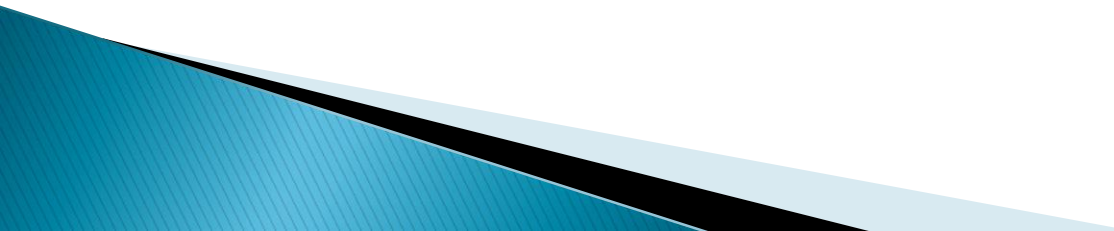


# Organisations and the Environment

Presented  
by  
M K BANDA

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- ▶ Perspectives of Organisations
  - ▶ Types of Organisations
  - ▶ Organisations as Closed/Open Systems
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# Perspectives of Organisations

- ▶ **Perspective 1 – Corporate** group of social rels which is either closed or limits admission of outsiders by rules. For example, hospitals, universities, KCM etc.
- ▶ Such orgs:
  1. involve social relationships in which individuals interact within the organisation.
  2. include part of the population and excludes others
  3. have boundaries – physical or psychological
  4. contain hierarchy and authority levels and division of labour
  5. carry out continuous purposive activities of a specified kind
  6. transcend the lives of their members
  7. have goals to pursue
  8. Designed to do something


# Perspectives of Organisations

- ▶ **Perspective 2 – system** of consciously coordinated activities of two or more persons: the activity is accomplished thro conscious deliberate and purposeful coordination. For example, busn orgs have specified activities for each individual.
- ▶ Such orgs require:
  1. communication between individuals
  2. willingness on the part of individuals to contribute
  3. common purpose among individuals
  4. the role of an individual to be stressed: to communicate, to be motivated and to make decisions.

# Perspectives of Organisations

- ▶ **Perspective 3 – orgs are social units** deliberately constructed and reconstructed to seek specific goals. For example, corporations, armies, schools, hospitals churches, and prisons.
- ▶ Such orgs are characterised by:
  - **divisions of labour, power centres and communication responsibilities** – divisions which are deliberately planned to enhance realisation of specific goals
  - **presence of one or more power centres which control the concerted efforts of the org and direct them toward its goals** – these power centres also continuously review org's performance and re-pattern its structure where necessary, to increase its efficiency
  - **substitution of personnel, i.e. unsatisfactory persons can be removed and others assigned their tasks**; orgs can recombine its personnel through transfers and promotions

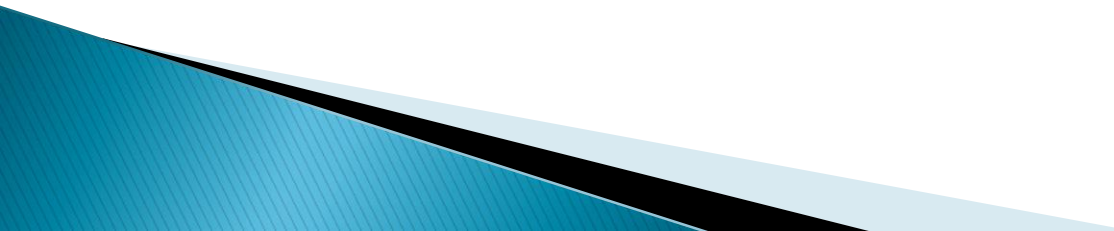
# Organisation Defined

- ▶ Organisations are collectivities that have been established for the pursuit of relatively specific objectives on a more or less continuous basis
  - ▶ Orgs have distinctive features which include:
    - Fixed boundaries
    - A normative order
    - Authority ranks,
    - Communication systems incentive systems which enable various types of participants to work together in pursuit of common goals.
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# Types of Organisations

