

4. TOPIC

ORGANIZATIONAL ENVIRONMENT

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How the lecture will be conducted?



1. The lecture is divided into **two blocks**, where each block introduces an issue associated with environment, methods of environment analysis and case studies examples.
 2. We use **MS Teams**, a shared whiteboard for your engagement and reactions, brainstorming ideas and for sharing answers.
 3. The lecture is completed by **quizzes in Vevox**, the link is always in the presentation.
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1. **PART** (35 min.)

- An organization must interact with the outside world, with its environment.

2. **PART** (55 min.)

- Analysing the organization's environment, methods, case studies
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Learning objectives

After studying this topic, you should be able to:

- Understand the mutual interdependence between the organization and its environment.
 - Appreciate the strengths and limitations of PESTLE analysis of organizational environments.
 - Explain contemporary organizational responses to environmental turbulence.
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Key readings



You can find support in the following sources:

- Book – Jones, G. R. and J. M. George (2019). *Essentials of Contemporary Management*, Chapter Four p. 122

PART 1

Environment

An organization must interact with the outside world, with its environment.

The operations of any organization – local café, city hospital, multinational car-producing company – can be described in terms of ‘import-transformation-export’ processes.



Environment



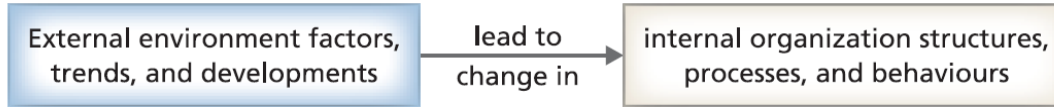
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- An organization must interact with the outside world, with its environment. The operations of any organization – local café, city hospital, multinational car-producing company – can be described in terms of ‘import-transformation-export’ processes.
- **Environment** issues, trends, and events outside the boundaries of the organization, which influence internal decisions and behaviours.
- Organizations are involved in a constant series of exchanges with their suppliers, consumers, regulatory agencies, and other **stakeholders**, including their employees.

Example – a car plant in 21st century. The development of hybrid and electric-powered vehicles is starting to erode sales of petrol-driven cars.

- The industry consolidation of the late 1990s saw many smaller manufacturers (Saab, Rover, Rolls- Royce, Jaguar, Land Rover, Volvo) bought by larger companies (General Motors, BMW, Ford, the Tata Group).
 - Competition encourages manufacturers to locate plants in low-wage countries (Hungary, Brazil, Romania) generating resentment in traditional manufacturing bases (America, Britain, Europe).
 - In Japan - foreign pressure, led to restructuring at Toyota, Honda, and Nissan in the late 1990s.
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Environment



- **Environmental uncertainty** the degree of unpredictable turbulence and change in the political, economic, social, technological, legal, and ecological context in which an organization operates.
 - Organizations that are **able to adapt quickly** to new pressures and opportunities are likely to be more successful than those which are slow to respond.
 - A key concern for organizational behaviour, therefore, has been the **search for 'fit'** between the internal properties of the organization, and features of the external environment.
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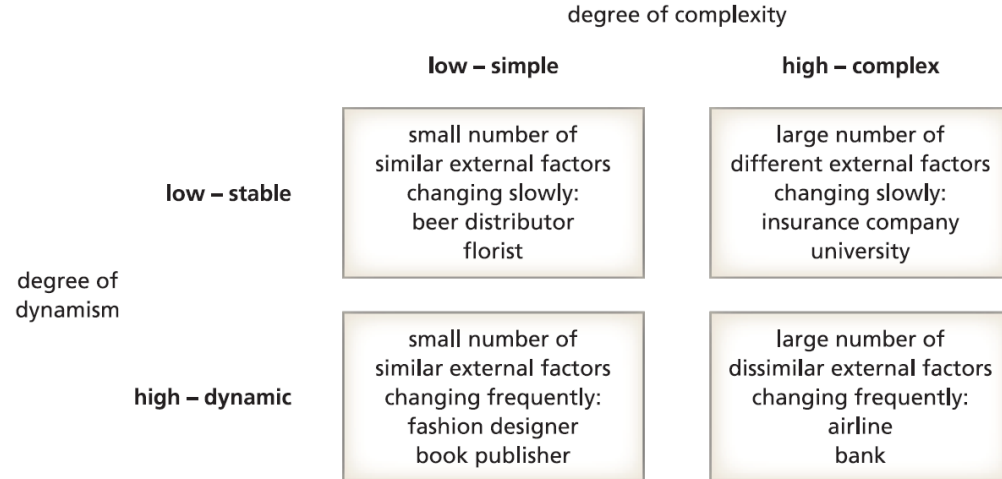
Environment



