



GRIFFIN

MANAGEMENT

7th EDITION

CHAPTER

3

The Environment of Organizations and Managers



PowerPoint Presentation
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Learning Objectives

After studying this chapter, you should be able to:

- **Discuss the nature of the organizational environment and identify the environments of interest to most organizations.**
- **Describe the components of the general and task environments and discuss their impact on organizations.**
- **Identify the components of the internal environment and discuss their impact on organizations.**
- **Identify and describe how the environment affects organizations and how organizations adapt to their environment.**
- **Discuss the meaning of and approaches to organizational effectiveness.**

Chapter Outline

- The Organization's Environments
- The External Environment
 - The General Environment
 - The Task Environment
- The Internal Environment
 - Owners
 - Board of Directors
 - Employees
 - Physical Work Environment
- Organizational-Environment Relationships
 - How Environments Affect Organizations
 - How Organization Adapt to Their Environments
- The Environment and Organizational Effectiveness
 - Models of Organizational Effectiveness
 - Examples of Organizational Effectiveness

The Business Environment

- External Environment

- *General environment* is everything outside an organization's boundaries—economic, legal, political, socio-cultural, international, and technical forces.
- *Task environment* is composed of specific groups and organizations that affect the firm.

- Internal Environment

- Conditions and forces present and at work within an organization

The Organization and Its Environments

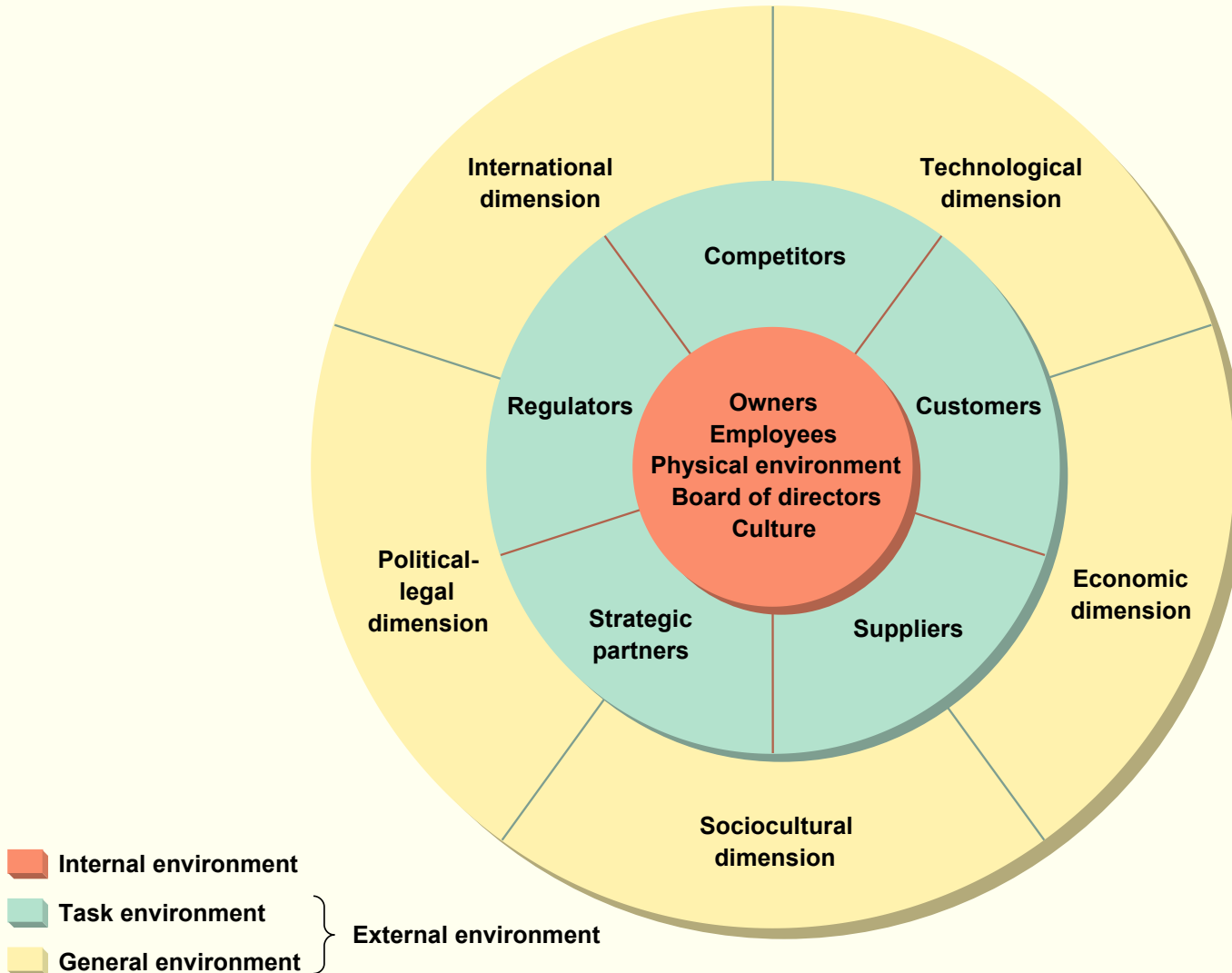


Figure 3.1

The External Environment

- The General Environment

- The set of broad dimensions and forces in an organization's surroundings that create its overall context.
- *Economic dimension* is the overall health and vitality of the economic system in which the organization operates.
- *Technological dimension* refers to the methods available for converting resources into products or services.
- *Sociocultural dimension* includes the customs, mores, values, and demographic characteristics of the society in which the organization functions.
- *Political-legal dimension* is the extent of government regulation of business and the general relationship between business and government.
- *International dimension* is the extent to which the organization is affected by business in other countries.

