

Chapter Sixteen: model answers

Mini case 16(i): Business process reengineering at the State Bank of India

Discussion point

Does the transformational scope of business process reengineering deter most managers from pursuing this approach?

Business process reengineering takes a significant amount of planning and entails huge shifts in resources over a long period of time. Consequently, it has a strategic dimension to the scale of activities that underpin it. This makes it difficult for managers to undertake this form of change without careful consideration and support from a wide range of stakeholders. Nevertheless, it is within the scope of top management in organisations to pursue such a radical change if they determine that it is in the best long-term interests of the organisation. Firstly, though managers would need to be satisfied that the resources and capabilities already exist for affecting change of this nature and that it has the backing and support of leaders within the organisation to see it through to completion. These are critical success factors that need to be in place before an effective business process reengineering programme is initiated. Managers will only be deterred from pursuing this option if any of those critical success factors are missing.

Questions and task

What are the advantages of business process reengineering?

The main advantages associated with business process reengineering relates to improvements across the organisational processes including costs, product quality, efficiency of production and service to customers. It has an emphasis on linking innovation to improvements in business processes to improve the performance of the firm and helps achieve a competitive advantage

What were the key motivating factors behind the implementation of business process reengineering at the State bank of India?

The key motivating factors behind the implementation of business process reengineering at the State Bank of India was:

- to support the strategic shift in emphasis away from back-office duties of managers to one where their input more directly supported the marketing of the range of products and services delivered by the bank to different customer groups;
- to introduce automation for all cash transaction thereby allowing branch managers skills to be deployed elsewhere;
- to shift loan processing work to a specific group of employees (small enterprise credit control) freeing up time for branch staff to concentrate more on marketing the bank's products and services.

What are the main risks associated with business process reengineering?

Business process reengineering must be focused on core activities. If non-core activities are the focus then the desired effect will be diluted and the costs of implementation will outweigh the benefits. This error often stems from inadequate planning and analysis leading to substandard process design. A major risk is that no process improvement or added value to customers is derived from the radical transformation undertaken. Sometimes the

timescale for implementation becomes stretched leading to increasing costs which can undermine the value of the process. However, the most common risk relates to a potential lack of leadership or failure to accept responsibility by key staff engaged in the change process. Leadership should be inclusive meaning that workers across all parts of the organisation need to understand and engage with the rationale for change.

Practitioner: Managing social innovation at the Melting Pot

Discussion point

Are social problems best tackled by public sector agencies?

Some social problems are of a complexity and/or magnitude that only public sector agencies can adequately provide services on an on-going basis to tackle them. For example, the provision of foster care for children necessarily has to have a number of officially recognised and accredited agencies providing the service. However, there are many localised social issues that can and are suited to other forms of organisation for provision of services. For example, in local communities social enterprises may be better positioned to deliver arts and crafts, some educational programmes, social welfare provision, advice and guidance and other civil society activities. Very often the engagement of local people is enhanced by the association with social enterprises comprised of people from their local area with an understanding of community needs and culture.

Questions and task

Define social innovation.

Social innovation refers to new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and creates new social relationships or collaborations. Social Innovation is the generation of new ideas that resolve existing social, cultural, economic and environmental challenges for the benefit of people and the environment.

Give an example of a social innovation.

Grameen Bank is a microfinance organisation and community development bank established in Bangladesh in the 1980's by academic professor Muhammad Yunus. The Grameen Bank makes small loans (known as microcredit or "grameencredit") to the impoverished without requiring collateral. The name Grameen is derived from the word gram which means "rural" or "village" in the Bengali language.

What added value does The Melting Pot deliver to their clients?

The Melting Pot is a social enterprise that aims to stimulate and support social innovation by providing help and support for social innovators. In particular, the organisation provides spaces and services that enable individuals and other organisations to work, connect, learn, meet and hold events.

Mini case 16(ii): IT project failure at the NHS

Discussion point

Are public funded projects always more expensive than ones financed by the private sector?

Many of the public sector projects relate to major infrastructure investments that are complex, time-consuming and expensive. The long range planning involved is an attempt to estimate costs over the length of the project but in many cases changes to the economic environment mean that costs can escalate over the period between the project start date and its completion. It is incumbent on public sector managers to ensure that contracts adequately reflect possible changes to the economic environment but within the scope of the ability of the taxpayer to absorb additional costs. So many public sector contracts and procurement have not been robust enough to cope with change or they have lacked the necessary leadership to see through change. The Edinburgh city tram project is a case in point where all the components of a successful project management were absent leading to huge overrun in costs and a scaled down version of the service being implemented.

Questions and task

What were the main causes of the failure of the proposed NHS computer project?

The main cause of the failure of the NHS computer system was the inability of the Department of Health to manage the project. Also, the project was blighted from the start by changing specifications, technical challenges and problems with suppliers. Many of the leading suppliers of services such as Accenture and BT were unable to fulfill the terms of their contracts. Ultimately, a lack of leadership doomed the project to failure.

