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Chapter 2
Management Decision

NO PAVED ROADS?

"Wow, what a great opportunity!" you thought to yourself after a meeting with your supervisor. After just two short years at your global shipping firm, you've been offered a great promotion—a chance to head up your company's first venture overseas: a sorting and shipping facility in India. You're thrilled at the chance to learn about a new culture and meet different people, but most of all by the opportunity to produce stunning results for your company by tapping into a rising technological titan that has some of the best minds in the world.

But as you think about how exciting it will be to be the boss in India, you recall the first time you went to visit there and how it seemed utterly impossible to get around conveniently. It was almost like everywhere you went, you had to fight through a mass of cars and people on the pot hole–riddled streets, all fighting for space and maybe a little bit of exhaust-free air. Why, the trip from the airport to your hotel, just barely ten miles, took more than two hours! During monsoon season, all of the potholes would fill with water, making the streets into a small maze of ponds. "How long," you wonder, "would it take for my employees to get to work every morning? To get our trucks to the facility? How long will my drivers have to sit in traffic? Will they be able to handle next-day shipments?"

The Indian government is certainly aware of the problems with the country's infrastructure. In fact, the government has pledged to spend $1 trillion by 2017 to improve the country's roads, bridges, rails, and airports. But, as you learn from some research, even all that money may not be enough to make a difference, because the real source of India's infrastructure problems is a lack of civil engineers. Most Indian students opt to study business, computer science, or information technology to take advantage of the growing number of tech firms that are outsourcing to India. Even those trained in civil engineering mostly end up working in tech companies, which pay two or three times more than civil design firms.

The realization slowly sinks in that this is the environment that you will be working in—a place full of skilled people but plagued with terrible roads, traffic, and long travel hours. And your initial excitement at the opportunity slowly melds into anxiety.

Source: V. Bajaj "A high-tech titan plagued by potholes," *The New York Times*, 25 Aug 2010, available at http://www.nytimes.com/2010/08/26/business/global/26engineer.html

Short Answer Questions

1. Given the external environmental conditions presented by the state of Indian infrastructure, would you choose to open a new facility there? Why or why not?

ANS: Students' responses will vary as there is no correct answer for this question. It is a tool to allow students to analyze the general external environment, and understand how external factors impact organizational decisions.

Ideally, students' answers should reflect awareness of the fact that every company is affected by elements of the general environment, which include the economic, technological, sociocultural, and political/legal trends. While infrastructure represents a significant challenge in India, other challenges will exist in other locations: perhaps unfavourable tax laws, systemic

governmental corruption, or an uneducated workforce, for instance. Managers must be diligent in their environmental scanning and cautious in their interpretation of environmental factors so that they can have a detailed understanding of what challenges and opportunities a particular location presents to the organization.
Analysis: There is no correct answer to this question; however, your response should examine how external factors of the general environment (including economic, technological, sociocultural, and political/legal trends) will impact the organization's decisions.

2. Rate the level of environmental uncertainty with regards to this venture.

ANS: Students should engage in a discussion of the three factors that influence environmental uncertainty: environmental change, environmental complexity, and resource scarcity.
Environmental change describes how much and how quickly key variables change within the given environment. Though India is poised on the threshold of industrial/technological breakthroughs, and sweeping cultural change, these changes occur relatively gradually, and so the country as a whole can be considered relatively stable.
Environmental complexity measures how many influential variables weigh on the organization, and in this case, the environment encompasses the entire country of India. Economic, political, and cultural variables must all be considered, and even the weather will have an impact on the organization's productivity—during monsoon season, transportation will become significantly more difficult than it already is! There are a tremendous number of variables that would influence the success of the new shipping facility, and so the business environment is very complex.
Resource scarcity describes the ease with which an organization can obtain the input factors of production. For this example, there is a low degree of resource scarcity. (Though civil engineers are specifically mentioned as a scarce resource, they are not a factor of production for this sorting and shipping company.)

Overall, the low level of environmental change, the very high level of environmental complexity, and the low level of resource scarcity combine to yield a moderately uncertain environment: Managers should be able to predict and react to external forces with a reasonable degree of certainty.
Analysis: There are three factors that influence environmental uncertainty. Discuss how the relative levels of environmental change, environmental complexity, and resource scarcity interact to determine environmental uncertainty with respect to beginning a sorting and shipping company in India.

3. Briefly discuss key factors associated with creating a successful organizational culture in India.

ANS: Recall that organizational culture is the collection of the values, beliefs, and attitudes that are shared by members of the organization. Organizational culture has three levels that must all be consistent in order to be successful:

The first level is superficial and visual—this level of culture includes things that can be seen and easily observed, such as uniforms, and general policies and procedures. These items are very easy to change in order to conform to Indian values and beliefs to help encourage building culture.

Next come values and beliefs held by members. These values can be witnessed during employee and manager interactions; however, they can't be directly observed, and so understanding these values may be difficult, especially cross-culturally. (Values like: how do

women fit into the organization; how are managers perceived; how much teamwork is valued.) These values can be observed, and changed with enough persistent hard work, but it can be very challenging.

Finally, at the core of organizational culture we find unconscious assumptions about the company. Here lies the challenge associated with creating a successful organizational culture—expatriate managers often come from one culture, and try to implement their own unconscious assumptions about the company onto another, incompatible culture. These core beliefs are fundamental and unconscious assumptions and are difficult, perhaps impossible, to change.

Analysis: Recall that organizational culture is the collection of the values, beliefs, and attitudes that are shared by members of the organization. Organizational culture has three levels that must all be consistent in order to be successful: The first level is superficial and visual; next comes values and beliefs held by members; and finally, at the core of organizational culture we find unconscious assumptions about the company**.** Describe how easily each of these levels can be changed.

Chapter 2: Organizational Environments and Cultures

Learning Outcomes

2-1 Discuss how changing environments affect organizations.

2-2 Describe the four components of the general environment.

2-3 Explain the five components of the specific environment.

2-4 Describe the process that companies use to make sense of their changing environments.

2-5 Explain how organizational cultures are created and how they can help companies succeed.

