Chapter Outline

- **What Is the Organizational Environment?**

- **The Task Environment**
  - ➢ Suppliers
  - ➢ Distributors
  - ➢ Customers
  - ➢ Competitors

- **The Industry Life Cycle**
  - ➢ The Culture of the Industry Environment

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Chapter Outline (cont'd)

- **The General Environment**
  - ➢ Economic Forces
  - ➢ Technological Forces
  - ➢ Sociological Forces
  - ➢ Demographic Forces
  - ➢ Political and Legal Forces
  - ➢ Global Forces
- **Managing the Organizational Environment**
  - ➢ Reducing the Impact of Environmental Forces
  - ➢ Creating an Organizational Structure

Chapter Outline (cont'd)

- Managing the Organizational Environment (cont'd)
  - ➢ Utilizing IT and the Internet
  - ➢ Boundary-Spanning Roles
  - ➢ Managers as Agents of Change

What Is the Organizational Environment

- **Organizational Environment**
  - ➤ The set of forces and conditions that operate beyond an organization's boundaries but affect a manager's ability to acquire and utilize resources
 - ➤ Forces and conditions change over time creating:
    - Opportunities for managers to enhance revenues, enter new markets, and strengthen the firm's competitive position.
    - Threats to the firm from new competitors, economic downturns, and diminished access to critical resources.
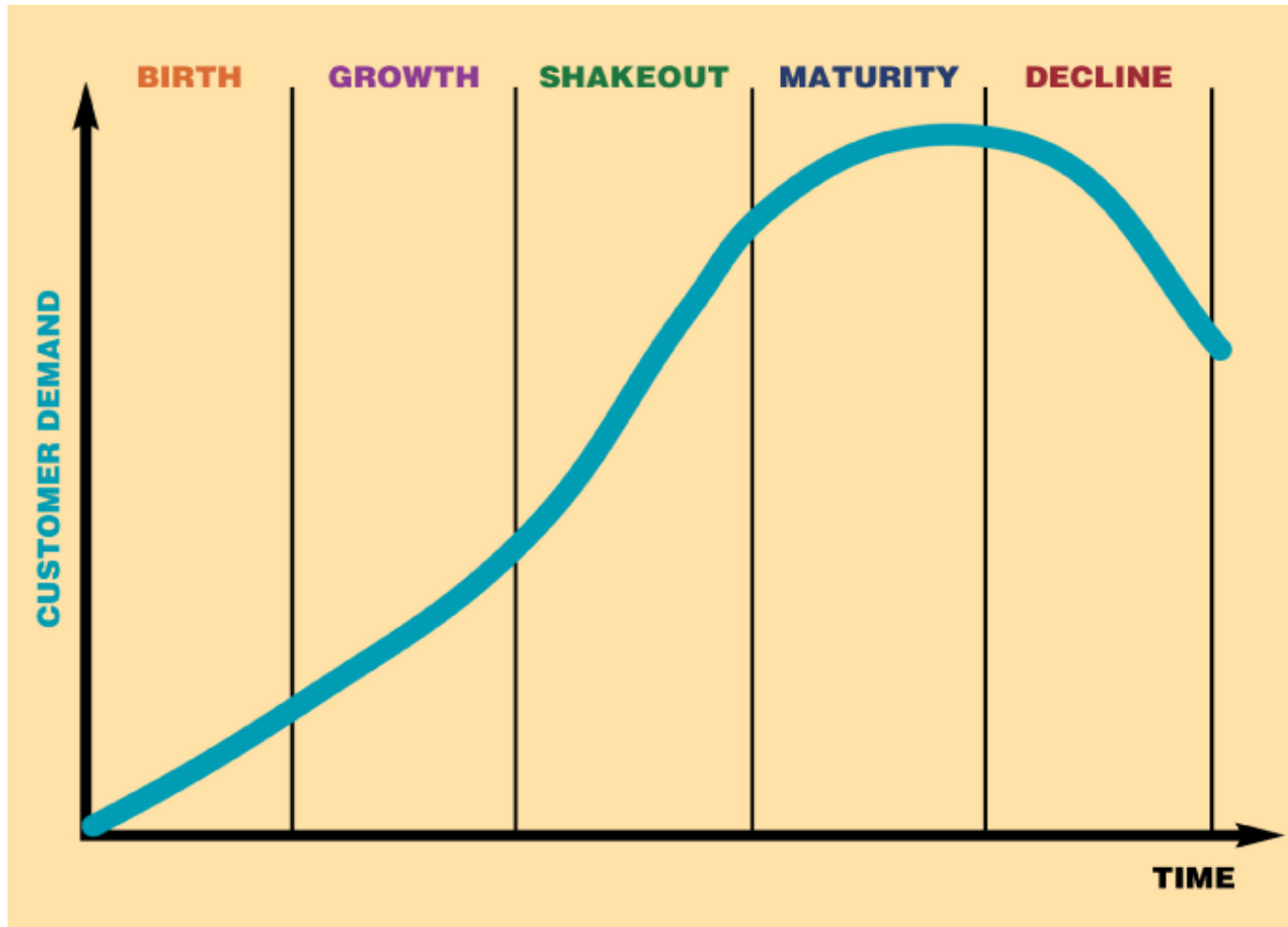
Forces in the Organizational Environment

