

The Nexus Between Organization and Its Environment, Using a Stakeholder's Approach to Business Organization: A Theoretical Perspective

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Abstract

Organization effectiveness depends on the interaction with the environment. No organization can isolate itself from the environment because it forms an integral part of the system. Implicitly it is a subsystem contributing to the efficiency and development of the environmental system. Aside from the fact that it is a subsystem, it will be disastrous to have an insignificant relationship between the organization and other elements in the entire environment. The success of any profitable and socially responsible organization is to create a favorable, friendly and successful relationship with the environment.

This paper illuminates some of the stakeholders and the need to have a nexus between the organization and the stakeholders in order to achieve the stated objectives.

Secondary method of collecting data which includes the use of journals and other related literature materials were used. Having clarified the need for nexus between the organization and its stakeholders using stakeholders approach, the researchers recommended that the study should be empirically tested. More so, the dynamism of the environment calls for the dynamic and ever progressive nature of the organization.

Key words: Organizations; Environment; Stakeholders; Business organizations

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INTRODUCTION

'The customer is king' is a traditional business maxim and, according to this, everything that an organization does should be geared towards satisfying the needs of its customers. However, the initial question is 'should business organizations have responsibilities to the public in general? The question is becoming increasingly important, as business organizations have never before being subjected to such initial assessment from those who are quick to identify the harmful side effects of their activities.

Organizations are set up for the achievement of specified objectives such as profit maximization, growth, expansion, increase in market share etc. Abell, D.F. (2000). However, no organization can exist in vacuum, therefore there is the need for organizations to understand the needs and satisfy them profitably Harrison, J.S. and St.John, C.H. (1998).

Prior to understanding the needs of the target market, it is vital for organization to have cordial and favorable relationship with the target market because the target market is an integral part of the environment. The organization and the target market reside in the environment, therefore a favourable relationship will allow for a effective communication between the organization and the potential target market(s).

Aside from having effective marketing communication, it will also pave way for understanding the needs of the target market and how to effectively channel the marketing mix in time, projecting favourable image of the organization at a profit.

The organization and its environment, using a stakeholder's approach. It is common to describe stakeholders as those organizations and individuals that may not necessarily have any direct dealing with a company, but they are nevertheless affected by its actions (Adrian Palmer and Bob Hartley (2009).

1. MARKETING ENVIRONMENT

Adrian Palmer (2004), defines marketing environment as everything that surrounds an organization's marketing function and can impinge on it. He also defined marketing environment as individuals, organizations and forces external to the marketing management function of an organization that impinge on the marketing management's ability to develop and maintain successful exchanges with its customers.

Philip Kotler and Gang Armstrong (2006), defined marketing environment as the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationship with target customers.

It is quite obvious, that there is the need for organizations to create and maintain successful

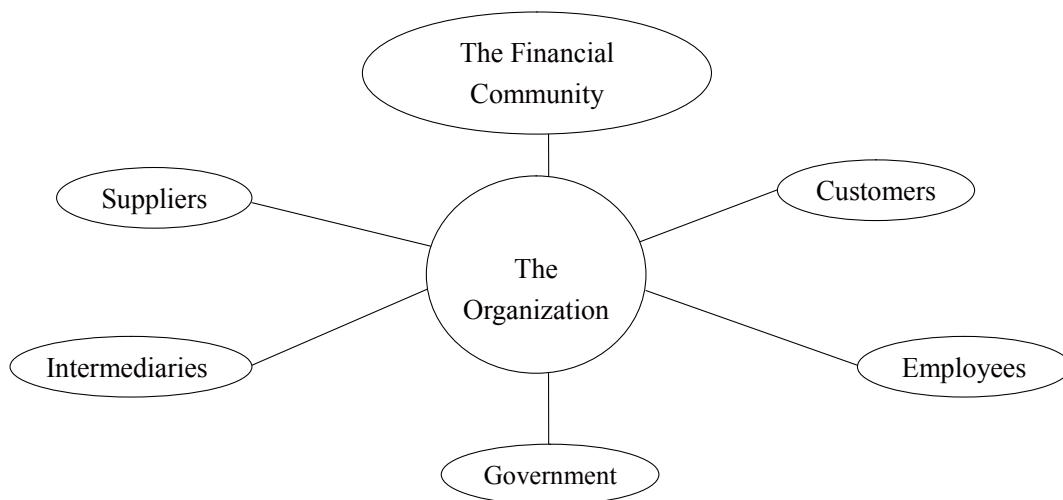
relationship with customers in order to achieve their organization objectives, however, such relationship can be affected by the actors, institutions and forces which constitute the marketing environment.

Suffice to this, successful organizations must understand the vital importance of constantly watching and adapting to the changing environment Glueck, W.F. and Jauch (1984).. Environment is dynamic and rapid, therefore any successful organization operating in any environment must be rapid and dynamic inline with the trends and changes in the environment.

2. THE NEXUS BETWEEN ORGANIZATION AND ITS ENVIRONMENT, USING A STAKEHOLDER'S APPROACH TO BUSINESS ORGANIZATION

There is an argument that an organization has responsibility to the stakeholders, and in turn, a company can be significantly affected by the actions of its stakeholders.

The below diagram shows a stakeholder approach to business organization:



3. THE CUSTOMERS

It is the responsibilities of organizations to provide goods and services that will satisfy long terms and broader needs of the customers. Without the customer, the existence of the organization is meaningless, therefore, it is germane for organizations to systematically study the changing patterns of customers and be able to respond and adjust to the changes in order to satisfy their customers effectively.

