

CPSP

**CERTIFIED PROCUREMENT AND SUPPLY
PROFESSIONAL OF KENYA**

PART 1

**ORGANIZATIONAL
ENVIRONMENT**

STUDY TEXT

PL1.01 ORGANISATIONAL ENVIRONMENT

PL1.01.1 Introduction

This module is intended to equip the trainee with knowledge, skills and attitude necessary to understand the organization environment and its impact on procurement and supply

PL1.01.2 General objectives

At the end of this module the trainee should be able to:

- a) Demonstrate an understanding of the organizational environment
- b) Recognize the foundations of organizational environment and organization behaviour
- c) Understand the types of organization and purchasing structures
- d) Understand the types of markets, market theories and their implications on organizations
- e) Understand organization's stakeholders and their needs in view of the dynamisms in the environment
- f) Demonstrate an understanding of internal and external environmental analysis

PL1.1.01 Overview of the organizational environment

Competence

The trainee should have the ability to demonstrate an understanding of the organizational environment in procurement and supply.

Content

Theory

1. Definition of terms used in organizational environment
2. 2.factors influencing the organizational environment
3. Internal environment
4. External environment
 - i. General environment
 - ii. Task environment
5. Importance of understanding the environment

Practice

1. Discussion of the internal and external environment in a given case

PL1.1.02 Foundations of organizational environment

Competence

The trainee should have the ability to identify key elements of organizational environment

Content

Theory

1. Organizational environment theories
2. Types of organizational environments
3. Dimensions of organizational environment

Practice

1. Discussion of the types of organizational environments.

PL1.1.03 Organizational behaviour

Competence

The trainee should have the ability to apply organizational behaviour concepts in the course of the duty

Content

Theory

1. Definition of others used in organizational behaviour
2. Fundamental concepts of organizational behaviour
3. Understanding human behaviour
4. Managing the human behaviour
5. Goals of organizational behaviour
6. Key forces affecting nature of organizations
 - i. Technology
 - ii. People
 - iii. Structures
 - iv. environment
7. Models of organizational behaviour

Practice

1. Discuss the forces affecting the nature or organizations

PL1.104 Types of organizations

Competence

The trainee should be able to demonstrate an understanding of the types of organizations from various perspectives.

Content

Theory

1. Types of organizations with respect to
 - i. Ownership
 - ii. Type of business
 - iii. Business sector

Practice

1. Discuss the types of organizations.

PL1.1.05 The purchasing organization and structures

Competence

The trainee should have the ability to compare and contrast a range of functional models of purchasing

Content

Theory

1. Functional models for purchasing
2. Organizational structures for a purchasing function
3. Roles and responsibilities of the various units within purchasing function
4. Merits and demerits of consortium buying
5. Purchasing as an internal service provider
6. Organizational complexity

Practice

1. Draw various functional organizational models for a purchasing organization

PL1.1.06 Types of markets and market theories

Competence

The trainee should have the ability to differentiate the various types of markets and apply market theories at work place.

Content

Theory

1. Definition of markets
2. Types of markets:
 - i. Perfect competition
 - ii. Imperfect competition
3. Market theories
4. Impact of market competition in procurement and supply

Practice

1. Analysis of the types of markets and their structures

PL1.1.07 Understanding the organization's stakeholders and their needs

Competence

The trainee should have the ability to demonstrate an understanding of the organization's stakeholders and their needs

Content

Theory

1. Organization's stakeholders
2. stakeholder needs and their importance
3. Sources of customer feedback
4. Stakeholders relationship management

Practice

1. Discussion of stakeholders in an organization

PL1.1.08 Environmental analysis

Competence

The trainee should have the ability to analyze the environment using various environmental analysis tools.

