



THE UNCERTAINTY OF ORGANIZATIONAL ENVIRONMENT IN DEVELOPING COUNTRIES

Author

Alexander S. Madinda

Assistant Lecturer

Tanzania Public Service College

Tabora-Campus,

P. O Box 329,

Tabora-Tanzania (East Africa).

Cell +255 713176813 +255 762408036

Email: alexmadinda2@gmail.com alexanderstnly@yahoo.com

ABSTRACT

An organization's environment normally can be well studied from two perfectives, which are the extent of change and the level of complexity. The extent of change considers the stability and instability of the environment and complexity of environment depends on the number of inconsistent pattern which are liable to vary and resulting in either complex or a simple environment. This paper therefore seeks to provide an overview of organizational environment, and discuss the uncertainty of organizational environment in developing countries. It started with the introduction of both terms organization and environment. It explains the developing countries perspective and the uncertainty of its environment, and identifies the factors that contribute to a grown climate of uncertainty in developing countries It goes on analyses the impact of uncertainty of environment towards organizational performance caused by political system, economic, socio cultural, legal, technology and demographic factors and tries to elaborate the best practice of SWOT analysis in managing organizational environment. After that it ended up by a conclusion.

Keywords: *Uncertainty, Organization, Environment, Developing Countries, Environmental forces, SWOT analysis.*

1.1 INTRODUCTION

According to Armstrong (2009), the term Organization refers to the people who performing their roles within complex systems. These complex systems Armstrong tried to put forward are such as structures, customers, shareholders, legal framework, socio cultural differences, political

spheres, economic base, competitors, technological advancement, and political restrictions, which are very likely to change according to the environment. The business dictionary, (2014) regard it as social unit of people systematically arranged and managed to pursue collective goals on a continuing basis. The emphasis here is put on the management structure

that determines relationships between functions and positions to carry out defined objectives. Organizations are open system in that they affect and are affected by the environment beyond their boundaries. The environment of an organization refers to the conditions, circumstances and influences that affect the ability of the organization to achieve its objectives (Ngirwa, 2006). Uncertainty means that decision makers do not have sufficient information about environmental factors, and they have a difficult time predicting external changes. It increases the risk of failure for organizational responses and makes it difficult to compute costs and probabilities associated with decision alternatives.

1.2 The Developing Countries Perspective and the uncertainty of environment

The developing countries managers and leaders need to consider the impact that uncertainty will likely have on their organizations performance. Today's business environment produces change at workplace more frequently than ever before. Mergers, acquisitions, new technology, restructuring and downsizing are all factors that contribute to a grown climate of uncertainty. Turner & Hulme, (1997), added that the complication in dealing with the environment is that environment is not the same for everybody; different people perceive it in different ways. Managers work within a context that both constrains and supports them,

(Boddy, 2008). They are most directly affected by force in their immediate competitive environment.

1.3 The factors that contribute to a grown climate of uncertainty in developing countries

Different authors came up with different ideas concerning the organizational environment. According to Boddy (2008), the organizational environment consists of four environmental forces namely internal context, competitive environment, general environment, and external context.

1.3.1 The internal environment

The internal environment as the factor for organizational uncertainty consists of people, business processes, structure, objectives, culture, power, and technology.

1.3.2 The competitive environment

The competitive environment of the organization consists of the buyers, suppliers, substitutes, goods, competitors, and potential entrants (Boddy, 2008).

1.3.3 General Environment

The third force is general environment which influences the climate within which an organization operates. It consists of political, economic, social, technological, natural environment, and legal factors that affect all organizations.

1.3.4 External Environment

The last one is external environment which refers to the forces outside the organization that have the

potential to significantly influence the likely success of the organization. Ngirwa, (2006) ,explained the external environment of the organizations as an open system, that they exists with other organization in the external environment and the survival of the organization will depends on how effectively it can adjust itself to the factors in this environment. It combines the elements of competitive context and general environment. Robbins & Coulter (2007) added the components of the external environment and identified them as the economic factor, global, political, legal framework, Socio-cultural, demographic and technological aspects.

