

NATIONAL UNIVERSITY- SUDAN
FACULTY OF ADMINISTRATIVE
SCIENCES

SUBJECT :MANAGEMENT PRINCIPLES
AND APPLICATIONS

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The Organizational Environment

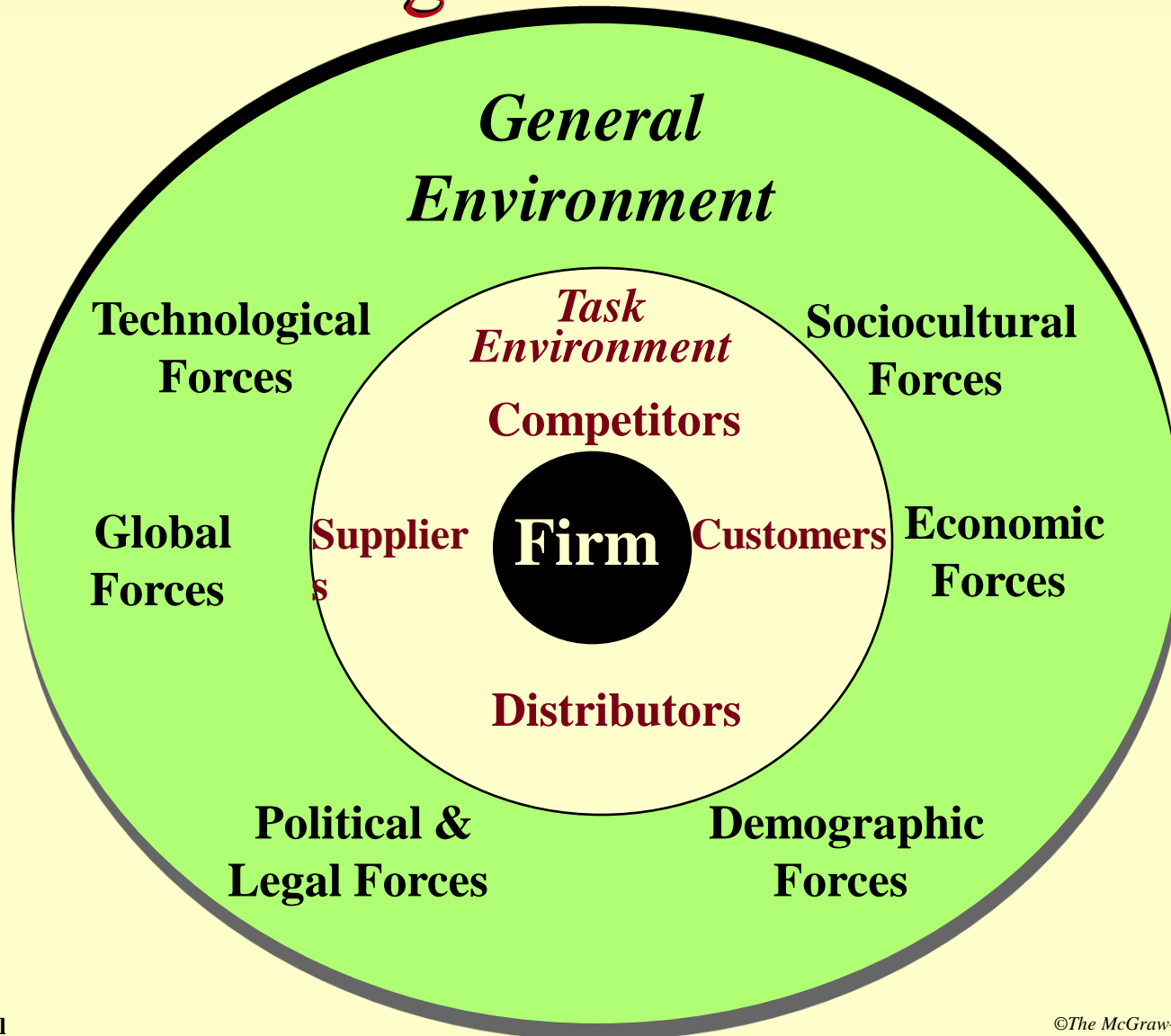


Organizational Environment

- ***Organizational Environment***: those forces outside its boundaries that can impact it.
 - Forces can change over time and are made up of Opportunities and Threats.
- ***Opportunities***: openings for managers to enhance revenues or open markets.
 - New technologies, new markets and ideas.
- ***Threats***: issues that can harm an organization.
 - economic recessions, oil shortages.
- **Managers must seek opportunities and avoid threats.**