Content

Theory

1. Definition of internal and external environment

2. Key dimensions of an environmental analysis
3. Michael porter's five forces model as a dimension of environmental analysis
4. PESTEL approach and SWIT analysis

Practice

1. Discussion of the analytical tools used in environmental analysis

PL1.1.09 Emerging issues and trends in organizational environment

Competence

The trainee should have the ability to cope with the emerging issues and trends in the organizational environment

Content

Theory

1. Emerging issues and trends in the organizational environment
2. Challenges and opportunities posed by the emerging issues and trends in organizational environment
3. Coping with or adopting to the emerging issues and trends in organizational environment

Practice

1. Discussion of the challenges and opportunities posed by the emerging issues trends in an organizational environment

CONTENT

TOPICS	PAGE
Topic 1: Overview of the organizational environment	8
Topic 2: Foundations of organizational environment.....	20
Topic 3: Organizational behaviour	34
Topic 4: Types of organizations	52
Topic 5: The purchasing organization and structures.....	60
Topic 6: Types of markets and market theories	76
Topic 7: Understanding the organization's stakeholders and their needs	81
Topic 8: Environmental analysis	92
Topic 9: Emerging issues and trends in organizational environment	102

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TOPIC 1

OVERVIEW OF THE ORGANIZATIONAL ENVIRONMENT

DEFINITION OF TERMS USED IN ORGANIZATIONAL ENVIRONMENT

Definition of Environment:

"An organizations environment is defined as all the elements existing outside the boundary of the organization that have the potential to affect all or part of the organization

Definition of Organizational Environment

Why are organizations affected by their environments? In order to answer this question, let's look at two very different organizations: Basic Bolt Company and Terrific Technologies.

Basic Bolt Company sells bolts to large manufacturing companies as components to make large machines and engines. They face a relatively static environment with few changing environmental forces. Currently, there are no new competitors in their market, few new technologies being discovered, and little to no activity from outside groups that might influence the organization.

Opposite from this, Terrific Technologies is an Internet marketing start up that faces a dynamic environment with rapidly changing regulations from the government, new competitors constantly entering the market, and constantly shifting consumer preferences.

These two companies have very different organizational environments. **Organizational environments** are composed of *forces or institutions surrounding an organization that affect performance, operations, and resources*. It includes all of the elements that exist outside of the organization's boundaries and have the potential to affect a portion or all of the organization. Examples include government regulatory agencies, competitors, customers, suppliers, and pressure from the public.

To manage the organization effectively, managers need to properly understand the environment. Scholars have divided environmental factors into two parts: internal and external environments.

Internal Environment

An organization's **internal environment** consists of *the entities, conditions, events, and factors within the organization that influence choices and activities* - especially in employee behavior. It exposes the strengths and weaknesses found within the organization. Factors that are frequently considered part of the internal environment include the organization's culture, mission statement, and leadership styles.

The internal environment of Basic Bolt Company is very different from Terrific Technologies. Basic Bolt Company's leadership is results- and deadline-driven, distant, detached, and generally unconcerned about their employees' welfare or morale. Their employees are not especially dedicated to the company and are happy to leave if the opportunity arises.

Terrific Technologies' leadership style is extremely hands-on using a high degree of creativity, ingenuity, and imagination in solving organizational problems. Their managers are concerned about employee moral and welfare and go above and beyond what is necessary to make their employees feel valued and important. Their employees are very loyal to the company and are typically happy with their jobs.

External Environment

An organization's **external environment** consists of the entities, conditions, events, and factors surrounding the organization that influence choices and activities and determine its opportunities and threats. It is also called an operating environment. Examples of factors affecting an organization's external environment include customers, public opinion, economic conditions, government regulations, and competition.

The external environment of the Basic Bolt Company and Terrific Technologies will be different as well, but a few external factors will potentially affect both companies. Basic Bolt Company's customers will have very different wants and needs compared to Terrific Technologies' clientele, but both will want a superior product or service at the lowest possible price. Both companies will face governmental regulations, but they will likely be different laws and legislation. The condition of the economy will also affect both companies.

