The impact of external environment on organizational development strategy

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Abstract

External environment of an organization includes a variety of factors, whose existence, influence its behavior and performance. The action of these factors may be direct (for example, the actions of competitors) or indirect (for example, changes in business climate), and external environmental analysis is done in two different contexts: meso and macro environment.

Are concerned, to be analyzed, those major variables that are affecting the organization, providing, strategic diagnosis, information on strategic situation complementary to those offered by internal analysis.

Tests results at this level senses opportunities and threats existing and potential success factors of field work.

Analyzing thus two types of environment, (meso and macro environment) can be identified strategic directions for action or policy options.

Keywords: strategy, external environment, factors

JEL Classification: L1, O1, P23

Introduction

The evolution of organizations, change management system in planning, require new ways of orientation and place of business, requires organizations to continuously adapt to environmental changes inside and outside the action.

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. 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

In the process of formulating policy options, the organization must take account of external environmental opportunities and threats, present and future but internal potential, the forces and weaknesses of the organization, competitive advantage over competitors.

Multitude of external environment factors can be grouped as follows:

• *Political-legislative factors*, legal and policy framework comprising the organization exists. The legal framework includes all laws and legal regulations and policy framework refers to the relational system created between political power and business. Example: commercial law regime of taxes, labor law, environmental law etc. From this perspective we can speak of the need to ensure a climate of political and legal stability, which may encourage or discourage business, avoiding the risk;

• *Economic factors* that directly affect business organizations by interest rates, inflation, exchange rate, fiscal policy, price fluctuations, etc.

• *Technological factors*, with the new technologies very quickly we achieve productivity today, creating new products, creating the need for them while their consumption. It can be said that there is no market which requires the exercise of pressure resulting from technological change, subsequently generating market.

To facilitate the analysis of external environment, specialists in the field they divided as follows:

• *micro-environment* composed of 'actors' organizations, interest groups in the immediate vicinity, suppliers, customers, competitors, public power;

• *macro-environment* composed of factors and trends that occur in society and can not be assigned to other organizations, but with an influence from the distance as a "Remote".

The external environment must effectively diagnose the following stages:

• analysis of competitive environment;
• expectations for interest analysis;
• analyze the influence macro-environment;
• the development outlook of the external environment.

Analysis of the competitive environment

Analysis of the competitive environment is a difficult process involving: definition, identification main characteristics and intensity of competitive forces analysis of competition and positioning them in an effort to achieve sustainable competitive advantages for the organization.

The environment includes organizations and competitive forces faced in conducting the activity: industry, suppliers, customers, potential new entrants, products and / or replacement services. The "industry" means all firms producing goods and/or services identical or substitutable, firms that are in close competition as meeting the same needs for the same category of consumers.

Remember that identified and geographical reference, depending on the extension of environmental factors influence competitiveness and thus take various forms and different.

Competitive environment includes a number of factors impacting on the competitive behavior of the organization:

a) market structure, aiming to market the type of organization operates and its degree of concentration;

b) request: potential level, homogeneity, degree of concentration, flexibility, types of needs satisfied;

c) the offer: level of concentration, size, etc. demand adequacy.

d) the maturity of the industry with different impact on competition;

e) type of competitive system that is committed organization, the impact on future strategies, aiming at compatibility with development environment

In this competitive environment and competitive forces have tracked the intensity of competition, allowing the organization to anticipate the strategies of competition and to provide better value to its assets.

M. Porter identifies the percentage of the factors with direct influence in terms of intensity of competition:

• arrival of new competitors;
• bargaining power of consumers;
• bargaining power of suppliers;
• market rivalry;
• industrial conditions and the state as competitive factor.

Penetration of new competitors usually limited with the earning potential for those already existing in a particular market. Penetration process is difficult and is restricted to so-called entry barriers, namely: the minimum size of organization, costs of production change, customer loyalty, access to distribution channels, relatively high initial capital, administrative barriers, etc.

Production costs are those costs associated with changes for the incumbent buyer when it passes from one vendor to another (training costs, costs associated with quality). The older they are the more difficult entered the market.

Bargaining power of consumers is given by their position: private, industrial, wholesale companies, retail etc. and:

- Degree of concentration of customers;
- Degree of standardization of products;
- Awareness of buyers;
- The risk of upstream integration.

Bargaining power of suppliers is the leading raw material costs. Their group is powerful if:

- Is dominated by a small number of firms;
- Supplied product is unique;
- Possibility to integrate downstream of the production.

Danger substitutes determine the extent to which other products meeting the same needs. Usually, in other markets but fulfilling the same functions, are an indirect form of competition and limited earning potential.

Competitive rivalry is intense when:

• competitors are numerous and close power;
• Market growth is reduced;
• products/services are less differentiated;
• Fixed costs are high, with the downward trend in prices;
• market exit barriers are high.

Industrial Relations and the State can intervene by legislative barriers through market regulations as barriers to imports, banning exports, price controls impacting competition.

Follow the rivalry between organizations in the sector, may enter the competition of new organizations and the risk it implies this and not least the threat of substitutes, knowing that they usually reduce profits.

Finally, each organization seeks strategic position in the "industry" because not all are in competition with each other; each is interested in filling a place as favorable in this competitive environment.

Expectations for interest analysis (shareholders, banks, public authorities, professional organizations) require particular attention, aiming to impact on the organization's activities:

- For shareholders, is aimed at enhancing the independence of the management team and involved more decision-making power;
- As regards banking, the aim of cooperation and independence;
- In terms of public authority, ranging from constraint relations (through various means) to support direct / indirect.

Influence the macro-environment analysis, aiming at the main features and trends in the global environment: economic (growth rate, inflation, income), technical (the technical and technological level of creativity, new products and services) socio cultural (demographic evolution, degree of culture and civilization), political etc.

Development outlook for the external environment is reflected in so-called scenarios, which will be taken into account in formulating policy guidelines. Scenario is a simplified representation of a possible future, consisting of several interrelated events, anticipating major events promoting and stimulating creativity. These scenarios, the often contrasting, allow reflection on strategic alternatives, the uncertainty and hence risk. Study aims to analyze the external environment of those major variables that influence the organization's work, thus providing information complementary to those offered by the indoor environment analysis. Regardless of the level to which they are made, these tests seek referral opportunities and threats that exist, but key factors that can generate success in industry, real foreign policy variables that the organization needs to know to prosper.

Conclusions

Any organization is an open system between itself and its external environment up to a series of relationships that influence each other. Organization influence the external environment primarily through its products and services, but also that it is socially responsible, is geared to various relationships with other organizations make their mark on the social community to which they belong. In turn, the external environment affecting the organization's work available in market information, input supply, the looming trends, new organizational and managerial changes.

It can be said that the following *types of external environment* are:

• turbulent, characterized by rapid changes caused by technology, economic changes, political, legislative;

• hostility, characterized by strong competition between customers, resources, or both,

• diffrented, characterized by a variety of technologies, markets and cultures.

As a result, the organization must be attentive to any stimulus from the external environment, must continually adapt to it, and primarily involves adapting knowledge and information.

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