Key Concepts

- Environmental change, complexity, and resource scarcity are the basic components of external environments. Environmental change is the rate at which conditions or events affecting a business change. Environmental complexity is the number of external factors in an external environment. Resource scarcity is the scarcity or abundance of resources available in the external environment. The greater the rate of environmental change, environmental complexity, and resource scarcity the less confident managers are that they can understand, predict, and effectively react to the trends affecting their businesses. According to punctuated equilibrium theory, companies experience periods of stability followed by short periods of dynamic, fundamental change, followed by a return to periods of stability.
- The general environment consists of events and trends that affect all organizations. Because the economy influences basic business decisions, managers often use economic statistics and business confidence indices to predict future economic activity. Changes in technology, which transforms inputs into outputs, can be a benefit or a threat to a business. Sociocultural trends, like changing demographic characteristics, affect how companies run their businesses. Similarly, sociocultural changes in behaviour, attitudes, and beliefs affect the demand for a business's products and services. The best way to manage legal responsibilities is to educate managers and employees about laws and regulations and potential lawsuits that could affect a business.
- The specific environment is made up of the five components shown here. Companies can monitor customers' needs by identifying customer problems after they occur or by anticipating problems before they occur. Because they tend to focus on well-known competitors, managers often underestimate their competition or do a poor job of identifying future competitors. Suppliers and buyers are very dependent on each other, and that dependence sometimes leads to opportunistic behaviour, in which one benefits at the expense of the other. Regulatory agencies affect businesses by creating rules and then enforcing them.

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- Advocacy groups cannot regulate organizations' practices. Nevertheless, through public communications, media advocacy, and product boycotts, they try to convince companies to change their practices.
- Managers use a three-step process to make sense of external environments: environmental scanning, interpreting environmental factors, and acting on threats and opportunities. Managers scan their environments based on their organizational strategies, their need for up-to-date information, and their need to reduce uncertainty.
- When managers identify environmental events as threats, they take steps to protect the company from harm. When managers identify environmental events as opportunities, they formulate alternatives for taking advantage of them to improve company performance. Using cognitive maps can help managers visually summarize the relationships between environmental factors and the actions they might take to deal with them.
- Organizational culture is the set of key values, beliefs, and attitudes shared by organizational members. Organizational cultures are often created by company founders and then sustained through the telling of organizational stories and the celebration of organizational heroes. Adaptable cultures that promote employee involvement, make clear the organization's strategic purpose and direction, and actively define and teach organizational values and beliefs can help companies achieve higher sales growth, return on assets, profits, quality, and employee satisfaction. Organizational cultures exist on three levels: the surface level, where cultural artifacts and behaviours can be observed; just below the surface, where values and beliefs are expressed; and deep below the surface, where unconsciously held assumptions and beliefs exist. Managers can begin to change company cultures by focusing on the top two levels and by using behavioural substitution and behavioural addition, changing visible artifacts, and selecting job applicants with values and beliefs consistent with the desired company culture.

Lesson Plan for Lecture

Pre-Class Prep for You:

- Review chapter and determine what points to cover.
- Bring PPT slides.

Pre-Class Prep for Your Students:

- Bring book.

Warm Up

Begin Chapter 2 by asking students, "How would you describe the business environment?" (If you have a blackboard or whiteboard, begin to write their ideas on it so that a composite picture can be derived.)

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Depending on their responses, you may need to rephrase the question into something along these lines:

“What does a manager need to think about when doing business?”

or

“What forces determine how a company conducts its business?”

Content Delivery

Lecture slides: Make note of where you stop so you can pick up at the next class meeting. Slides have teaching notes on them to help you as you lecture.

Conclusion and Preview

Assignments:

1. Tell students to be ready at the next class to answer questions regarding the Management Decision “No Paved Roads.”
2. If you have finished covering Chapter 2, assign students to review Chapter 2 and read the next chapter on your syllabus.

Remind students about any upcoming events.

Lesson Plan for Group Work

Pre-Class Prep for You:

- Review material to cover and modify the lesson plan to meet your needs.
- Set up the classroom so that small groups of 4–5 students can sit together.

Pre-Class Prep for Your Students:

- Bring book.

Warm Up

Begin Chapter 2 by asking students to describe the business environment.

If you have a blackboard or whiteboard, begin to write their ideas on it so that a composite picture can be derived. Depending on their responses, you may need to rephrase the question into something along these lines:

“What does a manager need to think about when doing business?”

or

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“What forces determine how a company conducts its business?”

Content Delivery

Lecture on Changing Environments (Section 1).

Break for group activity.

Changing Environments

Divide the class into small groups of 4 to 5 students.

Have each group propose one to two industries that operate in each of the following environments: stable, dynamic, simple, and complex. Students will need to justify their choices.

Have groups share their ideas with the whole class. Keep in mind that students may be way off base. The important thing is to push them to think about what makes an environment stable, dynamic, simple, or complex. They will probably be able to identify numerous examples of “dynamic” but may struggle with the others.

Before lecturing on the next section, refer to the composite of the business environment that students built at the beginning of the class session. Use it to segue into your lecture on General Environment and Specific or Task Environment (Sections 2 and 3).

Break for the following activity:

General and Specific Environment

Put the class back into small groups. Ask if any have ever worked at an amusement park. Ask students how uncertain they think the amusement industry is.

Give students 3 minutes to read the Management Decision “No Paved Roads.”

Tell students to concentrate on question 1 with an eye toward question 2. They will need to identify the factors that most influence environmental uncertainty with this venture.

Create an overall picture of the venture by writing groups’ results on the board. Then, as a class, answer question 3. When students propose answers, make sure they explain their reasoning.

Ask students, “How can managers manage in the face of ever-changing external environments?”

Lecture on Making Sense of Changing Environments (Section 4).

Break for the following activity:

Crisis Management

Divide the class into even-numbered groups of students. Further divide each group evenly into two subgroups: managers and reporters. Give students at most 3 minutes to review the Develop Your Career Potential exercise “Dealing with the Press.” When the 3 minutes are up, have the reporters begin quizzing the managers using the questions in the exercise. When the exercise is

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over, ask students if they can think of some general guidelines to follow when dealing with the press. Further teaching notes for this exercise are below.

Segue into presenting the content on Internal Environments (Section 5).

Conclusion and Preview

Assignments:

1. Have students work through the Management Decision "No Paved Roads" in the Nelson student site. To check that the work is done, you can either require written answers or let students know that the next time the class meets you will call on one of them to present his or her work.
2. Have students do the Develop Your Career Potential "Rats Take Over Manhattan Taco Bell." Require them to bring in the article and the concept list to the next class meeting. If your class is small enough, spend 5 minutes having students share their responses to the reporter's questions at the beginning of class as a warm up to the next lecture.
3. If you have finished covering Chapter 2, assign students to review Chapter 2 and read the next chapter on your syllabus.