Figure 5.1

5–5

Barriers to Entry and Competition

Figure 5.2
5–6
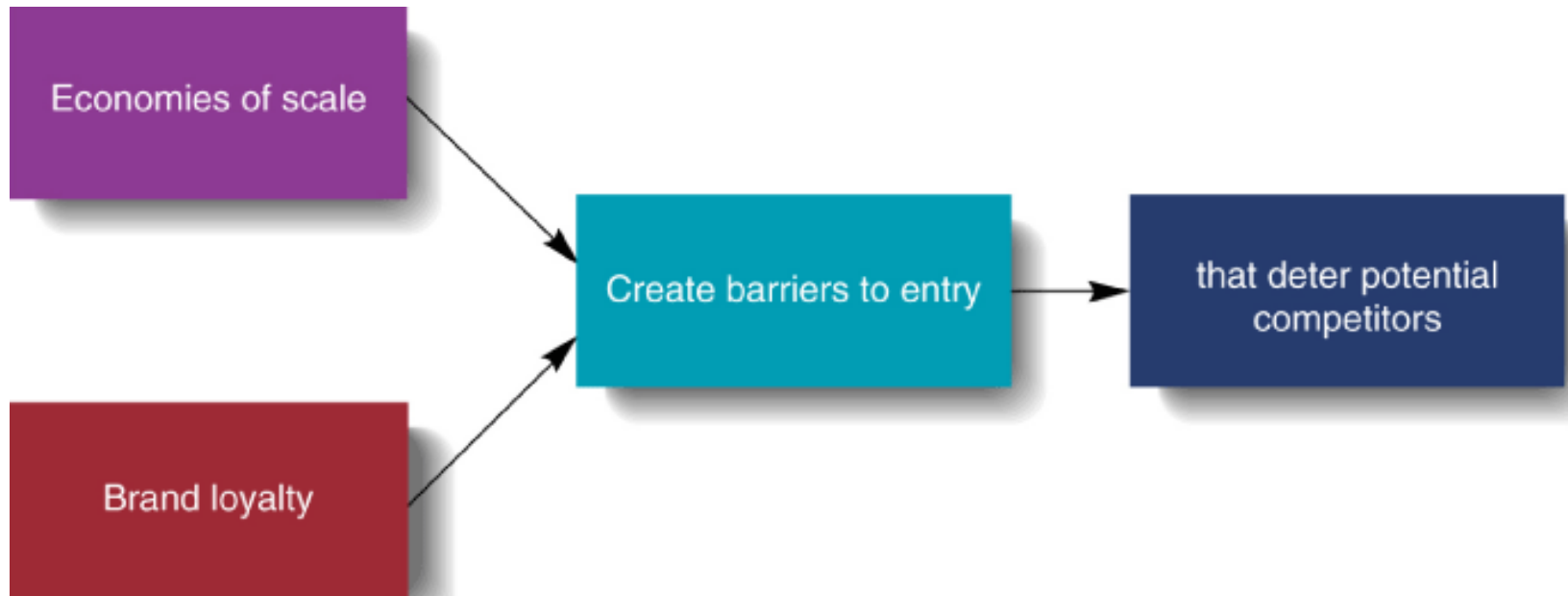
Stages in the Industry Life Cycle

Figure 5.3
5–7

The General Environment

- ## Economic Forces

  ➢ 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.