How can what happens outside an organization influence what happens inside?

Robert Duncan defined uncertainty as the lack of adequate information to reach an unambiguous decision, and argued that environmental uncertainty has **two dimensions**.

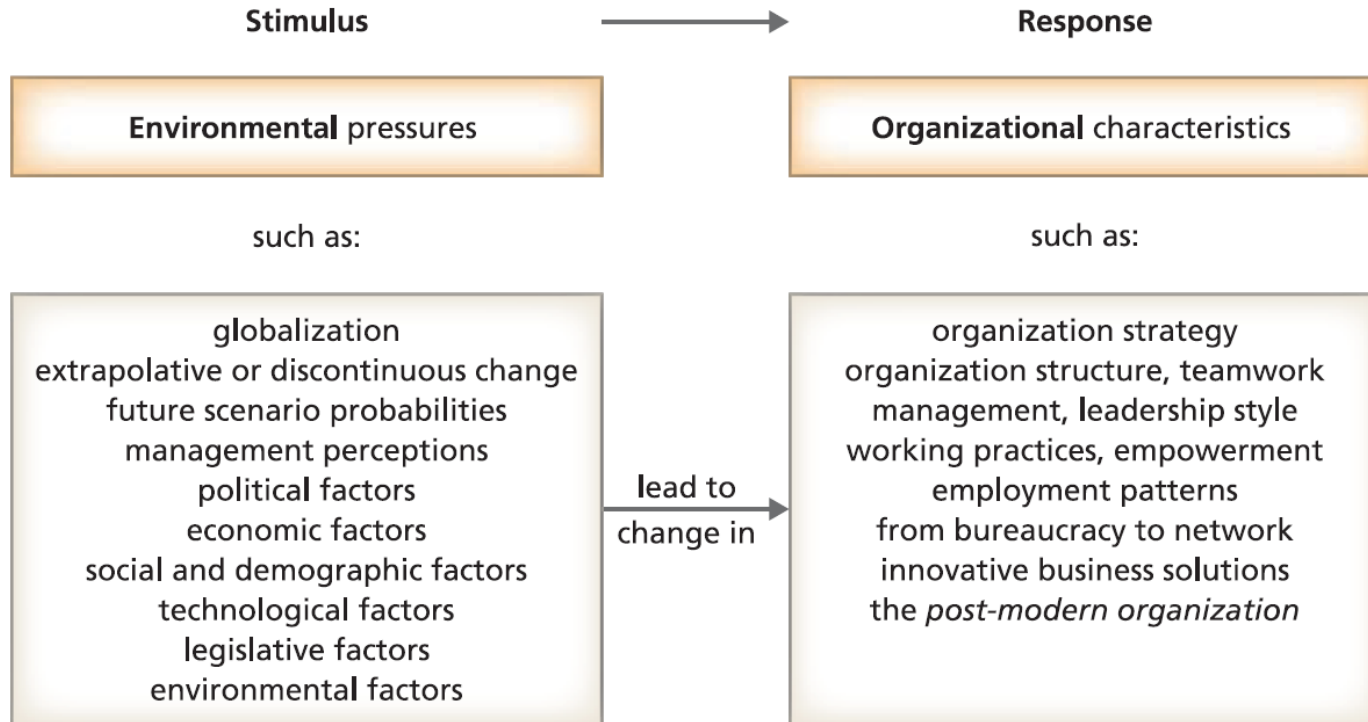
- One of these dimensions concerns the degree of simplicity or complexity, and the other concerns the degree of stability or dynamism.
- The **simplicity**– complexity dimension refers to issues such as the number of different issues faced the number of different factors to consider, and the number of things to worry about.
- The **stability**– dynamism dimension refers to the extent to which those issues are changing or stable, and if they are subject to slow movement or to abrupt shifts.



