

# The terms of internal and external environments business essay



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An organisation has both internal and external environment. The external environment includes everything outside the firm that has the potential to affect the organisation. In contrast, the internal environment includes everything inside the firm that will affect the organisation towards success. Corporate culture has considered as the major element for the internal environment and it is very important to competitive advantage. The culture must fit on the demands of the external environment and company strategy to create a high performance organisation. It communicates how people should behave by establishing the values, beliefs, assumptions and norms shared in an organisation and conveyed through actions. Simply stated, corporation culture means “ the way we do things around here.” Hence, corporate culture plays an important role within the organisation to ensure the company success over a long period. (Daft, R. L., 2008)

As we know, different organisations develop a different culture that begins with its founder and leaders. People have a question, that is does the corporate culture really make a difference? The answer is definitely yes and especially in a changing world. According to many studies, under certain circumstances companies with strong cultures are more likely to be successful. (Hill & McShane, 2008) Strong corporate culture is important for an organisation to achieve strategic goal and adapt to changes in the external environment. This might influence the organisational performance too. (Daft, R. L., 2008) Therefore, managers are the soul of an organisation. They are responsible in shaping and emphasize various cultures that can be fit in to motivate the employees so that the mission of the company are easier to attain.

In the 21st century, the market competition becomes stronger. Managers have to face many challenges in managing his or her company. In a changing world, companies have to make changes in order to make profit and attract more customers. Besides, all organisations must interact with today's environment so that it is easier for them to shape their cultures. Not only has that, the managers are now realised that innovative is gradually become the key elements for a successful company. As the 21st century managers, they have to know how to design an innovative culture and organisation. Managing change and innovation have become the center stage in the business world. What is innovation? " Innovation may be defined as exploiting new ideas leading to the creation of a new product, process or service." (Shukla, A., 2009) It is now become a very significant element for an organisation to come out some brand new products or services to satisfy the market and society demand.

Today, the new generation has gradually changing the way they manage within the organization and no longer with the traditional management mode. They are now reinforcing innovation in all directions, especially emphasize in the corporate culture and organisation. They will not only simply to create a culture for an organisation but also need to be strong and innovative so that it is more attractive. The leader of an organisation gives a strong and innovative corporate culture to the employees. The common values and beliefs about how to success should be clarify to the organizational members. However, the most important thing is to make sure everyone agree and clear enough with it so that the daily organisational life is well organized and consistent with company goals. To be innovative,

organisations must go through many types of changes. Moreover, the company must develop improved production technologies, design new products and services to satisfy the consumers, carry out new administrative systems, and upgrade employees' skill. (Daft, R. L., 2008)

If you want your company to be outstanding, the first thing new managers should know is the company should be special from internal to external. It is the innovation! A company with innovative culture and organisation has create a fresh and interesting work environment, hence, the employee will more likely to be bring out more new ideas. The managers are required to create innovative and suitable ideas in order to implement it, which means the organisation must learnt to be ambidextrous. " An ambidextrous approach means incorporating structures and processes that are appropriate for both creative impulse and for the systematic implementation of innovation." (Daft, R. L., 2008) For example, organic organisation that provides decentralised decision authority, flexible structure and greater employee freedom are benefit for the creation and initiation of new ideas.

Frankly, most of the 21st century managers are more prefer to implement organic organisation rather than mechanistic organisation in their company. This is because the decentralisation achieves innovative thinking, teamwork and cooperation. In addition, the moving of a company will become fast and top management can focus on strategic plan. This is better for this century, which allows the employees from top to bottom level to participate in the meeting and bring out new ideas for the company to make products innovative. When people are able to share and then create a new strategic and life for the company, it makes the possibilities to create innovative

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culture in our organisation. Wherefore they say, today the companies have relied on product innovation to drive their business. In the other hand, to invent innovative products need cooperation among the members within an organisation. For instances, companies as Hewlett Packard, Samsung, and Dow have come out with a strategic that is invest in training programs to help spread innovation expertise throughout the enterprise. This practice training may help in develop their internal organization's innovation capabilities too. (James, T., 2007)

