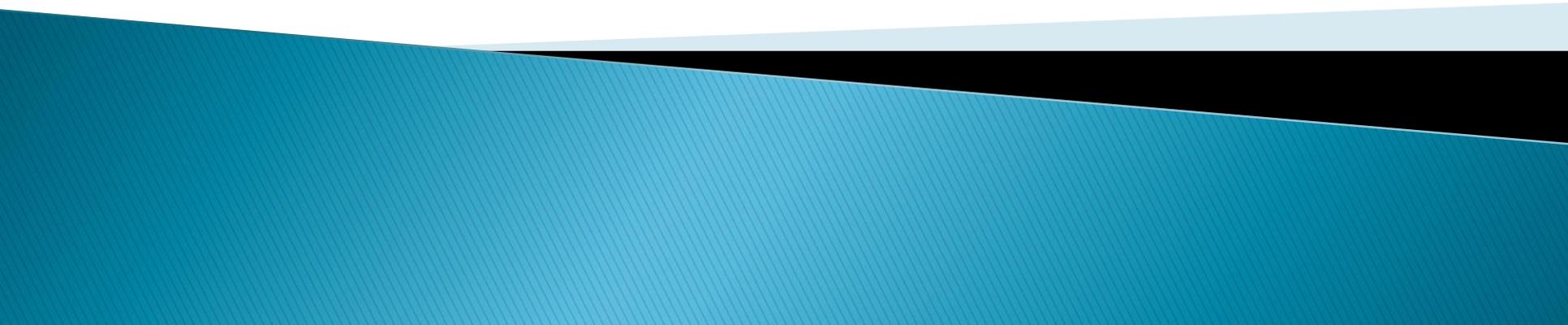


Unit 12: Strategic Planning

Dwayne Cargill
Colbourne College

January 5, 2015



Content

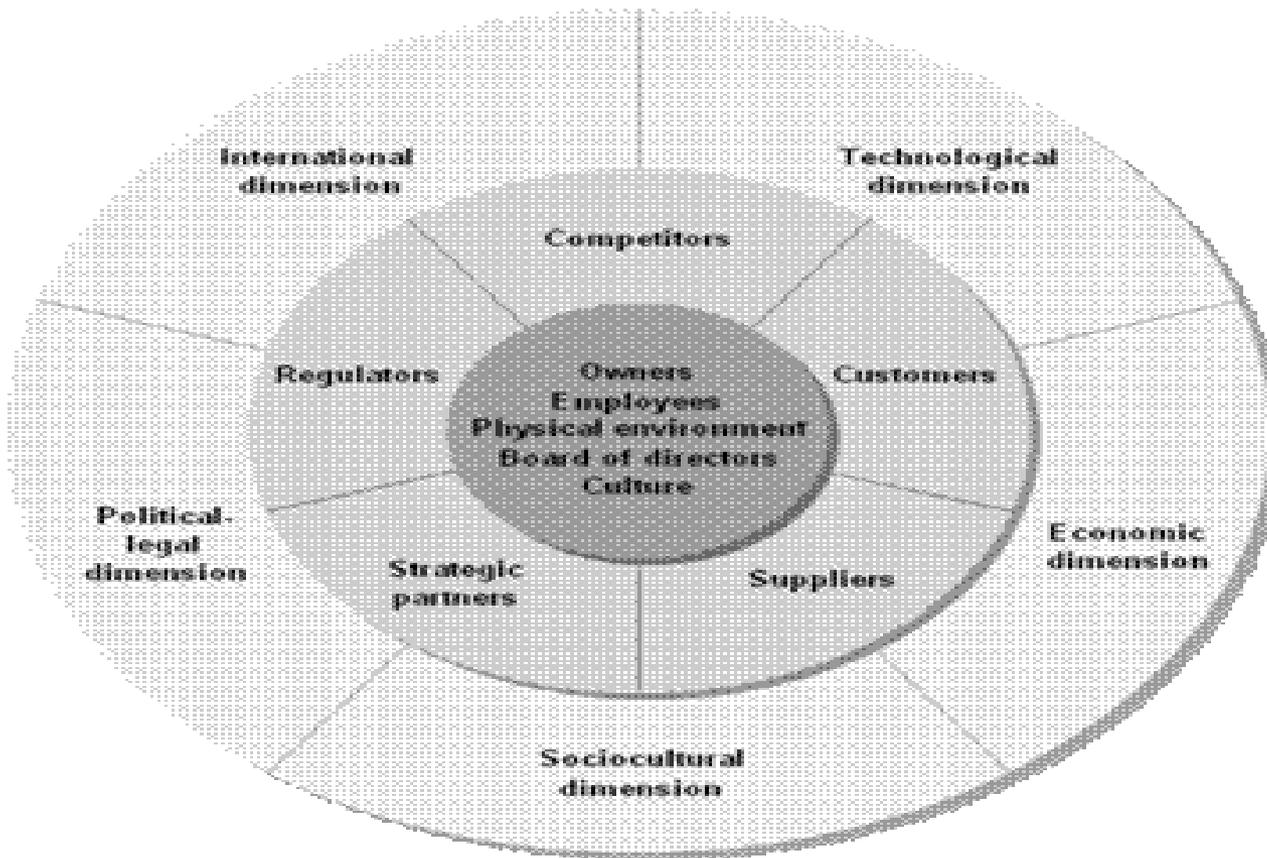
- ▶ Learning Objectives:
 - ▶ Ac.1 Understand the external environment affecting an organisation:
 - 1.1 explain the importance of external factors affecting an organisation
 - 1.2 analyse the needs and expectations of stakeholders of an organisation
 - ▶ Assessment Criteria
 - ▶ References
- 

