

# Organizational environment



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Organizational Environment Organizational Environment: those forces outside its boundaries that can impact it. Forces can change over time and are made up of Opportunities and Threats. (7) The Organizational environment refers to the forces that can make an impact. Forces made up opportunities and threats. Organizations do not exist in isolation.

It works with the overall environment. Scholars have divided these environmental factors into two main parts as. Internal Environment External Environment (8) c. Internal Environment The internal environment consists of the inherent competencies of the firm and the structure of its internal systems and processes. It is imperative for the organization to conduct an internal analysis to obtain a clear picture regarding its strengths and weaknesses.

This helps the organization to design suitable strategies towards leveraging its strength to gain sustainable competitive advantage in the market. (9) The internal environment plays a crucial role in the strategic management process of the organization. It is a direct reflection of what the organization can do in the event of a business-related exigency. The organization's core competencies help sustain it in the long run in the face of competition. (10) The internal environment may also include a Mission statement that tells you the fundamental purpose of the organization.

It concentrates on the present. It defines the customer and the critical processes. It informs you of the desired level of performance. (11) An

organization's mission statement describes what the organization stands for and why it exists.

It explains the overall purpose of the organization and includes the attributes that distinguish it from other organizations of its type. Effective mission statements lead to effective efforts. In today's quality-conscious and highly competitive environments, an effective mission statement's purpose is centered on serving the needs of customers. A good mission statement is precise in identifying the following intents of a company: Customers — who will be served Products/services — what will be produced Location — where the products/services will be produced Philosophy — what ideology will be followed Organizational cultures The organizational culture is an organization's personality.

The culture of an organization distinguishes it from others and shapes the actions of its members. Four main components make up an organization's culture: Values are the basic beliefs that define employees' successes in an organization. The second component is heroes. A hero is an exemplary person who reflects the image, attitudes, or values of the organization and serves as a role model to other employees. Rites and rituals, the third component, are routines or ceremonies that the company uses to recognize high-performing employees.

The honorees are meant to exemplify and inspire all employees of the company during the rest of the year. The final component, the social network, is the informal means of communication within an organization. This network carries the stories of both heroes and those who have failed. It

is through this network that employees really learn about the organization's culture and values.

**Resources** Resources are the people, information, facilities, infrastructure, machinery, equipment, supplies, and finances at an organization's disposal. People are the paramount resource of all organizations. Information, facilities, machinery equipment, materials, supplies, and finances are supporting. (12) d.

**External Environment** The other division of the environment, is the external environment which refers to the major elements, forces and aspects outside the organization units that have the potential of significantly impacting on the likely success of the organization (13) The external environment refers to all relevant forces outside the firm's boundaries, factors to which managers must pay attention to help their organizations compete effectively and survive. Many of these factors are uncontrollable, but their uncontrollable does not mean that managers can ignore them, try to get by, and use them as excuses for poor performance. Managers must stay abreast of and deal constantly with external developments. (14) Factors that happen in the external environment are known as external factors or influences. These will affect the main internal functions of the business and possibly the objectives of the business and its strategies. The main factor that affects most business is the degree of competition – how fiercely other businesses compete with the products that another business makes.

The other factors that can affect the business are: Social – how communities behave and their beliefs. Legal – the way in which legislation in society

affects the business. Economic – how the economy affects a business

Political – how changes in government policy might affect the business

Technological – how the rapid pace of change in production processes and

product innovation affect a business. Ethical – what is regarded as morally

right or wrong for a business (15) An organization is an open system;

therefore it interacts with its environment.

To manage the relationship with the environment, a large part of strategic

planning is concerned. The environmental factors can be divided to 2 main

categories, which is MACRO and MICRO . Macro environmental factors

seriously affect an organization business practice, profitability and future

progress. It can be summarize into 4 main factors which known as “ P. E.

S. T”. P stands for the Political factors. It is also widely known as legal

factors. When the political environment is not stable, changes of ordinary

plan happen all the time as to come out with a better strategy. Maintaining a

good relationship with government bodies will ensure the continuity of

business.

E stands for Economic factors. Economic factor play an important role for the

company. If the economy runs down, the demand for products or order will

be reduce. Every person or organization will try their best to cut down the

cost causing no much fund floating around the market.

If inflation does happen, the organization will suffer a lot of loses as price

gain higher, the operating cost increases resulting net profit decrease. S

stands for Social factors. The organization will forecast the growth of the

population demand. They put more effort on potential companies and areas

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which have a higher demand. During inflation, the organization may scale down the company by retrenchment to cut down the company operating cost. T stands for Technology factors.

Technology factors influence the company. As the technology grows, the organization will go for the top 3 high technology equipment as company products to stay ahead from competitors. (16) 1. Task Environment Suppliers are individuals and organizations that provide an organization with the input resources that it needs to produce goods and services such as: Raw materials, component parts, labor (employees). Suppliers that are the sole source of a critical item are in a strong bargaining position to raise their prices.

Managers can reduce these supplier effects by increasing the number of suppliers of an input. Customers are individuals and groups that buy goods and services that an organization produces. Identifying an organization's main customers and producing the goods and services they want is crucial to organizational and managerial success. Competitors are organizations that produce goods and services that are similar to a particular organization's goods and services.

A subdivision may be the Potential Competitors which are organizations that presently are not in the task environment but could enter if they so chose. Strong competitive rivalry results in price competition, and falling prices reduce access to resources and lower profits. Barriers to Entry are factors that make it difficult and costly for the organization to enter a particular task environment or industry Brand loyalty is the customers' preference for the

products of organizations currently existing in the task environment. (17) 2.

**General Environment** All organizations operate in a microenvironment, which is defined by the most general elements in the external environment that can potentially influence strategic decisions.

18) The general environment would include the following forces: **Economic Forces** are the interest rates, inflation, unemployment, economic growth, and other factors that affect the general health and well-being of a nation or the regional economy of an organization. Managers usually cannot impact or control these, but these forces have profound impact on the firm.

**Technological Forces** which are the outcomes of changes in the technology that managers use to design, produce, or distribute goods and services. This factor may result in new opportunities or threats to managers, and often make products obsolete very quickly.

**Sociocultural Forces** are the pressures emanating from the social structure of a country or society or from the national culture. These may also include the **Social structure**, which is the relationship between individuals and groups in society. Also there is the **national culture** which is the set of values that a society considers important and the norms of behavior that are approved or sanctioned in that society. **Demographic Forces** are the outcomes of change in, or changing attitudes toward, the characteristics of a population, such as age, gender, ethnic origin, race, sexual orientation, and social class. **Political Forces** which are outcomes of changes in laws and regulations, such as the deregulation of industries, the privatization of organizations, and increased emphasis on environmental protection **Global Forces** are the outcomes of

changes in international relationships; changes in nations' economic, political, and legal systems; and changes in technology.

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