McDonald's General Environment

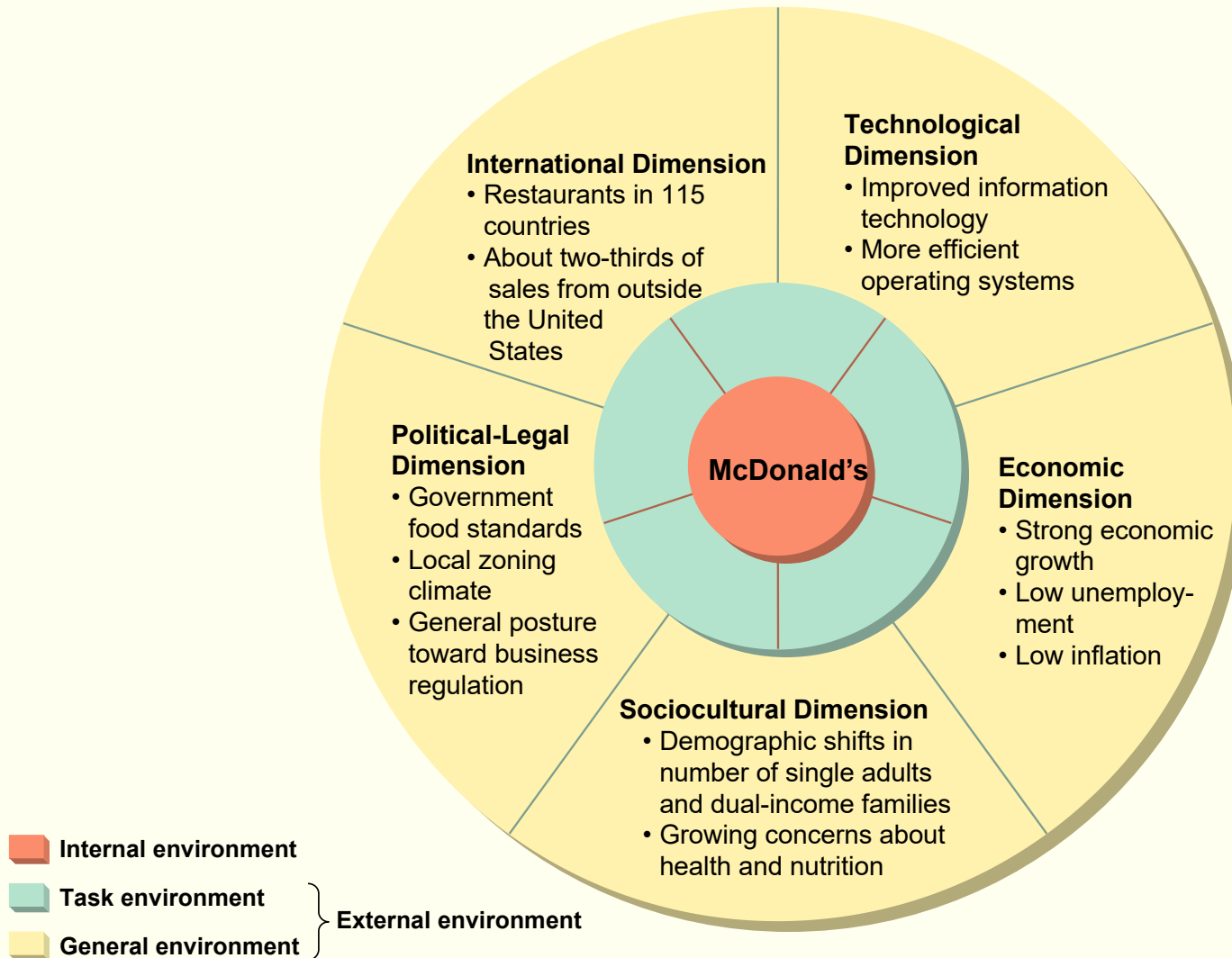