- ▶ This is classification of orgs – **typology**. effort lies in the determining variables for differentiating the phenomena under examination
- ▶ Since orgs are highly complex, classificatory schemes must take into **account external conditions**, **total spectrum of actions** and **interactions** and outcomes of org behaviours
- ▶ Classification can be by:
  - org function or
  - org purpose

# Function Types

- ▶ **1 Production org** which make things for consumption in the society
  - ▶ **2 Orgs oriented towards political goals**; such orgs seek to ensure that society attains its valued goals; and generates and allocates power within society
  - ▶ **3 Integrative orgs**; whose purposes are settling conflicts, directing motivations towards fulfilling of institutionalised expectations, and ensuring that parts of society work together.
  - ▶ **4 Pattern maintenance orgs** which attempt to provide societal continuity through education, cultural and expressive activities.
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# Goal Types

- ▶ Goal types are an elaboration of the function types
- ▶ **1 Production/Economic orgs** – primarily concerned with the “creation of wealth, the manufacture of goods and the providing of services for the general public or for specific segments of the society”.
- ▶ Such types are subdivided into:
  - **Primary** – engaged in the exploitation of natural resources to produce primary products such as grain, timber, fish and minerals. Agric and mining are primary industries
  - **Secondary** – engaged in the mfrg of goods for consumption or utilisation such as maize meal, furniture pieces, copper wire etc. milling companies and Zamefa are secondary industries
  - **Tertiary** – engaged in the provision of services to both primary and secondary sectors such as transportation, communication, insurance, banking services
- ▶ These orgs provide an instrumental integration for society through production of an output consumed as a basic survival and economic development need, by members of society

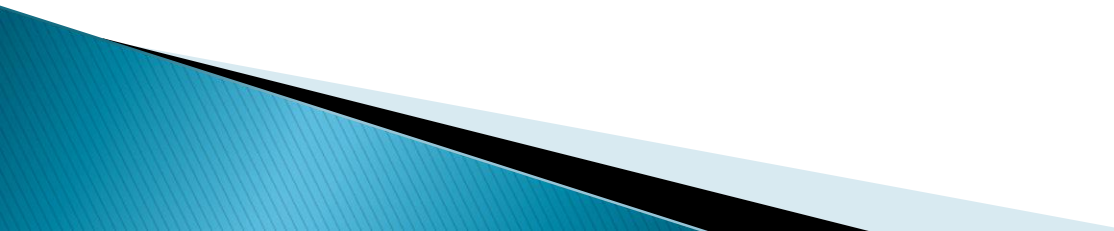
# Goal Types

- ▶ **2 Maintenance orgs** – devoted to the “socialisation of people for their roles in other orgs and in the larger society”
- ▶ These are of two types:
  - Direct maintenance type such as the church and schools
  - Indirect maintenance type such as
    - those concerned with **restoration**, either through health and welfare activities or
    - those concerned with **rehabilitation** such as Tasintha rehab of prostitutes and
    - those concerned with **reform** such as Prisons

# Goal Type

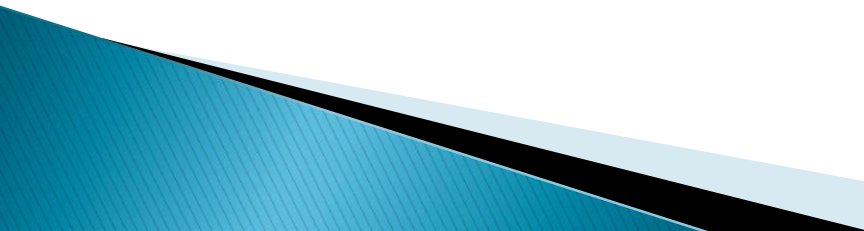
- ▶ **3 Adaptive orgs** – “create knowledge develop and test theories and apply information to solving existing problems”. Universities and research orgs through their functions are typical examples.
- ▶ **4 Managerial/Political orgs** – concerned with the “adjudication, coordination and control of resources, people and subsystems”. The State is an obvious example.
- ▶ Other examples include:
  - Pressure groups (Political Parties etc)
  - Labour unions
  - Special interest groups representing diverse groups such as
    - Lawyers,
    - Doctors,
    - Engineers,
    - Educators,
    - Farmers etc