Level	Environmental change	Organization strategy	Management attitude
1	Repetitive little or no change	Stable based on precedent	Stability-seeking rejects change
2	Expanding slow incremental change	Reactive incremental change based on experience	Efficiency-driven adapts to change
3	Changing fast incremental change	Anticipatory incremental change based on extrapolation	Market-driven seeks familiar change
4	Discontinuous discontinuous but predictable change	Entrepreneurial discontinuous new strategies based on observed opportunities	Environment-driven seeks new but related change
5	Surprising discontinuous and unpredictable change	Creative discontinuous new and creative strategies	Environment-creating seeks novel change

Source: Ansoff (2007).

The search for environment–organization ‘fit’



Environment



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- The scale, dynamism and complexity of environmental stimuli appear to encourage a new adaptive, environmentally responsive organizational ‘paradigm’, described as the **post-modern organization**.
- Where modernist consumption was premised on **mass forms**, post-modernist consumption is premised on **niches**.
- Where modernist organization and jobs were highly differentiated, demarcated and de-skilled, post-modernist organization and jobs are highly **de-differentiated, de-demarcated and multiskilled**.
- So, it is claimed that bureaucracy, macho managers, and boring jobs are being replaced in the post-modern world by flexible organizations with participative, supportive managers and interesting, multiskilled jobs.

Post-modern organization a networked, information-rich, de-layered, downsized, boundaryless, high commitment organization employing highly skilled, well-paid autonomous knowledge workers.



Vevox questions

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Organizations are involved in a constant series of exchanges with their suppliers, consumers, regulatory agencies, and other, including their employees.

- stakeholders
- departments
- environments
- terms

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According to Ansoff, Environmental change is?

- stability-seeking
- market-driven
- expanding
- efficiency-driven

PART 2

Analysing the organization's environment

The methods used to analyse the environment are known as environmental scanning techniques.



Analysing the organization's environment



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- **Environmental scanning** involves collecting information from a range of sources: government statistics, newspapers and magazines, internet sites, specialist research and consulting agencies, demographic analysis, market research, focus groups.
 - There are three major trends affecting most organizations: **technology, globalization, and demographics.**
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Analysing the organization's Environment - technology



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- Technology affects organizational behaviour in many ways, and on many levels. Technological developments influence the **design and nature of products and services, corporate strategies, modes of communications** and information exchange, and the day-to-day work of individuals.
 - Expertise in making technologically sophisticated products **has moved to developing countries with lower labour costs**, raising concerns that the developed economies which invented those products have become unnecessarily dependent on their overseas manufacturers.
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Analysing the organization's Environment - technology



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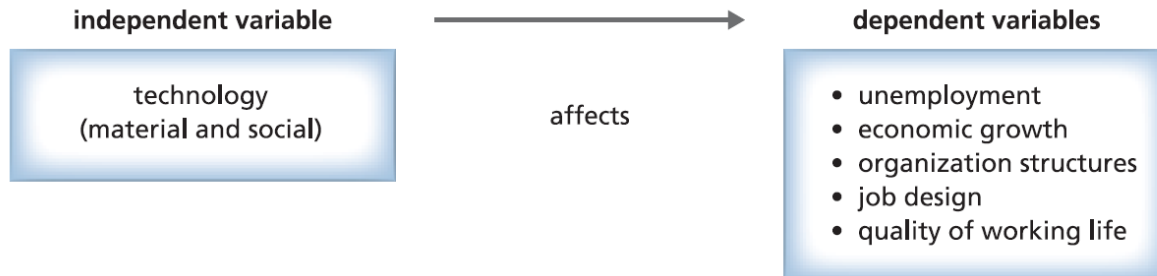
Technological innovation is one of the key features of contemporary society. It affects:

- **how you communicate** - email, mobile phone, smartphone, Twitter, Facebook, Skype
 - **how you buy and use goods and services** - cloud computing, smart cash cards, e-commerce, internet access to news, information, films and music
 - **how you travel and find places** - satellite navigation, iPhone location services
 - **how you find and apply for jobs** - LinkedIn; personality and skills assessment apps, online job applications through your iPhone
 - **how you spend your leisure time** - iPod, iPad, Xbox, YouTube, Kindle, surfing, blogging, interactive gaming, iPhone apps, social networking
 - **how private you can be** - CCTV (Closed Circuit TV) , the GPS in your smartphone, web history recording, transaction logging, data mining
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Analysing the organization's Environment - technology



- However, while new technologies **promise better personal and corporate performance**, productivity gains are not always achieved. Technology can liberate and empower, but it can also increase workload and stress, and intensify surveillance and control.
- We have to distinguish **material technology** from **social technology**.
- **Material technology** tools, machinery, and equipment that can be seen, touched, and heard.
- **Social technology** the methods which order the behaviour and relationships of people in systematic, purposive ways through structures of coordination, control, motivation, and reward.



Analysing the organization's Environment - technology



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Remote Jobs website:

<https://www.flexjobs.com/blog/post/fortune-500-companies-with-remote-jobs/>



Analysing the organization's Environment - technology



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- New technology creates unemployment through **replacement effects**, which substitute equipment for people, while increasing productivity.
 - For example, supermarkets use selfservice checkout technology, reducing the number of checkout staff required.
- Another example of how technology enables us to work in nonstandard ways, but without determining the nature of jobs, can be seen in **teleworking**.

There are, several **disadvantages** of teleworking:

- high set-up costs (though hardware costs have fallen);
 - staff are not able to share equipment and other office facilities;
 - lack of face-to-face social interaction, sharing of ideas, and team spirit;
 - staff can lose touch with organization culture and goals;
 - management cannot easily monitor and control activity;
 - some customers expect to contact a 'conventional' office.
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Analysing the organization's Environment - technology



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- From a management perspective, there appear to be five main and five subsidiary reasons for introducing **teleworking**. The main reasons are:
 1. in response to requests from employees;
 2. to reduce costs;
 3. to cope with maternity;
 4. to help reduce office overcrowding;
 5. following relocation of offices, where some staff were unable to move.

The subsidiary reasons are:

1. to cope with illness or disability;
 2. to fit the kind of work being done;
 3. because staff live some distance from the office;
 4. because it allows more undisturbed working time;
 5. database connections are faster out of main working hours.
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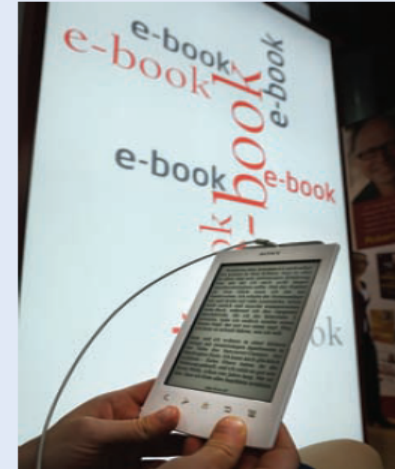
Not made in America: the Amazon Kindle

The Kindle 2 e-reader was designed by Amazon's Lab126 unit in California. However, most of its components are made in China, Taiwan, and South Korea, and the product is assembled in China (Pisano and Shih, 2009).