TOPIC 3

ORGANIZATIONAL BEHAVIOUR

Organizational Behavior (OB) is the study and application of knowledge about how people, individuals, and groups act in organizations. It does this by taking a *system approach*. That is, it interprets people-organization relationships in terms of the whole person, whole group, whole organization, and whole social system. Its purpose is to build better relationships by achieving human objectives, organizational objectives, and social objectives.

Elements of Organizational Behavior

The organization's base rests on management's philosophy, values, vision and goals. This in turn drives the organizational culture which is composed of the formal organization, informal organization, and the social environment. The culture determines the type of leadership, communication, and group dynamics within the organization. The workers perceive this as the quality of work life which directs their degree of motivation. The final outcomes are performance, individual satisfaction, and personal growth and development. All these elements combine to build the model or framework that the organization operates from

The discipline of Organizational Behavior encompasses three broad areas:

1. The Behavior of People in Organizations

OB draws on psychology, anthropology and sociology to gain insight into the behavior of individuals in organizational settings. Topics studied include:

- perception, cognition, learning
- personality and motivation
- leadership, power, conformity, communication
- decision making

1. Organizational Structure

Organizations consist of people organized to achieve organizational goals (like manufacture cars). One of the most important strategic elements of an organization is its structure: how the people are arranged so as to produce what the organization produces.

Topics include:

- Task identification and division of labor
- Departmentation
- Coordination and control mechanisms
- Processes and procedures, such as promotion, hiring policies, compensation
- Organizational form (e.g., bureaucracy)
- Size
- Centralization of decision-making
- The relationships among these variables

2. Behavior of organizations

Just as we can study the interactions of individuals with the organization and with each other, we can also study the interactions of organizations with their environments, which include individual citizens and other organizations including the government. Some of the behaviors of organizations that we are interested in include:

- Adoption of new practices such as
 - a. Downsizing
 - b. Team-based structure
 - c. Domestic partner benefits (e.g., partners of gay employees get full medical coverage)
 - d. Re-engineering
 - e. Environmental protection ("green" practices)
- Adaptation to changing conditions
 - i. global competition
 - ii. increasing pace of technological change
 - iii. changing social structure (e.g., status of women)

ORGANIZATIONAL ENVIRONMENT

As part of these investigations, we study such things as:

- The position or organizations in the economic food chain (organization A sells to organization B, which sells to organization C and so on): an economy is like an ecosystem, and an organizations position in the economy is their ecological nichethe influence of stakeholders on organizations

Features of Organizational Behavior

Organizational Behavior is the study and application of knowledge about how people, individuals, and groups act in organizations. It does this by taking a system approach.

That is, it interprets people-organization relationships in terms of the whole person, whole group, the whole organization, and whole social system. Its purpose is to build better relationships by achieving human objectives, organizational objectives, and social objectives.

Organizational Behavior is;

- A Separate Field of Study and not a Discipline Only.
- An Interdisciplinary Approach.
- An Applied Science.
- A Normative Science.
- A Humanistic and Optimistic Approach.
- A Total System Approach.

These 6 features or characteristics shows the nature of Organizational Behavior that is the study of understanding and control behavior within the organization.

Objectives of Organizational Behavior

The organizations in which people work have an effect on their thoughts, feelings, and actions. These thoughts, feelings, and actions, in turn, affect the organization itself.

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TOPIC 5

THE PURCHASING ORGANISATION AND STRUCTURE

An **organizational structure** defines how activities such as task allocation, coordination and supervision are directed toward the achievement of **organizational** aims. It can also be considered as the viewing glass or perspective through which individuals see their **organization** and its environment. The typically hierarchical arrangement of lines of authority, communications, rights and duties of an organization. Organizational structure determines how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management.

A structure depends on the organization's objectives and strategy. In a centralized structure, the top layer of management has most of the decision making power and has tight control over departments and divisions.