# Orgs as Closed/Open Systems

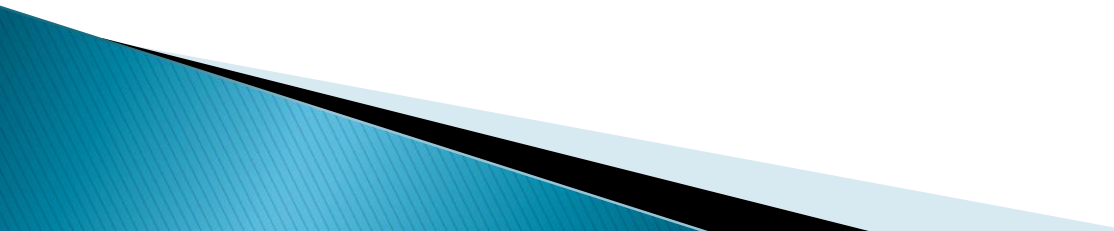
- ▶ **Closed system model** views orgs as instruments designed for the pursuit of clearly specified goals, and thus directing organisational arrangements and decisions toward goal achievement and toward making org more rational in its pursuit of its goals (management, structural)
  - ▶ **Open system model** views orgs as not only concerned with goals, but as also responding to the external and internal pressures. Goals may some time be ignored in preference for survival.
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# Closed System Type

## ▶ Characterised as:

- Highly bureaucratic in nature
  - Having clearly defined and explicit goals and purposes
  - Org rules , procedures and regulations derived from goals
  - Tasks are subdivided among members so that each has a limited sphere of activity matched to his own competence
  - Offices arranged in a pyramidal hierarchy with each having more authority than those below it
  - Decision making is based on officially established rules and criteria attached to the position
  - Members participate on the basis of contractual agreements
  - Participation is based on remuneration in the form of a salary
- ▶ Closed system perspective is a way of approaching and optimising org rationality – linking means to ends
- ▶ The rational model results in everything being functional. All action is appropriate action and outcome is predictable.
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# Open System Type

- ▶ Orgs act and react as organisms
  - ▶ Realisation of goals is but one of several important needs to which org is oriented – survival being one such need which can lead to neglect or distortion of goal-seeking behaviour.
  - ▶ Org changes seen as relatively unplanned, adaptive responses to threats to org equilibrium.
  - ▶ Open system approach stresses interdependence of org parts, noting that even a planned change in one part of the system will have important and usually unanticipated ramifications for the rest of the system.
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# Open System Characteristics

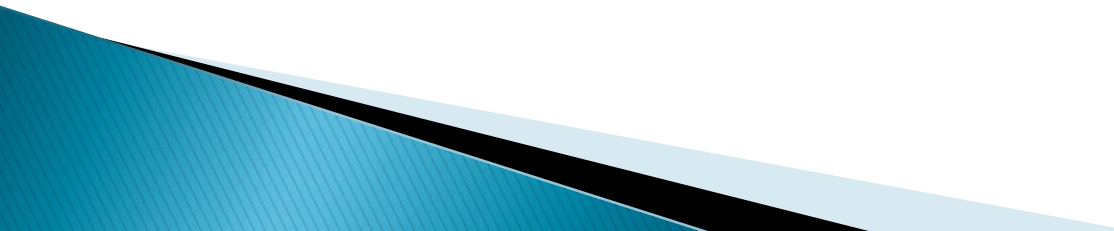
- I ▶ **Importation of energy** supplied by other orgs in the external environment
- T ▶ **Throughput/conversion** – inputs are altered
- O ▶ **Output** – whatever emerges is utilised, consumed, rejected by the external environment
- C ▶ **Cycles of events** – products sent into the environment are the basis for the source of energy for repeating the event
- N ▶ **Negative entropy** – tendency to import more energy than expended
- I ▶ **Information input**, negative feedback control mechanism
  - ▶ **Steady state and dynamic homeostasis/equilibrium.** Systems tend to maintain basic character, attempting to control threatening external factors.
- D ▶ **Differentiation** – tendency towards elaboration of roles
- E ▶ **Equifinality** – multiple means to the same end exist in the org. As knowledge increases, the number of relevant means may be reduced, but there will still be more than one way to accomplish objectives.