Highlight the critical success factors in the successful implementation of change management featuring IT.

A critical success factor in the implementation of change management featuring IT includes ensuring that:

- the correct hardware and software has been selected;
- the systems have been rigorously tested;
- an efficient user documentation system has been developed;
- all staff have received suitable training.

Where does the main responsibility for failure of the NHS computer project lie?

All failures in organisations are the responsibility of management.

Case study: Change management at the BBC

Discussion point

Is an internal market approach to resource allocation appropriate in a public sector organisation?

The internal market was implemented at the BBC with a view to increasing accountability of licence fee payers' money and was an attempt to gain 'best value' for the income that it generated from services it procured. At a time when the licence fee method of funding was under intense pressure, many commentators argued that the increased market oriented operations of the corporation was instrumental in ensuring its continued application. However, there was backlash against the strategy by BBC employees who perceived the internal market as a threat to the creative freedom that drives much of the output of the broadcaster. In particular, the need to 'compete' with colleagues for funding was viewed as an attack on the ethos of the corporation and the collaborative relationships that underpinned innovative and high quality programme making. In essence, the main argument against the introduction of the internal market was that it was an inappropriate and ineffective attempt to introduce free market economics into a public sector

organisation. It is worth noting that in the intervening years since the implementation of the internal market at the BBC, many more public sector organisations such as the NHS, police and local authorities have introduced practices that more closely mirror those seen in the private sector.

Questions and tasks

Explain the concept of Producer Choice.

Producer Choice was designed to create an internal market in programme making resources by separating the purchasing and supply of these resources within the BBC. This meant that the internal purchasing of in-house facilities used to make programmes such as studios, lighting, editing suites and so on, as well as personnel, would be now financially distinct from the cost of providing them from within the organisation. A price would now be put on these facilities so that in-house users and purchasers, in this case the BBC producers, would have greater flexibility and a more accurate and accountable way of budgeting and monitoring the production costs of their programmes. This system offered the BBC an opportunity to compare production costs in-house with those of outside suppliers such that producers could make a choice as to which offered the better value.

Identify the key elements of change management under the Birt regime.

In early 1990 the BBC set out a five year change management plan for restructuring and reorganising the corporation. The key elements of the changes were to cut costs; to re-introduce in-house production capacity; to seek to maximise income from sources other than the licence fee; to investigate opportunities for commercial partnerships and to compete in global markets.

What were the reasons for resistance to change by some BBC staff members.

The main reason for resistance to change from BBC employees was their dislike of the change from a culture characterised by stable employment and clearly defined roles to one where they might have to undertake varying tasks and where employment was much less certain. They resented what they saw as the lessening of career security and the uncertainties presented by the new, more flexible structure, ways of working and employment practices. Resistance also stemmed from the way in which the employees viewed the effect of Producer Choice on their ability to deliver high quality programming. Many saw the introduction of private sector practices as a sign that core activities would be geared towards chasing the highest audience share rather than committing to the BBC mission of delivering programmes that served a broad range of audience tastes.

Chapter questions and tasks

Give a definition of change in an organisational context.

Change in an organisational context refers to methods and/or techniques for initiating and implementing alterations to how the organisation operates in relation to processes, systems, organisational structure or job roles and responsibilities.

Your organisation is setting up a call centre facility 30 kilometres from the present location. It will be staffed by employees who are currently surplus to requirements in their own departments. What reasons for resistance to this change might you encounter and what could you do to address these concerns?

Some typical reasons for resistance may include the disruption to existing work schedules, time, effort and cost of transport to the new facility, changes to working practices, adapting to new surroundings and a new culture.

Management can address these concerns by communicating the reasons for change in an effective manner, highlighting opportunities for career advancement in the new facility, creating training and educational opportunities, ensuring that the new facility is a better quality environment in which to work, and giving inducements to alleviate the transport cost burden such as better and cheaper parking facilities, park and ride, or car sharing schemes.

Give practical examples of the ways in which strategic change can be managed making use of the Kotter and Schlesinger framework of: education and communication; participation and involvement; facilitation and support; negotiation and agreement; manipulation and cooptation; and explicit and implicit coercion.

Students can research examples where each of these elements of Kotter and Schlesinger's framework plays out in organisations.

Research and describe a major IT-enabled project that has resulted in failure due to poor change management.

Between 2001 and 2005, the FBI's Virtual Case File project failed. The Virtual Case File project was part of a larger initiative called Trilogy. Costs overran by 89% or just over \$200M. The project was scheduled for completion after three years but the plug was finally pulled on it after four years of mismanagement and escalating costs with many of the project aims as yet incomplete. The FBI's Trilogy project contained three parts:

1. Upgrading software and hardware for FBI agents
2. Upgrading the FBI's communications network

3. Significantly upgrading the FBI's case management system (Virtual Case File) to enable better access to, and sharing of, case-related information across the FBI

The first two elements of the project were completed almost to specification but the Virtual Case File project experienced major cost and schedule overruns and never achieved its objectives. It is often used as an example of a failed IT project.