Furthermore, to overcome the challenges related to creating an innovative culture and organisation, open innovation has become the new project management of the 21st century. To identify the external source of innovation requires a creative organisation with the right culture, processes and tools to make it happen. For example, Cheryl Perkins is president and founder of innovationedge. She has over 23 years experience directing growth and innovation. She provided leadership to global teams, and oversaw the development of new strategic business opportunities that delivered competitive advantage across key business platforms in mature and emerging market while holding the position of chief innovative officer for Kimberly-Clark corporation. (Open innovation track, 2007) Another example is Google. " By using an open innovation approach, Google issued a call for anyone to develop new software applications for its open-platform Android. The company's Developer Challenge will award a total of \$10 million for the best new application." (Daft, R. L., 2008)

Again, innovation is critical for companies that want to remain competitive in the long term. Although many companies realise its importance, it can be <https://assignbuster.com/the-terms-of-internal-and-external-environments-business-essay/>

difficult to identify the sources of innovation and create an innovative culture. Hence, a good foundation is to build a culture in which every employee and not just the product development team but should be proactively develops ideas. Remember culture not easy to change and it usually take time, so today manager have to be patience to let those organizational members socialize in a new culture. However, some stages can be progress. The managers can work through these stages by build innovative teams, set up an innovative community, introduce innovation from top to bottom level throughout the company and involve partners' innovation. (BNET Editorial, 2007) The stages are useful so that the employees are clear with it and can participate in decision-making. More fresh ideas will pop up while many different people involves in it.

Now there are many companies has successfully driving innovation. Let take Procter & & Gamble Company (P&G) as an example.

“ Consider the case of Procter & Gamble Company. Since A. G. Lafley became chief executive officer in 2000, the leaders of P&G have worked hard to make innovation part of the daily routine and to establish an innovation culture. Lafley and his team preserved the essential part of P&G's research and development capability - world-class technologists who are masters of the core technologies critical to the household and personal-care businesses - while also bringing more P&G employees outside R&D into the innovation game. They sought to create an enterprise-wide social system that would harness the skills and insights of people throughout the company and give them one common focus: the consumer. Without that kind of culture of innovation, a strategy of sustainable organic growth is far more difficult to <https://assignbuster.com/the-terms-of-internal-and-external-environments-business-essay/>

achieve. They form several ways to achieve an innovative culture and organisation.

### “ The Consumer Is Boss”

Procter & Gamble is known for its highly capable and motivated workforce. However, in the early 2000s, our people were not oriented to any common strategic purpose. We had a corporate mission to meaningfully improve the everyday lives of the customers we served. If 15 seconds with a deodorant or two minutes with a disposable diaper have made a small part of your life a little bit better, then we have made a difference.

### Integrating Innovation

we are constantly innovating how we innovate. We keep refining our product-launch model - from idea to prototype, to development, to qualification, to commercialization. P&G had not treated innovation as scalable in the past. We had always invested a great deal in research and development. When I became CEO, we had about 8, 000 R&D people and roughly 4, 000 engineers, all working on innovation. However, we had not integrated these innovation programs with our business strategy, planning, or budgeting process well enough. At least 85 percent of the people in our organization thought they were not working on innovation. We had to redefine our social system to get everybody into the innovation game.

