

Unit 226: Understand employer organisations

UNDERSTANDING THE ORGANISATIONAL ENVIRONMENT



WHY IS IT IMPORTANT TO UNDERSTAND THE ENVIRONMENT IN WHICH AN ORGANISATION OPERATES?

The way that organisations respond to environmental forces has a direct impact on their success:

- Helps the management decision-making process.
- Aids long-term planning of strategy and operation.
- Gives greater understanding of the influences that generate change.
- Ability to anticipate threats and opportunities and plan accordingly.



INTERNAL AND EXTERNAL FACTORS INFLUENCE THE DIRECTION OF AN ORGANISATION

Internal factors, eg

- culture
- structure
- management
- internal control processes – policies and procedures.

External factors, eg

- national culture
- external controls – laws and regulation
- technological and economic issues.



EXTERNAL FORCES THAT IMPACT ON ORGANISATIONS

- **POLITICAL**
- **ECONOMIC**
- **SOCIOLOGICAL**
- **TECHNOLOGICAL**
- **ENVIRONMENTAL**
- **LEGISLATIVE**



PESTEL ANALYSIS

Used to analyse

- how these different forces affect the organisation at different times
- the difficulties involved in their responses to them.

It sets out in table or diagram format the factors affecting the organisation under those six headings in order to decide whether they can be considered positive or negative – to the organisation's advantage or disadvantage.

It is a useful strategic tool for understanding market growth/decline, business position and operations potential and is often used by organisations to assist them in building their vision of the future.



EXAMPLE PESTEL ANALYSIS

Political	Economic	Sociological	Technological	Environmental	Legislative
VAT rate	Inflation	Population growth	Emerging new technology	Sustainability	Consumer protection
General elections	Exchange rates	Changing tastes	Energy costs	Waste regulations	Health & safety
Employment law	Unemployment levels	Attitudes to work	Increase in internet use		
Political stability	Interest rates		Mobile phone/app use		



SWOT

A SWOT analysis is a business analysis tool.

It is used to look at

- the strengths and weaknesses of the organisation
- what the current or future opportunities may be
- what the possible internal and external threats are that could endanger the effectiveness of the company.

A SWOT analysis is one of many business tools providing a basis to assist with decision-making and problem-solving.

It is useful to analyse many aspects of the organisation, eg current position, or to decide whether to introduce a change.



SWOT IS AN ACRONYM STANDING FOR:

S Strengths

W Weaknesses

O Opportunities

T Threats



EXAMPLE SWOT

<p>S – Strengths</p> <p>Here you would consider the strengths of the organisation – what gives it a market advantage.</p>	<p>W – Weaknesses</p> <p>Weaknesses should not be seen as being negative but as a development opportunity. You should ask key questions like eg what is preventing expansion and detail the items that need to be addressed and developed.</p>
<p>Here you should consider the possible opportunities available to the organisation, eg new government legislation or the current position of a major competitor.</p> <p>O – Opportunities</p>	<p>You should consider both internal and external threats. Threats are in actual fact usually the opposite of opportunities, eg new government legislation could be a threat rather than an opportunity.</p> <p>T – Threats</p>