

UDC 658.8:005.7

Nehat Ramadani, PhD<sup>533</sup>

**SHQYRTIM TEORIK I MJEDISIT TË JASHTËM DHE TË  
BRENDSHËM ORGANIZATIV - NJË PERSPEKTIVË  
MARKETINGU**

**ТЕОРЕТСКИ ПРЕГЛЕД НА ВНАТРЕШНАТА И  
НАДВОРЕШНАТА ОРГАНИЗАЦИСКА СРЕДИНА -  
ПЕРСПЕКТИВА НА МАРКЕТИНГ**

**THEORETICAL REVIEW OF INTERNAL AND EXTERNAL  
ORGANISATIONAL ENVIRONMENT- A MARKETING  
PERSPECTIVE**

---

Abstract

*Organisational environment is an important part of the enterprises. This paper analyses different theories of environmental domain being focused on the internal and external organisational environment. Considerations of the external environment are brought through environment uncertainty and the resource dependence theory. Further, the paper analyses the theory over the organizational culture in capacity of an internal factor. All theories are reviewed in the light of the marketing organisational environment. The paper concludes that gaining competitive market advantage, an enterprise needs an active environmental scanning,*

---

<sup>533</sup> Business Administration Faculty  
State University of Tetova

*such as aggressive data collection, associated with market-oriented strategies.*

**Key words:** *Organisation, internal environment, external environment, uncertainty, dependency*

## I. INTRODUCTION

Often is said that the formula for business success is based on two elements; such as the individual and the environment. Business environment is an important part of the organisation and it consists of all those factors that have a bearing on the business. The term 'business environment' implies that those external forces, and institutions are beyond the control of individual business', organizations and their management and can affect the business enterprise as a whole. Considerations of the external environment are a key aspect of organizational design according to several theories, including how organizations cope with conditions of uncertainty, procure external resources, and compete with other organizations. Companies in a highly uncertain environment must prioritize adaptability over a more rigid and functional strategy while companies in a mature market with limited variability and uncertainty should pursue more structure.

Moreover, Marketing according to the traditional view, focuses on external customers, rather than paying attention to the organisation's employees as "internal" customers. However, internal marketing is a competitive asset of developing a sustainable advantage in the marketplace through using a "marketing-like approach directed at motivating employees for implementing and integrating organisational strategies towards customer orientation". Internal marketing is an important part of organisational development and change, moreover, if there is an absence of internal marketing in the given firm management may face with resistant staff toward change processes and adaptation. Thus, applying internal marketing, an organisation can be able to develop an atmosphere and environment in which workers are appreciated and susceptible to improve

business performance and generate long term competitive advantage through the creation of strong organisational cultures.<sup>534</sup>

Some of the environmental models sometimes miss the change of focus that has developed from the externally oriented view because they were perhaps focusing too much on internal resources. Old models seem to put the organisation of interest in focus and thus, neglecting the importance of the environment. More recent models instead emphasise the major role that the environment has. Due to the development of blurring of organisational-environmental boundaries, classical models become obsolete, since they assume that there are clearly distinguishable boundaries between the company and its environment. Modern models try to melt these classical boundaries.

This paper will take into considerations targeted internal and external factors critical for a successful organisational operation from marketing point of view.

## II. THEORETICAL REVIEW

The paper will firstly focus on internal organisational values, thoroughly elaborating the cultural organisational environment and then it bring in review the external environmental theories.

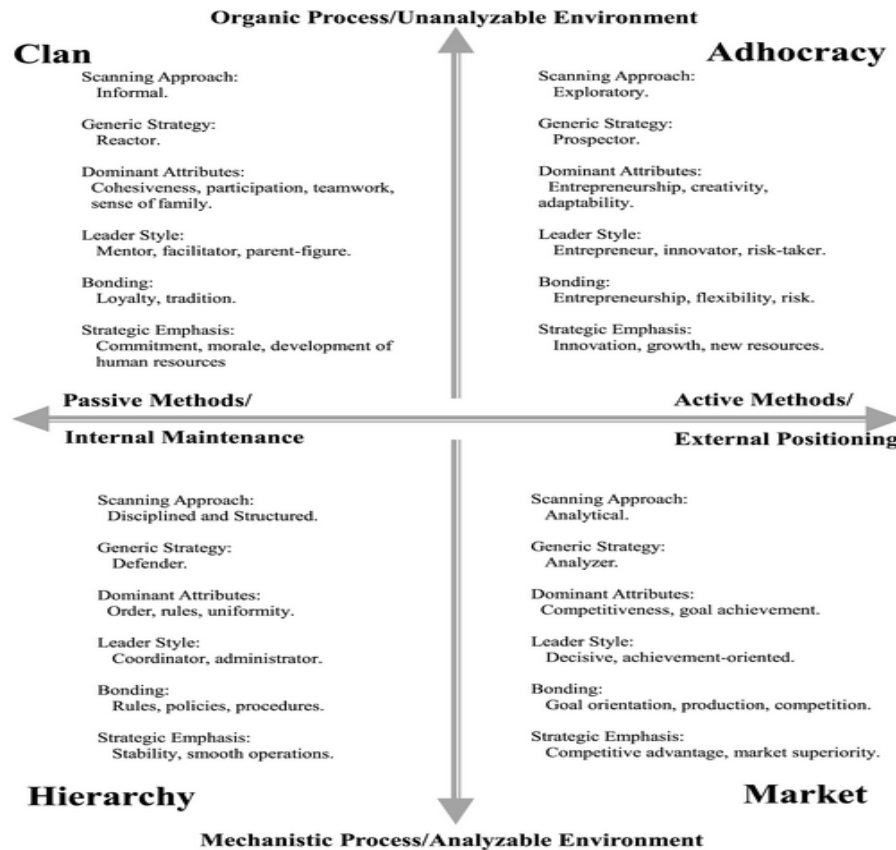
### 1. Cultural Organisational Environment

