

3

THE EXTERNAL ENVIRONMENT AND MANAGEMENT

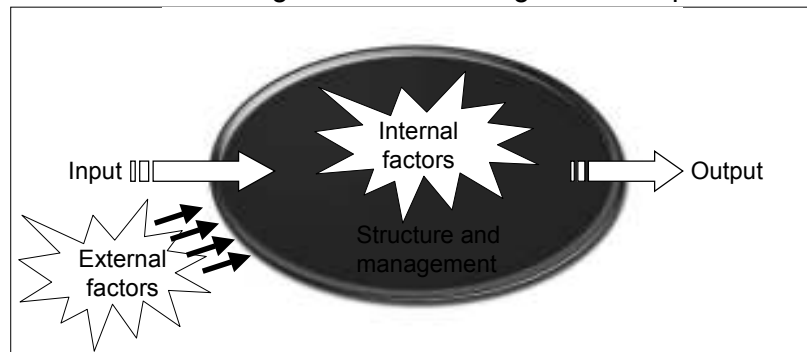
- 3.1 Organizational dynamics
- 3.2 General environment
- 3.3 Industry environment
- 3.4 Coping with uncertainty in the external environment
- 🌐 Discussion



Dr. Aykut BERBER, Asst.Prof.
Istanbul University, Institute of Business Administration

3.1 Organizational dynamics

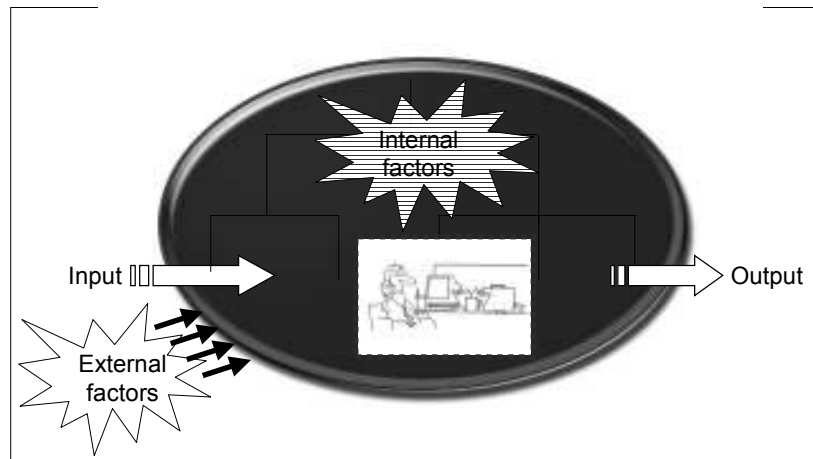
The contingency approach to management suggests that the organizational structure and management are dependent on the situations and contingencies that the organization operates in.



ISTANBUL UNIVERSITY, INSTITUTE OF BUSINESS ADMINISTRATION
Dr. Aykut BERBER © 2006

2

3.1 Organizational dynamics

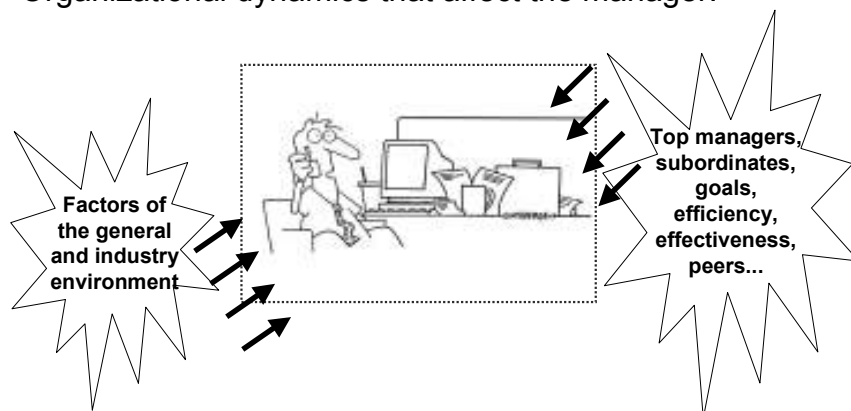


ISTANBUL UNIVERSITY, INSTITUTE OF BUSINESS ADMINISTRATION
Dr. Aykut BERBER © 2006

3

3.1 Organizational dynamics

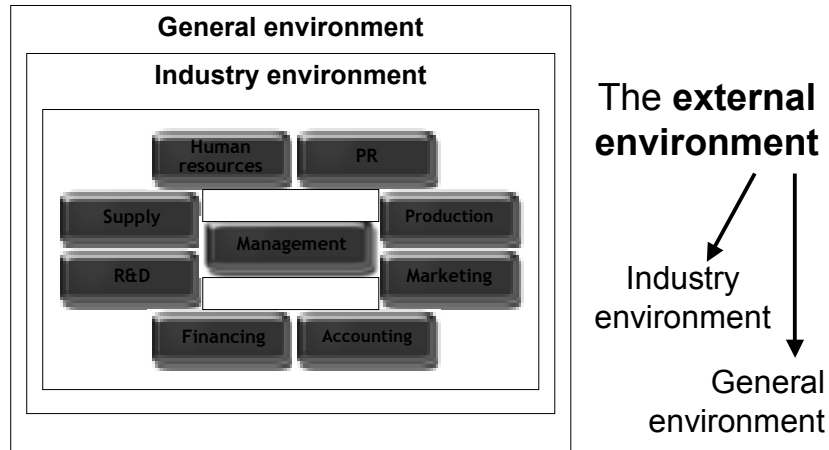
Organizational dynamics that affect the manager:



ISTANBUL UNIVERSITY, INSTITUTE OF BUSINESS ADMINISTRATION
Dr. Aykut BERBER © 2006

4

3.1 Organizational dynamics



ISTANBUL UNIVERSITY, INSTITUTE OF BUSINESS ADMINISTRATION
Dr. Aykut BERBER © 2006

5

3.1 Organizational dynamics

Factors of the external environment that affect the organization:

<input type="checkbox"/> General environment: <i>Indirect impact on organizations</i>	<ul style="list-style-type: none"> Sociocultural factors Political-legal factors Economic factors Technological factors International factors
<input type="checkbox"/> Industry environment: <i>Direct and mutual impact</i>	<ul style="list-style-type: none"> Customers Suppliers Competitors Substitutes Labor market

ISTANBUL UNIVERSITY, INSTITUTE OF BUSINESS ADMINISTRATION
Dr. Aykut BERBER © 2006

6

3.2 General environment

Sociocultural factors are the demographic figures as well as the norms, customs and values of the general population.

Key demographic factors:

- ☐ Geographical distribution
- ☐ Population density
- ☐ Age
- ☐ Education level



3.2 General environment

Political-legal factors include state, and local government regulations and political activities designed to control company behaviors.

Examples:

- ☐ Political regime
- ☐ Interest rates
- ☐ E.U.
- ☐ Tax
- ☐ Public improvements



3.2 General environment

Economic factors consist of the overall economic health of the country or the region in which the organization functions.

Examples:

- ☐ Consumer purchasing power
- ☐ Unemployment rate



3.2 General environment

Technological factors include scientific and technological advancements in the industry and society at large.

These factors cause:

- ☐ New product development initiatives
- ☐ Innovation
- ☐ Invention



3.2 General environment

International factors include the factors of the general environment that originate in other countries.

Operating either in the domestic market or the international environment; the organization faces the effect of such events in foreign countries.



ISTANBUL UNIVERSITY, INSTITUTE OF BUSINESS ADMINISTRATION
Dr. Aykut BERBER © 2006

11

3.3 Industry environment

An **industry** is a group of companies that produce similar products, which are close substitutes.

The **industry environment** consists of factors in the closer community that have direct and reciprocal effect on the business.

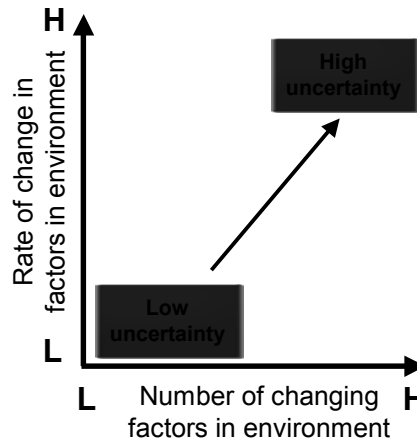
<input type="checkbox"/> Customers	Needs, requirements, trends...
<input type="checkbox"/> Suppliers	Raw materials, semi-products...
<input type="checkbox"/> Competitors	Producing similar products
<input type="checkbox"/> Substitutes	Threats of replacing products
<input type="checkbox"/> Labor market	Meeting business needs for HR

ISTANBUL UNIVERSITY, INSTITUTE OF BUSINESS ADMINISTRATION
Dr. Aykut BERBER © 2006

12

3.4 Coping with uncertainty in the external environment

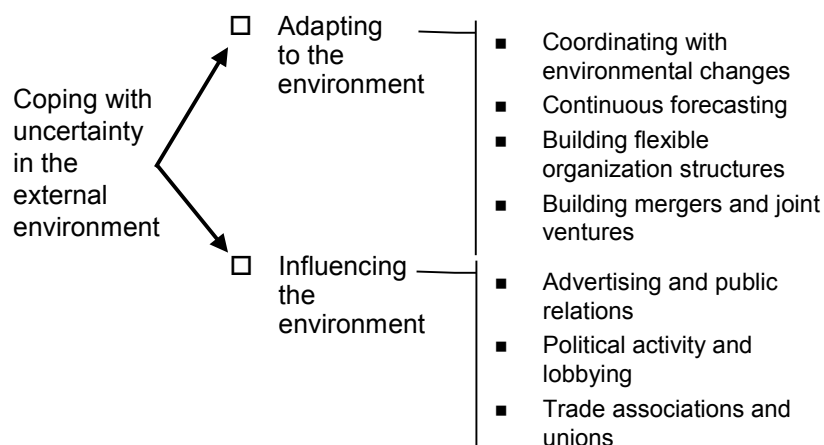
Uncertainty occurs when the business people do not have sufficient information and knowledge about the environmental factors.



ISTANBUL UNIVERSITY, INSTITUTE OF BUSINESS ADMINISTRATION
Dr. Aykut BERBER © 2006

13

3.4 Coping with uncertainty in the external environment



ISTANBUL UNIVERSITY, INSTITUTE OF BUSINESS ADMINISTRATION
Dr. Aykut BERBER © 2006

14



England to ban smoking



ISTANBUL UNIVERSITY, INSTITUTE OF BUSINESS ADMINISTRATION
Dr. Aykut BERBER © 2006

15

NEXT WEEK:

4

GLOBALIZATION AND MANAGEMENT

ISTANBUL UNIVERSITY, INSTITUTE OF BUSINESS ADMINISTRATION
Dr. Aykut BERBER © 2006

16