### The Talent Component

P&G used to recruit for values, brains, accomplishment, and leadership. We still look for these qualities, but we also look for agility and flexibility. We <https://assignbuster.com/the-terms-of-internal-and-external-environments-business-essay/>

believe the “ soft” skills of emotional intelligence – fundamental social skills such as self-awareness, self-fulfillment, and empathy – are needed to complement the traditional IQ skills. Some people at Procter & Gamble have struggled with this new approach, but most of our best people have done really well with it. Curiosity, collaboration, and connectedness are easy to talk about but difficult to develop in practice. We have tried to carefully identify and ease out people who are controlling or insecure, who don’t want to share, open up, or learn – who are not curious. And in the process, we have discovered that most of our people are naturally collaborative. We also try to develop people by giving them new stimulation and greater challenges. As they move through their careers, we deliberately increase the complexity of their assignments. That might mean entering a market that is not developed yet or a market with a competitor already firmly established. Whatever the challenge, it stretches them.” (Lafley, A. G., 2008)

Corporate culture can include symbols, stories, heroes, slogans, and ceremonies. It should be aligned with organizational strategy and the needs of the external environment to produce an effective organization. From the case above, P&G Company has created a social system that focused on the customers. They had a corporate mission to improve the daily lives of the customers they served. Hence, they expanded their mission by creating a slogan called “ The consumer is boss”. They know one of the external environments that affect corporate culture is the customer. They put their customers in the first position not just to value the people who make transactions with them, but to gain feedback from them. Listening to them, which means getting feedbacks, is important for them to improve their



services and products. Therefore, as a new manager, he or she should be open-minded and willing to listen to the people and make changes.

Sometimes customers can be part of the innovative team. By analyzing their feedbacks, it might have the possibilities for innovative team members within an organisation to arouse new ideas. The slogan has created to expresses the key corporate culture value that encourages the people to follow. Hence, managers must pay attention to the culture that may help the organizational performance.

This company also integrating innovation by keep making better of their products. In order to bring everybody into innovation the game, the new president of the company expected all P&G employees to understand the role they play in innovation. Their innovation practices are designed for enter into learning, across all their functions, product categories, and geographic locations. Once people understand a particular process, they can be easier to manage a strategic and innovative organisation. Moreover, he set up the social system to support it and to see much more idea that is new. They set business strategic that strongly connected to innovation so that they can survive in today competitive market. They open to ideas from more regions than in past because it helps to generate more ideas that can highly fulfill the needs of consumers. As a 21st century manager, they have to make sure people who work under their company are able to communicate and cooperate across organisational boundaries. This is because a well-organised team, cross-functional nature of teams and clear team accountability are the main factor for a successful team innovation. Moreover, communication

within an organisation is important for them to make commitment on the same direction whereas the company going to focus on.

In addition, the P&G also reinforce on the talent of component. A company wants to be successfully achieving a culture of innovation; the prerequisite is to make sure the entire organisation is unite. They had ease out the people who do not want to share, open up or learn and they found out most of their people are collaborative. They also give new stimulation and greater challenge to develop people. In developing fresh meat like a younger manager or younger employee, they are more open to fresh and innovative thinking. They must have the guts to face any challenge in today strong competitive business world. Once people have succeeded at innovation, the energy in the company will change. It shows that as a new manger, he or she should use an innovative way to build an effective culture within the organisation. The organisation must share the common company goals to make sure they work towards the same direction while attain it. Besides, leaders are the one who encourage people to experiment and take risks to allow the new, special and unique ideas flowing in your organisation. (Lafley, A. G., 2008)

In this century, the rapid development of science and technology has strong competitive ability. As a 21st century manager, he or she has the responsibility to nurture and sustain an innovation spirit and energy in the company where ideas are celebrated. We can conclude that a new manager has to clarify their company's vision and direction, create an environment of open communication, creative thinking and cohesive team. Moreover, they need to be patience, open-minded, acceptance of mistakes, encouragement

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of risk taking and make constant improvement. They are the role model for the people inside the organisation and able to motivate the team members to reach the expectations. Not only that, today manager needs fresh thinking to design a new approach for their company to suit them into an innovative world. This is important for them to design an innovative culture and organisation that motivate the people in creating new products and services to meet the customer demand. Thus, remain most of the old managing skills, thinking, services and production are no longer qualify in this century. Practice an innovative thinking in manages a corporate culture and organisation is effective today. Those responsibilities as stated above are essential for a 21st century manager to avoid the company eliminated from high competitive market and to overcome the challenges that they faced.