Internal and External Drivers of Change

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Overview:
A cursory look at organizations around the globe it is easy to discern change as perhaps the single most common feature among them. Changes come in different forms and smart leaders of organizations continually seek ways to improve strategies and transform their operations to further enhance growth. Two main drivers of change, external or outside causes, and internal or causes from within have identified. The last few decades have witnessed more changes in organizations than any other period in history. Changes may take the form of reengineering business processes, quality restructuring programmes, outsourcing, delayering and downsizing, mergers and acquisitions, change in strategy, and of corporate culture. As constant as change is, however, it is not an easy process and many organizations (estimated between 70% and 90 %) end-up on the losing side after implementing changes.

Roberts pointed out that structures and operations of organizations need to be aligned reflecting the reality of the business environment. Roberts further emphasized the need for holistic changes to be carried out so to avoid unanticipated problems as “…a change in strategy can easily affect industry and bring a reaction that leads to the need for further changes in strategy and organization” (Roberts, J. 2007, p. 282). Equally a change in organization can necessitate design changes in other areas.

In a 2007 research involving 28 organizations, J.S. Oakland and S.J. Tanner found that “successful change focuses on both strategic and operational issues”. The research identified external drivers to be customer requirement, demand from other stakeholders, governments’ regulatory demands, market competition, and shareholders. Internal drivers on the other hand were found to be desire to improve operational efficiency, need to improve product and services, and process improvement. For Child globalization, institutional constraints, technological innovations, advancement in education, hypercompetition, changes in demography, and growth of social movements are the external drivers.

External Drivers of Change:
**Globalization** leads to new markets and demands dynamism among organizations. The opening-up of mainland China to the outside world, for instance, and its subsequent membership on the World Trade Organization created a new environment and brought about dramatic changes for businesses around the world. Companies, both large and small, had to adjust their boundaries and realign themselves to take advantage of the deregulation, the vast market, the cheap but efficient Chinese labour, and mass produced goods.

**Institutional Constraints** include laws, regulations and tariffs by international organizations, governments and pressure from nongovernmental organizations. An example is the issue of global warming and climate change that has led to limits on carbon emission and adoption of measures to ensure proper industrial waste disposal. The concept of “green GDP” is catching on across the globe.

**Technological Innovations** have massively impacted organizations’ structures and operations. This era is constantly referred to as the “information age” due to the easy availability of information that was hitherto unassailable. Communication technology has also witnessed tremendous transformation as organizations can be in constant touch with branches, partners and customers anywhere in the world without huge costs. This has also affected consumers’ choices as they are now better equipped to make informed decisions.

**Hypercompetition** among different organizations has kept management on their toes observing and reacting to every move by rivals. Recent years have seen large scale efforts at innovation, outsourcing, mergers and acquisition amongst others and have become driving forces of structural strategic changes in organizations in a bid to remain viable.

**Advancement in education** has brought about change in large proportion. The high rate of young qualified engineers and IT professionals in India and China has made them favourite destinations of offshore outsourcing. These university educated employees can perform as well as their western counterparts but for about one-tenth of the cost in salaries and other benefits.

**Internal Drivers of Change:**
A case study (Thorburn, L. and Langdale, J. 2003) on Super Alloy Technologies, an Australia manufacturer and exporter of golf clubs highlights some of internal drivers.

**Innovation** led Super Alloy Technologies to produce variations in its designs and a decision to stamp the brands of customers on the club head rather than its own. Super Alloy Tech has implemented numerous changes to its management to enhance its designs including acquiring an integrated mainframe computer system for effective information, record & inventory keeping, reporting and budgeting. In order to increase capacity of production and manufacture more high-tech components they installed a new vacuum furnace.

**Culture** of Super Alloy Technologies does not believe in a one-off change, rather it focuses on continuous changes aimed at high quality products delivery at best possible prices.

The need to improve product and services has also induced change in Super Alloy Technologies. The company hoped to cut cost while at the same time improve quality and better customer service.

**Conclusion:**
Change is inevitable but must be approached carefully through consultation and regular communication to become successful while external support should be sought when necessary. “Change is the law of life. And those who look only to the past or present are certain to miss the future” (John F Kennedy 1963).

**References:**


Thorburn, L. and Langdale, J. (2003) Embracing Change, Case Studies on how Australian Firms use Incremental Innovation to Support Growth (Online)