Forces in the Organizational Environment

Figure 3.1



Task Environment

- ***Task Environment***: forces from suppliers, distributors, customers, and competitors.
- ***Suppliers***: provide organization with inputs
 - Managers need to secure ***reliable input sources***.
 - Suppliers provide raw materials, components, and even labor.
 - ◆ Working with suppliers can be hard due to shortages, unions, and lack of substitutes.
 - ◆ Suppliers with scarce items can raise the price and are in a good bargaining position.
 - Managers often prefer to have many, similar suppliers of each item.

Task Environment

- ***Distributors***: organizations that help others to sell goods.
 - Compaq Computer first used special computer stores to sell their computers but later sold through discount stores to reduce costs.
 - Some distributors like Wal-Mart have strong bargaining power.
 - ◆ They can threaten not to carry your product.
- ***Customers***: people who buy the goods.
 - Usually, there are several groups of customers.
 - ◆ For Compaq, there are business, home, & government buyers.

Task Environment

- *Competitors*: other organizations that produce similar goods.
 - *Rivalry between competitors* is usually the most serious force facing managers.
 - High levels of rivalry often means lower prices.
 - ◆ Profits become hard to find.
 - Barriers to entry keep new competitors out and result from:
 - ◆ Economies of scale: cost advantages due to large scale production.
 - ◆ Brand loyalty: customers prefer a given product.

