Reengineering and Process Innovation

Case Study
Centrelink: A Service Delivery Agency in Australia
Discussion Questions: Centrelink

• How well do you think Centrelink re-engineering has gone so far? Why?
• What factors explain the difficulties that have emerged as the process has gone on?
• Would you have done things differently? In what ways? Why?
• What should Vardon be doing now (at the end of the case) to get Centrelink ready for “contestability”? 
Contrasting Approaches to System Change

Process Innovation/Re-engineering/Divergent Change

Process Improvement/TQM/Convergent Change
(1) Reengineering

• Reengineering is "the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed."

• The goal of reengineering is to reduce work that does not add value.

(Adapted from Michael Hammer and James Champy, Reengineering the Corporation.)
Features of Reengineering

• Its key ideas are: "fundamental," "radical," "dramatic," "processes."

• A reengineered process typically:
  – combines several jobs into one,
  – empowers workers by giving them enhanced decision-making authority,
  – organizes steps in work processes in more natural order,
  – reduces checks and controls,
  – operates in a more decentralized fashion, and
  – focuses on results.

(Adapted from Michael Hammer and James Champy, Reengineering the Corporation.)
Process improvement methods such as Total Quality Management (TQM) involve continuous efforts to make incremental changes in work processes that yield improvements. This entails:

- Identifying the places in the process that create delay, defects or the need for reprocessing.
- Finding the causes of these problems.
- Experimenting with pilot projects intended to improve the process.
- Extending successful experiments throughout the organization.

(Adapted from Steven Cohen and Ronald Brand, *TQM in Government.*)
Key Tenets of Total Quality Management

• The **customer** is the ultimate determinant of quality.

• **Quality should be built into the product early** in the process (upstream) rather than being added later (downstream).

• **Preventing variability** is the key to producing high quality.

• Quality results from **people working within systems**, not from individual efforts.

• Quality requires **continuous improvement** of inputs and processes.

• Quality improvement requires **worker participation** -- managers and workers collaborating without fear and across organizational boundaries.

• Quality improvement requires **total organizational commitment** -- from top executives to line workers, all of whom should be involved.

From James Swiss, “Adapting Total Quality Management to Government.”
<table>
<thead>
<tr>
<th></th>
<th>Improvement</th>
<th>Reengineering</th>
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<tbody>
<tr>
<td><strong>Level of change</strong></td>
<td>Incremental</td>
<td>Radical</td>
</tr>
<tr>
<td><strong>Starting point</strong></td>
<td>Existing process</td>
<td>Clean slate</td>
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<tr>
<td><strong>Frequency of change</strong></td>
<td>One-time/continuous</td>
<td>One-time</td>
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<tr>
<td><strong>Time required</strong></td>
<td>Moderate</td>
<td>Long</td>
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<tr>
<td><strong>Participation</strong></td>
<td>Bottom-up</td>
<td>Top-down</td>
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<tr>
<td><strong>Typical scope</strong></td>
<td>Narrow, within functions</td>
<td>Broad, cross-functional</td>
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<tr>
<td><strong>Risk</strong></td>
<td>Moderate</td>
<td>High</td>
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Change Without Pain? Abrahamson’s Take….

• Carefully paced periods of small, organic changes can avoid the wrenching dislocations of re-engineered solutions, while achieving substantial gains and **dynamic stability**.

• “Dynamic stability” components:
  – **Tinkering** – using small scale innovation
  – **Kludging** – using assets already present, such as skills and existing technology, to create something new
  – **Pacing** – companies that have already engaged in substantial change have to downshift by pacing further advances
Change Without Pain? (2)

• Four operating guidelines:
  – Reward shameless borrowing
  – Appoint a chief memory officer – to take advantage of opportunities and avoid old mistakes
  – Tinker and kludge internally at first
  – Hire generalists