  ➢ Forces have profound impact on the firm.

The General Environment

- Technological Forces

  - Outcomes of changes in the technology that managers use to design, produce, or distribute goods and services

    - Results in new opportunities or threats to managers

    - Often makes products obsolete very quickly.

    - Can change how managers manage.

The General Environment (cont'd)

- **Sociocultural Forces**
  - ➤ Pressures emanating from the social structure of a country or society or from the national culture
    - Social structure: the arrangement of relationships between individuals and groups in society
    - National culture: the set of values that a society considers important and the norms of behavior that are approved or sanctioned in that society.
  - ➤ Cultures and their associated social structures, values, and norms differ widely throughout the world.

The General Environment (cont'd)

- **Demographic Forces**

  ➤ 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

    - During the past two decades, women have entered the workforce in increasing numbers and most industrial countries' populations are aging.

    - This will change the opportunities for firms competing in these areas as demands for child care and health care are forecast to increase dramatically.

The General Environment (cont'd)

- **Political Forces**

  ➢ Outcomes of changes in laws and regulations, such as the deregulation of industries, the privatization of organizations, and increased emphasis on environmental protection

    - Increases in laws and regulations increase the costs of resources and limit the uses of resources that managers are responsible for acquiring and using effectively and efficiently.

The General Environment (cont'd)

- **Global Forces**

  ➢ Outcomes of changes in international relationships; changes in nations' economic, political, and legal systems; and changes in technology, such as falling trade barriers, the growth of representative democracies, and reliable and instantaneous communication

  ➢ Important opportunities and threats to managers:

    - The economic integration of countries through free-trade agreements (GATT, NAFTA, EU) that decrease the barriers to trade.

Managing the Organizational Environment

- **Environmental Change**

  ➤ The degree to which forces in the task and general environments change and evolve over time

- **Reducing the Impact of Environmental Forces**

  ➤ Top management: devise strategies that take advantage of opportunities and counter threats

  ➤ Middle managers: collecting about competitors' intentions, new customers, and new suppliers for the firm's crucial or low-cost inputs

  ➤ First-line managers: use resources efficiently and get closer to customers

Managing the Organizational Environment (cont'd)

- **Creating an Organizational Structure**

  - ➤ Increasing the complexity of the organization's structure in response to the changing organizational environment

  - ➤ Departments are assigned to develop the skills and knowledge necessary to deal with environmental changes and to cooperate with other departments to efficiently and effectively get products to customers

