



chapter

3

Ready Notes

*The Environment and
Culture of
Organizations*

For in-class note taking, choose Handouts or Notes Pages from the print options, with three slides per page.

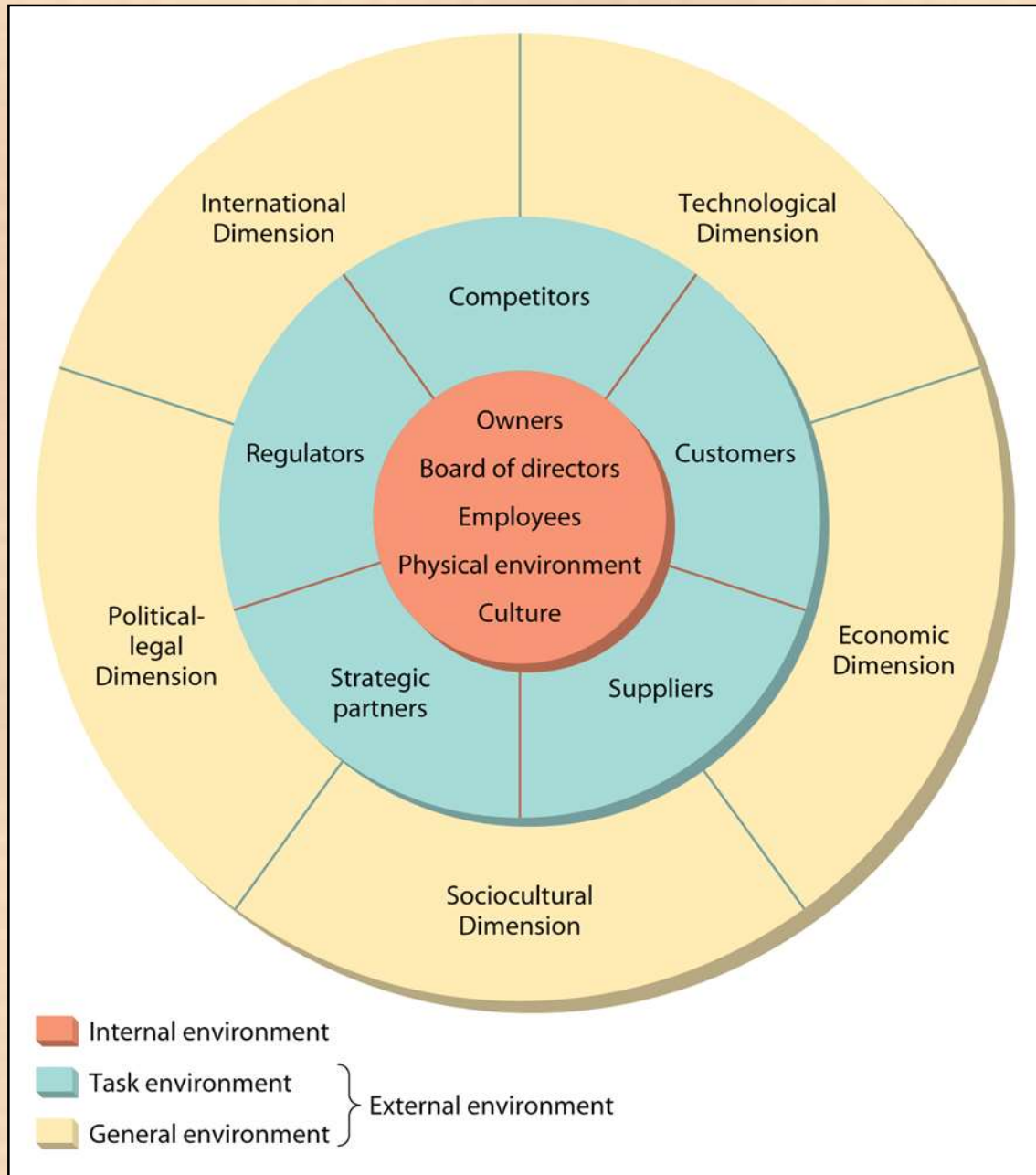
Slide content created by Joseph B. Mosca, Monmouth University.
Copyright © Houghton Mifflin Company. All rights reserved.

