COMP3780 Notes

# **PLAN | ORGANISE | LEAD | CONTROL**

# Chapter 3 (Managing the external environment and organisational culture)

## Management Omnipotent View

The view that **managers are directly responsible for an organisation’s success or failure**

## Management Symbolic View

The view that much of an organisation’s **success or failure is due to external forces outside of a manager’s control**

**Potential external influences:**

* Government influence
* Economic influence
* External factors (e.g., pandemics such as Covid)
* Technological constraints (speed of which tech investment becomes obsolete)

## Reality suggests a synthesis

In the real world, we can see that there is a balance between these 2 views (omnipotent & symbolic)  
Managers are neither completely helpless, nor are they in complete control of business outcome

## External environment (ALL EXTERNAL FORCES)

Those factors and forces outside the organisation that affect performance

Diagram, venn diagram

Description automatically generated

## Specific environment (EXTERNAL DIRECT IMPACT)

Those external forces that have a direct impact on managers’ decisions and actions and are directly relevant to the achievement of the organisation’s goals

* Customers
  + Evolving wants / needs (e.g., ecofriendly, more choice, more accessibility, faster delivery times)
  + Can become distasteful of a business’ existing offerings
* Suppliers
  + Managing unavailability
  + Pricing
  + Quality
  + Overall value propositions
  + ROI
* Competitors
  + Competing for customers
  + Competing for employees
  + NFP competing for donations and volunteers
  + Competing for suppliers
* Public pressure groups
  + Eco groups
  + Emissions
  + Organisations that aim to preserve or raise awareness by pointing out non-ecofriendly, non-ethical, or non-sustainable behaviour

## General environments (EXTERNAL INDIRECT IMPACT)

Broad external conditions that MAY affect the organization

* Economic conditions
  + Increase in costs of raw materials
  + Inflation
  + Increase in energy costs
  + Fluctuations of the dollar, the changes in FX, and the impacts on profitability
  + Supply of resources
  + Impacts of the job market (e.g., the great resignation)
  + Changes to minimum wage
* Political / legal conditions
  + Caused by local, state, or federal governments
  + Implementation of regulation to limit what markets and organisations can do
  + Impacts all aspects of business operations
* Sociocultural conditions
  + Societal customs, values, and tastes
  + Organisations have to adjust to these conditions appropriately
  + E.g., global warming, companies must consider there carbon footprint and have a strategy to tackle their part of carbon emissions and/or more
* Demographic
  + Gender
  + Age
  + Level of education
  + Geographic location
  + Income
  + Family composition
  + These constrain how managers plan, organise, lead, and control

## Technological conditions

* Automations
* Improved production / manufacturing efficiencies
* Improved processes
* Redundancy of existing traditional roles / jobs
* Digitalisation of processes
* Information age, data used to identify trends, success, or failure of management implementations
* Allows companies to pivot away from poor management decisions and lean into strong ones quicker

## Global conditions

* Globalisation
* Increased access to customers
* Increase size of markets
* Increased potential customer base
* Access to higher value suppliers, improving business outcome, allowing businesses to specialise in certain markets to maximise their value
* INCREASE COMPETITION as competitors can now be situated anywhere
* Due to removal of geographic bounds for competitors, they may have access different resources and have different regulation requirements, giving them competitive advantages that need to be considered

## Jobs and employment (Changes to external environment conditions)

* Affects the types of jobs available (as economies compete for jobs via their specialization of their workforce) [E.g., China / India]
* Affects how jobs are managed (technology, sociocultural, demographics considerations, etc)
* Globalisation increase value propositions of freelancing and contractors
* Normalizing flexible work arrangements (the great resignation)

## Assessing environmental uncertainty

The degree of change and complexity in an organisation’s environment

* **Degree of change**
  + Frequent changes in an organisation’s environment == ‘**dynamic environment**’
  + Minimal changes in an organisation’s environment == ‘**stable environment**’ (little activity, no new competitors, few technological breakthroughs by current competitors, etc)
* **Degree of complexity**
  + The number of components in an organisation’s environment and the extent of the organisation’s knowledge about those components
  + **Simple** – few components in environment
  + **Complex** – many components in environment

## Managing stakeholder relationships

**Stakeholders** – Any constituencies in the organisation’s external environment that are affected by the organisation’s decisions and actions - HAVE A VESTED INTEREST IN YOUR ORGANISATION

* Employees
* Customers
* Social & political action groups
* Competitors
* Trade and industry associations
* Governments
* Media
* Suppliers
* Communities
* Shareholders
* Unions
* Environment

**How to manage stakeholders (4 steps)**

1. **Who are the stakeholders? (IDENTIFY)**
2. **What particular interest might each stakeholder have? (WHAT THEY CARE ABOUT)**
   1. Product quality
   2. Financial issues
   3. Safe working conditions
   4. Environmental protection
   5. Etc
3. **How critical is each stakeholder to the organisation’s decisions and actions? (WHY SHOULD OUR ORGANISATION CARE? WHAT POWER DOES EACH STAKEHOLDER HAVE?)**
   1. Does this stakeholder have a weak or strong force on management’s ability to plan, organise, lead, and control?
4. **What specific approach should be used to manage each external stakeholder relationship? (HOW SHOULD OUR ORGANISATION MANAGE EACH STAKEHOLDER?)**
   1. How critical is the stakeholder?
   2. What are the implications of poor management of this stakeholder?
   3. Does this stakeholder have a weak or strong force on management’s ability to plan, organise, lead, and control?