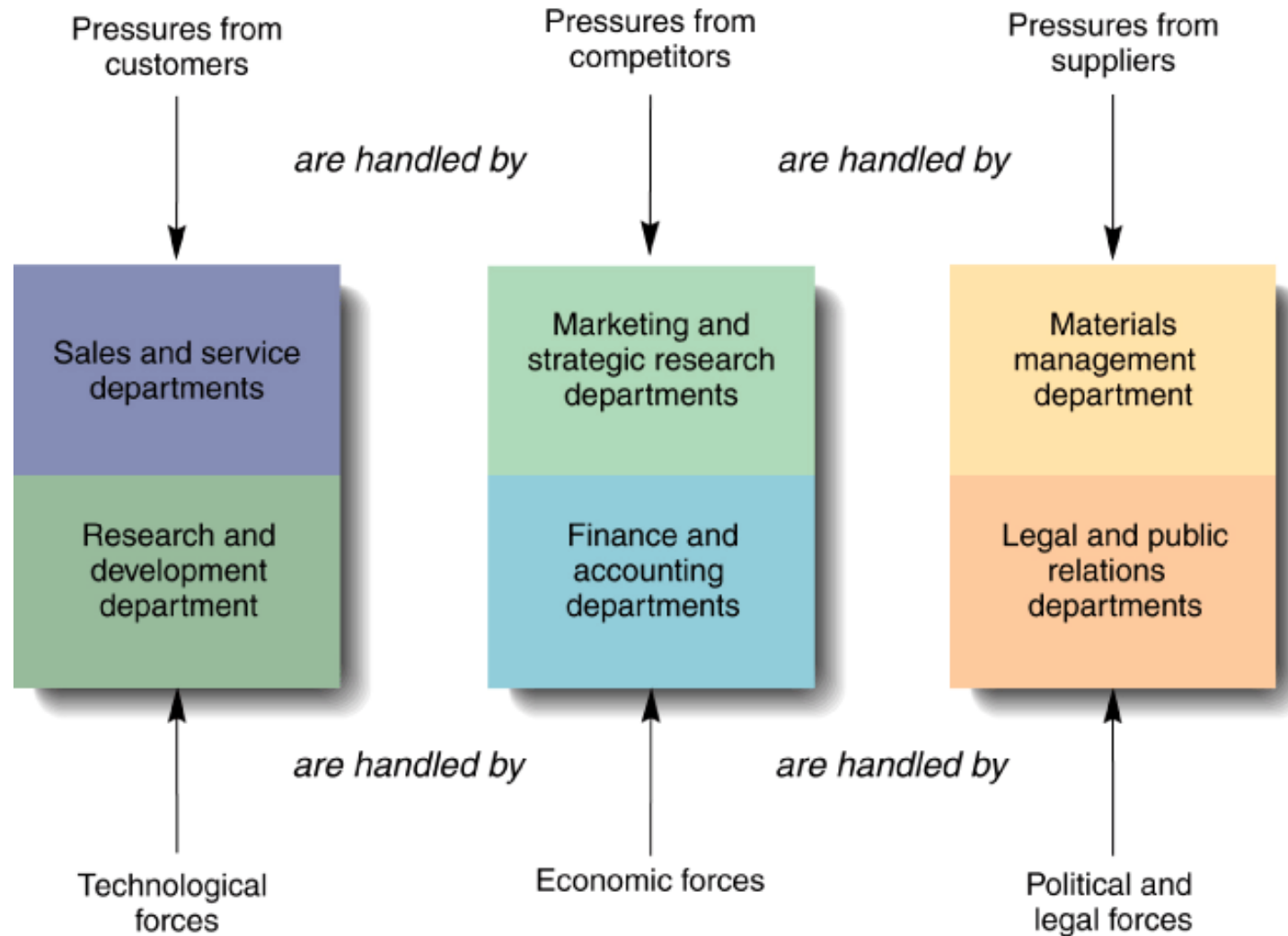# How Managers Use Functions to Manage Forces in the Task and General Environments

Figure 5.4
5–16

Utilizing IT and the Internet

- Business-to-Business (B2B) Networks

  ➤ Companies that use the same IT software to link to each other and the industry's suppliers to acquire their inputs more reliably and at less cost

    - Facilitates comparisons of suppliers' prices

    - Informs suppliers of changes in purchasers' specification and allows them to bid on contracts to supply inputs

    - Informs customers about new and existing products

    - Provides information to other stakeholders

Boundary-Spanning Roles

- Boundary Spanning

  ➢ Interacting with individuals and groups outside the organization to obtain valuable information from the task and general environments

    - Boundary-spanning managers seek ways to respond and to influence stakeholder perceptions to gain access to resources

    - Gaining information from outside the organization, helps managers make better decisions about how to deal with change

