

**ensia** The National School of  
Artificial Intelligence  
المدرسة الوطنية العليا للذكاء الاصطناعي

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**Introduction to Business / NHSAI (ENSIA) 2023-2024 / Instructor: Prof. Oukil**



## PART 2: MANAGING IN TURBULENT ENVIRONMENTS



### Chapter 4:

# ASSESSING THE ENVIRONNEMENT



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### 3 Learning Goals::



1. Explain HOW economic, demographic, cultural, technological and other factors affect organisations (companies/universities/administrations ... all entities);
2. Learn about the influence of COMPETITION and the 5 competitive forces in an industry;
3. Explain HOW technology changes the structure of industries.



# DEFINITION

## THE ENVIRONMENT:

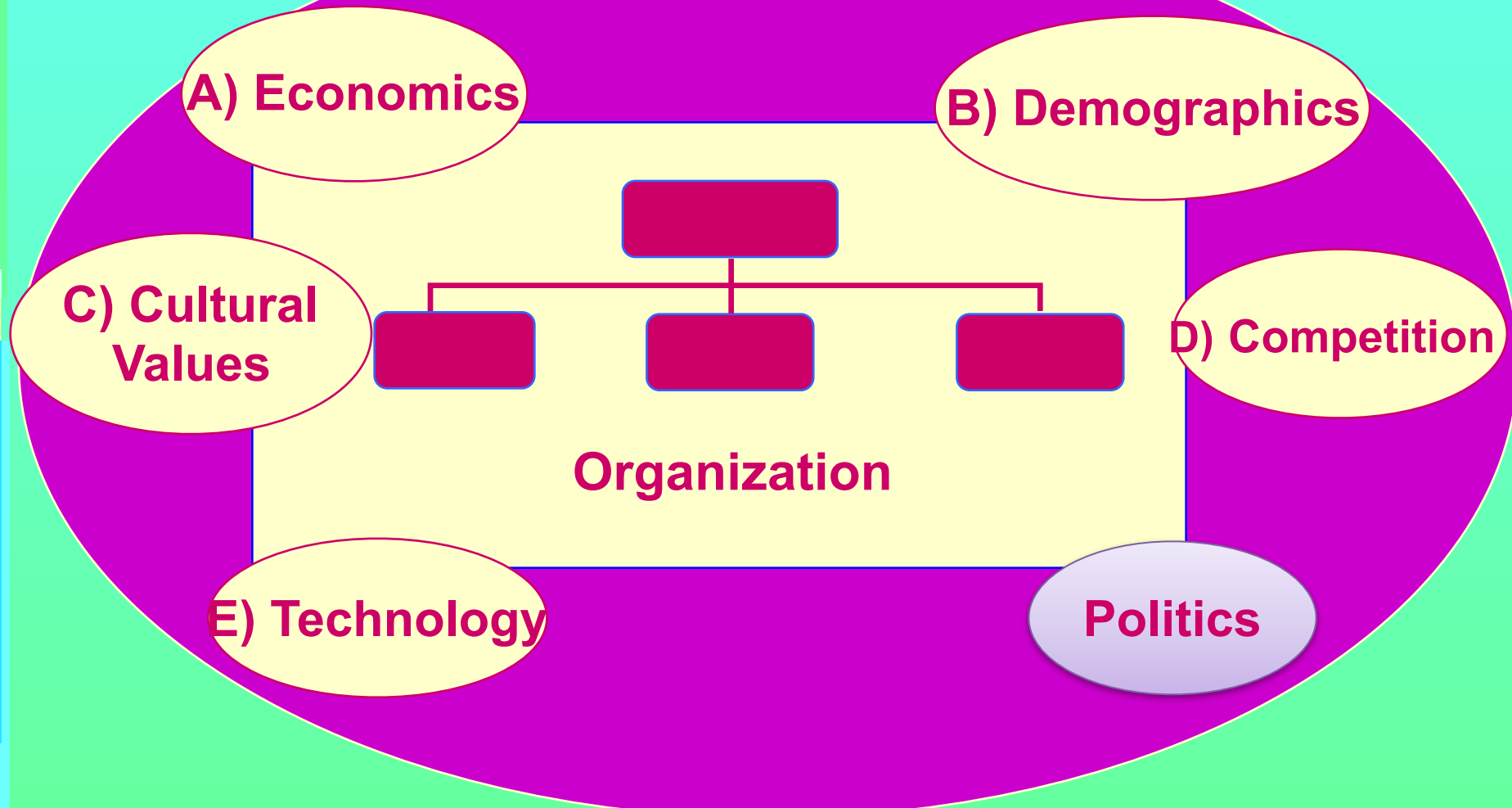
### THE GENERAL ENVIRONMENT

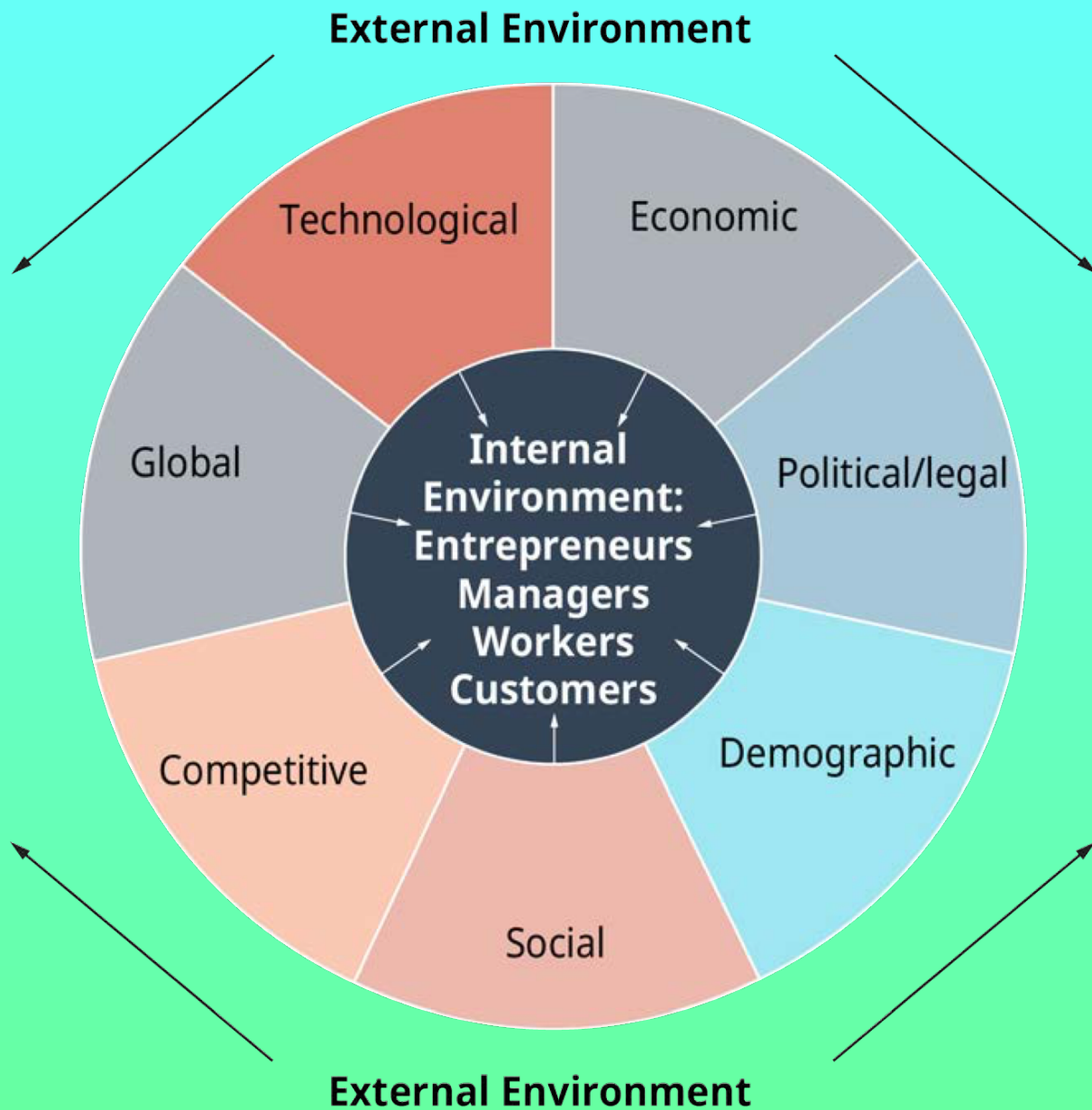
**General Environment-** sometimes called the macro-environment, includes the **external factors** that usually affect all or most organisations





