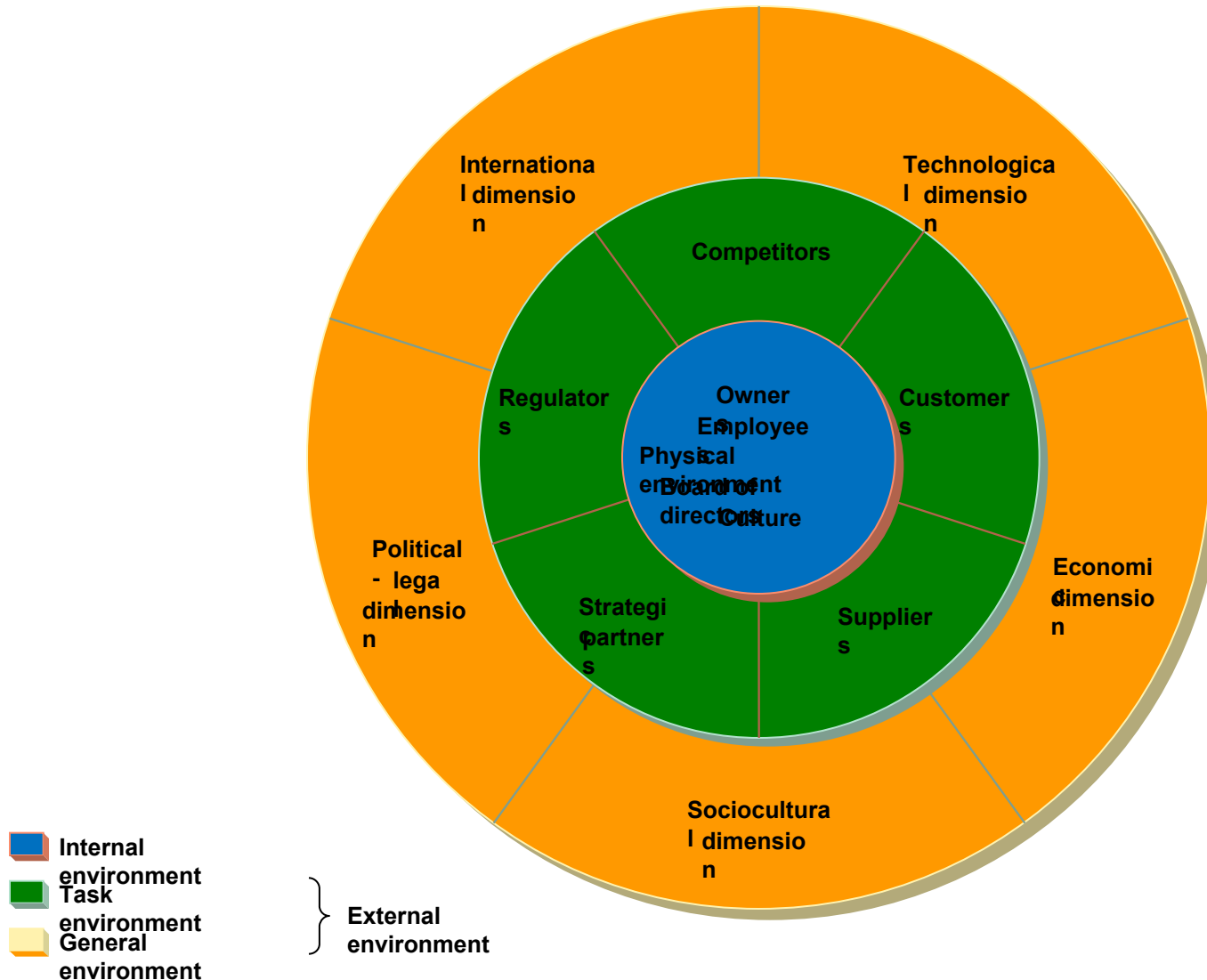


Figure 3.1

The External Environment

• The General Environment

- The set of broad dimensions and forces in an organization's surroundings that create its overall context.
- *Economic dimension* is the overall health and vitality of the economic system in which the organization operates.
- *Technological dimension* refers to the methods available for converting resources into products or services.
- *Sociocultural dimension* includes the customs, values, and demographic characteristics of the society in which the organization functions.
- *Political-legal dimension* is the extent of government regulation of business and the general relationship between business and government.
- *International dimension* is the extent to which the organization is affected by business in other countries.