The Organization's Environments

- External environment: everything outside an organization's boundaries that might affect it. The uncontrollable environment.
- Internal environment: the conditions and forces within an organization. The controllable environment.



Figure 3.1: The Organization and Its Environments

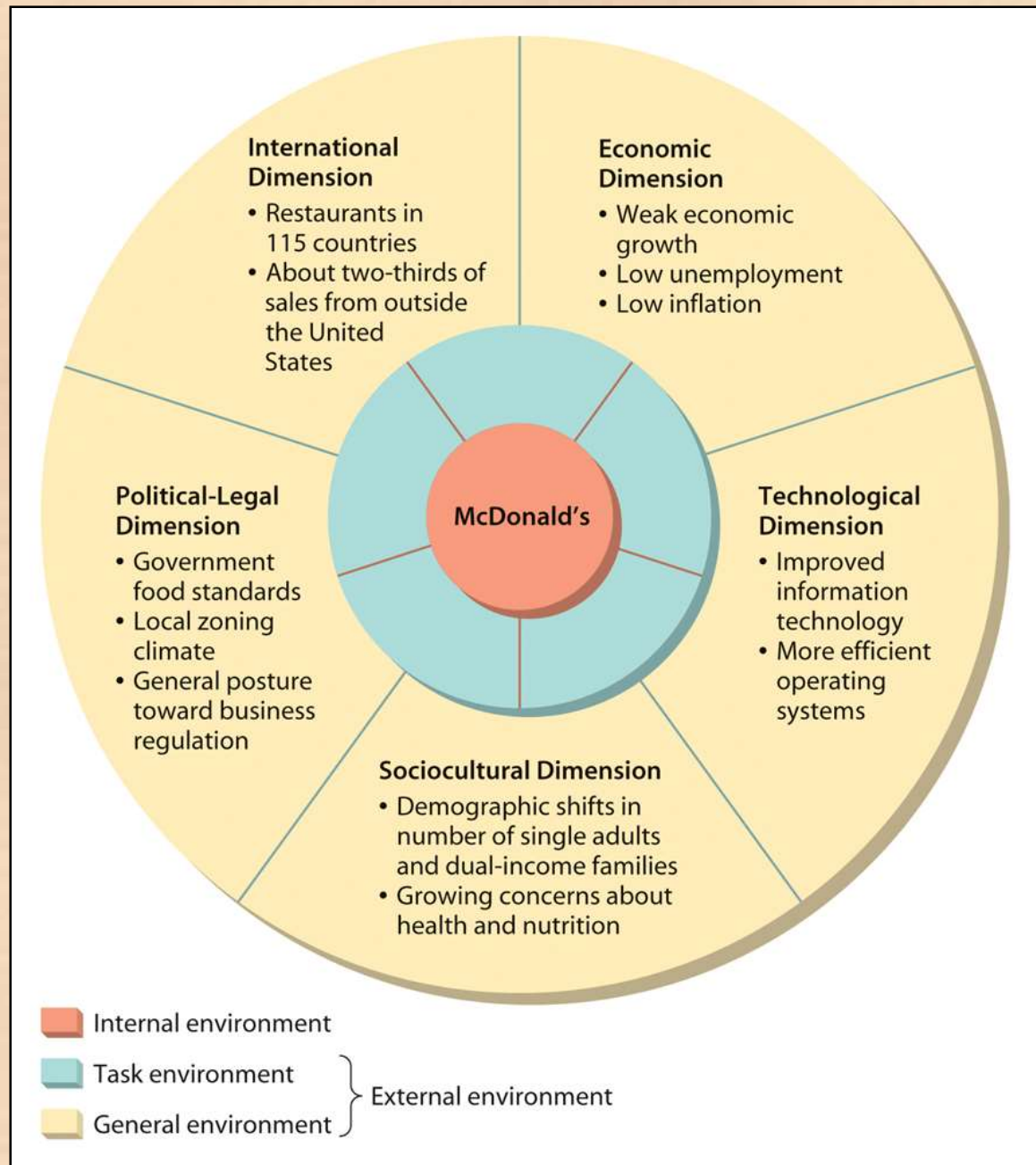


The General Environment