Remind students about any upcoming events.

Additional Assignments and Activities

Out-of-Class Activity: Environmental Scanning. Have students research the most recent annual report of a well-known company and list all the factors in the external environment that have affected the company. Students should focus on both the general and specific environments. Inform students that most companies post their annual reports online in the Investor Relations section of their web pages. Require either a few paragraphs explaining what they found or an oral summary a few sentences long at the beginning of the next class session.

Out-of-Class Project: Organizational Culture. Divide the class into small groups. Have each group collect stories about the founders of large businesses, such as Tim Hortons, Walmart, Shoppers Drug Mart, or Lululemon. Have these groups write a paper or make a presentation focusing on who these founders are, what "vision" they created, and how they may still influence the current culture of the organization. Alternately, assign this to individual students.

Out-of-Class Project: Competitive Analysis. Divide the class into groups of 4–5 students. Assign each group to represent one of the following companies: Coca-Cola, Microsoft, Toyota, Procter & Gamble, Nike, McDonald's, Walmart, WestJet, or Tim Hortons. Have each group do a thorough analysis of the company's top three or four competitors, including the following: the competitors' strengths and weaknesses, key financial information (total sales, gross profit, and net income), target markets (both geographic and demographic), and key product lines.

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In-Class Activity: Environmental Scanning. Divide the class into small groups (no more than 2–3 students). Give each group a recent annual report of a well-known company and have them list all the factors in the external environment that have affected the company. Students should focus on both the general and specific environments. (If the classroom has computers, have students download or read the annual reports online.) Have groups discuss what they've found.

Advocacy Groups. Go to the website of PETA (People for the Ethical Treatment of Animals), **www.peta.org**. Answer the following questions: 1) What are PETA's goals? 2) What types of companies might PETA affect politically? 3) Do you believe in PETA's actions? Why or why not? 4) How far should advocacy groups go in promoting their causes? 5) How should business organizations react to these groups?

Review Questions

1. **Describe the three basic characteristics of changing external environments.**

   The three basic characteristics of changing external environments are environmental change, complexity, and munificence.

   - **Environmental change** is the rate at which a company's general and specific environments change. If the environment is stable, this means that the rate of change is slow; if the environment is dynamic, this means that the rate of change is fast.
   - **Environmental complexity** is the number of external factors in the environment that affect organizations. Complex environments have many environmental factors; simple environments have few.
   - **Resource scarcity** is the degree to which an organization's external environment has an abundance or scarcity of critical organizational resources.

2. **Describe dynamic environments with an example and explain what punctuated equilibrium theory is.**

   In dynamic environments, the rate of environmental change is fast. An example is the smartphone industry. The industry is heavily influenced by fierce competition, technological innovations, and changes in consumer demand. Research suggests that companies experience both stable and dynamic periods. Punctuated equilibrium theory states that companies go through long periods of stability (equilibrium) during which incremental changes occur, followed by short periods of dynamic, fundamental change (revolutionary periods), which end with a return to stability (new equilibrium).

3. **Explain how management confidence adjusts to changing levels of uncertainty.**

   Environmental change, environmental complexity, and resource scarcity affect environmental **uncertainty,** which refers to how well managers can understand or predict the external changes and trends affecting their businesses. Environmental uncertainty is lowest when environmental change and environmental complexity are low and resources

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are plentiful. In these environments, managers feel confident that they can understand, predict, and react to the external forces that affect their businesses. By contrast, environmental uncertainty is highest when environmental change and complexity are high and resource scarcity is a problem. In these environments, managers may not be confident that they can understand, predict, and handle the external forces affecting their businesses.

4. List the components of the general environment.

The general environment consists of economic, technological, sociocultural, and political/legal events and trends that affect all organizations. Because the economy influences basic business decisions, managers often use economic statistics and business confidence indices to predict future economic activity. Changes in technology, which is used to transform inputs into outputs, can be a benefit or a threat to a business. Sociocultural trends, like changing demographic characteristics, affect how companies run their businesses. Similarly, sociocultural changes in behaviour, attitudes, and beliefs affect the demand for a business's products and services. Court decisions and new federal and provincial laws have the potential to impose political/legal responsibilities on companies.

5. How do the elements of the specific business environment affect businesses?

Each organization also has a specific environment that is unique to that firm's industry and directly affects the way it conducts day-to-day business. The specific environment of any company can be divided in to five sectors:

- **Customers** influence the products and services a company offers, the prices charged for those offerings, the company's reputation, and the sales generated by business operations.
- **Competitors** influence the products and services a company offers and the prices charged for those offerings. Competitors also influence how a company conducts business in a certain market segment, the company's location, and the overall strategy a company pursues (attack or avoid competitors).
- **Suppliers** influence the cost of the products and services a company offers and therefore affect the profitability of the firm. Suppliers (who they are and what they can provide) also affect the types of products that a company is able to put on the market.
- **Industry regulation** has the potential to influence nearly every aspect of a company's operations. For example, a caterer would need to comply with all the health codes and liquor laws that govern its industry.
- **Advocacy groups** affect businesses through boycotts (or support). For example, advocacy groups were ultimately responsible for Home Depot changing its policy of buying lumber harvested from old-growth forests.

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6. **Describe business confidence indices, their importance to managers, and how they are used by managers.**

Some managers try to predict future economic activity by tracking business confidence. **Business confidence indices** show how confident actual managers are about future business growth. The Conference Board of Canada surveys more than 1,500 business executives in Canada each quarter to compile the Index of Business Confidence (IBC), a measure of the business community's perceptions of the current economic situation and an indication of future plans relating to business growth. The same board surveys Canadian consumers to gauge consumer confidence by asking how they feel about the economy and their employment situation and whether they plan to purchase any big-ticket items. In addition, the Small Business Research Board surveys Canadian small business owners for their opinions on significant business issues and topics in order to gain valuable insights into the small business environment in Canada. Managers often prefer business confidence indices to economic statistics because they know that other managers make business decisions that are in line with their expectations concerning the economy's future. So when business confidence indices are dropping, a manager may decide against hiring new employees, increasing production, or taking out additional loans to expand the business.

