

How general environment affects organizations assignment



Introduction: In this essay, I will make an abstract of the definition about “ General environment”. With examples behind to support my points in defining “ General environment”. Moreover, I will list out the challenges provided by several types of general environment factors that make difficulties to managers. I will choose an organization (Cathay Pacific) to be an example to describe the elements that may exist in its general environment.

Of course, related references will be provided to backup the points.

Assignment aims and objectives: This assignment aims to define “ General environment”. Also to point out the challenges that “ General environment” provides for managers. And then, choose an organization as I selected Cathay Pacific, to describe the elements that may exist in Cathay’s general environment. Through the above findings, better knowledge about general environment in management point of view will be learned.

Such as what is general environment; what is the relationship between general environment and an organization; what challenges that general environment provides for managers; what kinds of general environment that an organization is facing; how those general environments affect an organization; helpfully helps to find out how to tackle the challenges provided by general environment. Main body: Define the general environment The general environment consists of all conditions in the external environment that form a background context for managerial decision making.

In other words, general environment is the outer layer that is widely dispersed and affects organizations indirectly (Schermerhorn, 2008), (Jones, 2008), (Bateman, 2002), (Richard, 2008), (Bateman, 2007), (Robbins, 2007), (Williams, 2008). Typical external environmental issues include Economic conditions, Social- cultural conditions, Political and legal conditions, Technological conditions and Demographic conditions (Jones, 2008). Economic conditions stand for health of the economy in terms of inflation, income levels, customer purchasing power, gross domestic product (economy growth), unemployment, job outlook and also the interest rate. Because organizations today are operating in a global environment, the economic dimension has become exceedingly complex and creates enormous uncertainty for managers. The economies of countries are more closely tied together now (Richard, 2008). Such as the economic recession and decline of consumer confidence in the United States happens in 2000s has affected economies and organizations around the world. Another example is, economic problems in Asia and Europe also have had a tremendous impact on companies and the stock market in United States.

That implies, the economic condition of the countries all around the world is interdependent. Social-cultural condition includes the norms, customs, social values on such matters as human rights, trends in education and related social institutions... etc that a society emphasizes. In other words, it is the pressures emanating from the social structure of a country or society or from the national culture (Jones, 2008). Generally there are two dimensions of sociocultural force, they are social structure and national structure.

Social structure stands for the arrangement of relationships between individuals and groups in society. National culture is set of values that a society considers important and the norms of behavior that are approved or sanctioned in that society. Effective managers would be sensitive to differences between societies and adjust their behaviors accordingly can anticipate shifts in the customer base and labor markets that affect their organizations. These and other differences in general environment factors are especially noticeable internationally.

External conditions vary significantly from one country and culture to the next, and managers must understand these differences. Like many large firms, the pharmaceutical giant Merck derives a substantial portion of its business from overseas operations. Its executives recognize the need to be well informed about and responsive to, differing local conditions. In Europe, for example, they have entered into cooperative agreements with local companies, conducted research with local partners, and worked with local governments on legal matters (Schermerhorn, 2008).

Political and legal conditions are the prevailing philosophy and objectives of the political party or parties running the government, as well as laws and government regulations. In other words, political and legal conditions include federal, state, and local government regulations and political activities designed to influence company behavior. Let's take the U. S political system as an example, the U. S political system encourages capitalism, and the government tries not to overregulate business (hongkong follow this way as well). On the other hand, government laws do specify rules of the game.

The Federal government influences organizations through the Occupational Safety and Health Administration (OSHA), Environmental Protection Agency (EPA), fair trade practices, libel statutes allowing lawsuits against business, consumer protection legislation, product safety requirements, import and export restrictions, and information and labeling requirements. The Federal Communications Commission, which regulates broadcast television to limit potentially offensive material, has been striving to extend its regulatory authority to the cable networks (Richard, 2008).

In respect to the technological environment, it includes scientific and technological advancements in a specific industry as well as in society at large. It can also be the development and availability of technology. In other words, it is combination of tools, machines, computers, skills, information and knowledge that managers use in the design, production and distribution of goods and services. In recent years, this environment has created massive changes for organizations in all industries.

Twenty years ago, many organizations didn't even use desktop computers, laptop, wifi, internet, B2B through middleman on the internet (such as alibaba). Today, computer networks, internet access, videoconferencing capabilities, cell phones, PDAs, fax machines, laptops...etc. All these technology products are practically taken for granted as the minimum tools for doing business. Technological advancements that make the internet accessible to nearly everyone have changed the nature of competition and of organization's relationships to customers.

Many companies are adopting sophisticated e-business methods that use private networks or the internet to handle practically all their operations that helps to lower operating cost so much. Communications and computing devices are getting smaller, more powerful, and more affordable. The demographic forces, it is 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 (Jones, 2008). Geographical distribution and population density, age and education levels are also important to demographic characteristics.

Today's demographic profiles are the foundation of tomorrow's workforce and customers. Forecasters see increased globalization of both consumer markets and the labour supply, with increasing diversity both within organizations and consumer markets. Let's take the baby-boom as an example about the aging problem belongs to demographic force. The huge post- World War II baby-boom generation is aging and losing its interest in high-cost goods. Meanwhile, their sons and daughters, sometimes called Generation Y, rival the baby boomers in size and will soon rival them in buying power.

This trend creates an opportunity for companies to please Generation Y since they are increasing in the size of population. On the other hand, the aging problem of baby boomer also creates opportunity for companies engaged in health care, wealth management, insurance, funeral services...etc. The challenges that General environment provides for managers: For economic forces, the interest rate directly influences the cost of loaning capital from

financial institutions. In the days with high interest rate, the barrier of loaning money for extension of business would be tough.