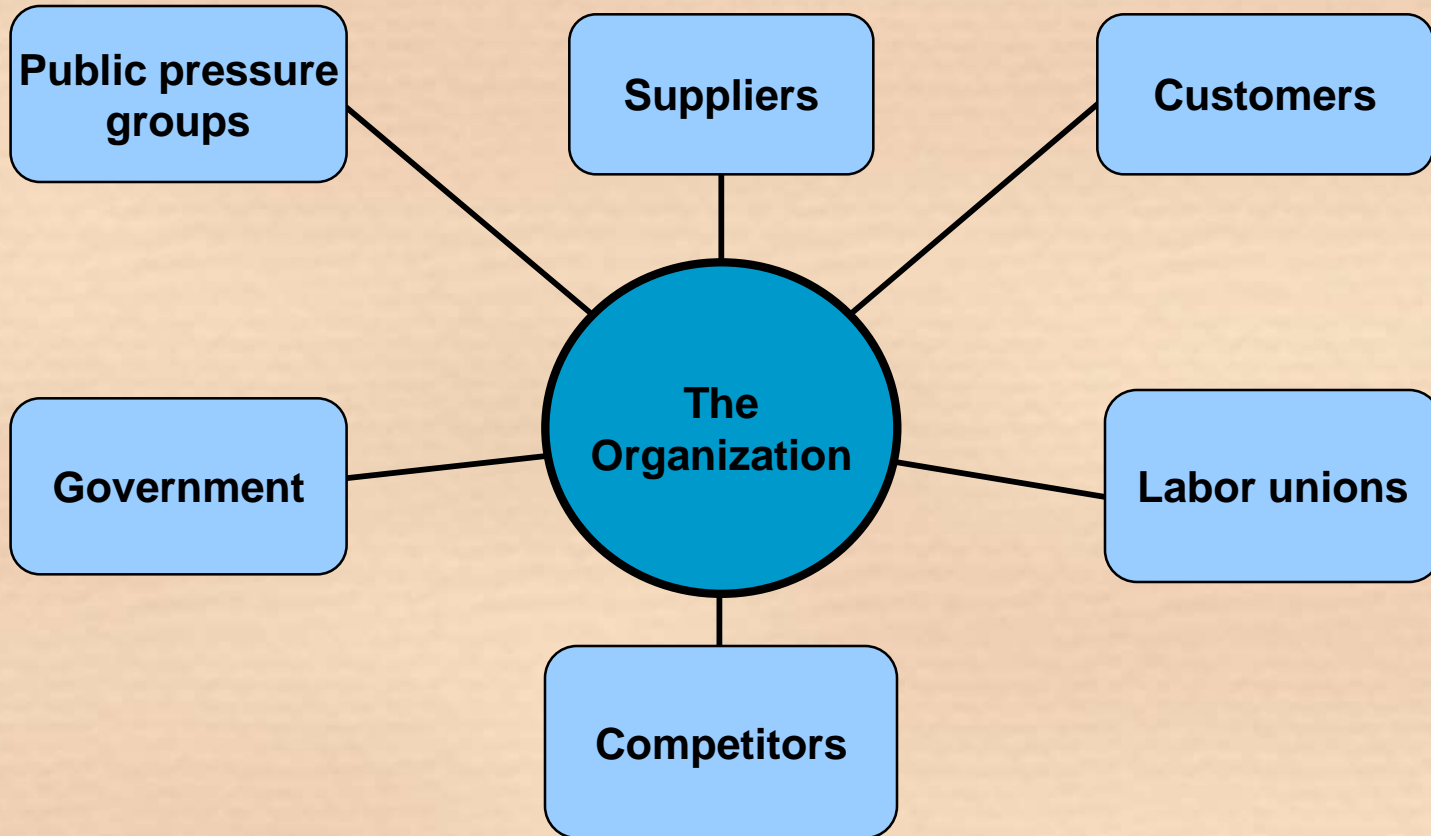
- Economic dimensions: the overall health and vitality of the economic system in which the organization operates.
- Technical dimensions: the methods available for converting resources into products or services.
- Socio-cultural dimensions: the customs, mores, values, and demographics of the society in which the organization functions.
- (see Figure 3.2)