1.4 Other forces that contributed to the uncertainty of the organizational environment

In supplementing the literature Austin (1990) as quoted by (Turner & Hulme, 1997:26) also came up with some of the factors that affect environmental organization and create uncertainty especially to public sectors. These factors fall under external context like political factor which involve; legitimacy, ideology, different institutions, elites and classes. Another factor is economic factor which associated with; gross national product, labor, domestic capital, poverty and inequality. Ethnicity, family, kinship, values, norms, gender and history were also identified by Turner & Hulme as the cultural factors. The last one is demographic factors which includes population growth, age structure, urbanization, migration and health.

1.5 The impact of uncertainty of environment towards organizational performance

Uncertainty of organizations environment refer to forces external to the organization that are largely beyond management's control but influence organizational performance. There are so many forces that can affect the organization performance and create an environmental uncertainty of the organizations, but for the case of this paper the political, socio-cultural, technology, economic, legal and demographic factors will be discussed in detail.

1.5.1 Political systems

Political systems have very big impact on shaping what managers, can and cannot do, it is also in a very good position to affect the organizational environment (Boddy, 2008). Privatization and deregulation policies which adopted by the developing countries to please the European Union directives, created uncertainty and challenges on how to manage them. Deregulation means the removal of government controls from an industry or sector to allow for a free and efficient marketplace (Investowords, 2014). Privatization can broadly be defined as all measures and policies aimed at strengthening the role of the private sector in the economy (Sharma, 2007). In the privatization individuals are granted property right to factory of production that were once collectively owned or owned by the state (Welch & Welch, 2007). Due to the deregulation policies investors found their way

of imposing high cost to the service and products they offer, and this resulted to the decline of local industries as they cannot compete with the foreigners and later negative balance of payment. The existing Organizations found themselves to operate in undetermined environment hence uncertainty of their existence. Turner & Hulme (1997) argued that developing country policy makers and implementers are frequently blind because of lack of knowledge. Taking an example in Tanzania the policy makers makes decisions without doing any research on the available resources (Warioba & Gibai, 2003). The cost for generating information is very high, lack of policy analysis, poor implementation strategy, and their actions are more likely to be guided by guesswork rather than systematic analysis (Turner & Hulme, 1997). All these contributed to the uncertainty of the organization environment.

1.5.2 Demographic factors

The changing in size, location, and age of the population will also create uncertainty to the organization environment in terms of change in consumer tastes and preferences. The size, location, age, of the population is categorized as a demographic factor. Turner & Hulma (1997:39) added that the population is very essential especially to Public policy makers, it enable them to know what services are needed, how fast they should grow, where should be located and what to expect in the future. URT (2005) contributed on the

issue of population as there is no optimal size of the public service in relation to the population rather one must focus on what the public service intends to achieve. The most challenging thing here as Turner and Hulme (1997), explained is the tendency for the largest urban cities to grow most rapidly creating massive population centers which carry populations far in excess of their infrastructural capacity and in which environmental problems such as air pollution have become acute, the organizations now must adjust to cope with the growing population. Elder's needs special care in terms of health and financial support for example ageing people living off a fixed income, such as retirees see a decline in their purchasing power and consequently, their standard of living (Welch & Welch, 2007). Youth tend to have their own preferences and taste different from the aged persons, this being the case the preferences and consumer tastes will also change. This affects the production of the manufactured industries completely as the number of youth group keep on increasing. The quantity and the quality must be compatible with the population demands.

1.5.3 socio-cultural factor

Leadership style and attitudes to work as one of the social factors, that contributes the high level of environmental uncertainty are now affected by Gender sensitivity. Women's issues have become major concerns for administrators and policy makers (Turner & Hulme, 1997). The organizations

are now facing the challenge of maintaining the equal balance between women and men in leadership field. Gender equality came with so many women appointed to leaderships positions than never before, this create attention of introducing new leadership styles, and gender conflicts also uncertainty on to what extend and capacity that women leaders can perform. These might be not difficult to be taken care but the challenging parts here are the need to replace women managers during their maternity leave, child care hours, and breast feeding times (Ngirwa, 2006).It is where the uncertainty of the organization arises.