Component	Made in	Reason
Flex circuit connector	China	American supplier base eroded as the manufacture of consumer electronics and computers migrated to Asia.
Electrophoretic display	Taiwan	Manufacture requires expertise developed from producing flat-panel LCDs, which migrated to Asia with semiconductor manufacturing.
Highly polished injection-moulded case	China	US supplier base eroded as the manufacture of toys, consumer electronics, and computers migrated to Asia.
Wireless card	South Korea	South Korea used its infrastructure for designing and manufacturing consumer electronics to become a centre for making mobile phone components and handsets, especially products using CDMA technology, which is widely used in South Korea.
Lithium polymer battery	China	Battery development and manufacturing migrated from the US to Asia along with the development of consumer electronics and notebook computers.
Controller board	China	US companies long ago outsourced the manufacture of printed circuit boards to Asia, where there is now a huge supplier base.

Source: adapted from 'Restoring American competitiveness' by Pisano, G.P. and Shih, W.C., *Harvard Business Review*, 87(7/8) 2009, p. 121.

Why is it not made in America? Is this a problem?



Getty Images



Analysing the organization's Environment - globalization



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- One feature of globalization is ‘**the death of distance**’, a term which means that geographical separation of countries and individuals is now unimportant.
 - Globalization also means that the fate of a village in a developing country, dependent on export sales revenues from a single cash crop, is decided by price movements in exchanges in New York and Frankfurt.
 - Globalization means that decisions taken in Tokyo in Japan affect Employment in the English Midlands, where Toyota has an assembly plant.
 - Globalization means that the collapse of the investment bank Lehman Brothers in 2008, due to high-risk lending practices, led to a financial crisis affecting banks and economies around the world.
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Analysing the organization's Environment - globalization



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Where Is the iPhone Made?

<https://www.lifewire.com/where-is-the-iphone-made-1999503>

Assembled vs. Manufactured???

Analysing the organization's Environment - globalization



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STOP and THINK

How does globalization affect you personally?

In what ways could globalization influence your working life and your career?

What are the personal benefits and disadvantages?

Share ideas in Whiteboard in MS Teams!!

Analysing the organization's Environment - globalization



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- This may involve holiday plans, working abroad, the clothes that you wear, the food and drink that you consume, and the way in which you use the internet, phones, social networking sites, and different types of media technology.
 - You probably have many direct and indirect encounters with other cultures, daily.
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GLOBAL BUSINESS ETIQUETTE

It's not just your product which needs to go native. Refine your manners or risk irritating or insulting potential buyers.



INDIA: Know your numbers: 1 Rupee is 100 Paise; 100,000 Rupees is 1 Lakh; 10 million Rupees is 1 Crore.



SOUTH KOREA: Gifts are expected at formal introductory meetings. Office products with your logo or British foods and drinks are acceptable.



JAPAN: Receive business cards, known as 'meishi', with both hands at once. Present yours Japanese side up.



LIBYA: Do not show the soles of your shoes. This is an insult across the Arab world.



IRAN: Learn the many public holidays Business will close during two dozen festivals such as Nowruz, Eid ul-Fitr, and the Birth of Iman Mahdi.