The External Environment

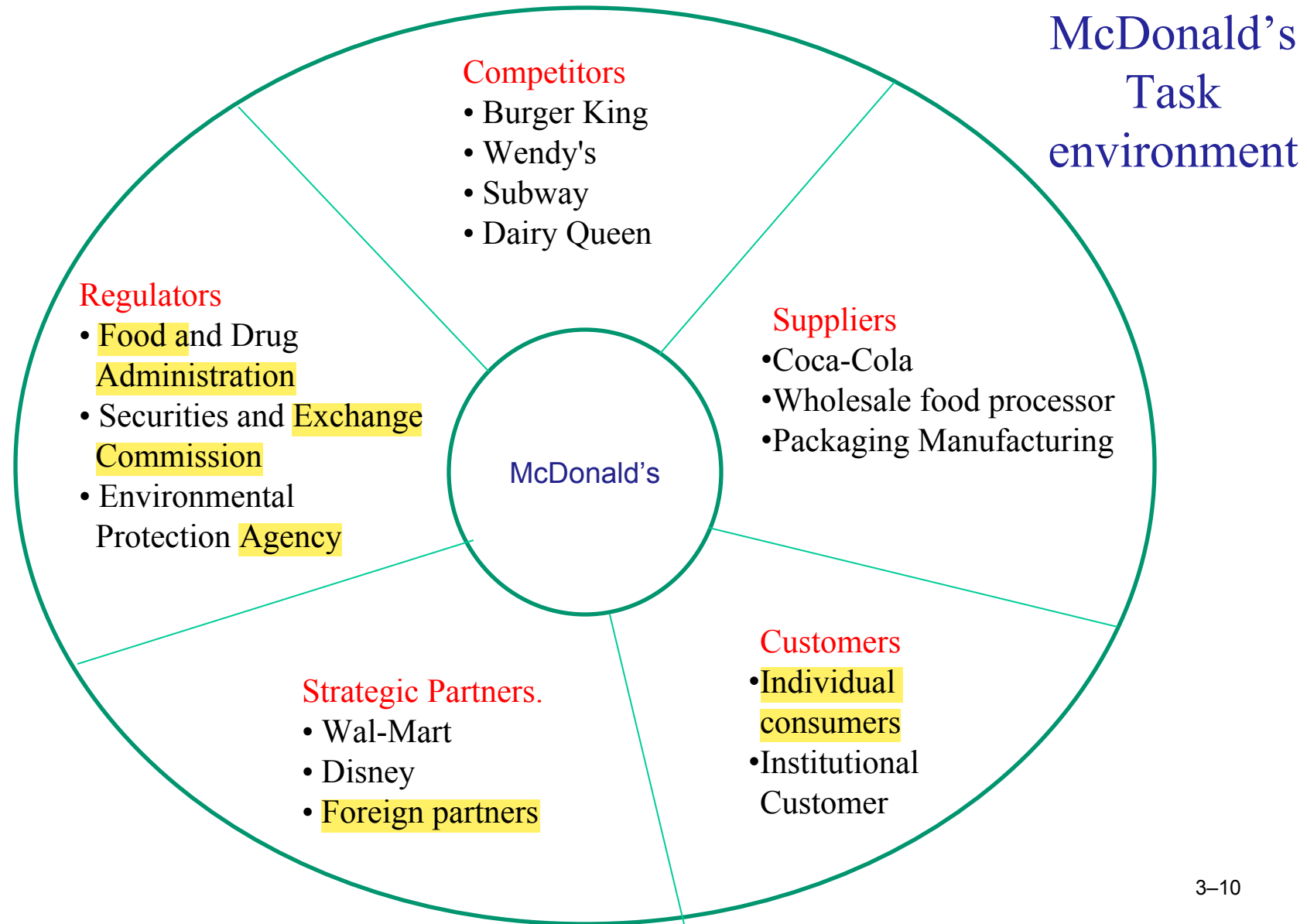
McDonald's
general
environment



The External Environment (cont'd)

- Dimensions of the **Task Environment**
 - **Specific groups affecting the organization**
 - **Competitors** seeking the same resources as the organization.
 - **Customers** who acquire an organization's products or resources.
 - **Suppliers** that provide resources for the organization.
 - **Regulators** that control, legislate, or influence the organization's policies or practices:
 - regulatory agencies.
 - interest groups.
 - **Strategic partners (allies)** who are in a joint venture or partnership with the organization.

Specific groups affecting the organization



The Internal Environment

- **Owners** are persons with legal property rights to a business.
- **Board of directors** are elected by the stockholders and are charged with overseeing the general management of the firm to ensure that it is run in a way that best serves the stockholders' interest.
- **Employees** are persons who work for the firm and have a vested interest in its continued operation and existence.
- **Physical work environment** is the actual physical environment of the organization and the work that people do.

How Environments Affect Organizations

- Competitive Forces

- Porter's Five Competitive Forces

- Threat of new entrants into the market
 - Competitive rivalry among present competitors
 - Threat of substitute products
 - Power of buyers
 - Power of suppliers

- Environmental Turbulence

- Unexpected changes in the environment of an organization.