Organisational culture involves all organisational members. It originates and develops at all hierarchical levels. Basically, the organisational culture is the personality of the organisation. There are many definitions of organisational culture, and one of them is: a consistent way in which people perform tasks, solve problems, resolve conflicts, treat customers, and treat employees. Deshpande et al have drawn a model of organisational culture in form of a matrix.

---

<sup>534</sup> János Fojtik Internal Marketing Orientation in Cultural Change Management for Organisation Development; MEB 2008 – 6th International Conference on Management, Enterprise and Benchmarking May 30-31, 2008 Budapest, Hungary

The vertical axis is the organic to mechanistic process continuum, while the horizontal axis is the continuum between internal maintenance and external positioning.<sup>535</sup>



*Figure 1 Saxby C L et al, 2002; Enhanced model of culture, strategy and scanning modes.*<sup>536</sup>

These key dimensions are based on two significant theoretical positions; the first is system-structural view from the organisational behaviour literature, which Van de Ven talks about,<sup>537</sup> and the second is from transaction costs economics perspective, which is

<sup>535</sup> Hatch M J & Schultz M, 1997, p 359

<sup>536</sup> Saxby C L et al, 2002, p. 34

<sup>537</sup> Van de Ven A H, 1976, p. 25

mentioned by Williamson. Ruekert also support the merge of the two positions, and this combination shows that the weaknesses of each are offset by strengths of the other. Later on, this model is extended by Hambrick by associating environmental scanning mechanisms to each organisational culture type and by linking culture type and environmental scanning method to the Miles and Snow generic strategy.

### **1.1. Organic versus mechanistic process and analysable versus un-analysable environment**

An organic process refers to a flexible organisation with a free-flowing approach to management. Employee tasks are achieved usually through team approaches. The organisational hierarchy is less authoritative, as Daft says; the rules are fewer, seldom written, and frequently ignored even if the rules are recorded. Communication lines tend to be horizontal as knowledge and task control can originate anywhere in the organisation. The opposite of organic process is the mechanistic. Here management tends to be rigid and highly centralised, with many layers and bureaucracy, and decisions are made at the top management level. Rules and procedures are written, formalised, and closely followed. The lines of authority are clear. Communication channels are vertical, as required for top management decision-making. When it comes to the analysability of the environment, Daft states that an organic process becomes more appropriate when the environment becomes more un-analysable. Correspondingly, the more stable or analysable the environment, the more appropriate the mechanistic process becomes.<sup>538</sup>

### **1.2. Internal maintenance versus external positioning and active versus passive methods**

The effectiveness of internal organisational health and efficiency characterises the internal maintenance approach. The goals of an internally focused organisation include smooth internal

---

<sup>538</sup> Saxby C L et al., 2002, p. 30

operations evidenced by high productivity. Departmental activities mesh. Moreover, Daft asserts economic efficiency in this approach, meaning the output divided by input. For example, the number of units sold divided by the number of sales personnel could measure economic efficiency.<sup>539</sup>

The opposite of the previous approach is the external positioning, which mostly deals with competition and differentiation as Deshpande et al argue. Daft alleges that productivity and profit are primary goals. He also says that sub-goals are intended to help the organisation achieve its primary goals in a rational way. Such sub-goals include internal planning and goal setting.

Active scanning, such as aggressive data collection or development, is associated with market-oriented strategies (prospector, analyser). Passive scanning, which involves little or no actual scanning, but rather an informal monitoring of the environment, is more often associated with internally focused strategies (defender, reactor).