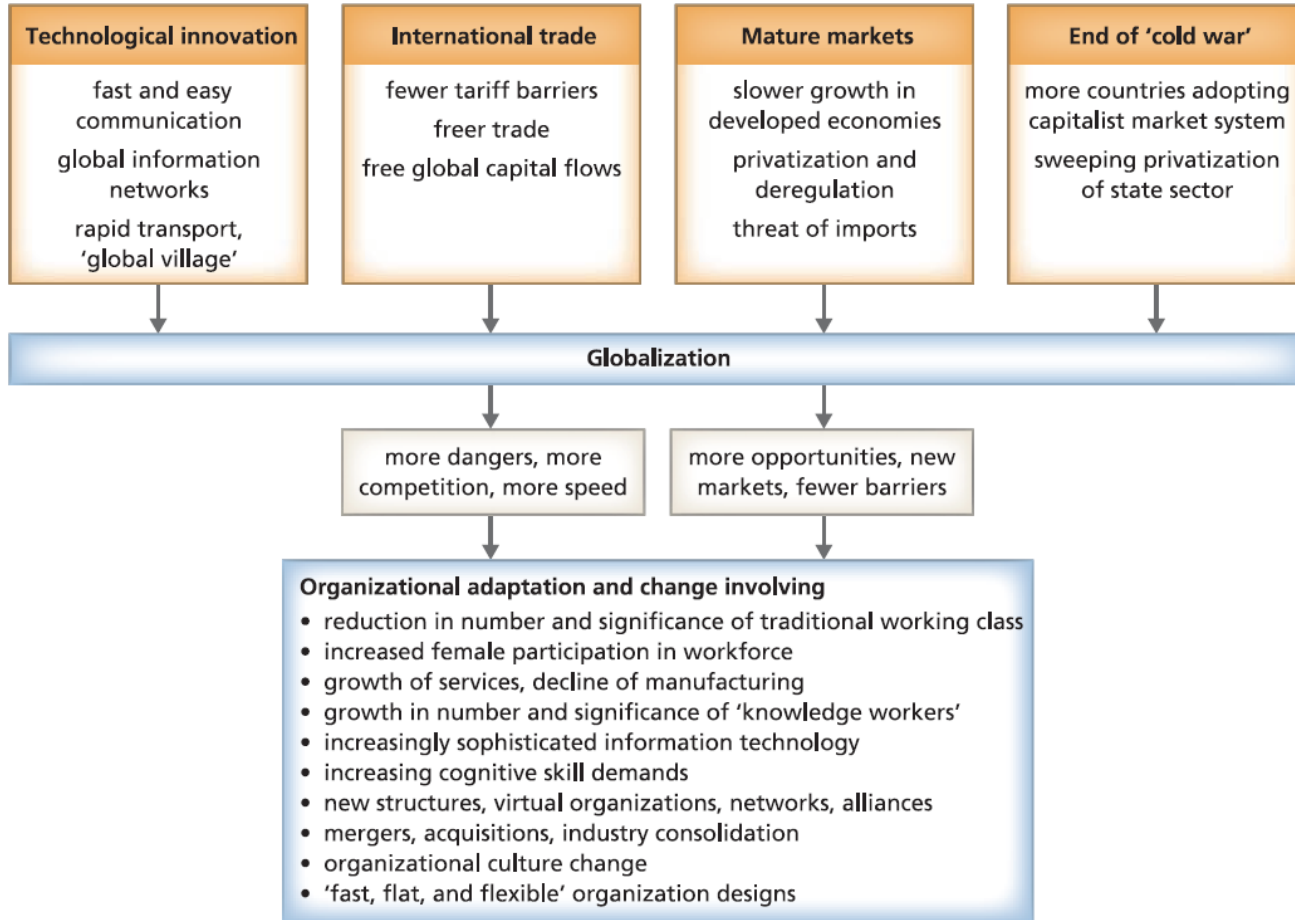
SAUDI ARABIA: Meetings may be set prayer times, rather than the precise hour. So 'between Maghrib and Isha' is preferable to stating 6.30 p.m.

Source: Clawson/*The Times*/News International Trading Ltd, 18 October 2011.