Figure 3.2: McDonald's General Environment



The Organizational Environment



Additional Dimensions

- Political-Legal dimension: the government regulation of business and the general relationship between business and government.
- International dimension: the extent to which an organization is involved in or affected by business in other countries.

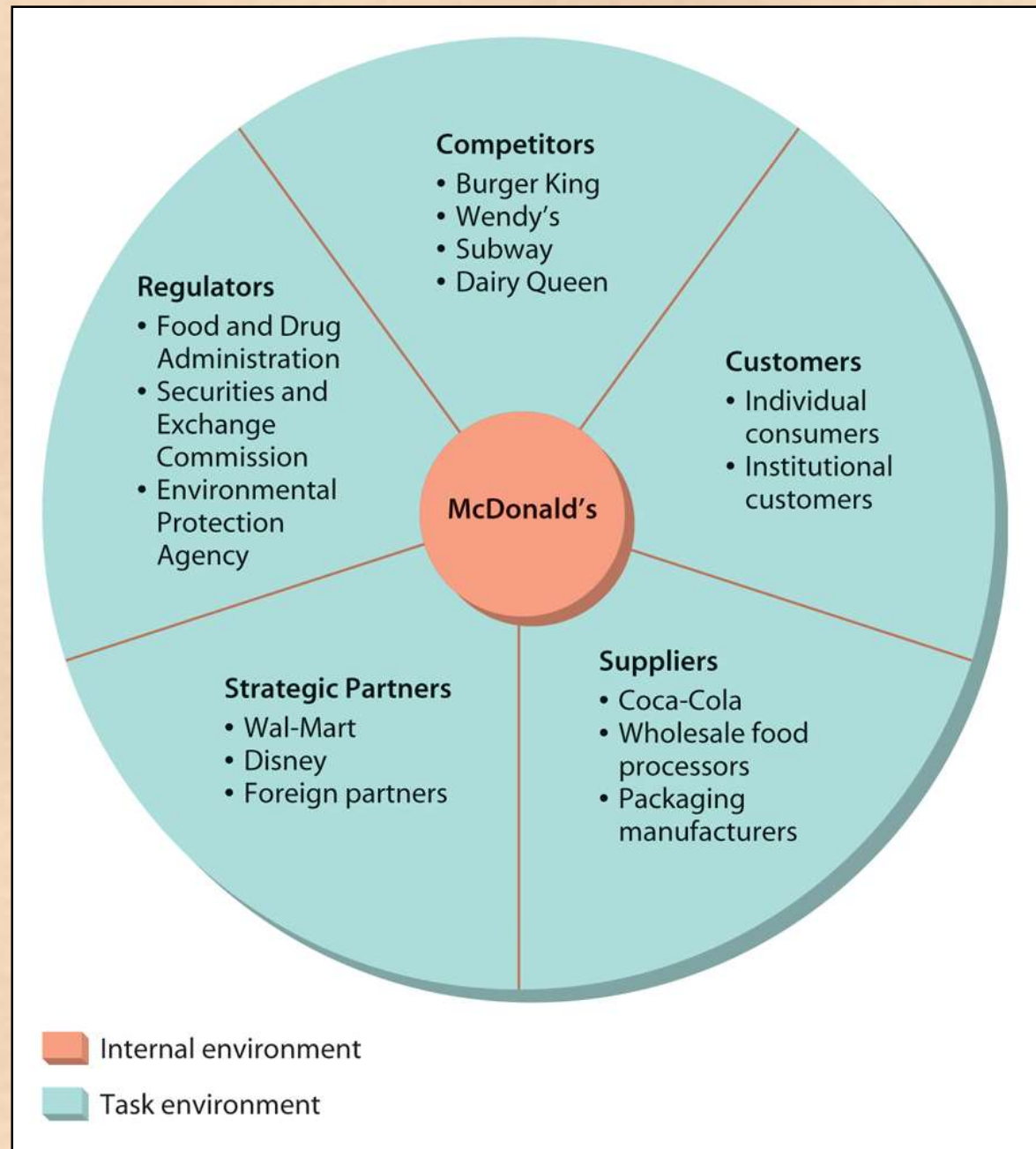


The Task Environment

- Competitors: an organization that competes with other organizations.
- Customer: whoever pays money to acquire an organization's products or services.
- Supplier: an organization that provides resources for other organizations.
- Regulator: a unit that has the potential to control, legislate, or influence an organization's policies and practices.



Figure 3.3: McDonald's Task Environment



Task Environments Continued

- Interest group: a group organized by its members to attempt to influence organizations.
- Strategic partner: an organization working together with one or more organizations in a joint venture or other partnership.