Organizations must always consider their customers as a vital component of the environment, and must create a friendship relationship with their customers.

The friendly relationship between the organization and the potential customers can only be strengthen if the

organization constantly study the needs of the customer and respond adequately in satisfying the needs optimally.

However, there are many examples of types of consumer that organizations may prefer not to serve, because they are considered likely to be difficulty to process. Here are some examples:

- Banks may unreasonably decline applications from poorer groups of the population, thereby forcing them into a financial ghetto where they cannot benefit from the good deals that are available to richer groups.

- Disabled consumers often cost more to process than able-bodied consumers, because of the requirement to redesign vehicles, buildings etc. The level of additional demand from disabled consumers may not be sufficient to

justify investment in suitable facilities.

- In each of these cases, organizations must recognize wider social pressures to provide access to disadvantaged people (groups). What may be seen initial as anti-social behavior by an organization is likely, sooner or later, to be translated into government legislation requiring service providers to address there wider social concerns.

4. EMPLOYEES

It used to be thought that customers were not concerned about how their products were made, just so long as the final production lived up to their expectations. This may just have been true for some manufactured goods but probably never was for services where production processes were highly visible. Therefore, a firm that has a reputation for ruthlessly exploiting its employees, or not recognizing the legitimate rights of trades unions may be denigrated in the minds of many buyers. For this reasons, many organizations tend to incorporate the welfares of their employees into consideration. More so, some organizations involve their employees in decision making because the employees are value oriented, and a subsystem of the system as a whole.

In view of the significant reputation attached to the image and personalities of employees in producing and rendering efficient and effective performance, it is vital to create a favourable relationship with the employees.

At times, firms often go away beyond satisfying the basic legal requirements of employees. For some business, getting an adequate supply of competent workers is the main constraint on growth, and it would be in their interest to promote good employment practices. In order to encourage staff retention, organizations have offered attractive packages of benefits and sponsoring events that promote a caring image.

5. GOVERNMENT

Government regulates rules and regulations in the environment. At times, governments also serve as facilitator or participant in business activities. Business organizations must consider the role of government because governmental decisions can make or send organizations out of business. It is also necessary to say that organizations provide government with taxation revenue, so a healthy business sector is in the interest of government.

As regulators impact on many aspects of business activities, companies often got to great lengths in seeking favorable responses from agencies.

6. SUPPLIERS

Suppliers can sometimes be critical to business success.

This often occurs where vital inputs are in scarce supply or it is critical that suppliers are delivered to a company on time and in good condition. The way in which an organization places orders for its inputs can have a significant effect on suppliers.

It is necessary to state that suppliers play vital role in the effectiveness of business organizations. They are highly relied on in terms of supplying the good quality of input (raw material and components). It is however noted that the quality of supplies also determines the quality of the products. It is also the responsibility of suppliers to make available at the right time the needed input for effective organizational production. At times, it is necessary to organization not to completely rely on one supplier but spread its wings across many suppliers. This is because the monopoly of a supplier can suddenly raise prices beyond expectation or delay the supply of needed input which may cause doom for the productive organization.

Despite the vital nature of the suppliers, it is necessary and germane for organizations to effectively manage the pool of their suppliers because they serve as parts of the marketing system.

7. THE INTERMEDIARIES

Companies must not ignore the wholesalers, retailers, and agents that may be crucial interfaces between themselves and their final consumer, these intermediaries may share many of the same concerns as customers and need reassurance about the company's capabilities as a supplier that is capable of working with intermediary to supply goods and services in an ethical manner. Many organizations have suffered because they failed to take adequate account of the needs of their intermediaries.

Based on the effectiveness of the intermediaries in making products from the producers to the final consumers, it is important for organizations to incorporate the importance of the intermediaries in their marketing decision making.

8. THE FINANCIAL COMMUNITY

The financial community includes financial institutions such as banks, insurance companies, corporative society etc. that have supported, are currently supporting or who may support the organization in the future, shareholders-both private and institutional – form an important element of this community and must bee reassured that the organization is going to achieve its stated objective. It is necessary to say that finance is the bedrock of any successful origination, while those firms that left the industry are insufficient of fund to feed their operations. Many organizations have failed because they refused to incorporate the vital nature of the financial community

when taking strategic decisions. Thompson, J.L. (1997).

CONCLUSION

The word 'organization' does not envelopes the building, walls and activities of the firms but it involves the human resources who combine other resources (material, financial, time etc) in an appropriate form and manner in the most desirable ways in achieving the stated objectives. It is therefore necessary for the organization to look at the environment because it forms an integral part of the environment. It should be noted that the environment is everything that surrounds a system while business organization is seen as a system whose performance is influenced by a whole range of phenomena in its environment. Therefore, for an organization to succeed, there is the need to create and maintain favorable relationship with the various environmental actors which are customers, government, financial community, suppliers, intermediaries, and the employees.

It is hereby concluded that a favourable and successful relationship between the organization and the environmental actors will no doubt help in the actualization of organizational objectives.

RECOMMENDATIONS

Based on the research work, the researchers hereby recommend the following:

- (1) The nexus relationship between organization and its environment should be empirically carried out.
- (2) The environment is dynamic, therefore organizations must be dynamic in nature.
- (3) Organizations must constantly take cross functional decisions relating to the achievement of specified objectives.
- (4) Objectives to be achieved should be clearly stated and defined.
- (5) Organizations should also consider macro environmental factors when taking strategic
- (6) Organizations must constantly read and understand

the mind of their stakeholders.

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