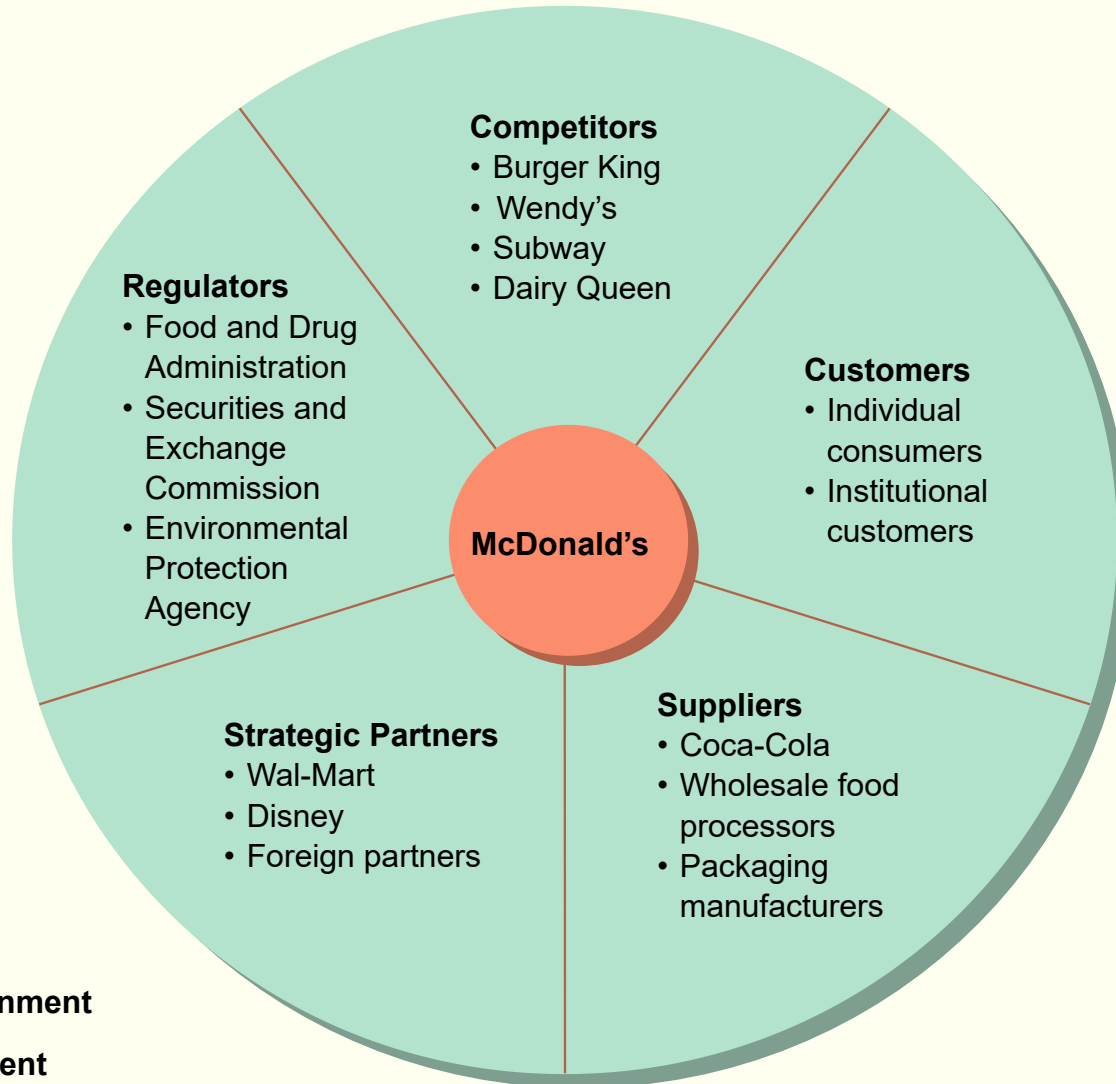