# **FACTORS** of the general environment **OR** **MACRO-ENVIRONMENT**

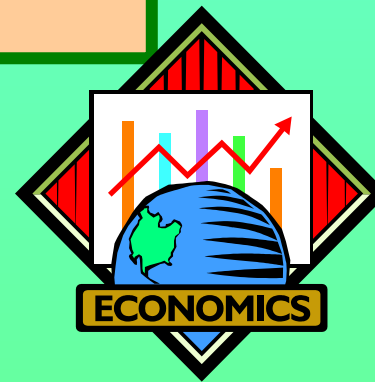






# The Economics

- ❑ Economics is the discipline that focuses on understanding how people or nations produce, distribute and consume various goods and services.







## Comparing the Old with the NEW Economy

<u>Old</u>	<u>NEW</u>
Low-cost manufacturing	Value-added services
Self-reliance	Outsourcing
Made in .. US, Jap. Algeria..	Borderless competition
Local knowledge	Customer convenience
Physical labor, raw mat.	Human capital, software, knowledge Mgt., Tech.
Smoke-stack industries	Environmental stewardship

Source: Adapted from Friedman, T.L. *The World is Flat*. New York: Farrar, Straus & Giroux, 2005, 48-172.



## **Smoke-stack industries:**

> **Traditional heavy manufacturing industries** that produce large items or inputs into other industries.

## **Environmental stewardship:**

> The **responsible use and protection of the natural environment** through conservation and sustainable practices to enhance **ecosystem resilience** and human well-being (Chapin et al., 2010).

**Ecosystem resilience: The ability to absorb various disturbances or negative effects.**



# Impact of Changing Demographics on Organisations

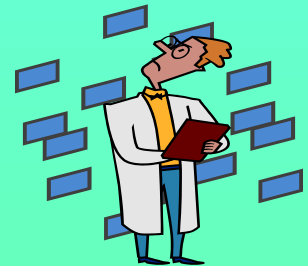
## ❑ Increasing diversity:

- Women participation rate increasing;
- Non nationals rate increasing;
- People of color rate increasing.



## ❑ Managerial challenges:

- Multicultural awareness programs;
- Language offerings;
- Career challenges;
- Lifestyle issues;
- Illegal immigration.