- Explain the importance of external factors affecting an organisation

Organisational Environment

- ▶ Organization's environment includes a set of 'actors' and interest groups represented owners, managers, customers, suppliers, etc., known in the literature, stakeholders, who are directly affected or indirectly by the organization's work and have the means control over it. (Voiculet, Belu, Parpandel and Rizea, 2010)
- ▶ Scholars have Divided these environmental factors into two main parts as:
 - ▶ A) Internal Environment
 - ▶ B) External Environment.

Diagram of Organisation's Environment



Source: <http://mbanote-management.blogspot.com/2011/03/what-is-organizational-environment.html>

- ▶ **A) Internal Environment:** The internal environment consists of the organization's owners, board of directors, regulators, physical work environment and culture. In the internal environment include strength and weakness of an organization. Trade union, Management, Current employee, Share holders.
- ▶ Under these conditions requires achieving harmony between the organization's external environment (economic, political, technological, legal) and internal (resources, structure, organizational culture, leadership style, manner of exercising the power).

External Environment

- ▶ **External Environment:** In the external environment include opportunities and threats of an organization. In the external environment include legal, physical economic, technology, social, political, culture. The external environment consists of two layers. They are:
 - **i) Task Environment:** Task environment is composed of the specific dimensions of the organization's surrounding that are very likely to influence of the organization. It also consists of five dimensions: Competitors, Customers, Employees, Strategic, Planners and suppliers.
 - **ii) General Environment:** General environment is composed of the nonspecific elements of the organization's surrounding the might affect its activities. It consists of five dimensions: Economic, Technological, Sociocultural, Political–Legal and International.
- ▶ **Source:** <http://mbanote-management.blogspot.com/2011/03/what-is-organizational-environment.html>

Task Environment

- ▶ If there is anything that is steadfast and unchanging, it is change itself. Change is inevitable, and organizations that don't accept change and that make adjustments to their **business model** based on changes are doomed to fail. There are events or situations that occur that affect the way a business operates, in a positive or negative way.
- 1. **Customers** buy products or use services. They may be individuals, but also may be manufacturers, wholesalers or corporate clients. To compete, a business must deeply understand its customer's needs and desires. Analyzing this environmental component allows a business to make sound strategic decisions that affect operations. Customer-oriented changes such as extra services, new products, or expanded hours of operations might sharpen a company's competitive edge.
- 2. **Competitors** – A business occupying the same marketplace as another company that provides similar products or services has a competitor. A rival company may vie for the same customers through some mix of service, product features, quality, convenience, selection and price. To enhance customer service, the competition may choose to provide delivery options, good warranties and generous financing.

