

## **Three additional cases for testing your ability to use Nadler and Tushman's typology of organizational change to classify changes**

In chapter 3 you were invited to test your understanding of Nadler and Tushman's typology of organizational change by identifying the type of change introduced by the Leicester Royal Infirmary, described in case 3.1.

You can test further your understanding of Nadler and Tushman's typology by identifying the changes described in three additional case studies presented here.

### ***Case study 3.2 The BBC***

In the early 1990's, after a long period of stability during which the BBC had developed a reputation for honest reporting and making programmes of outstanding quality, staff believed that the BBC was financially secure and was the best programme maker and broadcaster in the world. But then the world began to change, and the BBC was slow to respond. This case focuses on what John Birt did to rescue the situation.

#### **The situation when John Birt came to the BBC**

When John Birt was appointed director-general, he was surprised to learn that there was little hard information about the BBC's basic business. He described the culture within the BBC as a kind of imperialism, where every regional commander in every part of the corporation acquired a full fleet of facilities, irrespective of need. The result was a vast excess of facilities, and Birt commented: 'We could have covered Wimbledon, the World Cup and a world war, and still have had unused resources to spare.' He also found that staff utilization was low and that in some areas there was between 25 and 50 per cent more staff than necessary. Part of the problem was that facilities, overheads and support services were funded by the centre and not charged to particular programmes. One result of this was that nobody had the slightest idea how much it cost to make a programme.

Before John Birt joined the BBC, it had survived in spite of its inefficiencies because, for a period of 60 years, its income from the licence fee had grown, on average, 4 per cent per annum. But a new political climate heralded change.

#### **Political pressures for change**

It is not unusual for there to be tensions between the UK government and the BBC. In 2020-21 a conservative government pushed for a change to the way the BBC was funded. A similar

tension arose when Margaret Thatcher came to power with an agenda for change that included plans to privatize much of the public sector. Thatcher viewed the BBC as a bloated bureaucracy that was overmanned, inefficient and, therefore, ripe for reform.

The government decided to freeze the licence fee (paid to the BBC by everybody in the UK who owns a radio or TV), in order to force the corporation to become more efficient. Although the licence fee remained constant or was reduced in value over the next decade, costs continued to rise. Thatcher's intention of delivering a 'rude shock' to the BBC did not have the intended immediate impact because Birt's predecessor had begun his term of office with a huge cash surplus, which he spent on funding the growing gap between licence fee income and costs. When this surplus was used up, the BBC started borrowing, until it faced a deficit of £100 million. Birt recognized that this situation could not continue and major changes were required.

### **Technological developments and new market pressures**

The problem was further complicated by a wave of technological developments that threatened to undermine the BBC's traditional ways of working. The biggest challenge came from the development of digital technologies that opened up the possibility of many more channels, better technical quality, video-on-demand and interactivity.

### **Birt's strategy for change**

Birt felt that he had no option other than to introduce radical reforms as quickly as possible in order to ensure the BBC's survival. He introduced 'Producer Choice' and created an internal market that shifted the balance of power away from programme makers to managers and accountants. Departments became cost centres that had to break even, and producers were required to reduce the cost of programme making by using external suppliers whenever they could provide a more cost-effective service than in-house providers.

After you have decided how to classify the type of change introduced by John Birt you might want to reflect on how his approach compares to the way the corporation managed change from 2020/1 onwards when it had to cope with competition from the likes Netflix, Disney, Facebook and YouTube, and when the UK government was, once again, seeking to change the way the corporation was funded.

### **Case study 3.3 Grampian Police**

Members of the public were frustrated because they were finding it difficult to contact Grampian Police. There were over 70 different telephone lines the public could use. Some went to a central switchboard, others directly to various departments or local police stations, many of which were so small that they were not manned on a continuous basis. Consequently, many calls were not answered or were answered by somebody who was not in a position to resolve the caller's problem.

*Grampian Police* (now part of Police Scotland) responded by creating a new state-of-the-art call centre. Operators could use a geographical information system to identify where a caller was calling from and could access a crime information system so that they were instantly aware of criminal activity in that area and the contact details of local officers and those leading current inquiries. The new service was well received, not least because call centre staff were able to deal with many calls in their entirety to the complete satisfaction of the caller.

#### ***Case study 3.4*    **Redesign of the claims settlement process****

Hammer and Champy (1993) describe how a successful insurance company built on the ideas of an employee to reduce costs. The employee noticed that it cost the same per hour to work on a big claim as it did to work on a small claim. This prompted a team of managers to think about introducing a step early in the process that would separate out those claims that would cost a lot to settle (usually those involving a claim for personal injury) and those that would not, and redesigning the process for small claims to cut the time required to settle them. One suggestion for achieving this outcome was to immediately settle any claim for less than a certain amount. Some team members felt that this could encourage fraud and escalate the cost of claims, while others felt that this danger could be managed by only offering immediate settlement to policy holders who had a good no-claims record.

This led to somebody else suggesting that the auto repair shop should be allowed to deal with the claim, thereby eliminating the need for many steps in the existing process. This proposal

was initially dismissed because it was feared that garages might inflate the cost of repairs. However, somebody brought the team back to this idea and suggested that there would be many garages willing to work for modest margins if this enabled them to win more business from the insurance company.

This change not only reduced costs for the insurance company, but it also led to greater customer satisfaction. What customers wanted most was their car back on the road as quickly as possible.