7. **Describe buyer dependence and how dependence can lead to opportunistic behaviour and provide an example.**

Buyer dependence is the degree to which a supplier relies on a buyer because of the importance of that buyer to the supplier and the difficulty of finding other buyers for its products. A high degree of buyer or seller dependence can lead to opportunistic behaviour, in which one party benefits at the expense of the other. For example, when Michael Lord, the CEO of Bluewater Plastics, refused to sell parts at a too-low price, the purchasing manager of a Detroit automaker told him, "Obviously, you don't want to be strategic with us." Lord, however, was confident that the purchasing manager would call back. "I know we aren't the only ones pushing back—the supplier world is changing." Although opportunistic behaviour between buyers and suppliers will never be completely eliminated, many companies believe that both buyers and suppliers can benefit by improving the buyer–supplier relationship.

8. **What are the characteristics of successful organizational cultures?**

Organizational cultures create a successful internal environment by binding all employees together with a "we're in this together" attitude. When employee attitudes are congruous with the culture, they are happy and motivated to work hard for the organization because they believe in what they're doing. Preliminary research shows that organizational culture is related to organizational success. Cultures based on adaptability, involvement, a clear vision, and consistency can help companies achieve higher sales growth, return on assets, profits, quality, and employee satisfaction. Adaptability is the ability to notice and respond to changes in the organization's environment. Involvement is the degree to which employees participate in decision making. (Higher involvement leads to a greater sense of ownership and responsibility among employees.) A clear vision provides a direction for organizational activities, and consistency involves actively defining and teaching organizational values, beliefs, and attitudes throughout the company.

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9. Identify the three levels of organizational culture and give examples of each.

Three levels of organizational culture are: 1) the surface, where reflections of culture can be heard, seen, or otherwise observed (examples of such artifacts include dress codes, office layouts, and specific employee behaviours); 2) just below the surface, where values, beliefs, and attitudes are expressed by people (such values and beliefs can be understood by observing what people say and decision-making processes); and 3) far below the surface, where unconsciously held assumptions and beliefs lie. Those are the unwritten views and rules of the organization that constitute its core principles and values.

10. How can managers change organizational cultures?

Managers can successfully change the surface levels of culture by motivating different behaviour. The underlying elements (far below the surface) are difficult to identify and change. Managers can change culture through behavioural addition or behavioural substitution. In behavioural addition, employees are motivated to perform a new behaviour in addition to already accepted ones. In behavioural substitution, employees perform a new behaviour in place of another.

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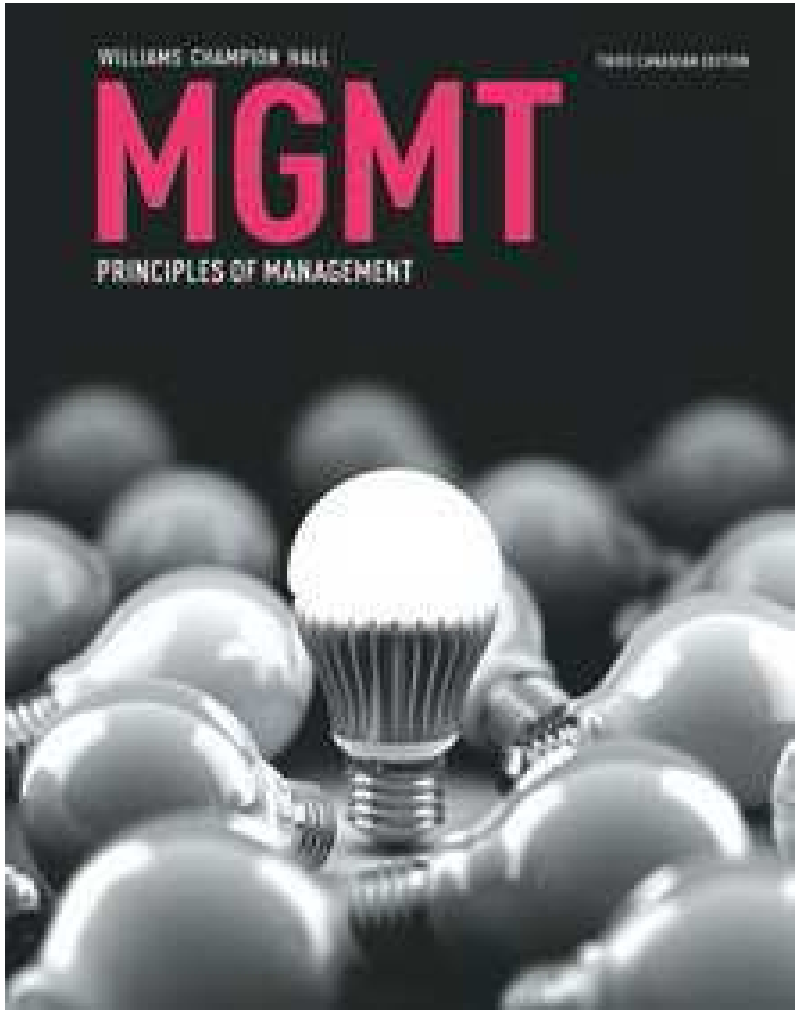
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NETA PowerPoint Slides
to accompany

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CHAPTER 2

Organizational Environments and Cultures

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Learning Outcomes

After reading this chapter, you should be able to:

1. Discuss how changing environments affect organizations.
2. Describe the four components of the general environment.
3. Explain the five components of the specific environment.
4. Describe the process that companies use to make sense of their changing environments.
5. Explain how organizational cultures are created and how they can help companies succeed.

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Discuss How Changing Environments Affect Organizations

- The first learning outcome examines internal and external environmental forces that affect business.
- What is the difference between internal and external environments?
- What are the characteristics of the changing external environment?

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Characteristics of the Changing External Environment

These are:

- **Environmental change**
- **Environmental complexity**
- **Resource scarcity**
- **Uncertainty**

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Environmental Change

Refers to the rate at which a company's general and specific environments change.

Rate of change comes in two forms:

- **Stable environment:** low rate of environmental change (e.g., wholesale distribution).
- **Dynamic environment:** high rate of environmental change (influenced by competition, technological innovation, and consumer demand).