Task Environment

3. Labour Environment – labour as a factor of the external environment refers to the people a company hires to fill its positions. A company rises and falls on the competence and expertise of its workforce, so finding qualified candidates in the community is crucial. In assessing the labour environment, companies should look to characteristics that include the average educational level of the community, training programs available, technical know-how, and diversity, which is increasingly necessary in a globally connected world. Changing population patterns such as changes in the community's average age should also be assessed.
4. Owners – For a business run by hired managers, the owners of the business become a part of the company's external rather than internal environment. Owners might not only be those who started the business, but may also include stockholders. Owners expect returns on their investment, and management must pay attention to their concerns, since from owners comes a manager's formal authority.
5. Suppliers and Partners – Suppliers provide a company with needed resources. Some companies have deep alliances with their suppliers, increasing supply reliability, but also increasing a company's dependence. Partners are those organizations a business teams up with to accomplish some mutually beneficial goal. Naturally, forces affecting suppliers and partners may end up also impacting the companies working with them. For instance, a scarcity of resources will impact the supplier and, therefore, the company, perhaps in the form of price increases or supply availability.

Source: <http://yourbusiness.azcentral.com/five-components-organizations-external-environment-8944.html>

General Environment

- ▶ The general environment or macro-environment is all those forces affecting the organization indirectly. These external forces are: Political / legal, Economic; Technological; Socio-cultural
 - Political / legal environment – The general environment is inclusive of government regulations, laws, policies and activities designed to influence organizational performance in an indirect way. (Class Discussion: How can these changes affect the organisation?)
 - Technological forces – Technological environment includes changes in technology that affect the way organizations operate and service they provide. (Class Discussion: How can these changes affect the organisation?)

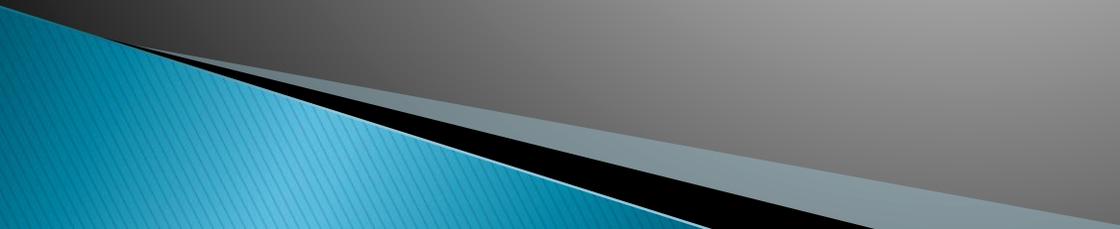
General Environment

- Economic dimensions: These forces are most likely to affect an organization's production of goods and services and results in the general state of both domestic and world economy. The components are: Interest rates and inflation; Consumer price index; Monetary and fiscal policy; Unemployment rates; Wage rates; GDP (Class Discussion: How can these changes affect the organisation?)
- Socio cultural: The importance socio cultural factors that companies should analyze are: Age; Population density; Educational levels; Geographical distribution; Culture; Lifestyles. (Class Discussion: How can these changes affect the organisation?)

Importance of External Environment

- ▶ All of these factors are outside of an organisation's control and as such businesses must consider how to effectively manage their impact if the business is to be successful.
 - ▶ Read Gupta (2009)
 - ▶ A business must there put systems in place to forecast and manage stakeholders and try to control as much as it can.
- 

Analyse the needs
and expectations of
stakeholders of an
organisation



Who is a Stakeholder?