How Environments Affect Organizations

PORTER'S ANALYSIS

- Not too expensive to enter the industry
- Experience needed, but training easily available
- Some economies of scale
- Some cost benefits if in business for some time

**THREAT OF
NEW ENTRY**

**BUYER
POWER**

- Few, large supermarkets
- May be co-operatives?
- Very large orders
- Homogeneous product
- Extreme price sensitivity
- Ability to substitute
- High buyer power

**COMPETITIVE
RIVALRY**

- Moderate number of suppliers
- Suppliers large
- Similar products
- Able to substitute
- Able to change
- Neutral supplier power

**SUPPLIER
POWER**

**THREAT OF
SUBSTITUTION**

- Some cross-product substitution
- Ability to import food
- Some substitution

- Very many competitors
- Commodity products
- Low switching costs
- Low customer loyalty
- High costs of leaving market
- Overall

PORTER'S COMPETITIVE ANALYSIS FOR A COMPANY?????????



Not A Workplace, A Wow Place



The Organization and Culture

Organizational Culture

- Values, beliefs, behaviors, customs, and attitudes that help the members of the organization understand what it stands for, how it does things, and what it considers important.
- Collectively shared values, beliefs and attitudes.



Strong versus Weak Cultures

• Strong Cultures

- Are cultures in which key values are deeply held and widely held.
- Have a strong influence on organizational members.

• Factors Influencing the Strength of Culture

- Size of the organization
- Age of the organization
- Rate of employee turnover
- Strength of the original culture
- Clarity of cultural values and beliefs



Organizational Culture

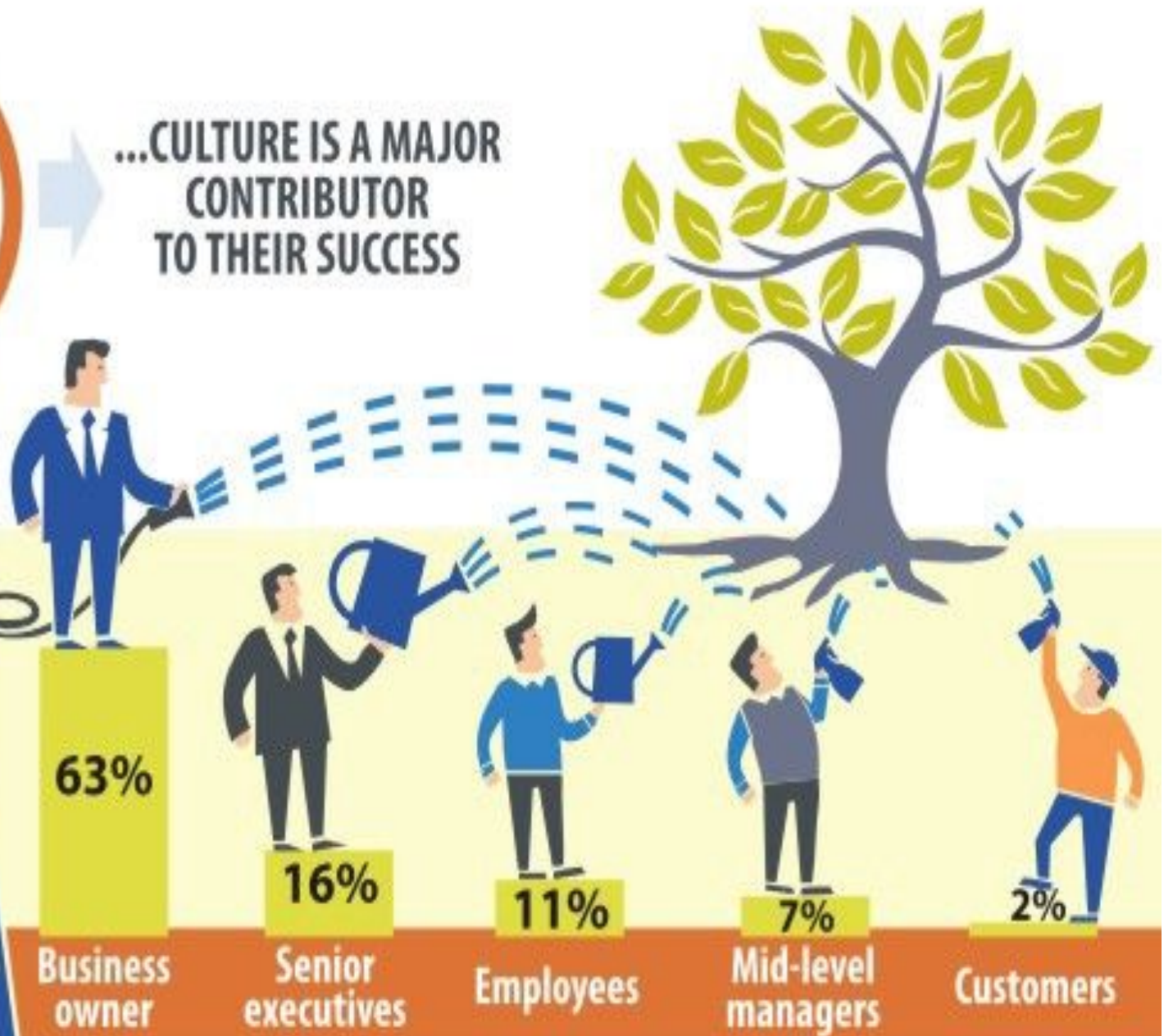
- Sources of Organizational Culture
 - **The organization's founder**
 - Vision and mission
 - **Past practices of the organization**
 - The way things have been done
 - **The behavior of top management**





