

Designing Work Organization
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Lecture-14
The Impact of External Environment

As we have seen that is the inter organizational relationship that depends on the internal environment also in the external environment and in this session we will talk about the external environmental factors. So, organizational environments that is a task environment is there general environment and the international environment. We will also discuss the dimensions of the environment adopting to a changing environment, how organizations will be able to adopt and how they should adopt these changing environment mechanism in the organic forms. Then as usual the case study research papers and the book recommendation and then finally, the references will be given so that you can refer this certain other studies also. In a broad sense, the environment is infinite and includes everything outside the organization. It is defined as everything that has the potential to affect all or part of the organization is there.

So, whenever we are talking about the environmental factors and here is I would like to mention about the spelt approach is there that is a social, then the political, economical, legal, and technological. So, whenever we are talking about the environment is infinite. So, therefore, it is especially the considering these social environmental changes simultaneously the policy matters which are depending on these political and regional matters, economic conditions globally and the locally, then the legal level laws and the business laws, commercial laws and the changes into the technology which is nowadays is becoming the very, very important. So, therefore, in that case, we will find it is this SPELT approach that is changing of the social, political and economical, legal, technological.

So, therefore, it is becoming infinite and every time you find that there are certain new challenges are there. And so, outside the organization, it is defined that everything has the potential to affect all are part of the organization. And so, if there is a technological change are there, so definitely it will also affect if there is a social change is there that will also affect. So, the environment of an organization can be understood by analyzing its domain niche area, in the previous session, I talked about how every organization has to identify its uniqueness, and that is called the niche domain and within the external sectors. An organization's domain is the chosen environmental field of the action is there and whatever the domain will be there for example, we have talked about the mental

health organizations are there and then they are getting affected by this the social and technological and economical aspect every organization.

So, then they have to choose the field of action, there is a what they will like to adopt. And the environment comprises the several sectors or the subdivisions that contain similar elements, 10 sectors can be analyzed by each organization. For example, the industry, what is the nature of the industry, what type of these industrial aspects are there which are going to be the effect, the raw material, supply of the raw material is there. For example, when we are talking about the different types of this, the mosaics are there, then different types of the when we are talking about the supply chain management processes are there. So, all these will be affecting these raw materials, supply and its utilization.

Sugar cane is for example, is here you will find it is the whenever we are talking about the sugar industries, then the molasses, then the so wheat molasses and the sugar cane molasses is there. So, therefore, here you have to find out that is the how is the agricultural environmental factors that will be affecting your raw material is there. Whether you are having the skilled, semi skilled or unskilled workers, your human resources, what type of the human resources do you need and what type of human resources are available. So, similarly for the financial resources, the market, the technology and the economic conditions are there and as a result of which you will find that is this social spelt which I talked about that is the government, socio cultural and international environmental factors are there and these environmental factors that will affect the overall organization performance is there. So, an organization is an entity which is working in a society and therefore, in that case, you cannot isolate only and restrict yourself to the production rather than this your organization is extended to the external part of this organization and that is to the overall society.

So, this the government is there, the society is socio cultural and not only for a particular country, it will be going to be the internationally also. So, we have to understand that is our organization has to face a number of the environmental factors and therefore, there are the several compromises are required. Sometimes you make the technology adaptation and immediately after that you find that the next generation technology is available, what you will do. So, because of the environment has changed, then again you have to make the changes in your organization and that is why I said earlier that is organizations are working in the uncertainty environment. So, therefore, in that case, you have to see that is the how these environment is going to affect is there.

So, general environment is normally the ecological, economic, political, technological and socio cultural aspects are there which are affecting to the specific environment is the

clients, regulators, organization and the suppliers is there. Now, the task environment is there. The task environment includes the sectors with which the organization interacts directly and that they have a direct impact on the organization's ability to achieve its goal is there. So, here these are the sectors that are affecting interaction with these particular different stakeholders and then there is a direct impact also. Whenever you are having this interaction, then this interaction will affect your ability to achieve its goals.

The task environment typically includes the industry, raw material and the market sectors and perhaps the human resources and the international sectors are there. The following examples illustrate how each of these sectors can affect the organizations. In the industry sector, Netflix has been a disruptive force in the home entertainment industry and since its beginning in 1997. So, first, it virtually wiped out the retail videos business, the biggest player in video rentals and blockbusters went bankrupt in the fall of the 2010. Now, Netflix is becoming a major competitive threat to the television and the movie providers that they are offering the unlimited movies and television shows, stream to view viewers computers or the other devices for a low monthly fees.

And therefore, in that case, you will find that is the here as soon as this particular technology has changed and then the organization that is emerging with the competitive threat. So, in the organization's environment task environment is there. So, it is having the always the competitors' industry size and competitiveness that related industries are facing. Similarly, one side is the product, other side is the suppliers, then the suppliers, manufacture and real estate services are there. And third one is the labor market that is how aspects are there, which are training of the employees are there or that is a financial bank savings loans in the stock market is there.

