

INFS 212

Principles of Management

Session 3– The Environment of an Organisation

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Session Overview

Kreitner observes that “ organisations are ever present feature of society”. As we go about our normal business of living we are surrounded by organisations, look to organisations for food, clothing, shelter, education, employment, entertainment, healthcare, transportation and the protection of our human rights. In short, for the satisfaction of every one of our individual needs, we rely on organisations, large or small.

Session Overview

In Session One we learned that the purpose of management is to achieve organisational goals in an efficient and effective manner. In the performance of their functions, organisations become accountable to a number of different groups in society including customers, suppliers, creditors, government agencies and the wider public. While serving the needs of the different constituents of society, organisations do not have the luxury to do whatever they choose.

Session Overview

They provide goods and services (or operate) within the framework of internal and external forces. That framework defines the environment of organisations. This Session focuses on organisations, paying attention to the internal and external forces that impact on their operations.

Session Objectives

Objectives

At the end of this Session, you should be able to:

- Explain the concept organisation
- Understand the characteristics of organisations
- Identify the different types of organisation
- Identify and explain what constitute the *Internal* and *External* environment of an organisation
- Distinguish between the Task and the General Environment

Session Outline

- The key topics to be covered in this Session are as follows:
- Topic One: Defining and Explaining Organisations
- Topic Two: Classifying Organisations
- Topic Three: The Internal Environment & The External Environment of Organisations

Reading List

1. Chandan JS (2002). *Management: Concepts and Strategies*. New Delhi, Vikas Publishing House, PVT Ltd (Read Chapter 3, pages 53-69)



Topic One

DEFINING AND EXPLAINING ORGANISATION



The Environment of an Organisation

Defining organisation

- Collection of people working together to achieve a common purpose. In doing so the people are able to accomplish tasks that are far beyond the reach of anyone acting alone.
- Edgar Schein: an organisation is the planned coordination of the activities of a number of people for the achievement of some explicit purpose or goal, through the division of labour and function, and through a hierarchy of authority and responsibility.



Topic Two

CLASSIFYING ORGANISATIONS

Slide 10

Classifying Organisations

- The term organisation covers a multitude of industrial, commercial, service industry and public service activities

Classifying Organisations

1. Private and Public Sector organisations

Organisations can traditionally be classified as:

- Private enterprise organisations, and
- Public sector organisations

The distinction is made on the basis of **ownership** and **finance**, and the **profit motive**.



Classifying Organisations

- i. **Private enterprise organisations** are owned and financed by individuals, partners, or shareholders. The main aim is of a commercial nature such as profit, return on capital employed, market standing or sales level.
- ii. **Public sector organisations** include central government departments such as the Ministry of Health, which do not have profit as their goal.

Classifying Organisations

2. Prime Beneficiary of an organisation

organisations may be classified on the basis of who benefits, namely the prime beneficiary of its operations. Four types of organisations are identified on this basis:

Business organisations

- Uniliver
- Ghana Telecom
- Ghana Post
- Financial Institutions

Classifying Organisations

3. Mutual Benefit organisations

Individuals may join together strictly to pursue their own self interest.

Examples are

- labour unions
- political parties
- manufacturer's associations etc.

Classifying Organisations

4. Commonwealth organisations

- Like non profit service organisations. Exist to offer services without attempting to make profits.

Example:

- The Ghana Army
- The Police
- Fire Service

Classifying Organisations

5. Non Profit Service organisations

- Some organisations do not exist to make a profit. Examples are public schools and public universities, District Assemblies, institutions falling under the Ghana Civil Service and Government owned hospitals.

Topic Three

THE INTERNAL ENVIRONMENT & THE EXTERNAL ENVIRONMENT



The Internal Environment & the External Environment

□ Internal Environment of an organisation

Defining the Internal Environment

Durnham (1990) describes the internal environment of an organisation as consisting of a “wide variety of factors within its formal boundaries” which includes the following:

The Internal Environment & the External Environment

i. Peoples and their beliefs

- Human resource (managers and non-managers)
- organisational culture

Other internal environmental factors of an organisation are

- Group attitudes
- Board of Directors

The Internal Environment & the External Environment

II. The structural features of an organisation

- Design of jobs
- organisational design (the structural arrangement of an organisation's work units such as departments, units etc.)

III. Organisational processes

- Coordinating
- Decision making
- Communicating

The Internal Environment & the External Environment

□ External Environment of an organisation

- I. **Task environment** Task environment include consumers or customers, government / regulatory agencies, competitors and suppliers

- II. **General environment** The general environment includes such element as **political** and **legal** forces, **economic, social** and **technological** influences.

The Internal Environment & the External Environment

I. Task Environment

- Suppliers
- Customers
- Competitors
- Regulatory agencies

The Internal Environment & the External Environment

II. The General Environment

a) Economic factors

- Inflation
- Interest rates, unemployment,
- Disposable income
- The current state of an organisation's market, and the purchasing power of the population,
- The state of trade in the world and availability of foreign exchange.

The Internal Environment & the External Environment

b) Technological factors: Technology is the means by which an organisation converts its inputs (such as raw materials, unfinished goods and energy) into output (products or services). Technological elements include the knowledge, means, processes, systems, hardware and software available to an organisation for this transformation process. Technology affects the way organisations operate or the products and services they provide.

The Internal Environment & the External Environment

c) Political – Legal:

- Government regulation of business and the relationship between business and government.

Example

- Policies on tax
- trade regulations,
- minimum wage legislation,
- and pollutions standards

Summary

An organisation is a cooperative social system involving the coordinated efforts of two or more people pursuing a shared purpose. Organisations can traditionally be classified as private or public. We can also classify organisations according to who benefits from its operations.

Organisations which fall under this classification include business enterprises, non profit service organisations and commonweal organisations. Whatever their purpose all organisations have four characteristics, namely, coordination of effort. Common goal and purpose, division of labour and hierarchy of authority.

Summary con't

In performing their functions, organisations are influenced by internal and external environmental forces. The internal environment consist of a number of different factors including organisational processes, the board of directors, human resource, group attitude and so on. A critical component of an organisation's internal environment is its social system, which includes organisation members and the values and beliefs they share.

Summary con't

The external forces include everything beyond the boundaries of an organisation and comprises what we call the task and general environments. Elements in the task environment include competitors, customers, suppliers and regulatory agencies. The general factors include the political and legal, economic, social and technological environment.

Sample Questions for Consideration

1. List five regulatory agencies in Ghana and discuss in brief their functions.

2. Mention and discuss the various factors that define the *general environment* of an organisation.

References

1. Robbins, S.P. & DeCenzo D.A. (2008) *Fundamentals of Management: Essential concepts and applications*, (Sixth Edition), Pearson, Prentice Hall: Upper Saddle River, NJ. **(Read Chapter , pages 38-68).**
2. Chandan JS (2002). *Management: Concepts and Strategies*. New Delhi, Vikas Publishing House, PVT Ltd **(Read Chapter 3, pages 53-69).**