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Globalization and Organizational change



Disneyization

While most of us think of Disney as a company that makes animated and children's films, Alan Bryman (2004) argues that Disneyization is a global process infiltrating

aspects of our social, cultural, and economic life. In short, our surroundings are becoming more like a Disney theme park. Disneyization has four main principles:

- theming* settings and objects being presented and decorated in dramatic ways that are not directly related to their purpose, such as a restaurant with a Wild West theme
- hybrid consumption* the blurring of boundaries between different types of products and services that are normally distinct and separate, such as with casinos that are also hotels including numerous restaurants
- merchandising* the promotion of branded and licensed items, with copyright images and logos clearly on display, rather than just plain company products
- performative labour* front line staff being hired to perform, smiling and helpful, joking and interacting with customers, to create atmosphere and mood



The Hotel Luxor, in Las Vegas, with an 'Ancient Egypt' theme

If your restaurant or shopping mall has been Disneyized, it will look and sound different, and give the impression of providing a novel and dramatic experience. This process is

being imitated because it increases the appeal of goods and services and the settings in which they are provided, and encourages you to buy things that you don't really need.



Barbie is a globalization icon



Chip East/Reuters

Barbie is one of the most profitable toys in history, selling at a rate of two per second, and generating over US\$1 billion in annual revenues for the Mattel Corporation based in Los Angeles (Giddens and Sutton, 2009, p. 135). Sold in 140 countries, she is a global citizen, but she is global in another sense, too. Although she was designed in America,

she has never been made there, and was first manufactured in 1959 in Japan (where wages were low at the time), and has since been made in other low-wage countries in Asia. The only components of Barbie which come from America are the cardboard packaging, and some paints. Her body and wardrobe come from elsewhere across the planet:

component/ manufacturing stage	source
designs, pigments, oils, moulds	United States
cardboard packaging	made in United States with pulp from Indonesia
oil for her plastic parts	Saudi Arabia
refined oil and PVC plastic pellets	Taiwan
injection moulding	China, Indonesia, Malaysia
nylon hair	Japan
cotton dresses	China
distribution	Hong Kong

The sign on the box may say 'made in China', or Indonesia, or Malaysia. But Barbie crosses many geographical boundaries on her journey from the designer's sketchpad to the customer.

Look at the products that you own and use. Where do they come from? Choose one of your favourite items and see if you can identify where in the world its components were made.



Analysing the organization's Environment – globalization - The Virtual Expatriate



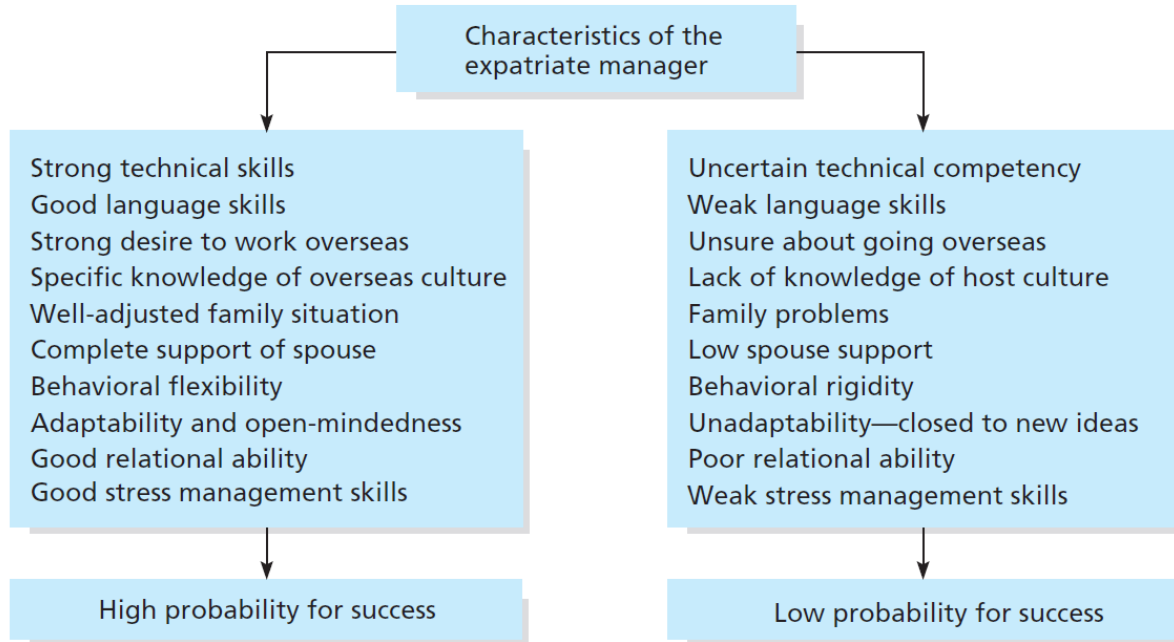
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Robert Adams, an American, has worked for a multinational company headquartered in the United States for over seven years. Perceived as a fast-track manager destined for executive-status, Adams has performed well in a variety of domestic assignments. However, his supervisor has just Asked him to take a three-year expatriate assignment in a high-potential foreign subsidiary some 7,000 miles from headquarters.