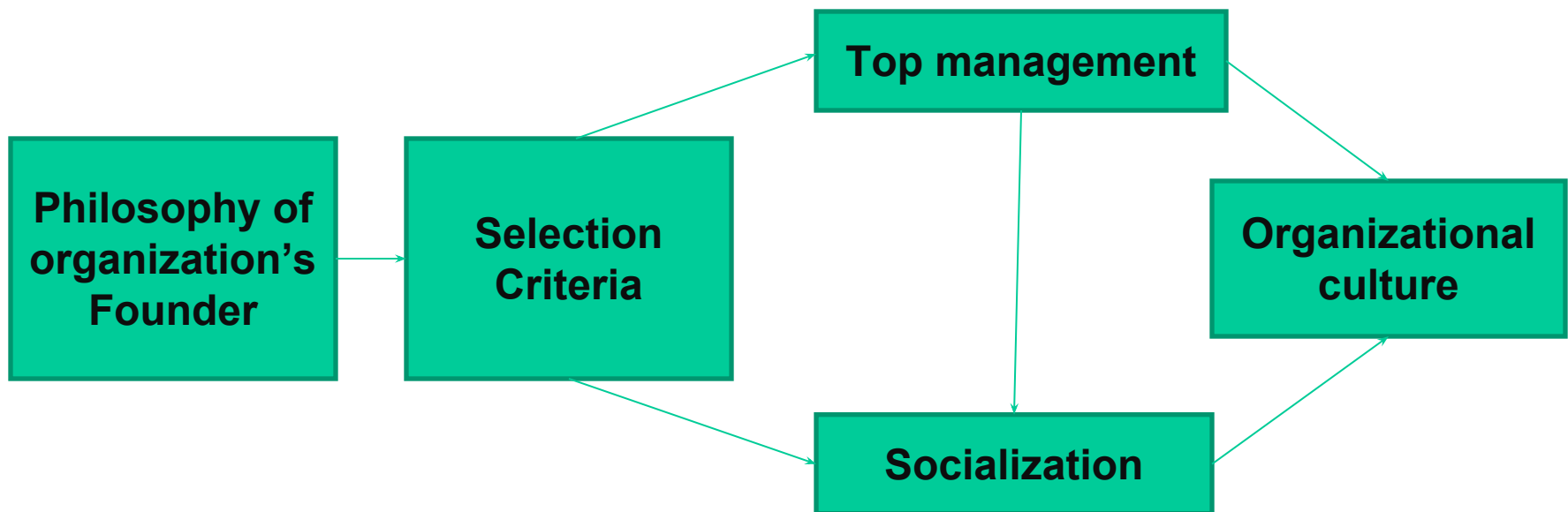
...CULTURE IS A MAJOR
CONTRIBUTOR
TO THEIR SUCCESS

**WHO
HAS
THE MOST
INFLUENCE
ON CULTURE
IN A COMPANY?**



Continuation of the Organizational Culture

- Recruitment of like-minded employees who “fit.”
- Socialization of new employees to help them adapt to the culture



Organizational Culture

- Managing Organizational Culture

- Understand the current culture to understand whether to maintain or change it.
- Articulate the culture through slogans, ceremonies, and shared experiences.
- Reward and promote people whose behaviors are consistent with desired cultural values.

- Changing Organizational Culture

- Develop a clear idea of what kind of culture you want to create.
- Bring in outsiders to important managerial positions.
- Adopt new slogans, stories, ceremonies, and purposely break with tradition.

Organization Culture Issues

- Creating an Innovative Culture
 - Challenge and involvement
 - Freedom
 - Trust and openness
 - Idea time
 - Playfulness/humor
 - Conflict resolution
 - Debates
 - Risk-taking



Organization Culture Issues

- **Creating a Customer-Responsive Culture**

- Hiring the right type of employees
- Having few rigid rules, procedures, and regulations
- Using widespread empowerment of employees
- Having good listening skills in relating to customers' messages
- Providing role clarity to employees to reduce ambiguity and conflict and increase job satisfaction
- Having conscientious, caring employees willing to take initiative

