INTRODUCTION

The only constant in life is change, and business organizations are not different. Environmental uncertainties made transition to knowledge-based economies made establishment of effective CKM mechanisms within companies crucial to business competitiveness. This chapter examines the importance of business environmental conditions in driving an organizational change, viz. CKM. The basic premise of the chapter is that business organizations need to strive to adapt to opportunities as well as challenges brought by constant, complex, rapid, and discontinuous environmental uncertainties. In their quest for SCA, organizations need to leverage their DCCs in scanning environmental drivers for CKM as well as in the crafting a holistic CKM strategy.

CONCEPTUAL FOUNDATIONS

This part of the chapter discusses basic concepts related to organizational environments and the relationship between organizations and their environments. It identifies and explains major types of environments (the general and the task environments), typologies of environmental changes, organizational change programs, and the relationship between environments and organizational effectiveness.
Organizational Environment: The General Environment

Organizations’ environments include external drivers that affect business delivery of products or services, and in turn customer satisfaction. Business external environments are becoming increasingly dynamic, competitive, and complex, carrying with them both challenges and opportunities. Adaptability to environmental conditions is becoming a key prerequisite to survival and success in today’s turbulent environments.

Corporations in the 21st century face unprecedented complex and dynamic business environments, and have developed newly emerging organizational characteristics (Table 2.1). New ways of doing business, coupled with fast paced markets and continuous information generation, require knowledge-based skills to be consistently utilized and improved in order to achieve SCA (Bontis, 2004).

Conducting an analysis of political, economic, social, technological, international, and legal (PESTIL) conditions may identify general environmental conditions that impact a business. Major environmental conditions in today’s marketplace include increased power of customers, growing competition, globalization of business, technological advancements, and government interventions.

The Political-Legal Environment

Government’s role in the economy is beginning to shrink as more markets are being liberalized and many new players are entering into those new markets. Several areas may be controlled by government regulations such as telecommunications, health, safety, employment, wage rates, housing, market entry, and environmental control. Government regulations are usually viewed as constraints on all firms affected as they cost money and make it more difficult for some countries to compete with other countries that lack such regulations. On the other hand, government deregulations, or liberalization of markets, can be a blessing to one firm but a curse to another that loses regulation protection.

The role of governments in the new world economy is very limited, invisible, and often regulatory in nature. Even in developing countries, shrinking role of governments is becoming very noticeable. For instance, for so many years the telecommunications industry has been liberalized in many countries, with the hope for better customer welfare and higher levels of economic performance. As telecommunications networks form a country’s ‘nervous system’, no country can develop and progress in the absence of such a system. The role of telecommunications in economic development is growing in industrial countries, in particular, but in all countries around the world. The developing countries have realized that ‘wealth does not create telephone density, but that telephone density creates wealth’ (Wilson, 2000).
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