# General Environment

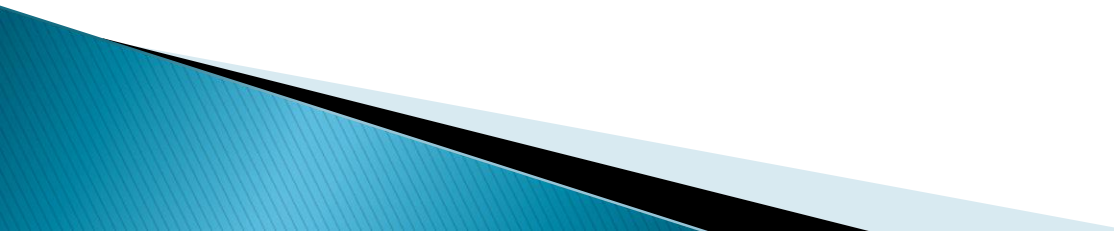
- ▶ **Political conditions** – bring about new policies and conditions (ideologies) that affect org operations. Change in government leadership has direct effect on managements of some orgs.
- ▶ **Legal conditions** – provide the laws under which orgs operate. When a new law is passed or an interpretation is modified, orgs must make some important changes if the law has to have some relevance
- ▶ **Economic conditions** – changing economic conditions affect orgs: in periods of distress, orgs are likely to cut back or eliminate programs felt to be least important to the overall goals. Periods of economic difficulty force orgs to evaluate their priorities. As economic conditions improve or decline, orgs respond to prevailing situation especially competition.
- ▶ **Social/Demographic conditions** – the number of people served and their age–sex distributions make a difference to all orgs. As a general rule an org can predict its probable “market”, but population shifts are less predictable and can make orgs more vulnerable. Orgs undergo transition as they realise their clientele has become different and that they themselves must change.



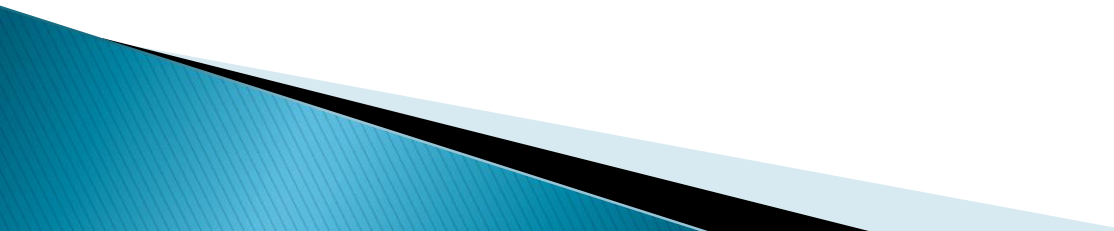
# General Environment

- ▶ **Technological conditions** – a development in any sphere of activity will eventually get to the org related to it. Orgs do not respond to tech change through absorption. Instead org's political process operates through the advocacy of change or stability
  - ▶ **Ecological conditions** – the relationship between an org and ecological conditions raise the concern of issues such as pollution, destruction of ecosystems and scarcity of natural resources.
  - ▶ **Cultural conditions** – the culture that surrounds an org requires to be understood fully: values and behaviour of the indigenous population. culture permeates org boundaries through expectations and actions of the human resource. Norms and behaviours that work in one setting are likely to be ineffective or counterproductive in another.
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# Change Drivers

