

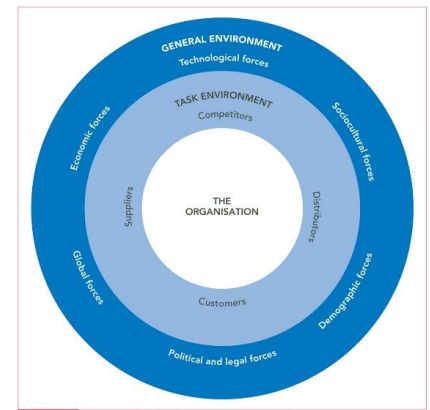
Topic 3 - Managing the environment: organisational culture

Organisational environment

- **Organisational environment:** the set of forces and conditions that operate beyond an organisation's boundaries but affect a manager's ability to acquire and utilise resources

task environment

- **Task environment:** the *set of forces and conditions* that originate with suppliers, distributors, customers and competitors
 - These forces affect an organisation's ability to obtain inputs and dispose of its outputs.
 - There is most likely daily *immediate* and *direct* effect on managers.



The task environment: suppliers

- **Suppliers:** *individuals and companies* that provide an organisation with *the input resources* it needs to produce goods and services
 - Dell computers uses intel and amd microcomputer chips and quantum and seagate disk drives and finance from banks and financial institutions. Dell also uses software from microsoft, ibm and oracle.
 - Boeing uses aeroplane parts for its new 777 jetliner from 545 suppliers around the world.
 - Global outsourcing is a process to reduce input costs (e.g. Telstra in australia has call centres in india).

The task environment: distributors

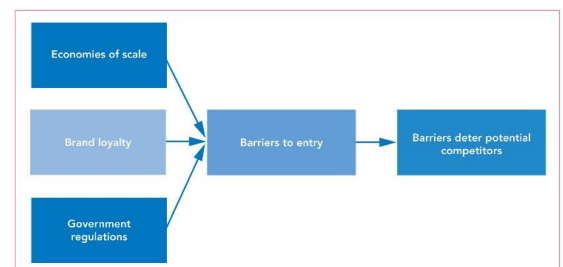
- **Distributors:** organisations that *help other organisations sell their goods* or services to customers
 - Distributors can become very large and powerful and demand that suppliers reduce the costs of their goods and services (e.g. Target controls its suppliers' access to a large number of customers and can threaten to go to other suppliers).
 - Power of distributors is reduced if there are alternate distribution options or competitors.

The task environment: customers

- **Customers:** individuals and groups that *buy the goods and services* that an organisation produces
 - Customers can be segmented, e.g. Dell produces for homes, small companies, large companies, government agencies and educational institutions.
 - Customer numbers and preferences change.
 - Constant adaptation to customers is essential to survive.
 - Distinct national markets are merging to become a huge global marketplace.

The task environment: competitors

- **Competitors:** organisations that *produce goods and services that are similar* to a particular organisation's goods and services
 - rivalry between competitors is potentially the most threatening force that managers must deal with.
 - Potential competitors may also exist. These are not currently in the organisation's task environment but could choose to enter it, e.g. Mitsubishi manufactures cars but also some white goods.
 - Competition reduces prices, e.g. Pepsi vs coca-cola.



The task environment: barriers to entry

- Three main factors can make it difficult and costly for organisations to enter a particular task environment/ industry:
 - **Economies of scale** give cost advantages to large operations
 - **Brand loyalty** allows customers to give preference for products of organisations currently existing in the task environment
 - **Government regulations** can create barriers at both industry and country levels, e.g. Tariffs, import limits.

the general environment

- **General environment:** the wide-ranging economic, technological, sociocultural, demographic, political and legal, and global forces that affect an organisation and its task environment



The general environment: economic forces

- **Economic forces:** interest rates, inflation, unemployment, economic growth and other factors that affect the general health and wellbeing of a nation or the regional economy of an organisation
 - Managers usually cannot affect or control these forces that have a profound impact on the firm.
 - Managers pay close attention to what is occurring in the national and regional economy and respond accordingly.