Then marketing aspect is there and that is about the customers, clients, and potential users of the products and services. Technique of the production, science, computer, information technology and the e-commerce is there. These again you will find it is the environmental action economic environmental factor that is a recession, unemployment rate, inflation rate, rate of investment, economic growth. So, city states, federal laws and regulations, legal aspects, the age, values, demographic variables, beliefs, education, religion, work ethic, consumer and the green movements are there. And these competition form and acquisition to earn by the foreign firms entry into the overseas markets, foreign customers regulations and the exchange rate is there.

So, this particular task environment which you find that is becoming a very, very critical issue. So, therefore, in that case all this trend right from the A to J, you will find that is the niche domain of the organization and that is getting affected by these all national and international context within the organization and the outside of the organization is there.

So, in the market sector, smart companies are paying close attention to the generation C consumers. Generation C refers to the people born after 1990 and who will make up about the 40 percent of the population in the US. So, Europe, Brazil, Russia, India, and China by 2020 and about 10 percent of the rest of the world.

So, therefore, here you will find that is those this generation C will be having that is a significant requirement, a concern. So, the human resource sector is having a significant concern to the early business. A new labor movement is challenging business leaders in China with emerging labor activist group as well as legal and support networks at universities promoting workers rights. So, for most companies today, the international sector is also a part of the task environment and because of the globalization and the intense competition is there and as a result of which this is becoming highly affecting because now your customers are from generation C. And therefore, in that case, the general environment which will be including those sectors that might not have a direct impact on the daily operations of a firm but with the indirect influence it.

In the general environment often includes the government, socio-cultural, economic conditions, technology and financial resources sectors. These sectors affect all organizations eventually. In the government sector, regulations influence every phase of organizational life. One significant element in the socio-cultural sector is the green movement. People are concerned about the natural environment and want organizations to do more to protect it.

So, therefore, here it is becoming a very important that is where you are working and on basis of that the government sectors that will be taking care of. While in the socio-cultural sectors are there and that is about the green environment movement is there. And here you will find concern about the natural environment and want organizations to do more to protect it. So, general economic conditions often affect the way a company must do business. So, the government sectors, regulations and then socio-cultural factors, and the general economic conditions, these are the majorly affecting the general environmental factors.

Now, the technology sector is an area in which the massive changes have occurred in recent years. So, from streaming video and advances in mobile technology to cloning and the stem cell research is there. So, all businesses have to concern with financial resources and this sector is often first and foremost in the minds of entrepreneurs. Many small business owners turn to online person-to-person leading networks for small loans as banks tighten and their leading standards are there. So, therefore, in that case, here it is the P-to-P that is person to person, and here they are becoming the very successful owners for the small businesses.

The international environment when we talk about that is a sector can directly affect many organizations and it has become extremely important in the few last years, you will see that is now we are talking about the global businesses earlier. Now, we are talking about the global businesses that is the global businesses at the local level. So, the auto industry for example, has experienced a profound shift as China recently emerged as the world's largest auto market is there. In addition, international events can influence all the domestic sectors of the environment as well. States, countries, and organizations around the world are connected as never before and the economic, political and socio-cultural changes in one part of the world eventually affect the other areas are there.

So, therefore, in that case, in the international environmental factors on the country to country that is becoming a lot of changes. So, the dimensions of the environmental ranges will be that is about unstable and here you will find that is the right from the beginning I am saying that nowadays it becomes uncertainty, more uncertainty. So, your structures will be changing accordingly. So, inter-organizational relationship which is getting affected by this economy, political and social aspects. So, then that will be making you more and more about the unstable situations, then the homogeneous is there.

So, therefore, in that case, you will find that is about how the environment is making the changes in the similarities are there, all the dissimilarities are there that is a heterogeneous is there. And here the changing environment dimensions are there that you have to make your organization either the simple or the otherwise it will turn into the complex. So, dimensions boil down to the need for information about the environment. So, your organizational experts, they should be very, very proactive to understand that what changes are going to happen. So, need for information about the environment is required and the need for resources from the environment is there that your main machine, material, money, method, resources, how they are going to be getting affected.

So, organization must cope with the and manage the uncertainty to be more and more effective is there because organization means itself working into the uncertainty. Simple dimensions of the environment is simple complex is there. So, the simple complex dimension concerns environmental complexity, which refers to the heterogeneity on the number and disability of external elements. For example, competitors, supplier, industry changes, government regulations and all. So, these that affect the organization's operations, the more extreme elements that regularly influence the organization and the greater number of other companies in organizations of domain, the greater the complexity and therefore, the stable and unstable environmental factors.