1.5.4 Economic factors

In looking the various factors that causes uncertainty of organizational environment economic factors should not be left aside. The effect of interest and inflation rates to the organizations contributes much in creating uncertainty of the organizational environment. Inflation can be defined as a continuous rise in the general price level or alternatively as sustained or continuous fall in the value of money (Makinen, 2003). It is measured as an annual percentage increase, and as the inflation rises every dollar that someone has buys a smaller percentage of goods or services. The uncertainty, and unpredictability of what the future will bring automatically makes companies, enterprises and consumers less likely to spend hence impairs economic output in the long run.

Take an example on food prices in Tanzania, which make up 55.9 percent of the consumer price basket, is reported to rise to 4.0 percent in December 2010 from a month earlier with increases for vegetables, milk cereals, fruit, meat, sugar, starch roots nuts and fish. The overall 2.3 percent month-on-month increase in consumer prices pushed the inflation rate in December 2010 to 13.5 percent, up from 12.3 percent a month earlier (NBS.2010).Most of the business companies faces the problem of the products prices as they always fluctuate because of the inflation. The absence of the fixed prices to the products creates uncertainty of organizational environment. Hazlitt (2004) added that the inflation results into distortion of the value of homemade product to other international countries, this can be possible if the inflation rate is greater than of other countries domestic products become less competitive.

1.5.5 Technological factor

Technology is not static in the organizational environment and in the world in general, it keeps on changing day after day. Ngirwa, (2006) added that technology consists of the process by which the different kinds of work in the organization are performed; it includes machines, tools, and equipment that are used in performing work. Technology means the change towards the use of traditional manual work and physical based system to the use of sophisticated tools, to enhance the access, and delivery of organizational services to

benefit citizens, business partners and employees (Patricia, 2003). The advancement of technology in the organization affects the productions in terms of quality, designs, and quantity, the potentiality of the new product with new design and structure always create competition in the organizational environment, (Boddy, 2008). Technology create uncertainty to administrators decisions as it is always changes, especially when they come across to the environment that they must make technological choices. They can hardly identify the items and kind of technology they need and also as far as much of items are acquired overseas they faces the problem of capital constraints and environmental differences, (Turner & Hulme, 1997) for example what is appropriate in Kenya or malawi, doesn't necessarily be appropriate in Zimbabwe or Congo.

1.5.6 Legal factor

Tucker, (2007) tried to elaborate the issue of legal factors by showing the importance of employment laws that regulates the lives of employees at workplace. The employment laws show how much percentage of our lives is determined by our jobs, how we live, and the people we meet. The development of employment law has been characterized by a concern over the inequality of the employment relationship between employers and employees, and the need to protect employees from financial or other exploitation. When an employee accepts a job offered by an employer it can be

considered as the employment contract, and is legally enforceable like any other contract. Legal remedies are available to enforce the contract whenever contract breached. Tucker, (2007) added that workers may change employers or even professions several times in their working life. These changes brought the need for regulatory protection concerning; discrimination, unfairly dismissal, reasonable remuneration, unbiased decisions, safety environment at workplace, leaves and termination of employment. This sounds good to the employees but it creates uncertainty to the environmental organizations because the laws are not fixed, they amended time to time depending on the needs of employee's welfare. The organization must operate under these laws by considering employees welfare, they have to undergo procedural termination of contracts even if they experienced the overstaffing problems, pay new salaries if the law impose salary increments, compensate any kind of damages and accidents, pay taxes and license fees etc. They also have to be aware, and implement any amendment that can be made on these laws (Edward, 1990).

1.6 The best practice of SWOT analysis in managing organizational environment

The concept of SWOT analysis is an acronym of four words which are strength, weaknesses, opportunities, and threat that control organizational environment. It is an organized list of business strength, weaknesses, opportunities, and threat

within the organization which assist in identifying what an organization is doing right or wrong and what it can do well and what it can't. bplans, (2014)

1.6.1 Strength According to concise oxford dictionary (10ed) defines strength as the beneficial qualities that describe positive attributes, tangible and intangible internal resources of the organization. The positive attributes of people considers educational background, knowledge they posses towards the job requirements, credentials, skills and reputation. bplans(2014). Tangible and intangible internal resources considers the capital, existing customers, technology, credit and distribution channels. The organization therefore should strive to evaluate itself on the strength mentioned so as to successful control the uncertainty of the environment.

