Management interests. environmental management refers to proactive strategies

Management can always react to the changes in the external environment, but some changes are so sudden and so significant that the management may be ill-prepared to react swiftly to these changes. Accordingly, organizations must take steps to make sure that any such changes do not turn out to be hostile to their interests.

Environmental Management refers to proactive strategies aimed at making the environment favourable to the organization. These proactive strategies may include acquiring a company in a new market, lobbying politically to enact laws favourable to a given organization, actively managing the company’s image and public relations and taking steps to discourage competition. It is the responsibility of higher level managers to manage relations with the external environment as they play a key role in balancing the interest of various stakeholders in the organization and adjusting to changes in the external environment. According to James Thompson, managers essentially have three major options: adapt to the existing environment elements, attempt to influence the environment in favour of organizational interests or shift the domain of operations away from threatening environmental elements. The situation will dictate the choice of any one option or a combination thereof. Adaptation: Adaptation policy is based upon the assumption that the organization has to adjust to the external environments and must make internal changes to do so. With the environment changing ever more rapidly, the organizations must devise and implement strategies to adapt to these environmental fluctuations.

This can be done in four ways.

Buffering:

Buffering involves having sufficient inventory of raw materials on hand to adjust to fluctuations in supplies and sufficient inventories of finished products to adjust to market fluctuations for demand. Buffering is not always feasible because of high cost of keeping inventories, possibility of perish ability of inventory items or even obsolescence of some items.

Smoothing:

While buffering seeks to accommodate environmental fluctuations, smoothing option seeks to reduce the negative impact of these fluctuations. For example, department stores may offer discounts on their merchandise during slow demand periods or restaurants may offer coupons redeemable for food at lower prices on certain weekdays when business is typically slow.

Forecasting:

If it is possible to forecast the relevant changes with reasonable certainty, then organizations can prepare themselves to meet these changes.

Seasonal fluctuations are comparatively easier to predict because of past patterns. For example, department stores can hire extra temporary personnel during the Christmas shopping season. Trends in the economy are more difficult to predict, even though more sophisticated forecasting models do exist to assist in such forecasting.

Rationing:

Rationing simply means limiting access to a product or service that is in high demand. This practice is advantageous when such high demand is temporary.

For example, the demand for business majors in the colleges is high at the present time. If the colleges can keep on expanding facilities to accommodate this high demand, then they would be in trouble when the demand slows down. Accordingly, they might raise their standards of admission to limit the new admissions in accordance with the facilities available.

Its disadvantage is that in denying a consumer a product or a service, the organization is losing potential business.