- ▶ **Globalisation** – foreign ownership of productive assets; volatile labour relations as they try to understand each other.
  - ▶ **An information based economy** – ICT making info a key strategic resource. Human capital development a key managerial issue as need for skilled workers increases
  - ▶ **Quality of life emphasis** – concerns about personal health and the health of natural environment now forefront agenda for nations. Public policy and bsn practices being reshaped. Questions on poverty, street kids and social justice are prominent
  - ▶ **Restructured economy** – global competition and new technologies forcing orgs to downsize, and become responsive to changing circumstances. Mushrooming of small bsn. Service sector growth.
  - ▶ **Redefinition of home and family life** – child care, house cleaning, yard care, laundry will be handled by paid outsiders
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# Change Drivers

- ▶ **Shifting societal roles** – boundaries between private and public sectors disappearing as both begin to deal with social problems
  - ▶ **Diverse society** – workforce including women in blue and white collar jobs
  - ▶ **Renewed social activism** – bsn responding ethically, creatively and generously to community problems
  - ▶ **Ethical Social Responsibility** – abhorrence of corruption, immorality pressure to act ethically responsible in bsn activity
  - ▶ **Generational Shifts** – maturing population – preoccupation with youth giving way to sophistication, realism and responsibility: college education for all.
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# Impact of the Environment

- ▶ **Vulnerability** – orgs are vulnerable to environmental pressures and react to it.
  - Strong environmental pressures lead to a general tightening of the org.
  - An org with strong financial resources is less vulnerable to economic conditions.
  - The more dependent an org is on its environment the more it faces greater risk of failure if innovations fail.
- ▶ **Dependence** – every org is dependent on its environment:
  - Each adapts internal strategies to deal with perceived pressures.
  - There is no single best way to cope with environmental pressures
  - The specific stance an org takes derives from political choices that are made within the decision making process that different factions support particular options.
  - The selected option is a consequence of the power of individuals and groups that support it.

# Impact of the Environment

- ▶ **Strategies** – orgs develop strategies to deal with environmental pressures by attempting to shape the environment itself.
- ▶ **Orgs react to pressure by:**
  - exerting control over pricing and distribution, patent and copyright laws.
  - attempting to gain and maintain power over environmental conditions that are of strategic importance to them.
  - resorting to illegal acts such as price-fixing and other activities to restrain trade

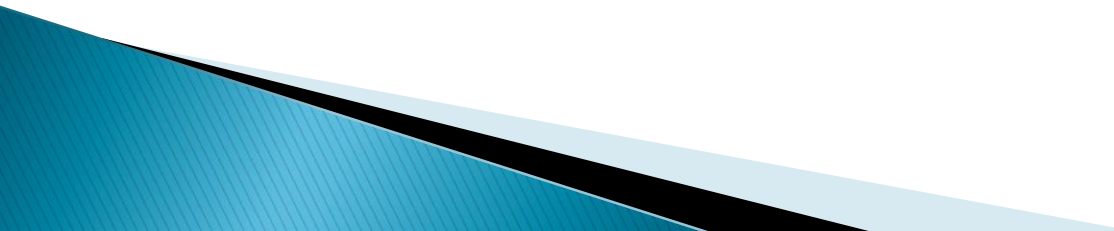
# Impact of Social Environment

- ▶ Society a product of struggle between forces of stability and change. Cooperation promotes stability. Conflict and competition upset status quo net result is an ever changing society
- ▶ Mgt at forefront of bringing change in society; **major factors of concern** include:
  - Demographics – very valuable for planning hr and marketing
  - Inequalities at workplaces – pressure mounting for equitable treatment in orgs leads to **managing diversity** to enable all employees realise their full potential.