- ▶ Stakeholders can be defined as all entities that are impacted through a business running its operations and conducting other activities related to its existence. The impact can be direct in the case of the business's customers and suppliers or indirect in the case of the communities in which the business chooses to place its locations. Businesses must consider the needs and expectations of its stakeholders, though it need not consider them to be of equal importance. Certain stakeholders such as owners and investors are more important than others. (Alan Li)
- ▶ **Business Stakeholders:** Stakeholder is a catch-all term that includes a broad range of disparate entities ranging from individual people to large-scale public and private organizations. In general, the business's most prominent stakeholders include owners and investors, personnel, customers, suppliers, creditors, host communities and the governments of those communities.
- ▶ Source: <http://smallbusiness.chron.com/needs-expectations-stakeholders-influence-programs-plan-36119.html>

Identifying Stakeholders

▶ Stakeholder Analysis:

- Before a business can consider the needs and expectations of its stakeholders in the course of its planning, it must identify those stakeholders and sort them in their order of importance to the business.
- One method to accomplish this is to list the stakeholders and then determine the degree of their interest and influence in the business. If stakeholders have a high degree of interest, the business needs to communicate with them on a regular basis and keep them informed about its activities.
- The business also needs to keep them placated.

Stakeholder Management Process

- ▶ Mochal (2006) identify the follow steps in managing stakeholders expectations:
 1. Identify Stakeholders. Start by identifying all possible stakeholders. These could be individual persons or stakeholder groups.
 2. Determine the importance of each stakeholder. Look at each stakeholder and determine how important he or she is to the success of your project.
 3. Identify the interest of the project for each stakeholder. This is where the analysis starts. Stakeholders have a stake or interest in your project. Now you have to identify what this stake or interest is.
 4. Determine how you will engage each stakeholder. For each stakeholder, you should identify a set of activities or even an overall approach for getting them engaged. You should identify activities that help you to achieve your interest while also recognizing the relative importance of each stakeholder group.
 5. Gain agreement when necessary. In some cases, stakeholders want things from your project. However, in other instances you need something from them.
 6. Move the activities to the workplan/overall plan/business strategy.
- 

Analyze conflicts and issues and manage

- ▶ According to mymanagementguide.com (2010) the following can be used to manage stakeholders at both the individual level and the group level:
 - **Issue logs.** An issue log is an analyzing tool that lets document resolutions of the issues detected. It is a document that has a strict structure comprising of categories that let place each particular issue in the respective category (**issue group**). The project manager uses issue logs to ensure the right understanding of the project by each stakeholder and to maintain constructive working interactions between all the stakeholders, including the project team members.
 - **Change Logs.** A change log is a tool that lets document all changes occurred during the course of a project. The project manager uses change logs to record the project changes and their impact the project goals and deliverables. **A change log** may include records on changes to risks, uncertainties, costs, budgets, and it should be communicated to the project stakeholders.

THE END



Assessment Criteria

- ▶ Discussion with Students in Class for agreement.

Further Reading

- ▶ Voiculet, Belu, Parpandel and Rizea (2010) “*The impact of external environment on organizational development strategy*” retrieved from https://mpra.ub.uni-muenchen.de/26303/1/MPRA_paper_26303.pdf
- ▶ Gupta, Ashim (2009) “*Organization ‘s External Environment*” retrieved from <http://www.practical-management.com/Organization-Development/Organization-s-External-Environment.html>
- ▶ <http://www.mymanagementguide.com/guidelines/project-management/communications-management/managing-stakeholder-expectations/>

References

- ▶ Gupta, Ashim (2009) “*Organization ‘s External Environment*” retrieved from <http://www.practical-management.com/Organization-Development/Organization-s-External-Environment.html>
- ▶ Johnson, Sophia “*Five Components of an Organization's External Environment*” retrieved on January 3, 2016 from <http://yourbusiness.azcentral.com/five-components-organizations-external-environment-8944.html>
- ▶ McKinney, Paul *Internal and External Environment of Business* retrieved January 3 , 2016 from <http://study.com/academy/lesson/internal-and-external-environments-of-business-lesson-quiz.html>
- ▶ Mochal, Tom (2006) “*Use Stakeholder Analysis to meet the needs of all parties*” retrieved from <http://www.techrepublic.com/article/use-stakeholder-analysis-to-meet-the-needs-of-all-interested-parties/>
- ▶ Mymanagementguide.com (2010) Managing Stakeholders Expectations.