### 1.3. The organisational culture types model

Sharing organic process traits and internal maintenance traits, the Clan quadrant (upper left) describes an organisation that is internally focused and flexible in its management process. Daft claims that one of the major concerns of this type of culture is to provide opportunities for human resource development through autonomy. This culture tends to be more concerned with the group objectives. The market quadrant (lower right) is the opposite of the Clan quadrant. Daft stresses that market cultures tend to be market oriented and structurally controlled. The overriding goals are profits through competitive advantage. This culture is market outcome oriented. Organisations in Adhocracy quadrant (upper right) are flexible and market oriented. Their primary goals are growth and resource acquisition. These goals are accomplished by establishing a fit with the external environment that encourages a good relationship with that environment. Readiness, flexibility, and entrepreneurship are

---

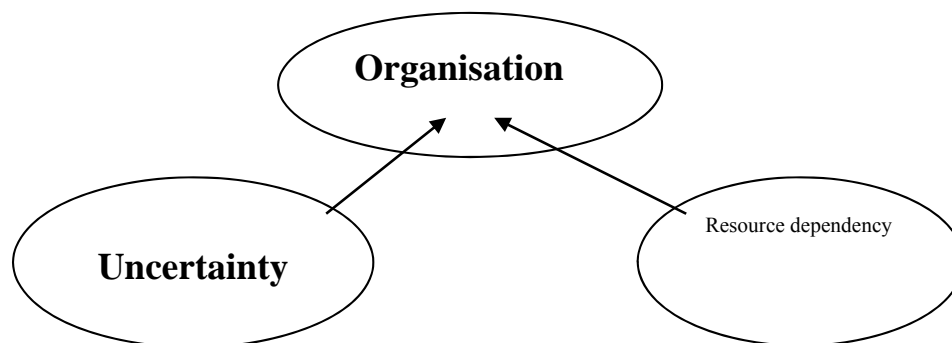
the hallmarks of the Adhocracy culture. Further, Daft argues that Hierarchy is the opposite of the Adhocracy characterised by an analysable environment. The management here is mechanistic and they are internally focused.

All quadrants consist of generic strategy and environmental scanning methods. Weick claims that generic strategy and culture are intertwined. As such, generic strategy should be included as a characteristic of organisational culture. In the other hand, Hambrick states that the environmental scanning is an essential behaviour attribute of culture because scanning provides the first step in a chain that culminates in organisational actions. Therefore, it is clear that an organisation cannot engage in marketing without being aware of the environment. Furthermore, environment drives strategy formulation and assessment of the environment must be conducted.

Thus, strong association can be detected between organizational culture, generic strategy, and the most appropriate environmental scanning approach.

## 2. External environment through uncertainty and resource dependency theory

Increased knowledge of the environment is a basic tool for succeeding in modern marketing. Nowadays, to compete in an environment, information is crucial. Most people agree today that the environment has a great impact on organisations and their strategies.



*Figure 2 External Environment, Nehat Ramadani.*

### 2.1. Uncertainty theory

Steers says that one of the primary functions of effective management is to organise and use the available resources in ways that minimise the impact of environmental threats and pressures on the organisation. On the other hand, Smart and Vertinsky maintain that to maximise long-term effectiveness organisations need to develop the capability not only to cope with daily events in the environment, but also to cope with external events that are both unexpected and of critical importance.

Another important concept of uncertainty is brought from Duncan. He says that in order to define the concepts of environmental uncertainty and the dimensions of the environment, the perception of organisational members is important. When developing these concepts, differences in individual perceptions and tolerance of ambiguity or uncertainty must therefore be taken into account.

Moreover, Duncan says that the external environment consists of relevant social and physical factors from outside the boundaries of the organisation.<sup>540</sup> Furthermore, Leavitt et al referring to environment, concur by stating that organisations both respond to and operate in the context in which they are embedded.

Although the external environment of organisations has been conceptualised in various ways, several important dimensions have been underscored. There are two major dimensions, which will be presented below; stability and complexity.

#### *a) Environmental stability*

Emery and Trist were among the first researchers to speak about the degree of environmental stability. They suggest that the concept of turbulence and its opposite, placidity, are key factors. Turbulence is a measure of change as it occurs in the factors or components of an organisation's environment. Later, Bourgeois et al explaining the stability, state that at one end of a continuum of change there is a static environment of change, meaning placidity or

---



no change. At the other end there is a turbulent or dynamic state where all factors are in constant flux. Thereby, the amount of environmental turbulence is closely related to the degree of uncertainty facing an organisation.

Speaking about the rate of change, Jurkovich<sup>541</sup> suggests that it can be defined by measuring the amount of alteration to major goals in a given period. He says that the higher the change rate in the environment, the higher the number of organisational goals that must be altered and vice versa.