    - Involving more levels of management yields better overall decision making
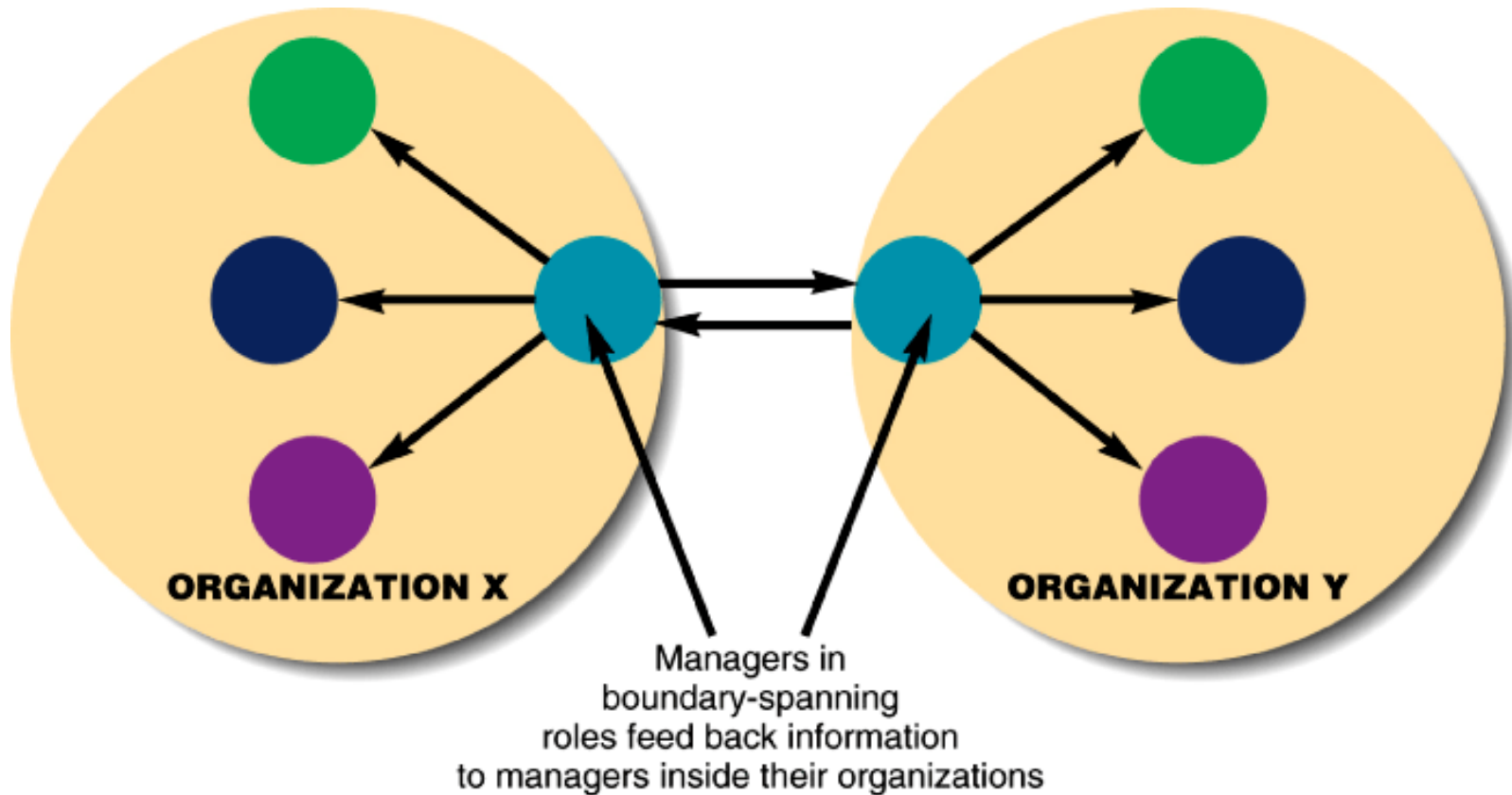
Boundary-Spanning Roles (cont'd)

- ## Boundary Spanning (cont'd)
  - ➢ Gatekeeping
    - Deciding what information to allow into the organization and what information to keep out.

The Nature of Boundary-Spanning Roles

ORGANIZATION X

ORGANIZATION Y

Managers in boundary-spanning roles feed back information to managers inside their organizations

Figure 3.5
5–20

Managers as Agents of Change

- Environmental change can be the direct consequence of actions taken by managers in an organization.

Change in the environment affects

The environment

The organization

Change in the Environment as a Two-Way Process

Managerial actions impact

Figure 5.6
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