1.6.2 Weakness These are the factors of incapability of the organization which detract the value of the organization offer or place the organization at a competitive disadvantage bplans (2014). It is an internal deficiency that creates a competitive vulnerability in the organizational environment. An organization should make analysis on what it lacks like technology, expertise, or skills required in production

1.6.3 Opportunities These are external attractive factors which indicate the prosperity in the organizational business. bplans (2014) It facilitate

improvements or overlooked needs that supports demand for a product or service and permit the organization to enhance its competitive position. The organization should always strive to maintain the continuity of opportunities so as to balance its competitive capability.

1.6.4 Threat These are the external forces that an organization cannot be able to control, they can be barriers, or anything that might inflict problems, damages, financial loss, harm or injury to the organization, bplans (2014) The organization should strive to create contingency plans to address those threats like market price, improved quality of product or service offered, understanding consumer behaviors etc.

NB The strength and opportunities in SWOT analysis are considered to be the internal and external positive factors of the organization while threat and weakness are considered to be the internal and external negative factors of the organization.

1.7 CONCLUSION

Conclusively the organization environment always cannot be static, it is dynamic and forever will be. The uncertainty of the organizational environment will not come to an end till the end of the world and may be forever. As the organizations operates in the changing environment and society is always change with it. Technology cannot be the same as days

goes, policies and laws of the countries always amended to cope with the changing environment and needs of the people. Economic condition of the different countries also cannot be stabilized all the time; the global economic crisis cannot be avoided as one county cannot do anything on it. New issues and challenges of leadership styles that are facing the societies cannot be put to an end, the whole society forced to adopt what the environment can bring, the future is unknown to the organizations as no one will be able to control the unstoppable uncertainty of the environment. Ngirwa (2006) commented that, what can be useful to the organizations is for the managers to do environmental analysis, this is basically based on the systematic study of the environmental elements which enable the managers to determine the opportunities and identify the threats to their organizations so that they can be able to assess the impact of the elements and select most optimum course of action.

REFERENCE

1. Armstrong, M. (2009) *Armstrong's Handbook of Human Resource Management Practice*, 11th Ed, Philadelphia, Kogan page Ltd.
2. Boddy, D (2008) *Management: An introduction*, Pearson Education, Harlow
3. Edward, K. (1990) *Understanding Conflict in the labor process: the logic & anatomy of struggle, in labor process theory*, Macmillan, London
4. Hazlitt, H. (1964) *What you should know about inflation*, Canada, D.van No strand Company
5. Makinen, G. (2003) *Inflation: causes, costs and current status*. Report for congress Code (30344), CRS Web
6. Ngirwa, C. (2006) *Human Resource Management in Africa Work Organizations*, National Printing, Dar es Salaam
7. N.B.S. (2011) *Tanzania inflation rises to 13.5 pct y/y in Dec*, National Bureau of Statistics, Government printers, Dares salaam.
8. Paul, J. (2005). *A glossary of political economy terms*, Haley Center, Auburn
9. Robbins, S & Coulter, M. (2007) *Management*, University of West Alabama, prentice hall.inc
10. Sharma, K.C., (2007) "Global Trends in New Public Management" in *Administrative Change*, Vol. xxxiv no 2 & xxxv no 1
11. Tucker, L. (2007). *Hot topics: legal issues in plain language*, State Library, New South Wales
12. Turner, M & Hulme, D (1997) *Governance, Administration and Development*, Palgrave Macmillan
13. URT (2005) *Towards an effective delivery of public service in Africa*, Report of the 28th Roundtable conference on the African

Association for public Administration and management (AAPAM) Arusha Tanzania.

14. Welch, p. & Welch, G (1998). *Economics: theory and practice*, 8th Ed, New York, Dryden press
15. Warioba, L & Gibai, E (2003). *Public Policy, Training Manual*. Mzumbe, Research and publication, Morogoro

INTERNET SOURCES;

1. Concise oxford dictionary (10 editions)
2. <http://articles.bplans.com/how-to-perform-swot-analysis/> accessed on 25th July 2014
3. <http://www.businessdictionary.com/definition/organization.html>) accessed on 25th July 2014
4. <http://www.investorwords.com/1420/deregulation.html#ixzz103QmsjoH> accessed on 25th 2014.