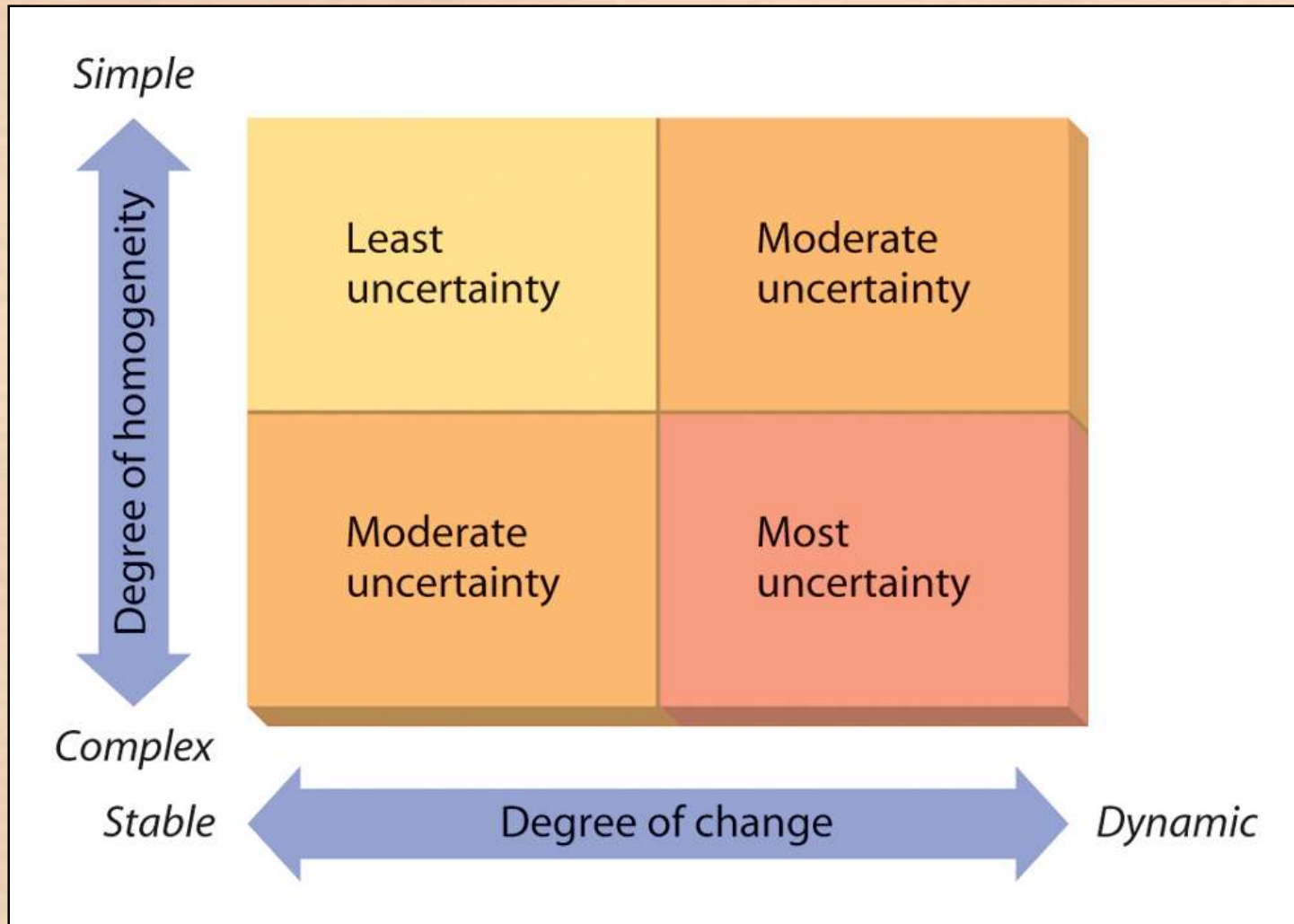


The Internal Environment

- Owner: someone who has legal property rights to a business.
- Board of directors: governing body elected by a corporation's stockholders and charged with overseeing the general management of the firm.
- Employees: those employed by the organization.
- Physical work environment: the firm's facilities.



Figure 3.4: Environmental Change, Complexity, and Uncertainty



Organizational Culture

- The set of values, beliefs, behaviors, customs, and attitudes that helps the members of the organization understand what it stands for, how it does things, and what it considers important.
- Organizational culture is important for it determines the “feel” of the organization.
- Its starting point is often the founder.



Managing Organizational Culture

- The manager must understand the current culture and then decide if it should be maintained or changed.
- Managers must walk a fine line between maintaining a culture that still works effectively versus changing a culture that has become dysfunctional.



Organizational Environment Relationships

- Uncertainty: a driving force that influences many organizational decisions.
- Competitive forces:
 - Threat of new competitive entrants.
 - Competitive rivalry.
 - Threat of substitute products.
 - The power of buyers.
 - The power of suppliers.