# Impact of Political Environment

- ▶ Politics – public influence and control and it involves special-interest groups and orgs.
- ▶ Major impact is politicisation of mgt:
- ▶ Managers are embroiled in issues that have political overtones leading to issues mgt (IM)
- ▶ IM – an ongoing process of identifying, evaluating, and responding to socio-political issues.
- ▶ IM :
  - Minimises surprises from socio-political change by serving as an early warning system
  - Prompts systematic and effective response to an issue by serving as a coordinating and integrating force within the org

# Political Response Strategies

- ▶ **Org political response strategies:** reactive, neutral and proactive
  - ▶ **Reactive response** – org defends status quo, and /or actively fight government intervention
  - ▶ **Neutral response** – org plays a watch and wait development before deciding
  - ▶ **Proactive response** – org improves performance to avoid political attacks and government intervention.
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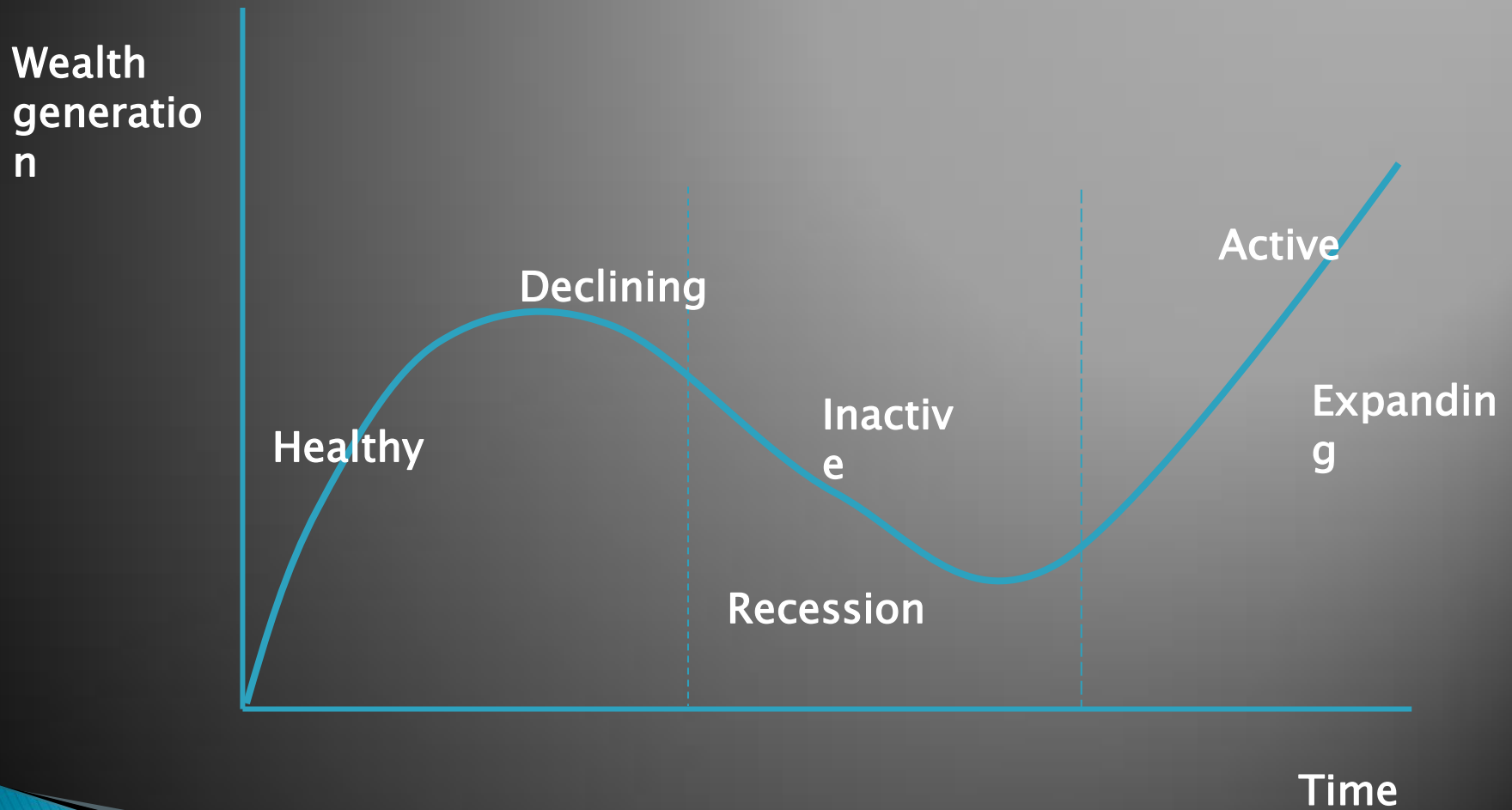
# Political –Legal Implications