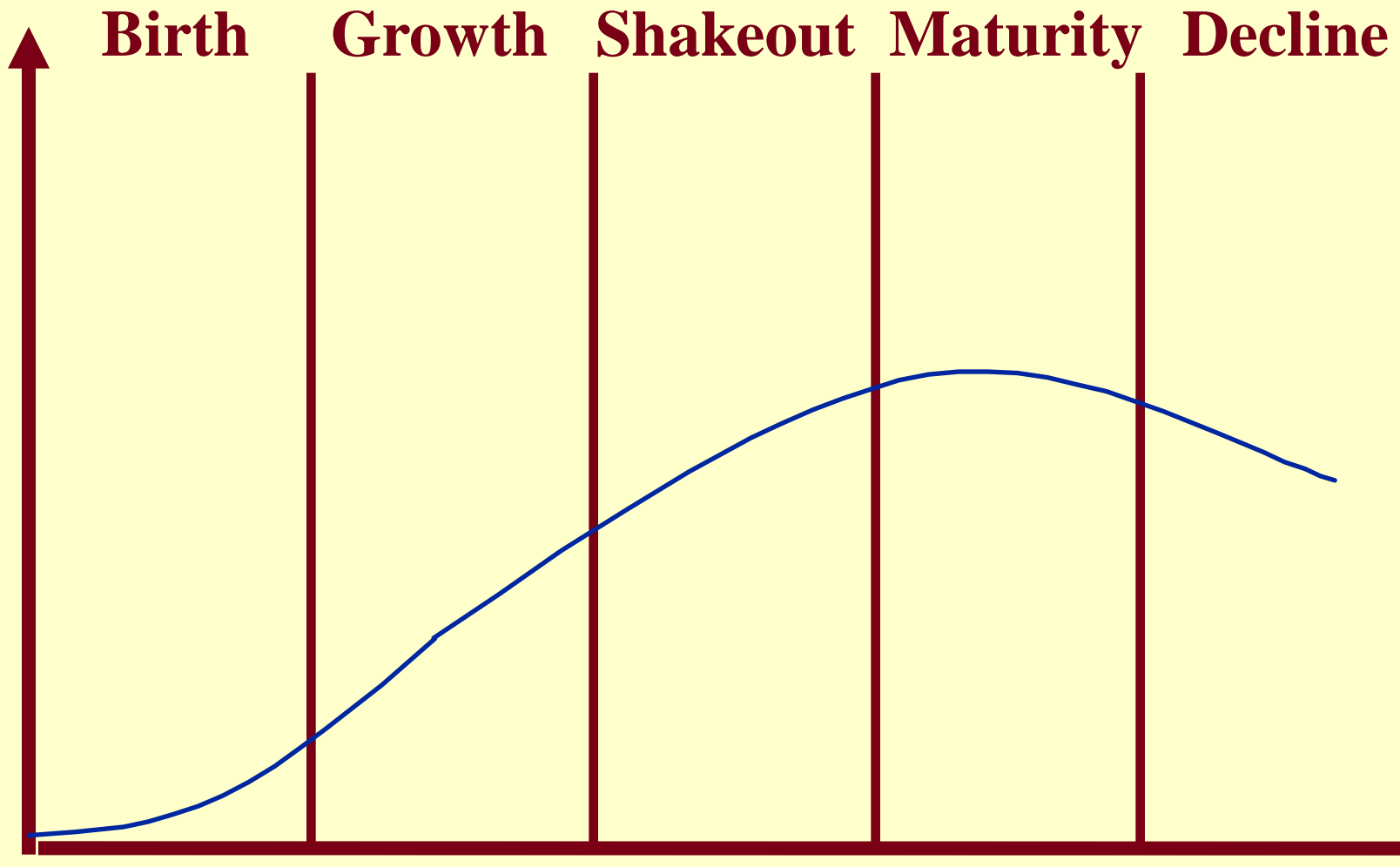
Industry Life Cycle

- **Reflects the changes that take place in an industry over time.**
- ***Birth stage:* firms seek to develop a winning technology.**
 - VHS vs. Betamax in video, or 8-track vs. cassette in audio.
- ***Growth stage:* Product gains customer acceptance and grows rapidly.**
 - New firms enter industry, production improves, distributors emerge.

- ***Shakeout stage:*** at end of growth, there is a **slowing customer demand.**
 - Competitor rivalry increases, prices fall.
 - Least efficient firms fail and leave industry.
- ***Maturity stage:*** most customers have bought the product, growth is slow.
 - Relationships between suppliers, distributors more stable.
 - Usually, industry dominated by a few, large firms.
- ***Decline stage:*** falling demand for the product.
 - Prices fall, weaker firms leave the industry.

The Industry Life Cycle

Figure 3.3



The General Environment

- **Consists of the wide economic, technological, demographic and similar issues.**
 - Managers usually cannot impact or control these.
 - Forces have profound impact on the firm.
- ***Economic forces:* affect the national economy and the organization.**
 - Includes interest rate changes, unemployment rates, economic growth.
 - When there is a strong economy, people have more money to spend on goods and services.

- ***Technological forces:*** skills & equipment used in design, production and distribution.
 - Result in new opportunities or threats to managers.
 - Often make products obsolete very quickly.
 - Can change how we manage.
- ***Socialcultural forces:*** result from changes in the social or national culture of society.
 - Social structure refers to the relationships between people and groups.
 - ◆ Different societies have vastly different social structures.
 - National culture includes the values that characterize a society.
 - ◆ Values and norms differ widely throughout the world.
 - These forces differ between cultures and over time.

- ***Demographic forces:* result from changes in the nature, composition and diversity of a population.**
 - These include gender, age, ethnic origin, etc.
 - ◆ For example, during the past 20 years, women have entered the workforce in increasing numbers.
 - Currently, most industrial countries are aging.
 - ◆ This will change the opportunities for firms competing in these areas.
 - ◆ New demand for health care, assisting living can be forecast.

- ***Political-legal forces:* result from changes in the political arena.**
 - These are often seen in the laws of a society.
 - Today, there is increasing deregulation of many state-run firms. Clinton vs. Trump
- ***Global forces:* result from changes in international relationships between countries.**
 - Perhaps the most important is the increase in economic integration of countries.
 - Free-trade agreements (GATT, NAFTA, EU) decreases former barriers to trade.
 - Provide new opportunities and threats to managers.