Organizational environments and cultures

Environment, Ecology

HOW CHANGING ENVIRONMENTS AFFECT ORGANIZATIONS

- Environmental change: The rate at which a company's general and specificenvironmentchanges

- Stable environments: the rate of environmental change is slow

- Dynamic environments: the rate of environmental change is fast

- Punctuated equilibrium theory: companies go through long periods of stability, followed by a short complex period of dynamic change (revolutionary periods) to later return to stability

- Environmental complexity: Refers to the number and intensity of external factors in the environment that affect organizations

- Simple environments: few environmental factors Complex environments: many environmental factors

- Resource scarcity: Refers to the abundance or shortage of critical organizational resources in an organization external environment

- Uncertainty: How well managers can understand or predict the external changes and trends affecting their business

- Uncertainty is lowest when environmental change and complexity are at low levels and resource scarcity is small (if environment is not too complicated and doesn't change much it's easy to predict) .

FOUR COMPONENTS OF GENERAL ENVIRONMENT

1. Economy * It influences basic business decisions such as whether to hire more employees, expand production, or take out loans to purchase * In a growing economy more products are bought and sold, more people work and salaries rise; and viceversa (in shrinking

economy) * Business Confidence Indices: shows how confidente actual managers are about future business growth

2. Political/Legal Trends Includes legislation, regulations, and court decisions that govern and regulate business behaviour * New laws and regulations continue to impose additional responsibilities to companies

3. Sociocultural Trends * Demographic characteristics, general behaviour, attitudes and beliefs of people in a particular society

4. Technological Trends * Refers to the knowledge, tools and techniques used to transform inputs into outputs

FIVE COMPONENTS OF SPECIFIC ENVIRONMENT

The specific environment is the environment that is unique to a firm's industry and that directly affects the way it conducts day-to-day business.

1. Customer: * Monitoring customer's changing wants and needs is critical to business success. It can be done in two ways: i. Reactive customer monitoring: identifying and addressing customer trends and problems after they occur ii. Proactive customer monitoring: identifying and addressing customer needs, trends and issues before they occur

2. Competitor: Companies need to keep close track of what their competitors are doing * To do so, they perform a competitive analysis * A competitive analysis involves deciding who your competitors are, anticipating competitors' moves, and determining competitors' strenghts and weaknesses

3. Supplier: * Supplier dependence: the degree to which a company relies on that supplier because of the importance of the supplier's product to the company * Buyer dependence: the degree to which a supplier

relies on a buyer because of the importance of that buyer to the supplier's sales * A igh degree of supplier or buyer dependence can lead to oportunistic behaviour (benefiting at the expense of the other) * In contrast, relationship behaviour focuses on establishing a mutually beneficial, long-term relationship between buyers and suppliers

4. Industry Regulations: * Regulations and rules that govern the practices and procedures of specific industries, businesses and professions * Unlike the political/legal component of the general environment, this does not affect all businesses

5. Advocacy Groups: These are groups of concerned citizens who band together to try to influence the business practices of specific industries, businesses and professions * e. g. environmental advocacy groups try to influence manufacturers to pollute less * Ways in which advocacy groups can influence businesses: iii. Public communications: voluntary participation of media industry to send out the group's message iv. Media advocacy: involves framing the group's concern as public issues that affect everyone, forcing media coverage v. Product boycott: advocacy groups actively try to persuade consumers not to purchase a company's product or service

MAKING SENSE OF CHANGING ENVIRONMENTS

Because external environments can be dynamic, confusing and complex, managers use a three-step process to make sense of the changes in their external environments:

1. Environmental scanning: * Searching the environment for important events or issues that might affect the organization * Manager scan the environment to reduce incertainty

2. Interpreting Environmental factors: * After scanning, the company determines what environmental events and issues mean to the organization. * Distinguish environmental events as either threats or opportunities

3. Actiong on threats and opportunities: * Managers decide how to respond to these environmental factors * Because it is impossible to comprehend all the factors and changes, managers rely on Cognitive maps that summarize the perceived relationships between environmental factors and possible organizational actions

INTERNAL ENVIRONMENTS - ORGANIZATIONAL CULTURE

Organizationalcultureis the set of beliefs, values and attitudes shared b members of an organization.

- Creating an Organizational Culture: * The founder is the primary source of an organization's culture

- Founders create organizations at their own image

- When founders are gone, culture is kept with: i. Stories: to emphasize culturally consistent assumptions, decisions, and actions ii. Heroes: people admired for their qualities and achievements within the organization. Successful Organizational Cultures:

- Are Adaptable * Have employee involvement * Have a clear company vision * Are Consistent, Strong culture (even though strong cultures reduce adaptability)

- Changing Organizational Cultures: * Culture has three levels: iii. Seen (surface level) iv. Heard (expressed values & beliefs) v. Believed (unconscious assumptions & beliefes) * Managers should only focus on the parts of the culture they can control, those are the surface level items and expressed values and beliefs

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