

Organizational Adaptation to Environmental Conditions: Coping with External Pressures

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Abstract

This paper presents a model developed in our research that depicts the level of organizations' resistibility to external pressures and their life chances accordingly. In order to survive, all kinds of organizations, business ones in particular, have to be adapted to the conditions of their external environment. At least three major dimensions determine an organization's chances of survival: First, compatibility of its portfolio of products to the market demands, second, maintaining state of the art production technologies, and third, standing the organization's ground against external pressures and shocks.

While the first two dimensions are characterized by systematic trends, allowing the organization to deploy accordingly, the third one is unpredictable and, therefore, makes it difficult for the focal organization to prepare in advance by means of reorganization. Thus, there is no apparent relationship between the way in which an organization copes with such trends and the way it responds to random shocks such as the 2008 financial crisis, or the 2001, September 11 devastating terror attack, not to mention natural disasters like the 2005 Hurricane Katrina.

As things stand empirically, in an age of changing tastes and preferences, it seems that not all organizations are able to conduct so many changes in either their portfolio of products or in their production technologies in an equal manner. Consequently, business organizations are heterogeneously and constantly in a process of catching-up with the dynamic environment; and there is a cycle in which the level of compatibility to the changing environment is moving up and down according to the frequency of the necessary changes made by every organization.

Organizational responsiveness is largely determined by economic considerations, leading to time-dependent adjustments to the external environment. As an organization is more conservative, the level of adjustment is more volatile exposing that organization to probable damage caused by such random shocks. On the other hand, as an organization is more responsive to the environment, it is more likely to absorb both systematic changes as well as non-systematic changes, namely, external random shocks – both at lower costs.