Organizational design

The manner in which a management achieves the right combination of differentiation and integration of the organization's operations, in response to the level of uncertainty in its external environment.

Differentiation refers to the subdivision of functional or departmental units, each concentrating on a particular aspect of the organization's operations. Integration refers to the linking of differentiated units to achieve unity of effort in working toward organization's goals. In times of high uncertainty, greater organizational effectiveness is achieved through high differentiation coupled with high integration.

FUNCTIONAL MODELS FOR PURCHASING

Purchasing can be either centralized or decentralized by keeping in view the size and requirements of an organisation. These are explained as under:

(a) Centralized purchasing:

Under centralized purchasing, purchases are made at one central point for the whole organisation and material is issued to respective departments or jobs as and when needed. Centralized

ORGANIZATIONAL ENVIRONMENT

purchasing is suitable in cases where the organisation runs one plant. It will bring about economies of purchasing and buying in small lots will be avoided.

It ensures consistent buying policies in future and purchasing powers are concentrated in the hands of one person, the in charge of purchasing department. This type of purchasing is very helpful in quick implementation of decisions regarding purchasing.

It also ensures bulk buying which ensures favourable prices. The staff requirements under this type are limited and specialists in buying may be appointed. Centralised purchasing is further helpful to the vendors since their selling costs are reduced as they can easily co-ordinate and supply goods to a single buyer instead of large number of buyers.

The most important benefit which can be drawn from centralised buying is that it keeps the inventories in control and checks the wasteful investment in materials and equipment etc. thereby ensuring overall economy in purchasing.

Other advantages of this model of purchasing are:

- The service of an efficient, specialized and experienced purchase executive can be obtained.
- Economy in recording and systematic accounting of materials.
- Transportation costs can be reduced through purchase of bulk quantity of materials.
- Centralized purchasing avoids reckless purchases.
- Centralized purchasing discourages duplication of efforts.

Centralized purchasing suffers from certain drawbacks explained below:

1. It has been observed that under this method supply of materials to different departments is delayed. Material requisitions are received from various departments and jobs, and distribution point is one, this leads to delays in sending materials to the respective jobs.
2. There can be misunderstanding between the department requiring the material and the purchasing department which may lead to wrong purchases by the buying department.
3. in case of an organisation where different types of materials are used, centralized purchasing is not suitable, it would be difficult to maintain accounts with regard to purchase and issue of materials.
4. High initial investment has to be made in purchasing.

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TOPIC 7

STAKEHOLDER ANALYSIS

Stakeholder analysis is: the identification of your **organisation's** key **stakeholders**. It's an **assessment** of their interests, needs and expectations. It looks for the ways in which their interests impact an **organisation**. It's important to prioritize key **stakeholders** and employ a strategy to govern the relationship.

Stakeholders are defined as “individuals or organizations who stand to gain or lose from the success or failure of a system”

Goals of stakeholder analysis

Stakeholder analysis serves a dual purpose. Information gleaned from stakeholder analysis is helpful in creating design solutions that are appropriate to the business context. This is important for making sure that user experience design moves in concert with the rest of the company. Secondly, stakeholder analysis helps gain greater acceptance of design solutions. This goal is fulfilled even when it is not possible to fulfill the first goal. For example, consider a redesign of an ecommerce site that has a risk of causing an immediate revenue reduction. Even if there is no way to eliminate the risk of revenue reduction, stakeholder analysis will help the user experience practitioner anticipate what the objections to this project could be and build a business case to show why the redesign is necessary for the long-term growth of revenue. Forewarned is forearmed.

One of the goals of stakeholder analysis is to anticipate reactions to the project, and build into one's plans the actions that will help win support for the project. User experience projects have often had a difficult time winning support from management and development teams. This issue often arises later in the project cycle, by which point stakeholders already have had a chance to stake out their positions.