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Environmental Change

- Research shows that companies experience both stable and dynamic environmental changes.
- Explained by the **punctuated equilibrium theory**
- E.g., the airline industry

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Environmental Complexity

The second characteristic of the external environment is **environmental complexity**.

- Refers to the number and intensity of external factors in the environment that affect organizations:
  - Simple environments have few environmental factors.
  - Complex environments have many environmental factors.

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Environmental Complexity

Example of a **simple environment**:

- The dairy industry: milk is processed the same way today that it was 100 years ago.



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Environmental Complexity

Example of a **complex environment**:

- The newspaper industry: revenues from classified ads, for instance, have dropped because of popular websites such as:
  - craigslist.com
  - kijiji.ca
  - ebayclassifieds.com

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Environmental Complexity

- Digital content is very inexpensive to distribute compared to print content.
- Most consumers expect Internet-based news to be free.



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Class Activity: Newspaper Industry

- Break into your discussion groups and determine what strategy you would use to stay competitive if you had a newspaper business in today's digital age.
- Report back to the class.

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Resource Scarcity

- The third characteristic of the external environment is **resource scarcity**.

- Refers to abundance or shortage of critical resources in the organization's external environment.

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Uncertainty

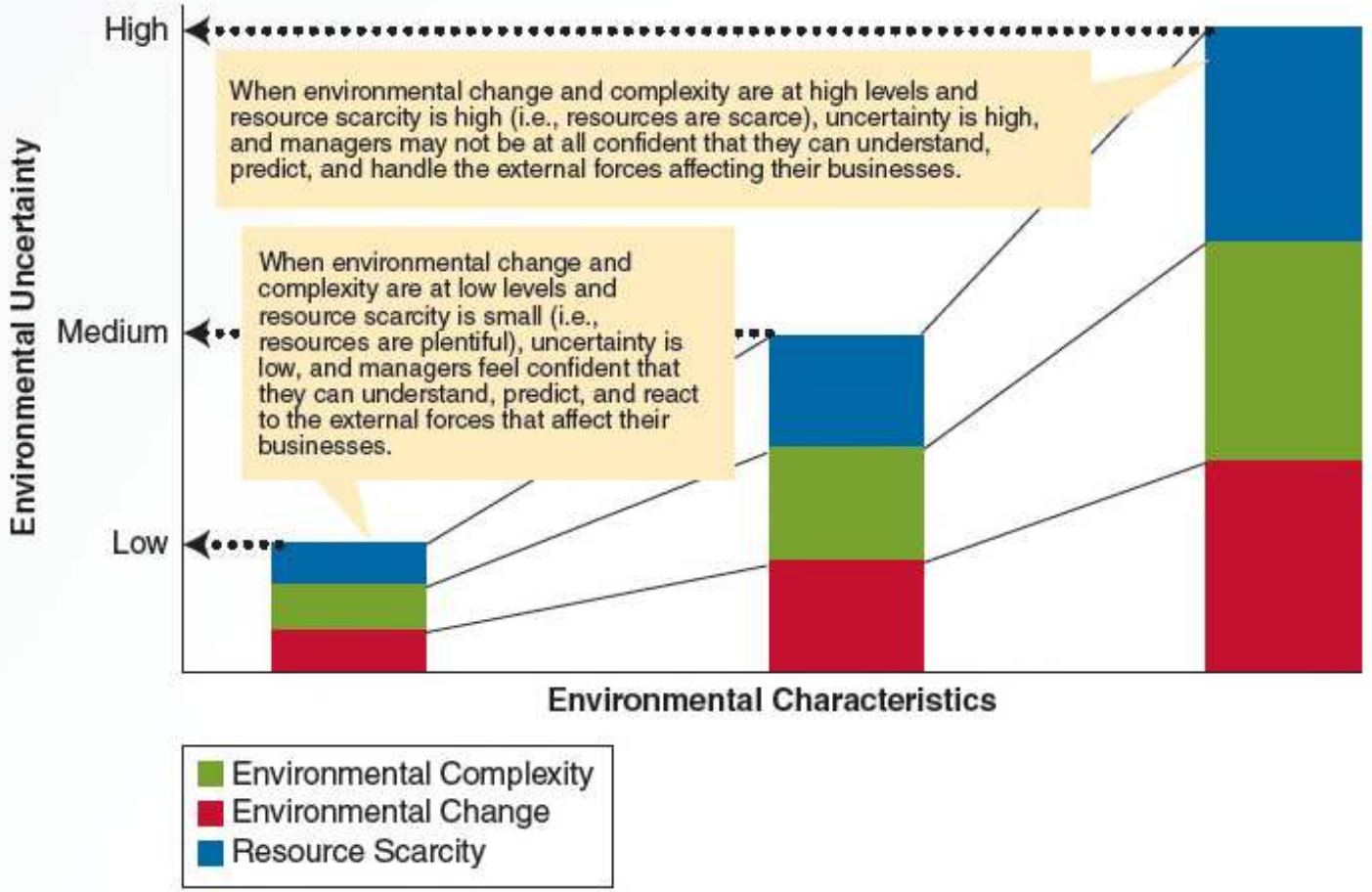
- **Uncertainty** refers to how well managers can understand or predict the external changes and trends affecting their business.

- All three characteristics of the changing external environments affect environmental uncertainty.

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Exhibit 2.1

Environmental Change, Environmental Complexity, and Resource Scarcity



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Class Activity: Changing Environments

- Working in your groups, identify and discuss how each of the three characteristics of changing external environment (environmental change, environmental complexity, and resource scarcity) has impacted a business that you know of.
- Report back to the class.

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Four Components of the General Environment

The general environment consists of the following components:

- The economy
- Technological trends
- Sociocultural trends
- Political/legal trends

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Components of the General Environment: The Economy

- The current state of a country's economy affects every business that operates in it.

- In a growing economy, more people work, wages increase, consumers have more money to spend. Businesses generate more revenue and profit.

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Components of the General Environment: The Economy

- In a shrinking economy, consumers have less money to spend and relatively fewer products are bought (less revenue for businesses).

- A shrinking economy thus makes growth for businesses more difficult.

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Components of the General Environment:
The Economy

- A sudden change in a country's economy can send a ripple effect through the entire country or even around the world.
- Example is the 2008 global recession, which started from the subprime mortgage market in the United States.