So, here the stable environmental factor in which the organization operates dynamic. An environmental domain is stable if it remains essentially the same over a period of months, but nowadays, you see that is the remaining the same for the over a month is not possible, every day the environment is changing. So, here under unstable conditions, environmental elements shift rapidly and current scenario is that is a changing of these environmental elements which are rapidly changing. Organizations need the right fit between the internal structure and the external environment is there. And therefore, in that case, you are managers, you are executives, they should be enough smart to understand what is the external environmental factor and then manage the internal structure to fulfill the external environmental needs.

Adding positions and departments are there is complexity and uncertainty in the external environmental increases, so does the number of positions and departments. So, within the organization leading to increase internal complexity, this relationship is the part of being in open system. Building relationship traditional approach to coping with the environmental uncertainty was to establish the buffer departments and the purpose of buffering roles is to observe the uncertainty from the environment is there. Because if you want to make the relationship you have to cope with the environmental changes and these environmental changes and they are becoming the very fast. So, buffering roles are required to manage these particular relationships.

So, boundary spanning roles link and the coordinate in organization with key elements in the external environment is there. So, boundary spanning is primarily concerned with the exchange of information to detect and bring into the organization information about the changes in the environment and to send information into the environment that presents organization in a favorable light. So, one approach to boundary spanning is the business intelligence, which refers to the high tech analysis of the large amounts of the internal and external data to spot patterns and relationship that might be significant is to be there. So, business intelligence is related to another important area of boundary spanning known as the competitive intelligence. And competitive intelligence gives the top executives a systematic way to collect and analyze public information about rivals and use it to the making the better decisions are there.

So, every organization has to develop a competitive intelligence and when you are able to develop your competitive intelligence, that is what is your the specific age over your competitors, what is your niche area, what is your domain, in what you are the best. So, therefore, that competitive intelligence that will make these or the make better decisions will be there. An intelligence team is a cross functional group of the managers and employees usually lead by a competitive intelligence professional who work together to gain a deep understanding of a specific business issue with the aim of presenting insights,

possibilities and recommendations to the top leaders is there. So, differentiation integration and other response to environmental uncertainty is the amount of differentiation and integration among the departments. So, organizational differentiation refers to the differences in cognitive and emotional orientation among managers in different functional departments and the differences in formal structure among these departments are there.

When the external environment is too complex and rapidly changing organizational departments, they have become highly specialized to handle the uncertainty in that part of this, the external environmental each department works with is there. So, therefore, in that case, it is the fit is required between the internal organizational culture and systems with the external organizational environment and when there is a proper fit is there, then in that case, the organization is totally making its presence different with the other competitors. So, organization departments differentiate to meet the needs of the sub-departments is there normally the first is the R&D department is there, it is the innovations are there. So, scientific sub-environment, scientific journals, research centers and professional associations are there. So, whenever there is R&D department is there, this will be the different type of the changes that will be occurring and the president will be having the manufacturing department manufactured by the here for the raw material, for the labor, for supplier, for the product, environment, equipment and all.

So, therefore, in that case, you will find that is the how you are making your differentiation. This sales department is there, which is making the market is a different totally related to the customers advertising and the competitors are there. So, this will making the differentiation and the integration of these the different sectors. So, different goals and auditions among the departments like the characteristics is goal, time horizon, interpersonal orientation and formulary of structure is there. R&D department is new development equity is there, there is a long guaranteed time horizon and the modest is task is there for the interpersonal relationship, but the formulary of structure is that is low.

In the manufacturing equipments, the goals are efficient and production, time horizon is very short interpersonal orientation is task and the formulary of the structure is that is very high. The sales department customer and satisfaction short their goals are the long goals are there, the social aspects and the high commitments are there. To work effectively with the scientific sub environment, R&D had a goal of the quality work, a long time horizon up to the 5 years. And in informal structure and task oriented employees, sales were at the opposite extreme, it had a goal of customer satisfaction was oriented towards the short term 2 weeks or so, so they had a very formal structure and was socially oriented. Now, when we talk about the mechanistic in the organic forms, so when the external environmental was the stable, the internal organizations was

categorized by the standard rules, regulations, procedures.

So, it is becoming the burns and the stalker called this is a mechanistic organization system is there because the organizations are more bounded by the rules, regulations and procedures. In rapidly changing environments, the internal organization was much looser, free flowing in the adaptive and with a loose hierarchy and decentralized decision making. So, burns and stalker use the term organic to characterize this type of the organization is there. So, here we will find that is the what type of these decision making process is there and whether we have to go for the mechanistic approach or we have to go for the organic approach is there. So, whenever there is a rules regulation, norms, hierarchy, formalization, centralization, then we will say it is a mechanistic system.