- Although Adams recognizes the importance of developing international language, cultural, and business skills, he has several concerns regarding this long-term assignment: It could make him “out of sight, out of mind” with regard to promotions and politics back at headquarters; his children are about to enter high school and do not want to leave their peer groups.
 - Adams solved this potential dilemma by suggesting to his manager that he become a **virtual expatriate**, meaning he would commute back and forth between the international subsidiary and headquarters.
 - Even though he would be away from home for several days each month, Adams and his family would not have to sell their house and relocate overseas. This way, he would be able to protect his career interests at headquarters while not disrupting his spouse’s career or children’s social development by relocating overseas.
-



Factors in Expatriate Managers Success and Failure





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.....scanning involves collecting information from a range of sources: government statistics, newspapers and magazines, internet sites, specialist research and consulting agencies, demographic analysis, market research, focus groups.

- Competitor
- Customer
- Environmental
- Market

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The PESTLE study considers several factors that have an impact on the business environment. It is a macroeconomic instrument that is used to understand the external environment through more extensive environmental analysis.

- SWOT
- KPI
- PESTLE
- customer

RECAP



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Understand the mutual interdependence between the organization and its environment.

- *To survive, organizations have to adapt their internal structures, processes and behaviours to cope with complexity and the pace of external change.*
- *External pressures on organizations come from the globalization of business, developments in information technology, and social and demographic trends.*

Appreciate the strengths and limitations of PESTLE analysis of organizational environments.

- *PESTLE analysis provides a comprehensive framework for identifying and planning responses to external factors that can affect an organization.*
 - *PESTLE analysis generates vast amounts of information, creating a time consuming analysis problem, and making predictions based on this analysis can be difficult.*
-

RECAP



Apply utilitarianism, the theory of rights, and the theory of justice to assess whether or not management actions are ethical, and recognize the limitations of those criteria.

- *The utilitarian perspective argues that behaviour is ethical if it achieves the greatest good for the greatest number.*
- *The theory of rights judges behaviour on the extent to which individual rights are respected, including the right of free consent, the right to privacy, the right to freedom of conscience, the right of free speech, and the right to due process in an impartial hearing.*
- *The theory of justice judges behaviour on whether or not the benefits and burdens flowing from an action are fairly, equitably, and impartially distributed.*

Understand the concept of corporate social responsibility, and the practical and ethical implications of this concept for organizational behaviour.

- *Businesses and their managers are expected to act in responsible and ethical ways, contributing to social and environmental outcomes as well as making profit.*
 - *Responsible practices include, for example, the business contribution to the community, the Sustainable use of resources, ethical behaviour in relationships with suppliers and customers, and the impact of the business on all stakeholders.*
 - *Critics argue that it is government's job to deal with social and environmental issues, that the role of business is to maximize profits while operating within the law, and that managers who donate company funds to 'good causes' give away shareholders' money.*
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**We can share our
thoughts and ask
questions**



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