# Why is Culture Important to Managers?

**Values can effect how a manager:**

**Perceives  
situations and  
problems**

**Goes about  
solving problems**

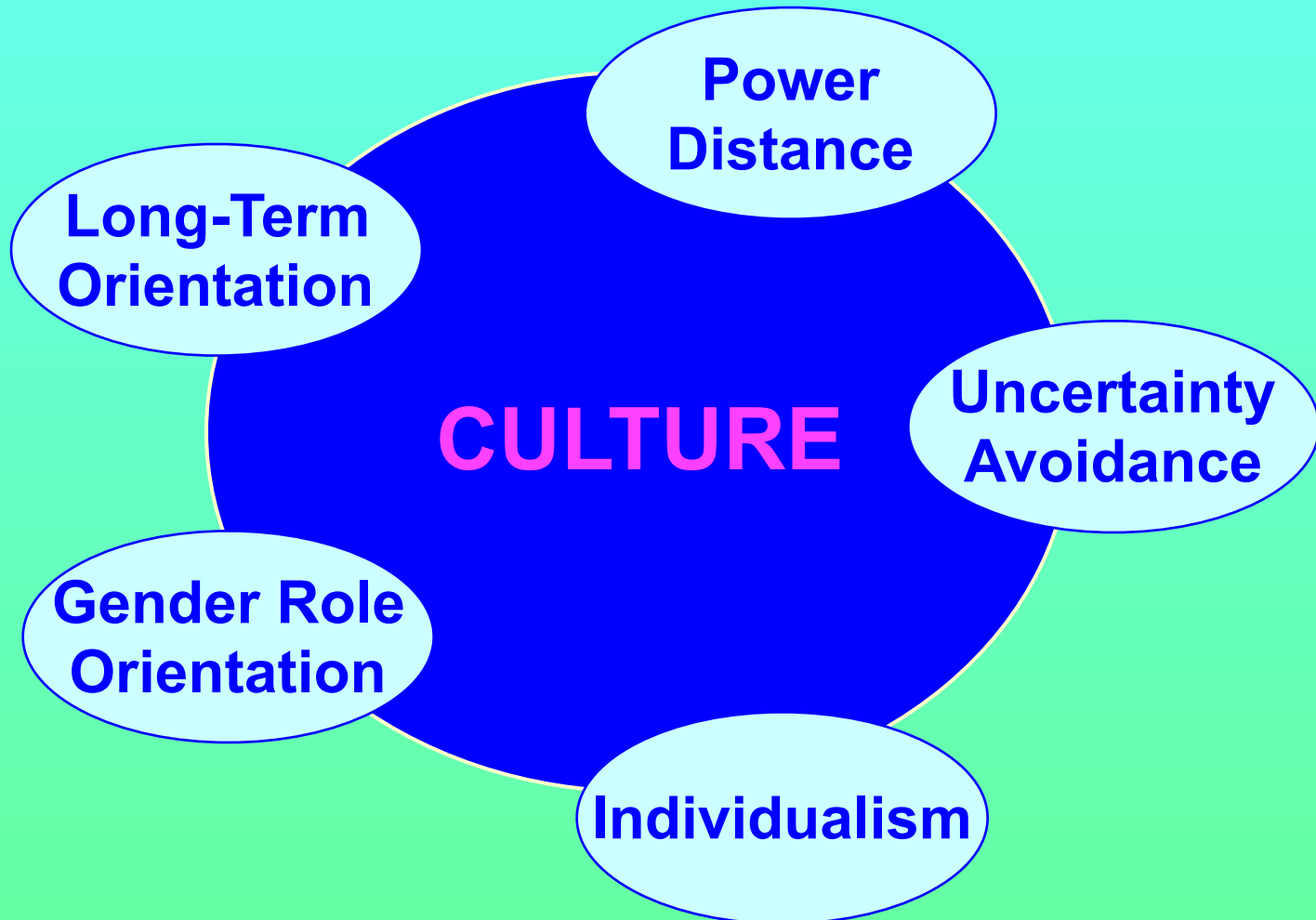
**Views other  
people and  
groups**

**Determines  
what is  
and is not  
ethical  
behaviour**

**Leads  
and controls  
employees**



# Overview of Cultural Factors (Developed by Hofstede)





# Hofstede's Framework Explained

- ❖ **Power Distance**—the degree to which less powerful members of society accept that influence is unequally divided.
- ❖ **Uncertainty Avoidance**—the extent to which members of a culture feel threatened by risky or unknown situations.
- ❖ **Individualism**—a combination of the degree to which society expects to take care of themselves and their immediate family and the degree to which people believe they are masters of their own destinies.