Our experience is that conducting stakeholder analysis early in the project gives us a chance to anticipate potential objections and take care of them upfront. Stakeholders, when shown the results of a project, are not surprised, and recognize their own input into the project. This personal investment makes them more likely to accept the results.

Steps in stakeholder analysis

A. Identify organizational stakeholders.

Steps in Identifying Stakeholders

Identifying all of a firm's stakeholders can be a daunting task. In fact, as we will note again shortly, a list of stakeholders that is too long actually may reduce the effectiveness of this important tool by overwhelming decision makers with too much information. To simplify the process, we suggest that you start by identifying groups that fall into one of four categories: *organizational*, *capital market*, *product market*, and *social*. Let's take a closer look at this step.

Step 1: Determining Influences on Mission, Vision, and Strategy Formulation.

One way to analyze the importance and roles of the individuals who compose a stakeholder group is to identify the people and teams who should be consulted as strategy is developed or who will play some part in its eventual implementation. These are *organizational stakeholders*, and they include both high-level managers and frontline workers. *Capital-market stakeholders* are groups that affect the availability or cost of capital—shareholders, venture capitalists, banks, and other financial intermediaries. *Product-market stakeholders* include parties with whom the firm shares its industry, including suppliers and customers. Social stakeholders consist broadly of external groups and organizations that may be affected by or exercise influence over firm strategy and performance, such as unions, governments, and activist groups. The next two steps are to determine how various stakeholders are affected by the firm's strategic decisions and the degree of power that various stakeholders wield over the firm's ability to choose a course of action.

Step 2: Determining the Effects of Key Decisions on the Stakeholder.

Step two in stakeholder analysis is to determine the nature of the effect of the firm's strategic decisions on the list of relevant stakeholders. Not all stakeholders are affected equally by strategic decisions. Some effects may be rather mild, and any positive or negative effects may be secondary and of minimal impact. At the other end of the spectrum, some stakeholders bear the brunt of firm decisions, good or bad.

In performing step 1, companies often develop overly broad and unwieldy lists of stakeholders. At this stage, it's critical to determine the stakeholders who are most important

ORGANIZATIONAL ENVIRONMENT

based on how the firm's strategy affects the stakeholders. You must determine which of the groups still on your list have direct or indirect material claims on firm performance or which are potentially adversely affected. For instance, it is easy to see how shareholders are affected by firm strategies—their wealth either increases or decreases in correspondence with the firm's actions. Other parties have economic interests in the firm as well, such as parties the firm interacts with in the marketplace, including suppliers and customers. The effects on other parties may be much more indirect. For instance, governments have an economic interest in firms doing well—they collect tax revenue from them. However, in cities that are well diversified with many employers, a single firm has minimal economic impact on what the government collects. Alternatively, in other areas, individual firms represent a significant contribution to local employment and tax revenue. In those situations, the effect of firm actions on the government would be much greater.

Step 3: Determining Stakeholders' Power and Influence over Decisions.

The third step of a stakeholder analysis is to determine the degree to which a stakeholder group can exercise power and influence over the decisions the firm makes.

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TOPIC 9

EMERGING TRENDS

Globalisation

This should be the obvious answer to the question and might not be as 'strong' of an 'emergency' trend as it used to be, but globalisation diversity has an effect on the way we study and understand how organisations behave.

Technology

This should also be up there on the obvious list as the advancement of technology will automatically change the way that organisations function.

Changing Workforce

It is no secret that employees from 'Baby Boom' are nearing the retirement age and when they do decide to retire, they are going to leave many holes in leadership but some think that the employees that make up 'generation X' and 'millennials' won't be able to fill all the positions left by 'Baby Boomers'

Environmentalism

Organisations are now considering their surrounding when conducting their activities by assessing how they impact the environment. Sustainable methods of operations are the way to go since the organisations acquire raw material from the environment, they also prove to be less expensive in the long run. Environmentalism also helps increase the public's trust with the organisation and avoid expensive fines from regulatory authorities.

Ethical consideration

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