Figure 3.2

The External Environment (cont'd)

- Dimensions of the Task Environment
 - **Specific groups affecting the organization**
 - Competitors seeking the same resources as the organization.
 - Customers who acquire an organization's products or resources.
 - Suppliers that provide resources for the organization.
 - Regulators that control, legislate, or influence the organization's policies or practices:
 - regulatory agencies.
 - interest groups.
 - Strategic partners (allies) who are in a joint venture or partnership with the organization.

McDonald's Task Environment



 Internal environment

 Task environment

The Internal Environment

- Conditions and stakeholder forces within an organization
 - **Owners are persons with legal property rights to a business.**
 - **Board of directors are elected by the stockholders and are charged with overseeing the general management of the firm to ensure that it is run in a way that best serves the stockholders' interest.**
 - **Employees are persons who work for the firm and have a vested interest in its continued operation and existence.**
 - **Physical work environment is the actual physical environment of the organization and the work that people do.**

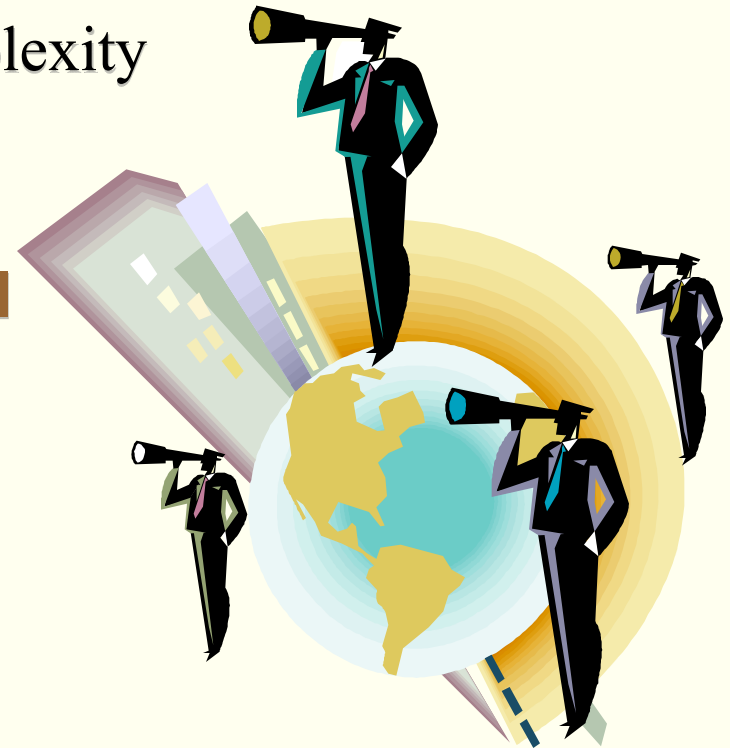
How Environments Affect Organizations

- **Change and Complexity**

- **Environmental change occurs in two ways:**

- Degree to which change in environment is occurring
 - Degree of homogeneity or complexity of the environment

- **Uncertainty is a driving force that influences organizational decisions.**



How Environments Affect Organizations (cont'd)