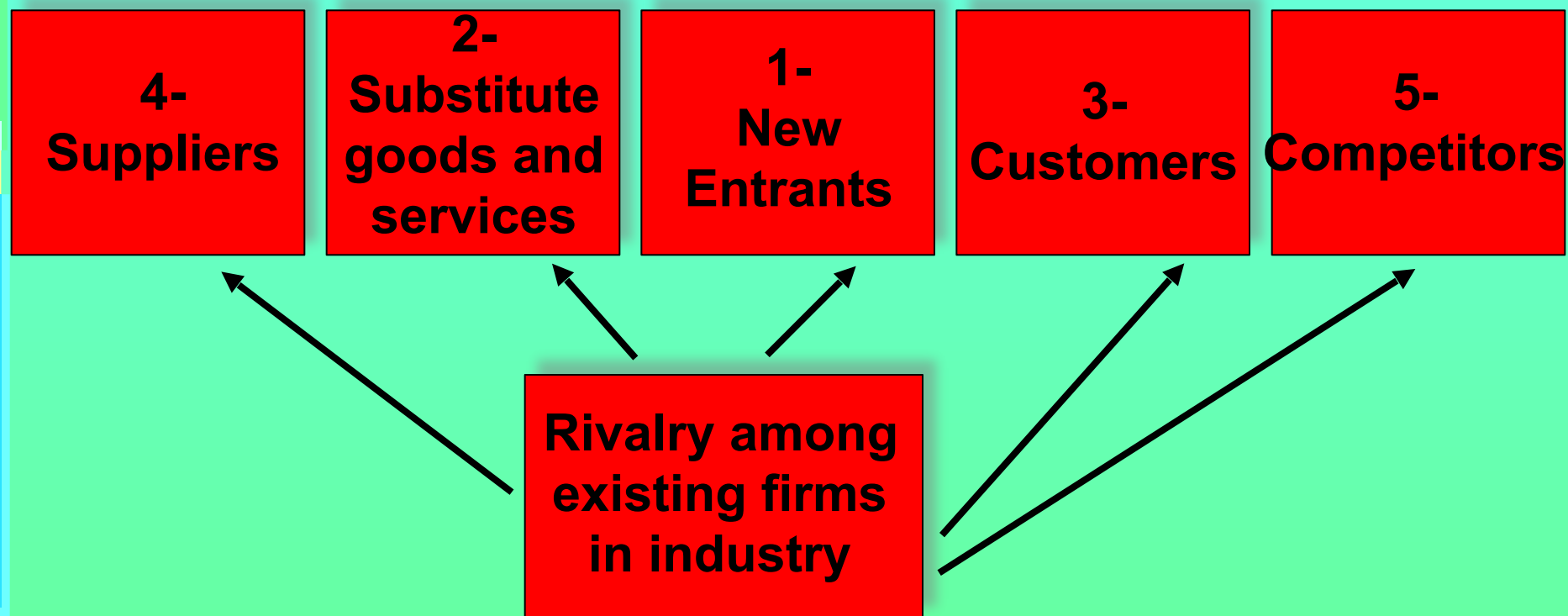


- ❖ **Collectivism**, which is the opposite of individualism, is a tight social framework in which group members (family, clan, organisation, and nation) focus on the common welfare and feel strongly toward one another.
- ❖ **Gender Role Orientation**—refers to the extent to which a society reinforces traditional norms of masculinity versus femininity.
- ❖ **Long-Term Orientation**—reflects the extent to which a culture stresses that its members accept delayed gratification of material, social, and emotional needs.



# COMPETITION

## Competitive Forces in an Industry Environment (developed by Porter)







# 1- Key Influences on New Entrants

- ❑ High versus low barriers to entry;
- ❑ **Economies of scale:** achieved when increased volume lowers the unit cost of a good or service produced by a firm;
- ❑ **Product differentiation:** the uniqueness in quality, price, design, brand image, or customer service that gives one firm's product an edge over another firm's;
- ❑ **Capital requirements:** the dollars needed to finance equipment, purchase supplies, purchase or lease land, hire staff, and the like;
- ❑ **Government regulation:** barrier to entry if it bars or severely restricts potential new entrants to an industry.



## 2- Substitute Goods and Services

- ❖ In a general sense, all competitors produce substitute goods or services, or goods or services that can easily replace another's goods or services.



- ❖ Movie rental



versus movie theatres

- ❖ Books



versus TV



versus

newspapers



- ❖ Purchase



versus rental



- ❖ Cell phone

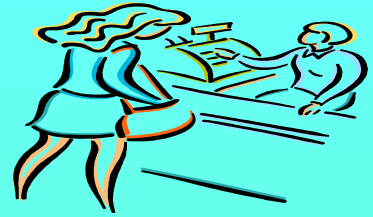


versus hard lines





## 3- Customers



☐ Customer bargaining power may be relatively great when:



- Customer purchases a large volume relative to the supplier's total sales;
- Product or service represents a significant expenditure by the customer;
- Large customers pose a threat of backward integration;
- Customers have readily available alternatives for the same services or products.