The general environment: technological forces

- **Technology:** the *combination of skills and equipment* that managers use in the design, production and distribution of goods and services
- **Technological forces:** *outcomes of changes in the technology* that managers use to design, produce or distribute goods and services
 - These forces result in *new opportunities or threats* to managers.
 - They often make *products obsolete very quickly*.
 - *They can change how managers manage*.

The general environment: sociocultural forces

- **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 behaviour 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: demographic forces

- **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 decades, *women* have entered the workforce in increasing numbers and most industrial countries' populations are *ageing*.
 - This will change the opportunities for firms competing in these areas *as demands for health care and recreation industries are forecast to increase dramatically*.

The general environment: political and legal forces

- **Political and legal forces:** outcomes of changes in *laws and regulations*, such as the *deregulation* of industries, the *privatisation* of organisations and increased emphasis on *environmental protection*

- Changes in laws and regulations *can 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: global forces

- **Global forces:** outcomes of changes in *international relationships*, changes in *nations' economic, political and legal systems*, and *changes in technology*
 - These forces pose important opportunities for and threats to managers.
 - The economic integration of countries through free-trade agreements, such as asean, ausfta, eu, decreases the barriers to trade.

Organisational culture

- **Organisational culture:** the set of *values, norms, standards for behaviour and shared expectations* that influence the ways in which individuals, groups and teams interact with each other and cooperate to achieve organisational goals
- When *organisational members share* an intense commitment to cultural values, beliefs and routines, a strong organisational culture exists.
- When *members are not committed* to a shared set of values, beliefs and routines, organisational culture is weak.



Figure 3.4 Factors creating a strong organisational culture

Organisational culture: values of the founder

- Founders' personal values and beliefs have a great influence on the values, norms and standards of behaviour that develop in the organisation.
- Founders select managers with a similar orientation to help run the organisation.
- New managers learn what values/beliefs are 'appropriate' to progress in the organisation and these become norms that cascade down through the organisation over time.

Organisational socialisation

- **Organisational socialisation:** the process by which newcomers learn an organisation's values and norms and acquire the work behaviours necessary to perform jobs effectively
 - Most organisations have a socialisation program (e.g. 'orientation') to help employees 'learn the ropes'.
 - The orientation or training program helps new recruits learn how to behave and know what they should be doing.

Ceremonies and rites

- **Ceremonies and rites:** formal events that recognise incidents of importance to the organisation as a whole and to specific employees
- Common ceremonies and rites:
 - **Rites of passage:** determine how individuals enter, advance within or leave the organisation
 - **Rites of integration:** build and reinforce common bonds among organisational members
 - **Rites of enhancement:** let organisations publicly recognise and reward employees' contributions and thus strengthen their commitment to organisational values

Stories and language

- Stories and language communicate organisational culture.
- They reveal behaviours that are valued by the organisation.
- They include how people dress, the offices they occupy, the cars they drive, and the degree of formality they use when they address one another.

Organisational culture: manager influence

- **Attraction-selection-attrition (ASA) framework:** a model that explains how personality may influence organisational culture
 - Founders of firms tend to hire employees whose personalities resemble their own
 - Similar-minded employees are more likely to stay; those with different perspectives are more likely to leave.
 - This may or may not benefit the organisation long term.
 - The organisation's effectiveness may be impaired from a lack of diversity/perspectives and become resistant to change.
- Personal characteristics of managers shape organisational culture but so do manager values, attitudes, moods and emotional intelligence.
- Research suggests job satisfaction and organisational commitment can be influenced by others. Managers are in a strong position to influence.
- Research also suggests that moods and emotions are contagious and exposure to committed and enthusiastic people increases one's own commitment and enthusiasm.