- **Competitive Forces**

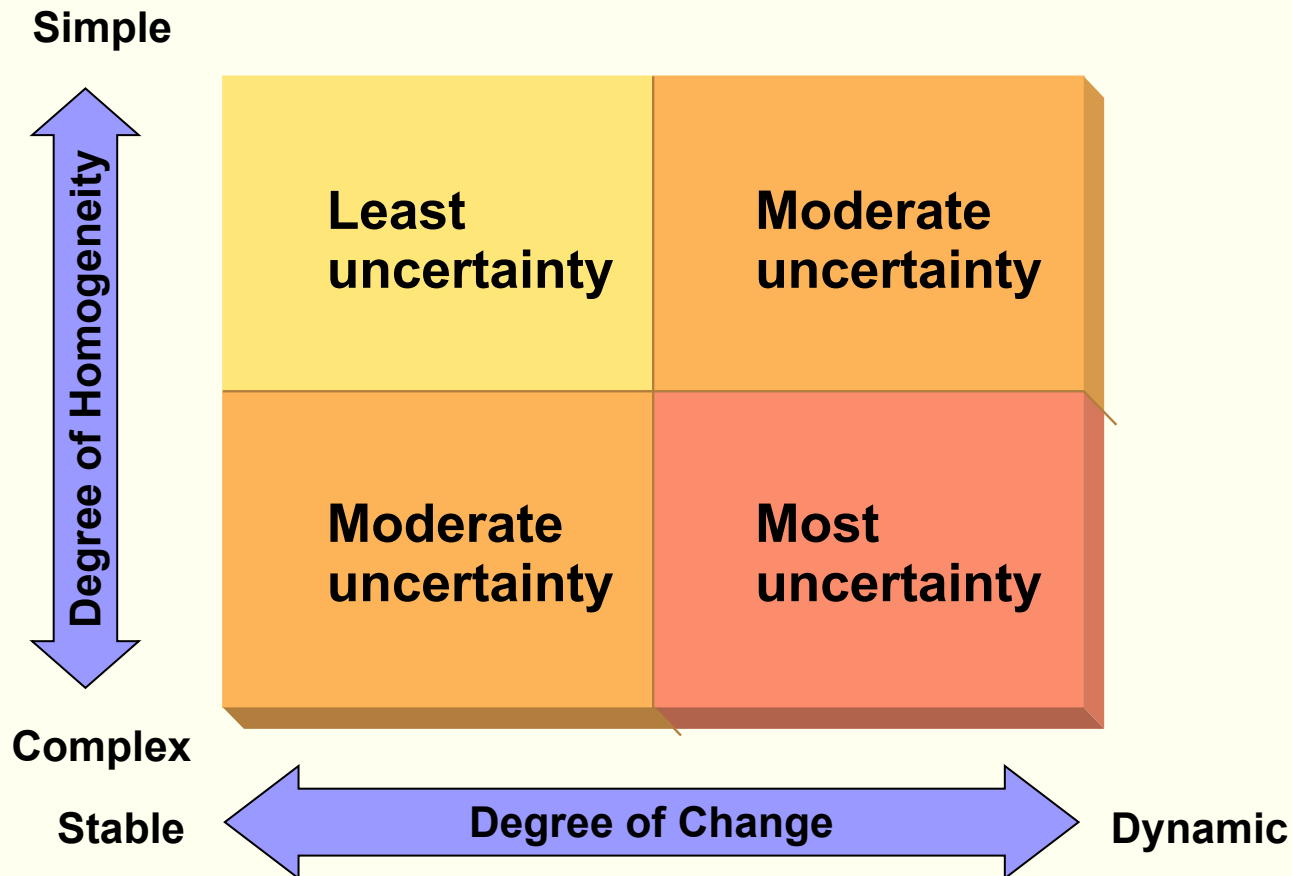
- **Porter's Five Competitive Forces**

- Threat of new entrants into the market
 - Competitive rivalry among present competitors
 - Threat of substitute products
 - Power of buyers
 - Power of suppliers

- **Environmental Turbulence**

- **Unexpected changes and upheavals in the environment of an organization.**

Environmental Change, Complexity, and Uncertainty



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Figure 3.4

Porter's Five Competitive Forces

- Threat of new entrants
 - Extent to and ease with which competitors can enter market.
- Competitive rivalry
 - Competitive rivalry between firms in an industry.
- Threat of substitute products
 - Extent to which alternative products/services may replace the need for existing products/services.
- Power of buyers
 - Extent to which buyers influence market rivals.
- Power of suppliers
 - Extent to which suppliers influence market rivals.

