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THE EXTERNAL ENVIRONMENT AND MANAGEMENT

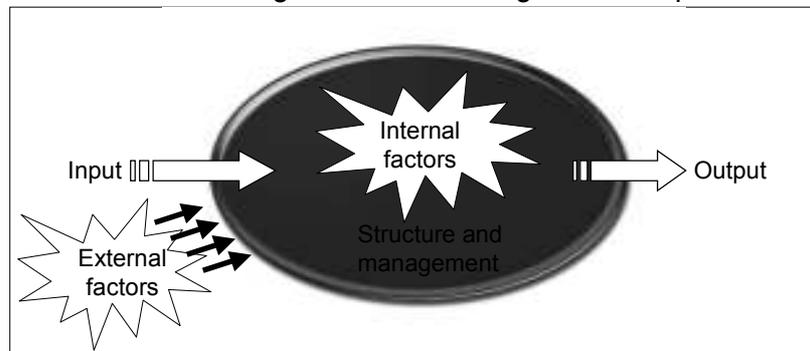
- 3.1 Organizational dynamics
- 3.2 General environment
- 3.3 Industry environment
- 3.4 Coping with uncertainty in the external environment
- 🌐 Discussion



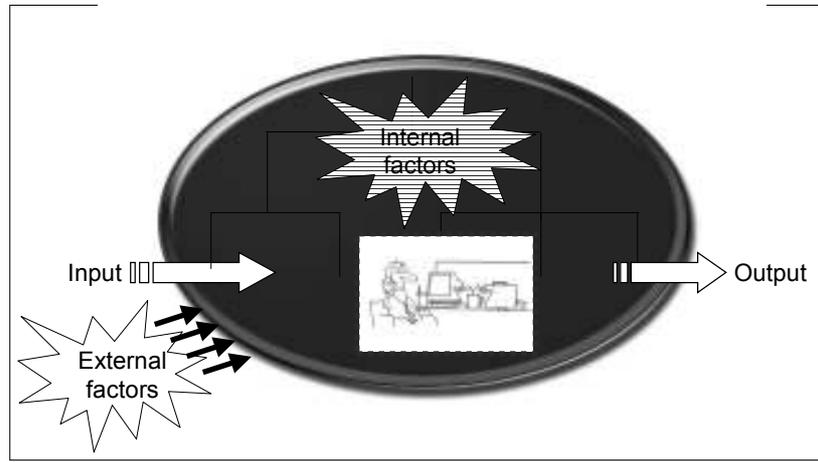
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Istanbul University, Institute of Business Administration

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.