While when we are talking about with a loose hierarchy, decentralized mechanism, understanding the changing environments, the internal organization was much looser, then in that case, we will talk about that is organic forms are there. So, environmental uncertainty increases organizations tend to become more organic, which means centralized authority and responsibility, right. So, to lower levels, it is giving that is the more and more responsibilities. So, encouraging the employees to take care of the problems by the working directly with one another and encouraging teamwork and taking an informal approach to assigning task and responsibility. This is the organization is more fluid and is able to adapt continually to changes in the external environmental factors.

So, industry environmental uncertainty, plastics is high, the foods is moderate and container is low, departmental differentiation high, moderate and low and the percentage management interchanging roles are the plastic is 22 percent, foods is 17 percent and container are the okay is there. So, when we compare the mechanistic form with the organic forms, so employee contribute to the common task of the department and the tasks are adjusted and redefined through the teamwork, less hierarchy of authority and the control is there. Knowledge and control of the task are located anywhere in the organization and communication is horizontal is there. So, therefore, because this mechanistic means that they are more based on the process, it is more based on the system and therefore, and the formal mechanism is there. So, therefore, this knowledge and control task are located anywhere in the organization, while in the organic forms, it is a soft issue.

So, task are specialized, tasks are digitally defined and the strict hierarchy of authority and control is there, knowledge and control of the task are centralized and communication is vertical. So, this is a case study which talks about at the age of 39, after working for nearly 15 years at a leading software company on the west coast,

AirViner and his soon to be wife, Mary Carpenter started their own business naming it Top Hop Software. The two had developed a new software package for customer relationship management CRM applications, that way certain was for the superior to anything on the market at that time. The Top Hop Software was particularly effective for use in call centers because it provided a highly efficient way to integrate the massive amounts of the customer data and make it almost immediately accessible to call centers representative as they would work the phone. So, therefore, the software dramatically expedited the customer identification and verification and rapidly selected the pertinent bits of the data and provided them in easily interpreted format.

So, that the call center or customer service representatives could provide fast, friendly and customized services. So, here the timing proved to be right on target CRM was just getting hot and the Top Hop was poised to take advantage of the trends as a niche player in the growing market. So, Wiener and Carpenter bought into two formal colleagues as partners and were soon able to catch the attention of a venture capitalist firm to gain additional funding. Within a couple of years Top Hop 28 employees and sales had reached nearly dollar 4 million. Now, though the partners are facing the company's first major problem, Top Hop's head of the sales Samantha Jenkins has learned of a new company based on London that is beta testing a new CRM package that promises to outpace Top Hop and the London based company.

Fast data has been talking of its global aspirations in the press. If we stay focused on the United States and they start out as a global player, they will kill us within the months. We have got to come up with an international strategy to deal with this kind of the competitions are there. So, in a series of the group meeting and upside retreats and one to one conversations Wiener and Carpenter have got together in opinion ideas from their partners, employees, advisors and friends. And now they are to make a decision should Top Hop go global and if so, what approach would be more effective.

So, there is a growing market for CRM software overseas and now companies such as Fast Data will soon be cutting into Top Hop's use market. The Samantha Jenkins is not alone in her belief that the Top Hop has no choice but to enter new international markets or get eternal life. Others however, are concerned that the Top Hop is not ready for the step. The company resources are already stretched to the limit and some advisors have warned their rapid global expansion could spell disaster.

Top Hop is not even well established in the United States. They argue an expanding internationally could strengthen the company's capabilities and resources. So, others have pointed out that none of the managers has any international experience and the company would have to hire someone with significant global exposure to even think

about entering new markets. Although many tends to be agreed that the Top Hop for the time being should stay focused on the building its business in the United States, he has come to believe that the global expansion of the sometime is necessary. But if Top Hop does eventually decide on global expansion, he wonders how north that could proceed in such a huge complex environment. So, another opinion would be an established alliance are the joint ventures with small European and Asian companies and that could benefit from the adding CRM application to their suite of products.

The companies could share expenses in setting up of the foreign production facilities and the global sale and distribution network. So, this will be a much less costly operation that would give TopHog the benefit of the expertise of the foreign partners. It also require lengthy negotiations and would certainly mean giving up some control for the partner companies. One of the TopHog partners is urging still a third even lower cost approach data of the licensing and the TopHog software to foreign distributors is a route to international expansion. So, here is the discussion about the whether we go for the low cost approach or we have to go by the international expansions are there and you have to decide that is how the problem is to be solved.

This is a research paper design heuristic for customer-centric business processes and these findings of this paper will give you their idea how customer satisfaction with the interaction-intensive core process important and diverse of the corporate success is there. Please go through this research paper you will find that is the this will give you the idea that is how such an approach can make the decision-making in the case of environmental changes. This is a book recommended as a business environment by John Kew and John Stredwick and this book will be helping you to understand that is the changing business environment how to decide your strategies are there. These environmental factors will help you for your further studies. Thank you.