- ▶ **Specific political strategies include:**
  - Campaign financing
  - Lobbying
  - Coalition building
  - Indirect lobbying( advocacy advertising)
- ▶ **Increased personal legal accountability:**  
managers cannot hide behind org – personally responsible for decisions and actions.
- ▶ **Political legal implications for mgt:**
  - Frequent legal audits of org decisions
  - Use of ADR to avoid court room battles, less costly
- ▶ Coalition building around common rallying points will become weapons to fight political impact

# Impact of Economic Environment

- ▶ Three importance aspects of economic environment:
- ▶ **Job Outlook** most affected by economic factors:
  - More jobs created in a buoyant economy
  - Losses of jobs during depression
  - Job availability also dependent on expanding economic sector e.g. IT
- ▶ Coping with **Business Cycle** – bsn cycle is the up and down movement of economy's ability to generate wealth:
  - It has a predictable structure but variable timing
  - It forces managers to make cycle-sensitive decisions such as inventory levels, borrowing funds, increasing staff , capitalisation etc.

# Economic Cycle



# Global Economy

- ▶ **Challenge of Global Economy** – has affected work places, how much workers gets, what people buy and how much they pay
- ▶ **Personal Aspects of Global Economy:**
  - Working for foreign owned company and its attendant cross-cultural issues
  - Meeting world standards for quality and costs; people squeezed by demands for higher quality work and remunerated by low wages
  - Protectionism – orgs that do not export or import demand protection from foreign competition for fear of loss of market share and jobs.
  - Protectionism imposes costs on consumers and inflates prices of imported goods

# Impact of Technological Environment

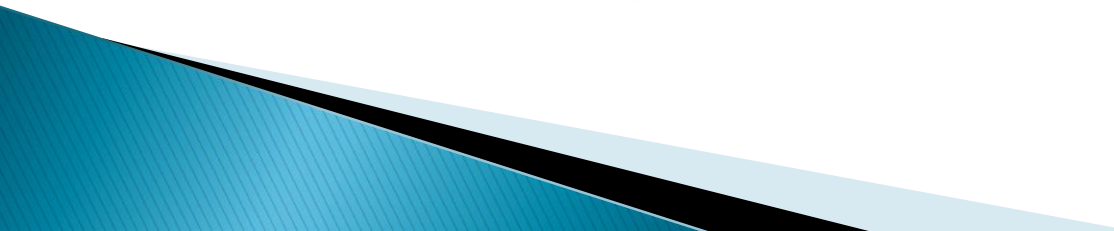
## ▶ Technology:

- Blamed for environmental destruction and cultural fragmentation
- Viewed as key to economic and social progress
- Currently facilitating evolution of industrial age into information age; making info a valuable strategic resource

## ▶ Implications for managers:

- Innovation and
- Intrapreneurship

# Innovation

- ▶ **Innovation** – systematic development and practical application of new ideas.
  - ▶ Takes a great deal of time to develop idea into marketable product.
  - ▶ Shortening innovation lag is high priority goal for managers.
  - ▶ **Concurrent engineering** – team approach to product design and successful market launch involving researchers, finance, design, production and marketing specialist from conceptualisation to end of developing efficient and effective production technology.
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# Innovation Process



# Intrapreneurship

- ▶ **Intrapreneurship** – employee who takes personal responsibility for pushing any type of innovative idea, product or process through the org. To achieve competitive advantage/edge through innovation, orgs need to foster supportive climate for intrapreneurs by:
  - Focusing on results and team work
  - Rewarding innovation and risk taking
  - Tolerating and learning from mistakes and
  - Remaining flexible and change-oriented.



END

# Resources

- ▶ Hall, Richard H, (1983) Organisations: Structure and Processes, Prentice-Hall.
- ▶ Kreitner, Robert, (2005) Management, Houghton-Mifflin