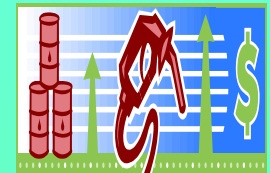


## 4- Suppliers

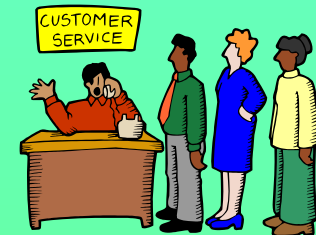


☐ **Bargaining power of suppliers often controls:**

1. how much they can raise prices above their costs or,

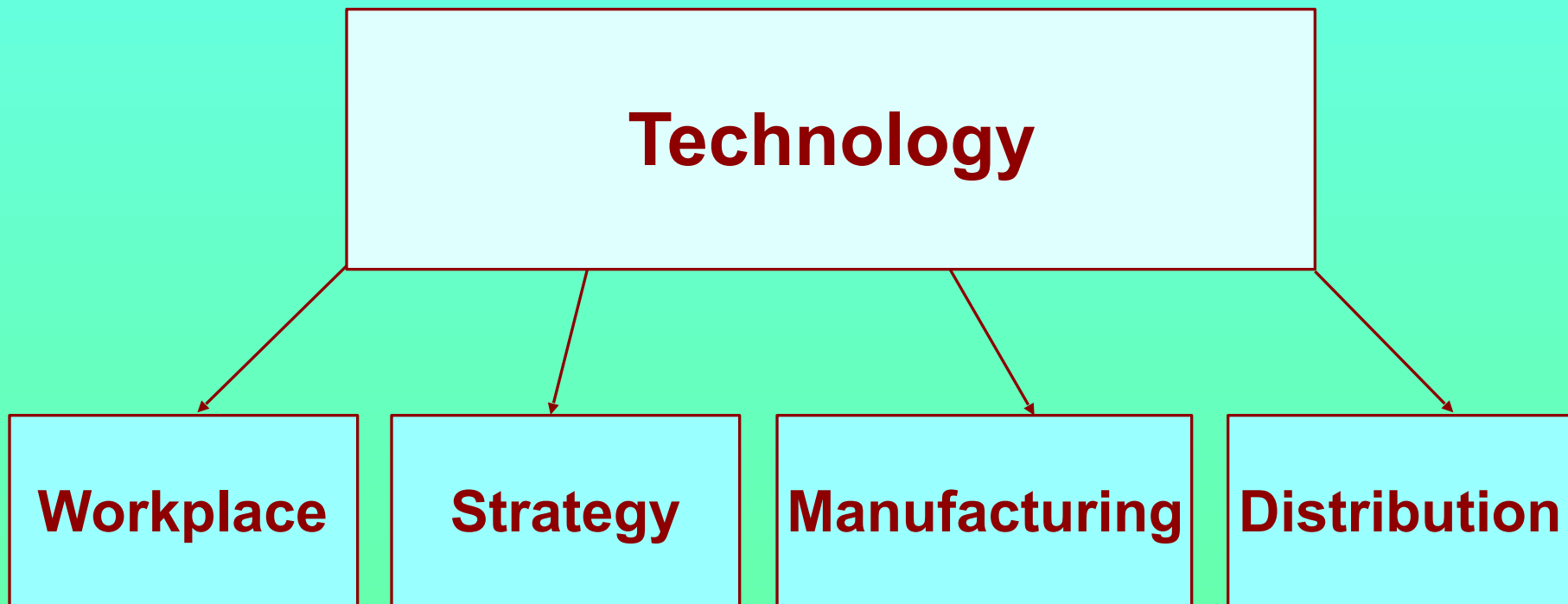


2. reduce the quality of goods and services they provide before losing customers.





# Technology Impacts on Organisations





# Technology's Impact in the Workplace



- Workers need greater problem-solving skills;
- Outsourcing routine tasks;
- Virtual organisations.



# Technology's Impact on Strategy



- Faster new product introductions to market;
- **Entrance of “electronic” competitors;**
- Formation of “**electronic shopping malls**” USA;
- Wider choice of suppliers for company;
- More substitute goods and services available to company;
- Product differentiation based on technological sophistication.



# Technology's Impact on Manufacturing

**Mass customisation:**  
combines the efficiencies of  
mass production with the  
ability to customise  
individual products  
according to customer  
specifications.

**Mass  
Customisation**

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**Reduction in  
Manufacturing time**

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**Outsourcing of routine jobs**





# Technology's Impact on Distribution





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