

- **Subject: Economics of the Institution**

- **Level: First Year Common Core in Economic Sciences**

- **Academic Year: 2023/2024**

- **Definition of the Organization's Environment**

Multiple definitions have been proposed to clarify the meaning of an organization's environment. Among these definitions:

DILL views the organization's work environment as: "That part of the administrative environment that is suitable for the process of setting and achieving the organization's specific goals. This environment consists of five groups of stakeholders: customers, suppliers, employees, competing organizations, in addition to pressure and influence groups such as governments, labor unions, and others..."

The second definition, according to P.FILHO, states: "The environment in which the organization operates involves three groups of variables: The first group includes variables at the national level such as economic, social, and political factors. The second group consists of operational variables specific to each organization, related to a group of stakeholders such as government administrative bodies and distribution institutions. The third group includes variables related to the organization's internal environment, including workers, managers, and others..."

- **The Internal Environment of the Organization:**

This includes the technological aspects used in the organization, the organization's specific laws, communication patterns, administrative leadership styles, implementation procedures, wages, and other internal policies of the organization. Additionally, it includes employees, organizational culture, the board of directors, and the physical work environment.

1. Owners: These are the individuals who own the organization's capital and clearly influence its mission, goals, culture, objectives, and decisions.

2. Board of Directors: Consists of a group of members elected by shareholders or owners.

3. Employees: They bear the work burdens in the organization in exchange for wages. They influence the organization through their specific culture and its compatibility with the organization's culture and mission, their work ethics, aspirations, goals, and more.

4. Organizational Culture: An integral part of the organization's internal environment. Edgar Schein defined culture as: "A system of beliefs and values that arise and develop within the organization and determine the behaviors and conduct of its members."

5. Physical (Material) Work Environment: Represented by the size and shape of the organization.

- Elements of the Internal Environment Affecting the Organization

The internal environment exists within the organization and affects it from within, represented by the organization's resources and capabilities. In general, analyzing the internal environment is an important and necessary step in selecting appropriate strategies for the organization, for the following reasons:

- Showing the organization's position among its peers in the industry.
- Identifying and reinforcing strengths to benefit from them and support them in the future, helping to eliminate environmental obstacles or seize existing opportunities in the environment.
- Identifying weaknesses to overcome, address, or avoid them with some of the organization's current strengths.
- Contributing to the evaluation of available material, human, and moral capacities and capabilities of the organization.

- The internal environment consists of three main elements:

1. Organizational Structure:

Despite the multiplicity and diversity of organizational structures, they can be placed into three main forms according to some authors:

- Simple
- Functional
- Divisional

In addition to these three main types of organizational structures, there are several other organizational structures:

- Strategic Business Unit (SBU) based
- Matrix
- Network

2. Organizational Culture:

A set of beliefs, expectations, and values shared by members of the establishment, passed from one generation of workers to another. This culture leads to behavioral norms (rules of behavior) that determine acceptable behavior from top management to the individual worker.

The content of organizational culture is derived from three sources:

- The impact of the business environment on the organization in general, especially on the industry sector.
- The influence of administrative and strategic leaders who bring with them a certain pattern of assumptions as they join the organization.
- The practical experience of these individuals in the organization and the expertise they bring in providing solutions to fundamental organizational problems.

Organizational culture performs a set of important functions:

- Giving employees in the organization a sense of distinct identity.
- Adding elements that help the organization deepen its stability.
- Helping to develop loyalty and commitment to the organization as an objective state outside the scope of subjective needs associated with narrow personal interests.
- Forming a reference for employees in the organization to which they return when facing situations where they cannot perceive the meaning of administrative activities that are difficult for them to understand.

3. Available Resources:

One of the most important factors for the success of strategic planning and management is providing a mix of capabilities able to meet the requirements of future growth specified in strategic plans. Resources are divided into:

- Marketing
- Financial
- Research and Development
- Human
- Management Information Systems