*b)Environmental complexity*

Duncan mentioned complexity as a critical dimension of the external environment. It refers to the number of factors in the environment that must be taken into consideration by the organisation in a decision-making situation. A definition of complexity comes from Child, “*the heterogeneity and range of activities relevant to organisational operations*”. Moreover, Steers argues that a simple environment is one in which the external factors with which an organisation must deal are few in number and relatively homogeneous.

Speaking of complexity related to needed information system, Smart and Vertinsky assert that a simple environment frees an organisation from the need of sophisticated information systems since there would only be a limited number of information categories to be monitored that would be critical for organisational decision-making. When it comes to the complex environments they state that this not only implies a greater demand for complex information systems but also call for higher quality in the information to account for diverse constituencies in the environment.

*c)Integrating the concepts*

Duncan integrated the two dimensions of complexity and stability stating that these two concepts influence the degree of

---

<sup>541</sup> Jurkovich R, p. 386

uncertainty and the more complex and dynamic the environment, the greater the perceived uncertainty for a firm.

Utterback suggests that in dealing with uncertainty environments, peripheral information on changes may be crucial to creative solutions. Changes that could revolutionise a firm's business strategy have a tendency to come from unexpected directions. He strongly asserts that an organisation must adapt to changes in its environment, which are often beyond its control or influence. This requires a degree of flexibility and time for effective response. Moreover, he emphasises the way in which firms gather and analyse information about the environment.

## 2.2. Resource dependence theory

Pfeffer and Salancik mostly developed the resource dependence theory. This theory assumes that the environment controls organisations. However, organisations are not seen as passive participants in the environment and thereby the theories assume that managers can learn how to navigate in the environment, meaning to avoid threats and exploit opportunities. Managers can anticipate sources of influence in the environment and suggest alternatives to offset this influence by creating counter-dependence.

The theory stresses that the organisation is dependent on different external actors, so the organisation's vulnerability to its environment is the result of its need for resources, such as raw materials, labour, capital, equipment, knowledge and outlet for its products. These resources are controlled by the environment, and thus giving power to the environment. The environment uses this power to make demands on the organisation for such things as competitive prices, desirable products and services, and efficient organisational structures and processes. However, organisations do not have a single dependency on one single actor in the environment. In reality there is an undifferentiated dependency. This means that it is a complex set of dependencies that exists between the organisation and specific elements in the environment

Inputs have to be evaluated on their criticality and their scarcity. A resource, which is scarce, is more likely to create a dependency than a resource that is not scarce. Criticality is how important the resource is to the organisation's functionality.

There are also output dependencies, as mentioned earlier, and marketing, meaning sales, advertising, and distribution manage those dependencies.

## CONCLUSIONS

In order organizations to be successful in their daily operations including its marketing activities such as customer services, competition as well as market expansion, they should be flexible organization with a free-flowing approach to management. Organizations should take into considerations the external and internal factors, which are continuously changing under a dynamic competitive environment.

In order to gain from the competitive advantage, active scanning, such as aggressive data collection or development, should be associated with market-oriented strategies. One of the primary functions of effective management is to organize and use the available resources in ways that minimize the impact of environmental threats and pressures on the organization.

A big organizational challenge is the environmental uncertainty. Hence, the perception of organizational members is important in overcoming this phenomenon. Uncertainty is seen through a concept of turbulence and its opposite, placidity, to be the key factors. Turbulence is a measure of change as it occurs in the factors or components of an organization's environment

Another conclusion of this paper is the resource dependence theory, which assumes that the environment controls organizations. However, organizations are not seen as passive participants in the environment and thereby the theories assume that managers can

learn how to navigate in the environment, meaning to avoid threats and exploit opportunities.

### BIBLIOGRAPHY

✓ János Fojtik Internal Marketing Orientation in Cultural Change Management for Organisation Development; MEB 2008 – 6th International Conference on Management, Enterprise and Benchmarking May 30-31, 2008 Budapest, Hungary

✓ Hatch M J & Schultz M, “Relations between organizational culture, identity and image”, *European Journal of Marketing*, 1997, vol. 31, no. 5, p. 356-365

✓ Saxby C L, Parker K R, Nitse P S & Dishman P L, “Environmental scanning and organizational culture”, *Marketing Intelligence & Planning*, 2002, vol. 20, no. 1, p. 28-34

✓ Van de Ven A H, “On the nature, formation, and maintenance of relations among organizations”, *The Academy of Management Review*, 1976, vol. 1, no. 4, p. 24-36

✓ Jurkovich R, “A core typology of organizational environments”, *Administrative Science Quarterly*, vol. 19, no. 3, p. 380-394