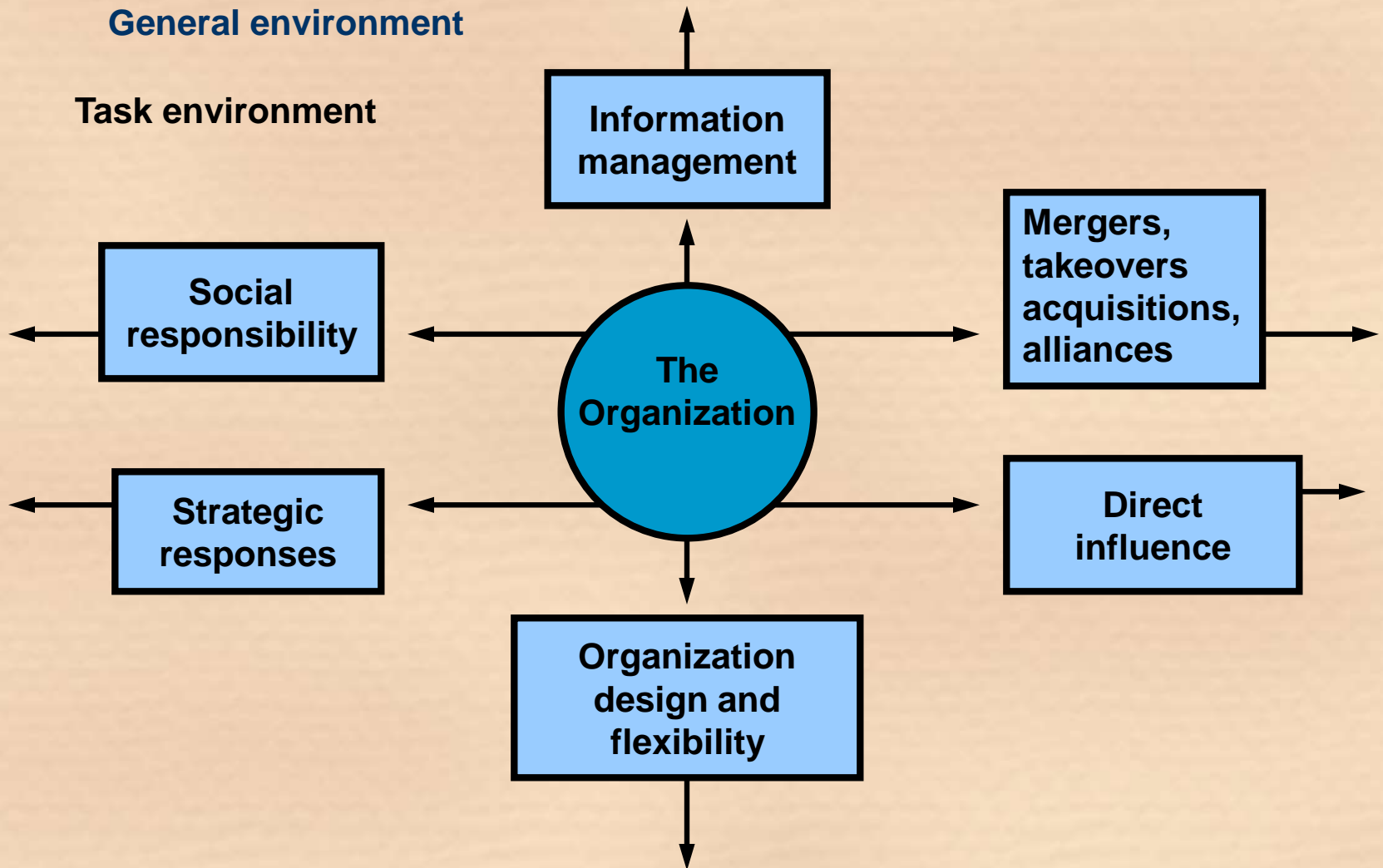


Environmental Turbulence

- Terrorist attacks.
- Workplace violence.
- Computer viruses.
- Such crises affect organizations in different ways.



How Organizations Respond to Their Environments:



How Organizations Adapt to Their Environments

Each organization must assess its own unique situation then adapt according to the wisdom of senior management, for example:

- Information systems.
- Strategic responses.
- Mergers, acquisitions, and alliances.
- Organizational design and flexibility.
- Direct influence of the environment.



The Environment and Organizational Effectiveness

- How well the organization understands, reacts to, and influences its environment.
- The systems resources approach: extent to which the organization can acquire needed resources.
- The internal processes approach: internal mechanisms of the organization and forces on minimizing strain.
- The goal approach: how well the firm obtains goals.
- Strategic constituencies: groups who have a stake in the organization.