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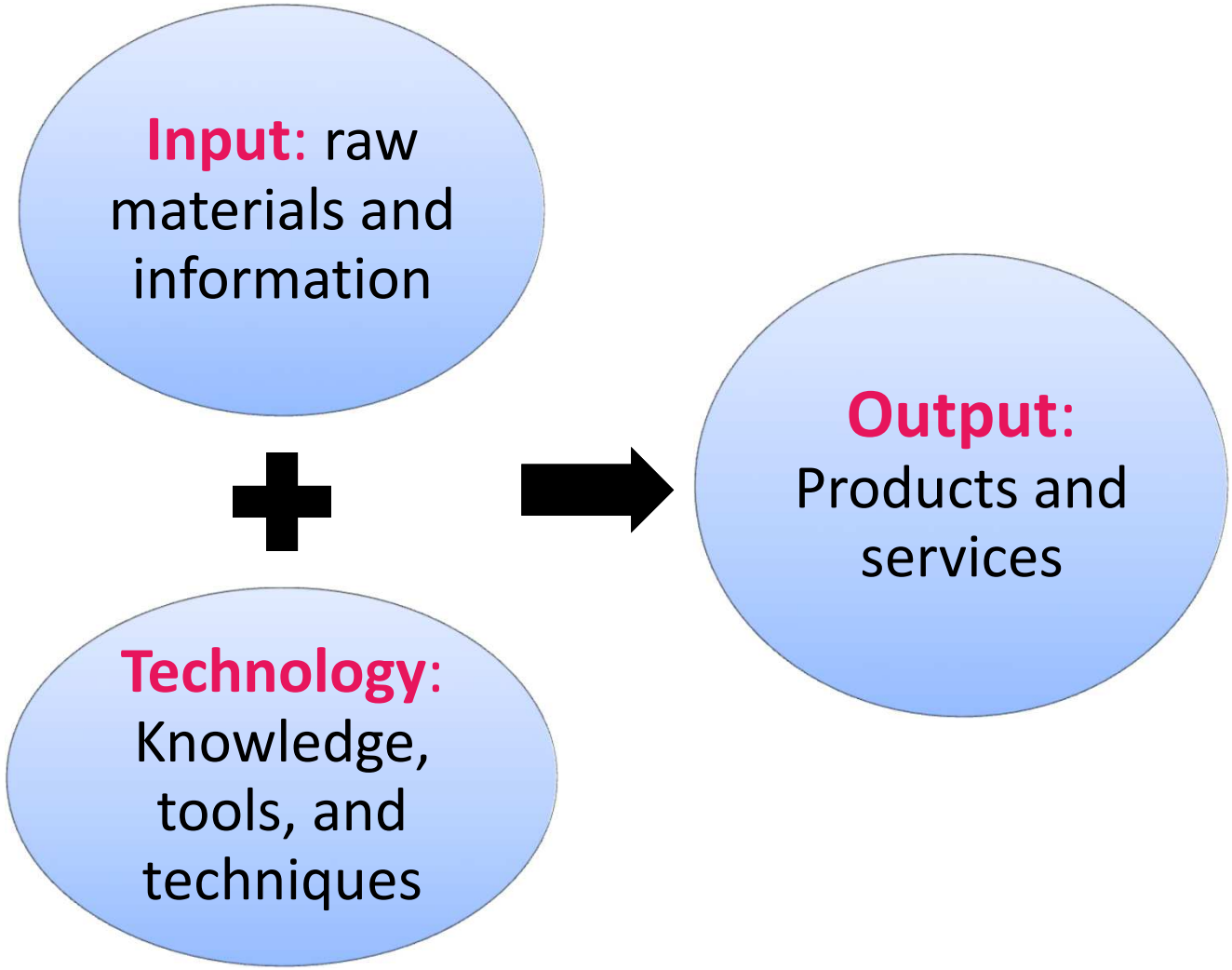
Components of the General Environment: Technological Trends

- **Technology** refers to the knowledge, tools, and techniques used to transform inputs into outputs.

- Changes in technology can help companies to provide products and services more efficiently.

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Components of the General Environment: Technological Trends



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Components of the General Environment:
Sociocultural Trends

Include:

Demographic changes:

- Working women with children
- Growth of visible minorities
- Affects supply and demand of staffing



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Behaviour, attitudes, belief changes:

- Work–life balance
- New products/services

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Sociocultural Component: Entering a Foreign Market

- Organizations should do their research prior to entering a foreign market.
- Widely different social and cultural norms may exist there.



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Components of the General Environment: Political/Legal Trends

Include

- Laws
- Regulations
- Court decisions

Examples:

- Bill 14, Workers' Compensation Act
- Making Healthier Choices Act

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Components of the General Environment: Political/Legal Trends

Companies looking to pursue international opportunities should look for differences in:

- political systems
- government regulations
- intellectual property laws
- the labour force
- financial matters

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Class Activity: Entering a Foreign Market

- Break into your groups. Pick one country that your group is very familiar with.
- Discuss at least three political and sociocultural factors in that country that could impact a foreign company operating there.
- Report back to the class.

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Components of the Specific or Task Environment