How Organizations Respond to Their Environments

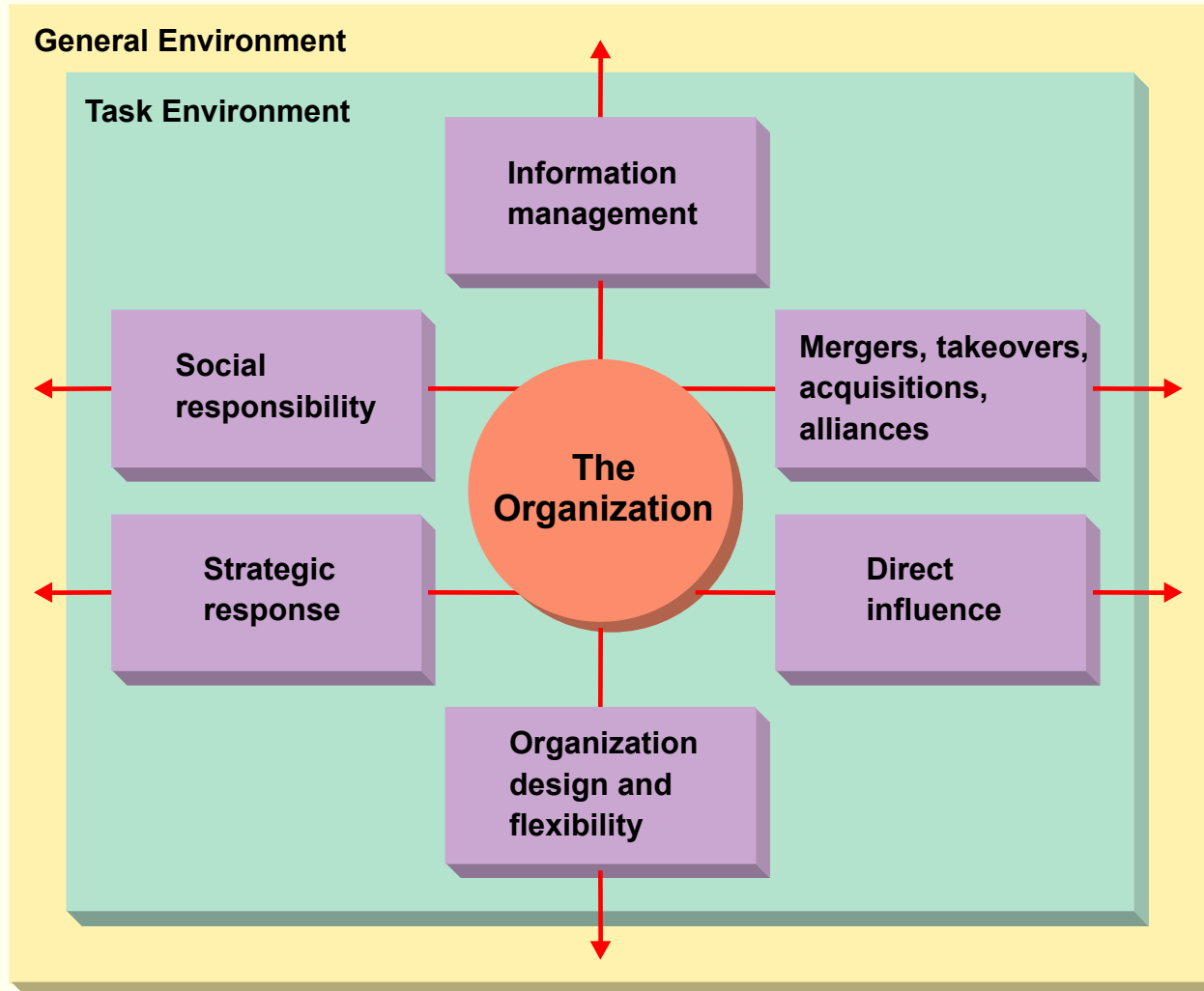


Figure 3.5

How Organizations Respond to Their Environments (cont'd)

- Information Management in Organizations
 - *A boundary spanner* is an employee who accumulates information through contacts outside the organization.
 - *Environmental scanning* is the process of monitoring the environment.
 - *Information systems* summarize and deliver information in a form pertinent to a manager's needs.
- Strategic Response
 - Maintaining the status quo, altering the current strategy, or adopting a new strategy.
- Mergers, Acquisitions, Alliances
 - Firms can combine (merge), purchase (acquisition), or form new venture partnerships or alliances with another firm.

How Organizations Respond to Their Environments (cont'd)

- **Organizational Design and Flexibility**
 - An organization may adapt to its environmental conditions by incorporating flexibility in its structural design.
 - *Mechanistic firms* operate best in stable environments.
 - *Organic firms* are best suited for dynamic environments.
- **Direct Influence of the Environment**
 - An organization may attempt to change the nature of the competitive conditions in its environment to suit its needs.
 - Pursuing new or changed relationships with suppliers, customers, and regulators can alter the organization's environment in a way that favors the organization.

The Environment and Organizational Effectiveness

- **Models of Organizational Effectiveness**
 - ***Systems resource approach*** focuses on acquiring inputs.
 - ***Internal processes approach*** focuses on the transformation processes (production efficiencies).
 - ***Goal approach*** focuses on outputs (achieving organizational goals).
 - ***Strategic constituencies approach*** focuses on feedback (satisfying stakeholders).