Figure 3.6: A Model of Organizational Effectiveness

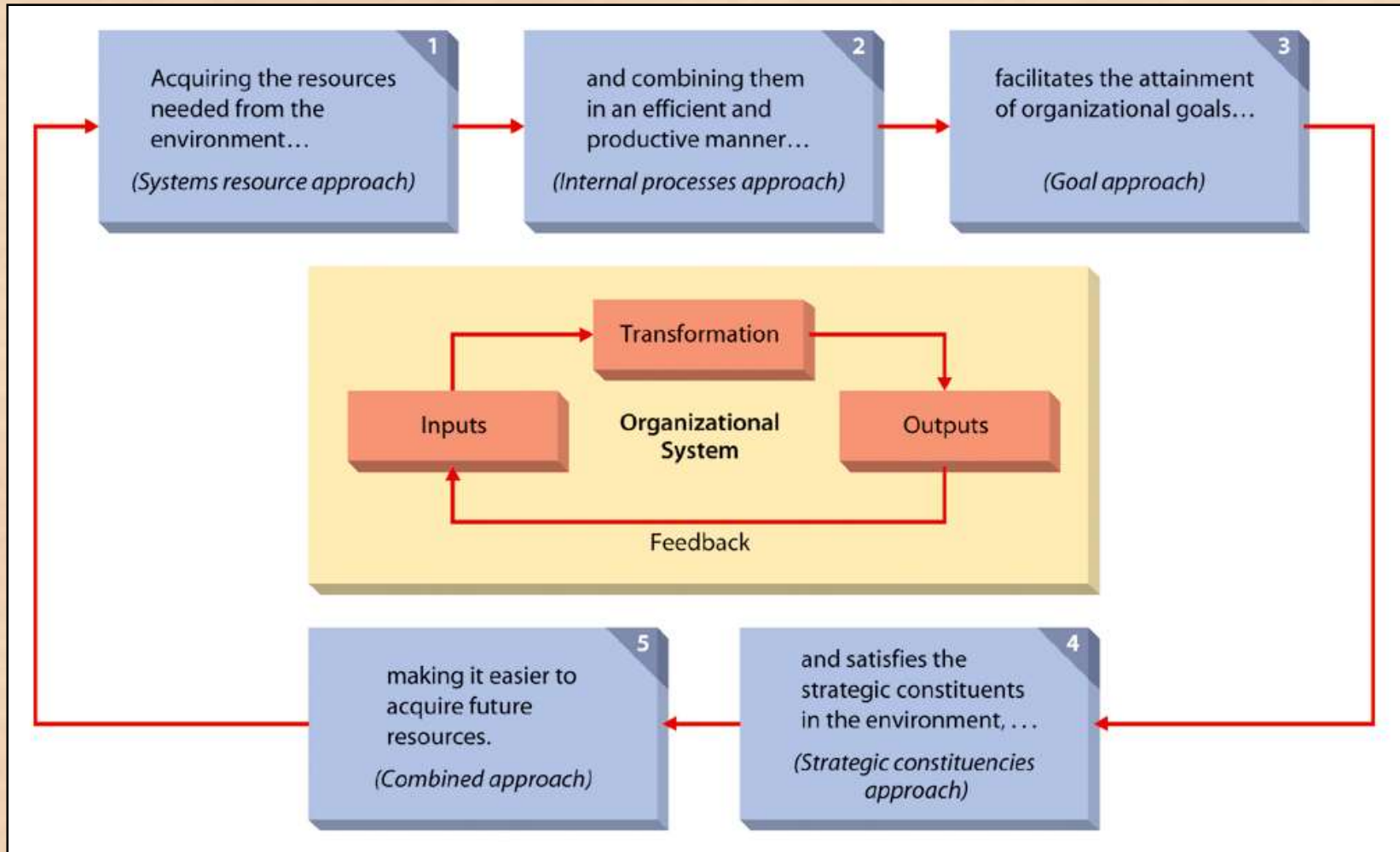


TABLE 3.1

Examples of Admired and High-Performing Firms

<i>Fortune's Most Admired Companies (2003)</i>	<i>BusinessWeek's Best Performing Companies (2003)</i>
1. Wal-Mart	1. Forest Laboratories
2. Southwest Airlines	2. Wellpoint Health Networks
3. Berkshire Hathaway	3. United Health Group
4. Dell Computer	4. Johnson & Johnson
5. General Electric	5. Progressive
6. Johnson & Johnson	6. Amerisourcebergen
7. Microsoft	7. Lowe's
8. FedEx	8. Pfizer
9. Starbucks	9. Dell Computer
10. Procter & Gamble	10. St. Jude Medical

Source: "America's Most Admired Companies," *Fortune*, March 3, 2003, p. 81; "The Business Week 50," *BusinessWeek (special issue)*, Spring, 2003, p. 61.