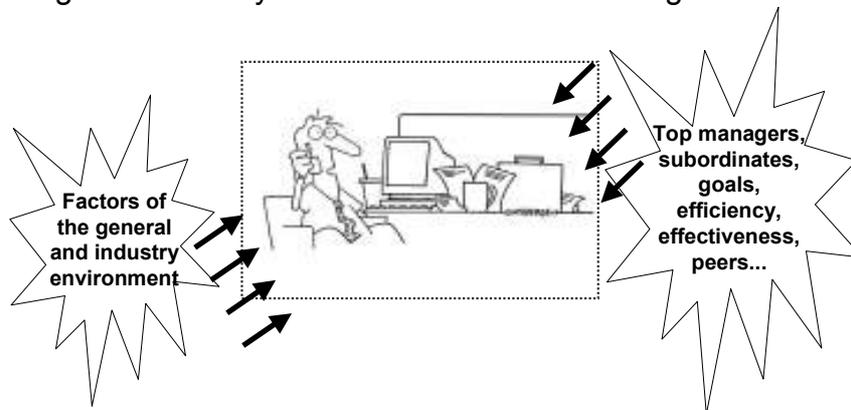


3.1 Organizational dynamics

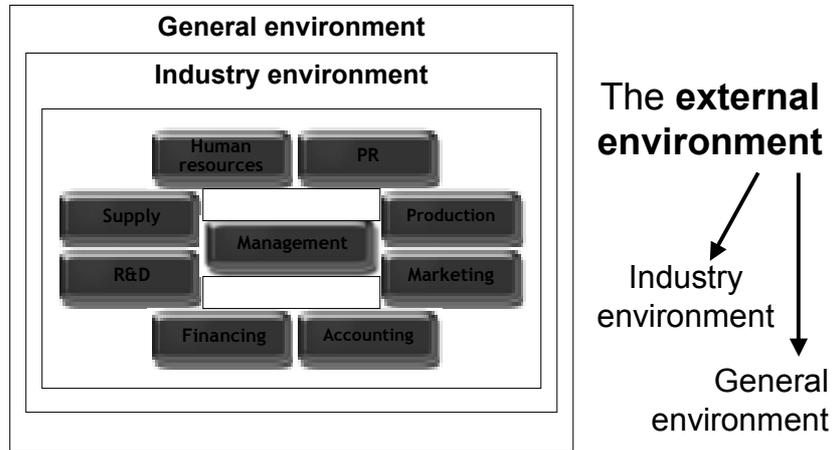


3.1 Organizational dynamics

Organizational dynamics that affect the manager:



3.1 Organizational dynamics



3.1 Organizational dynamics

Factors of the external environment that affect the organization:

- General environment: *Indirect impact on organizations*
 - Sociocultural factors
 - Political-legal factors
 - Economic factors
 - Technological factors
 - International factors
- Industry environment: *Direct and mutual impact*
 - Customers
 - Suppliers
 - Competitors
 - Substitutes
 - Labor market

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.



3.3 Industry environment

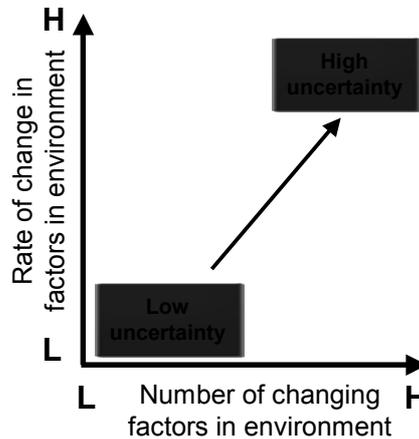
An **industry** is a group of companies that produce similar products, which are close substitutes.

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

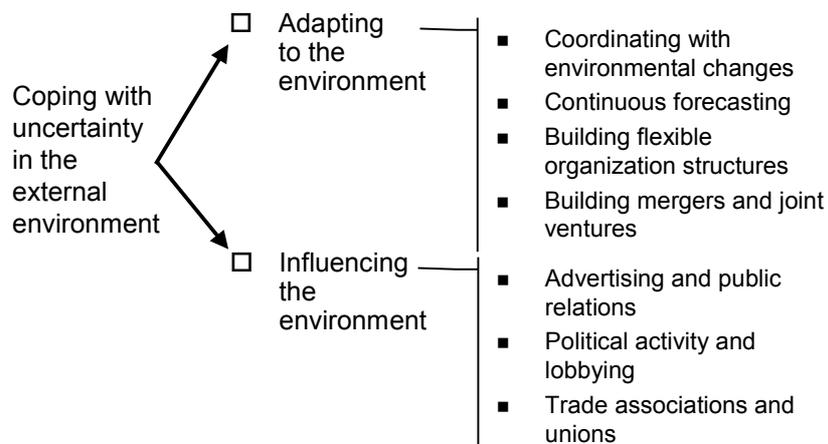
- | | | |
|---------------------------------------|-------|---------------------------------|
| <input type="checkbox"/> Customers | _____ | Needs, requirements, trends... |
| <input type="checkbox"/> Suppliers | _____ | Raw materials, semi-products... |
| <input type="checkbox"/> Competitors | _____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

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.



3.4 Coping with uncertainty in the external environment





England to ban smoking



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NEXT WEEK:

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**GLOBALIZATION
AND MANAGEMENT**

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