And it would be a challenger for managers. The sub-prime mortgage crisis started since last year would be a great challenge for managers in respect to the economic downturn of all around the world and loaning cost increases. When the crisis first came to light, many analysts called it a domestic problem- one that would only affect US housing markets. However, the crisis quickly spread throughout the world. In September 2007, Northern Rock a British Bank, experienced an old fashioned “ run on the bank” after it was revealed that the bank was having trouble raising liquidity.

Within one day, customers had withdrawn an estimated ? 1 billion. This was the first bank run in Britain since 1866. The Bank of China (the #2 bank in China) announced in August of 2007, that it holds \$9. 7 billion dollars of US Subprime debt. In January of 2008, Korean markets fell due to the “ selling spree” of shares of US mortgages. Because of the global economy, and the huge Subprime “ pool” of mortgages that was bought by investors world wide, the International Monetary Fund (IMF) “ says that the worldwide losses stemming from the US subprime mortgage crisis could run to \$945 billion (Website 1).

For bank’s managers, such economic forces must be a huge challenge for them. For social-cultural forces, take an example about change in taste of food. American consumer’s growing taste for international foods reflects a change in the sociocultural condition. Interest in Italian cuisine, for example, has been growing rapidly. That brings challenge towards managers engaged

in food production companies. If they can't be sensitive to the trends of food taste of their customers, their market share will lose and build competitive disadvantage in their industry.

Moreover, we are now encouraged by the government in hongkong that avoid using plastic bag for shopping. Plastic bag producing company's managers have to know the trend and alter their business strategies. Maybe changing to product recycle bag instead of plastic bag. For the challenges that political and legal condition that provides for manages, managers must recognize a variety of pressure groups that work within the legal-political framework to influence companies to behave in socially responsible ways.

Automobile manufacturers, toy makers and airlines have been targeted by Ralph Nader's Center for Responsive Law. Tobacco companies today are certainly feeling the far-reaching power of antismoking groups. Middle-aged activists who once protested the Vietnam War have gone to battle to keep Wal-Mart from " Destroying the quality of small-town life". Some groups have also attacked the giant retailer on environment issues. Cathay Pacific also faced a lawsuit about monopoly recently, so those matters would be great challenge for organization's managers.

For technological conditions, take development competition of new airplane between " Airbus" and " Boeing" as an example. The Airbus successfully brings A380 to the market for the first commercial flight in October 2007, Boeing were still doing in the build-verification testing process according to their vice president and general manager—Pat Shanahan. He said, the Boeing 787 Dreamliner, which is scheduled to fly in the fourth quarter of this

year (2008) (Website 2). The delay for technology development would bring competitive disadvantages to the firm with no doubts.

For demographic forces, as I have mentioned when defining this force, the aging problem about baby-boomers brings both opportunities and threats to managers which is also a challenge for managers. Managers need to find ways to motivate and utilize the skills and knowledge of older employees, related human resources methods have to alter in order to meet the demographic changes. Both death rates and birth rates were falling, demand for health care and medical insurance, wealth management...etc increase, less students enter the education system every year.

Those changes created by demographic condition change also provide challenges to managers. Elements of general environment that exist for “Cathay Pacific” Economic forces, Socio-cultural forces, Political and legal forces, Technological forces and demographic forces; those typical general environments exist and affect Cathay indirectly. In the effect of the economic dimension, according to the Cathay Pacific 2008 interim results (Website 3). Fuel as a percentage of total operating cost rose to 45. % for the first half of 2008, compared to 33. 6% this time last year. Cost per ATK increased to HK\$2. 79 while the cost per ATK without fuel increased by 2. 4% due to strong foreign currencies and inflation driving up operating costs. The inflation caused by increase in oil price severely damaged the profit of Cathay Pacific. For social-cultural dimension, in different countries, their society would have values and norms. Cathay has to face with such things since they are servicing travelers all around the world.

The company has to be sensitive to different preference of those customers and the meet their needs accordingly. In respect to political and legal dimension, Cathay Pacific is currently the subject of antitrust investigations by competition authorities in various jurisdictions. In June Cathay Pacific announced that it had entered into a plea agreement with the United States Department of Justice under which it has pleaded guilty to a violation of the United States Sherman Act and will pay a fine of US\$60 million (Website 3).

Such legal forces also influence Cathay's profit indirectly. Technological force also exist to Cathay, new airplane will make " classic" freighters become obsolete. According to the Cathay Pacific 2008 interim results, the Cathay Pacific Group continued to expand and modernise its fleet in the first half of 2008 with three more Boeing 777-300ERs, Extended Range, passenger aircraft arriving for Cathay Pacific plus two Airbus A330-300s. That support the point I have mentioned and Cathay have to face technological forces too.

Last but not least, demographic forces also apply to Cathay, their airhostess's retire age extend to 45, that is related to the aging problem which is categorized in the demographic dimension. Conclusion Although general environment is not directly affecting an organization, but the impact on the profit of an organization may be critical. Such as the organization I select—Cathay Pacific, the economic forces, inflation caused by rise in oil price critically damaged the first half year profit of Cathay's with a HKD\$663 million loss (Website 3).

No matter the task environment doing how well, one critical cost (fuel bill) increased by 83% can bring failure to the company. A more serious case

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would be the famous investment bank –Bear Stearns. The sub-prime mortgage crisis's effects setback the price of mortgage backed securities (MBS) and collateralized debt obligations (CDO), and the company almost leads to bankruptcy. So, as an organization's manager, must have a wide angle vision and to be sensitive to the general environment in order to better manage the organization and bring success to the firm.

It should one of the vital elements of a good manager. Reference list: Book:

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