A Model of Organizational Effectiveness

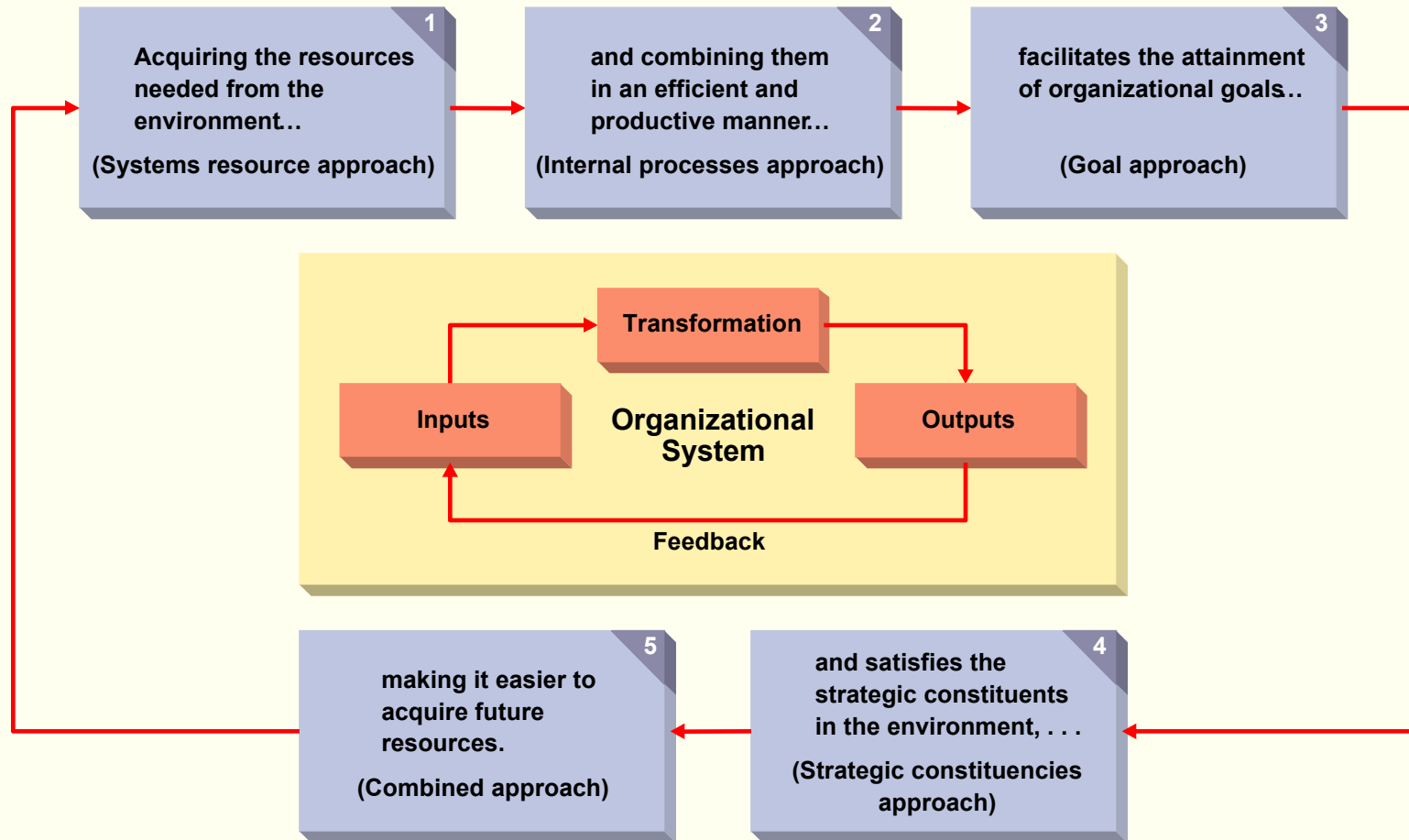


Figure 3.6

Examples of Admired and High-performing Firms

Fortune's Most Admired	
1. General Electric	1. Microsoft
2. Microsoft	2. Time Warner
3. Dell Computer	3. Cisco Systems
4. Cisco Systems	4. Oracle
5. Wal-Mart	5. EMC
6. Southwest Airlines	6. Citrix Systems
7. Berkshire Hathaway	7. Morgan Stanley Dean Witter
8. Intel	8. Gap
9. Home Depot	9. Warner-Lambert
10. Lucent Technologies	10. Lucent Technologies

Source: "America's Most Admired Companies," *Fortune*, February 21, 2000, pp. 108–110; "The Business Week 50," *Business Week*, March 27, 2000, pp. 123–125.

Table 3.1