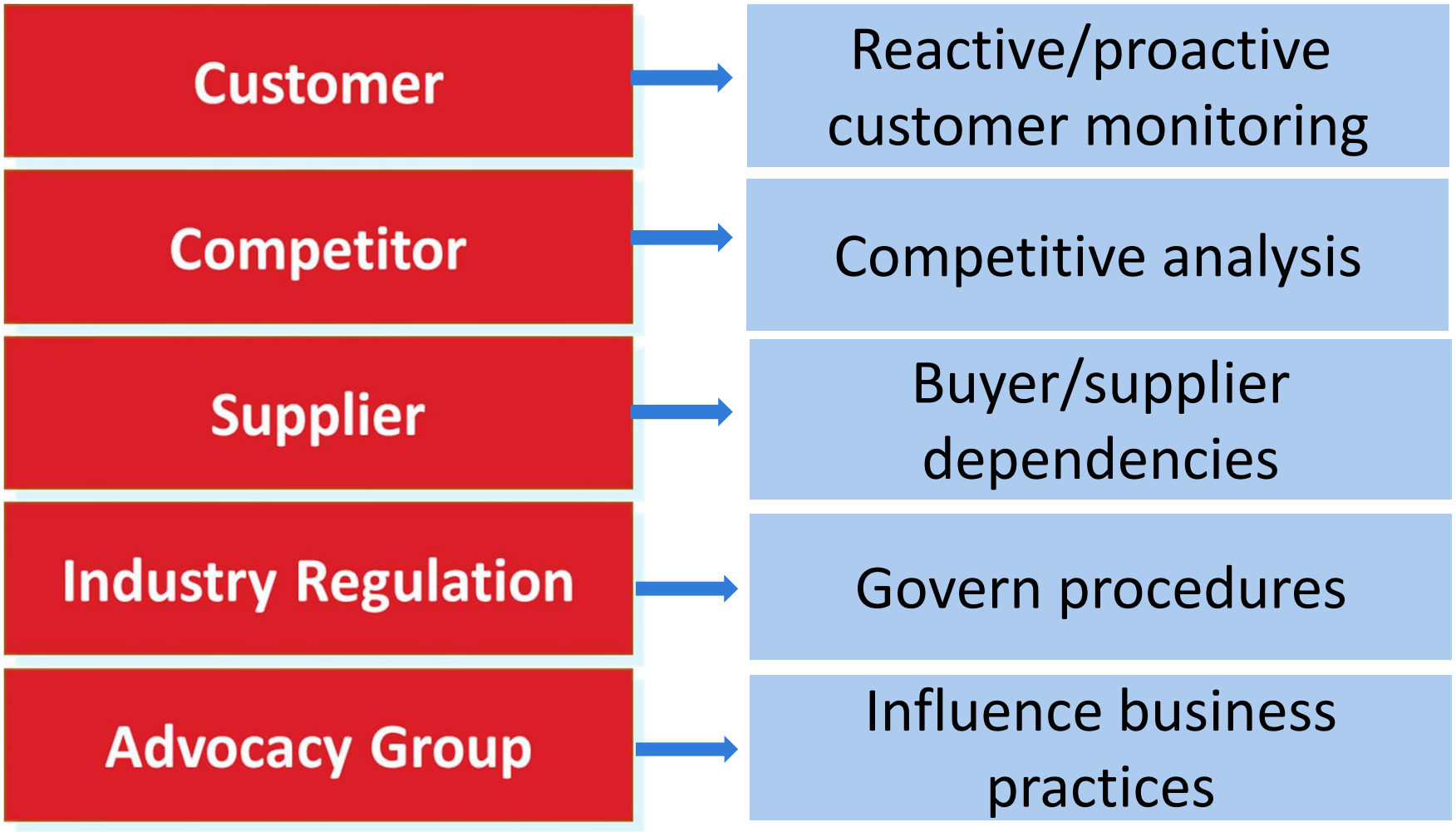
- Besides the general environment just discussed, organizations also have specific or task environments that are unique to each industry.
- What are some components of the specific/task environment?



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Components of the Specific or Task Environment



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Changes in the External Environment

- The external environments of businesses can be dynamic, confusing, and complex.

- Managers use a three-step process to make sense of changes in the external environment:
  - **environmental scanning**
  - **interpreting environmental factors**
  - **acting on threats and opportunities**

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Changes in the External Environment

Environmental scanning:

- Gathering key up-to-date market information
- Reduces uncertainty
- Organizational strategies
- Organizational performance

Interpreting environmental factors:

- Opportunity
- Threat

Acting on threats and opportunities:

- Comprehend factors
- Cognitive maps

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Class Activity: Walmart and Organic Cotton Suppliers

- Watch this video: Walmart and Organic Cotton Suppliers

- Discuss the steps that Walmart used in evaluating the external environments.

- Report back to the class.

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Organizational Culture

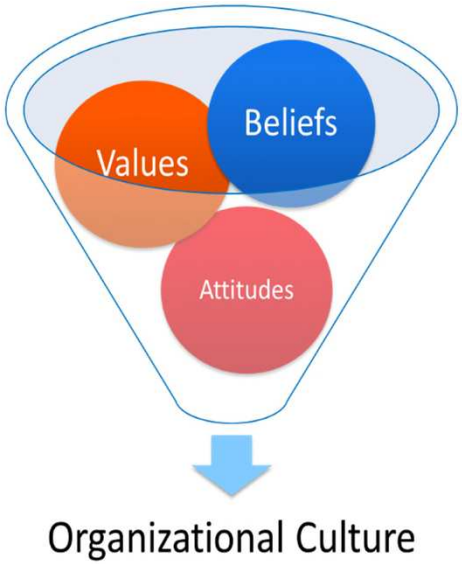
- Previous discussions have focused on the external environments and the impact they have on business operations.
- The **internal environment** consists of trends and events within an organization that affect management, employees, and the **organizational culture**.

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Organizational Culture

Organizational culture refers to the:

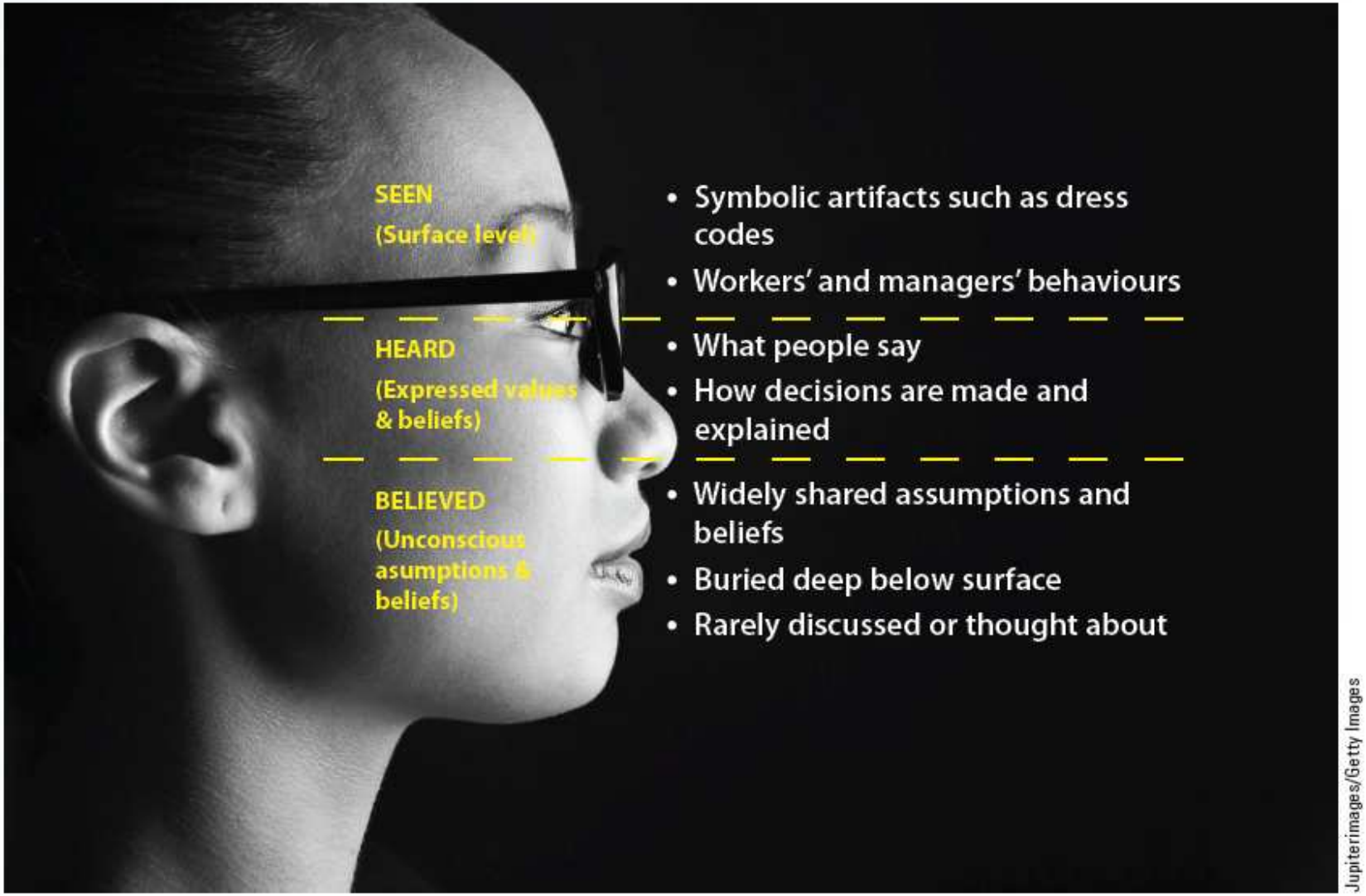
- Values, beliefs, and attitudes shared by members of an organization.
- It is a key part of the internal environment and exists in three levels.



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Exhibit 2.4

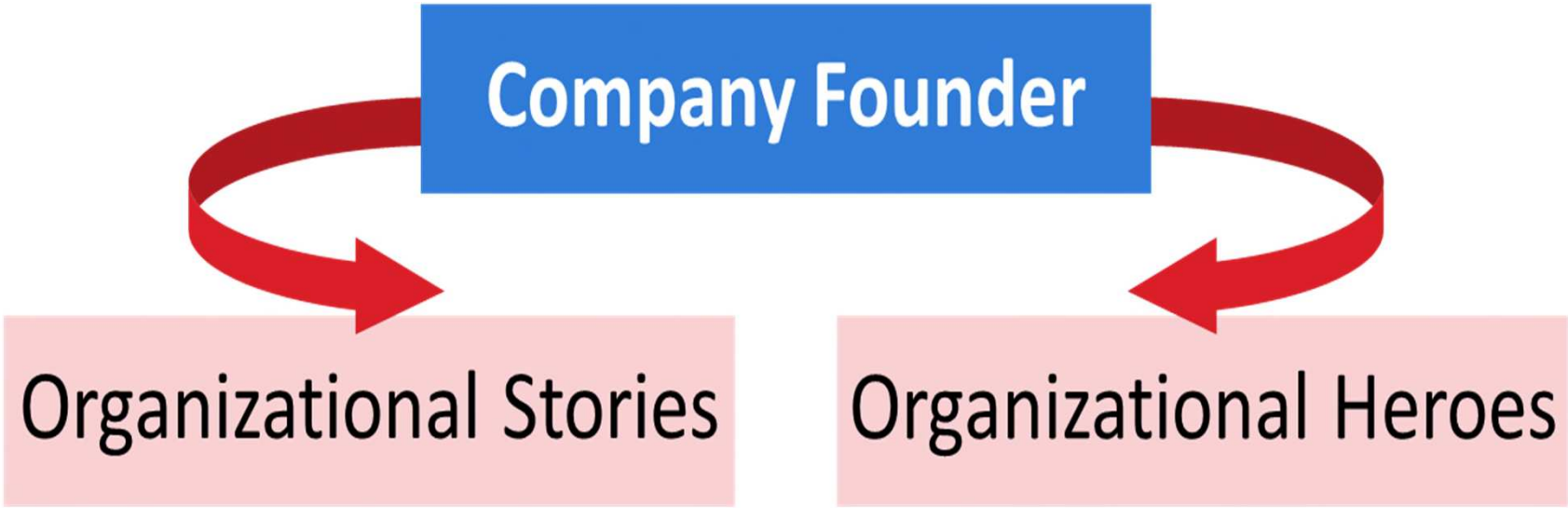
Three Levels of Organizational Culture



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How Is Organizational Culture Created?

Could be created through:



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Changing Organizational Cultures

- Managers wishing to change an organizational culture should focus on the first two levels (practices that are seen and/or heard).
- Unconsciously held assumptions and beliefs about a company are difficult to change.



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Exhibit 2.3

Keys to Successful Organizational Culture



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Class Activity: Organizational Culture

- Join your discussion group and identify some organizational cultures that any of group member has been a part of (e.g., any organizational ceremonies, rites, stories, rituals, and symbols of an organization).

- After your discussions, pick one culture and explain it to the class.

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Corporate Culture and Performance

- A strong organizational culture is associated with high employee and organizational performance, customer satisfaction, better innovation, etc.

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Exhibit 2.5

Canada's 10 Most Admired Corporate Cultures–Enterprise (2014)

AltaGas Ltd.—Calgary, AB
AltaLink—Calgary, AB
Ericsson Canada—Toronto, ON
Home Hardware Stores Ltd.—St. Jacobs, ON
Ivanhoe Cambridge—Montreal, QC
Ledcor Group of Companies—Vancouver, BC
Monsanto Canada Inc.—Winnipeg, MB
Munich Re—Toronto, ON
Starbucks Coffee of Canada—Toronto, ON
West Fraser Timber Co.—Quesnel, BC

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