CHAPTER 11

CONCLUSION

11.1 SUMMARY OF THE PROBLEM STATEMENT

As discussed in chapter 1, the objectives of this dissertation were to obtain an understanding of the term “business process reengineering” and to establish whether and how this concept could be implemented in the short-term insurance industry in South Africa.

The first problem of obtaining an understanding of the term “business process reengineering” was addressed through:
- Chapter 2 that defined BPR; and
- Chapter 3 that explained the principles of BPR by discussing the differences between a traditional business and a reengineered business.

The second problem, whether BPR could be implemented in the short-term insurance industry was addressed in chapter 4.

The following chapters addressed the third problem, namely how should BPR be implemented in the short-term insurance industry:
- Chapter 5 provides a summary of the implementation process and the importance of ongoing evaluation;
- Chapter 6 discussed the planning stage;
- Chapter 7 discussed the pre-study stage;
- Chapter 8 and 9 discussed the execution stage, including the role of IT during the execution stage; and
- Chapter 10 provided a practical guideline on how specific aspects should be applied in the short-term insurance business.

The following paragraphs will provide a summary of the solutions and results of each of the discussions from these problem statements.

11.2 DEFINITION OF BUSINESS PROCESS REENGINEERING

Based on the research performed, a summarised definition of business process reengineering that include all the different aspects, is:

“Business process reengineering is the fundamental analysis and radical re-design of every process and activity pertaining to a business – business practices, management systems, job definitions, organisational structures and beliefs and behaviours. The goal is dramatic performance improvements to meet contemporary requirements – and IT is seen as a key enabler in this process” (Du Plessis, 1994:39–42).

From this definition, it is clear that BPR is not identical to the implementation of IT systems or restructuring that involves retrenchments, as very often believed by so many businessmen.

The most important principles of BPR include:
- BPR changes the **beliefs and behaviours** of employees to place significant emphasis on the **importance of customer service**. Profitability will only improve once customers are satisfied with the service levels. BPR also points out that customers do not only include the traditional customers, but every person dealing with a certain aspect within the business;

- BPR converts **departments into processes** where work is performed by teams. The principle of involving staff in a process instead of a single task will result in staff being interested in the end-result, which involves customer satisfaction. That also means that employees will perform complex jobs within simple processes. Working in teams significantly improves communication within the organisation;

- BPR strongly recommends that teams are structured in such a way that there will only be **one customer contact** to ensure quality customer service and facilitate easy interface with the business;

- BPR changes the **organisational structure** into one where titles are unimportant and where non-value added tasks, which are normally performed by middle management, are eliminated. Processes owners are leading the teams within each process to ensure effective co-operation of team members; and

- BPR changes the **remuneration structure** by evaluating staff members on the performance indicators particular to their job within the team as well as the overall performance of the team. In order to evaluate these performance indicators, management systems that provide this information is critical to the success of BPR.

### 11.3 THE POSSIBILITY OF IMPLEMENTING BPR IN THE SHORT-TERM INSURANCE INDUSTRY

As discussed in chapter 4, in order to establish whether BPR can also be implemented in the short-term insurance industry, it was necessary to compare the short-term insurance
industry with other industries in which BPR was implemented successfully. Such industries included the manufacturing and distribution industries.

By reviewing the similarities and differences between the manufacturing/distribution industries and the short-term insurance industry, numerous similarities were identified, which was an indication that BPR principles could be applied to the short-term insurance industry.

However, some differences were also identified, which means that certain principles should be applied in a different way. These differences were investigated in chapter 10 and will be summarised in paragraph 11.5.

Secondly, the principles of BPR as discussed and summarised in paragraph 11.2 were also analysed and application of them in the short-term insurance industry were considered. These principles are sound business principles that could be implemented in any business, including the short-term insurance industry.

From the research performed, it was clear that BPR could be implemented in the short-term insurance industry. The aspects that will differ from other industries were investigated and will be summarised in paragraph 11.5.

11.4 HOW BPR SHOULD BE IMPLEMENTED IN THE SHORT-TERM INSURANCE INDUSTRY

The implementation of BPR in the short-term insurance industry and in other organisations should include the following stages:

- **Planning stage**, which includes the following steps:
  - Formulating a strategy;
• Consider when to reengineer and what processes to reengineer;
• Define the mission and the scope of the project;
• Define the methodology of the project;
• Define the role players in the project;
• Plan the different project stages; and
• Consider whether tools will be utilised to assist the BPR team with the project.

- **Pre-study stage**, which includes the following steps:
  • Identify customers and understand their requirements;
  • Understand the company’s value propositions;
  • Divide customers into segments;
  • Understand the impact of external markets and competitors; and
  • Understand the current core processes and support functions.

- **Execution stage**, which includes the following steps:
  • Perform benchmarking to consider what is available in the marketplace;
  • Design and map options and alternatives for core functions;
  • Reengineer the support functions;
  • Perform a gap analysis and select the best alternative;
  • Develop a change management plan;
  • Implement the selected alternatives;
  • Measure the performance; and
  • Implement procedures for continuous improvement.

Included in the execution stage should be the implementation of new or changes in current IT systems, which should be a combined effort with the designing of options and alternatives in terms of business processes. It is important to realise that processes should first be improved before software are designed or selected and installed to automate certain processes (Bartholomew, 2001). Although the
implementation of IT should not drive BPR, it is seen as a key enabler to BPR. The implementation of an IT system should include the following steps:

- IT strategies should be aligned with business strategies;
- Assessment of the current IT systems;
- Redesigned IT systems to support the reengineered business processes;
- Include electronic business in the newly designed IT system;
- Testing and implementation of the IT system; and
- Implement procedures for continuous improvement.

11.5 RECOMMENDATIONS

Chapter 4 provided a brief introduction to the short-term insurance industry and brought to attention that during the last number of years, companies in the short-term insurance industry were making significant underwriting losses. As a result, there is tremendous pressure on short-term insurance companies to:

- Ensure underwriting results are turned profitable; and
- Control administration expenses.

Based on the business soundness of BPR principles and the successes of the implementation of BPR in other industries, the short-term insurance industry should seriously consider implementing these principles.

Underwriting results can be turned profitable by:

- Improving risk analysis and market research;
- Reducing fraudulent claims; as well as
- The development of innovative products.
BPR can contribute to the improvement of risk analysis, market research and the development of innovative products by bringing the customer and his requirements much closer to the business. BPR can also contribute to the reduction of fraudulent claims through:

- Proper staff training;
- Implementing the concept of working in teams and sharing information; and
- Empowering staff by providing sufficient information to them in order to assist them in reducing fraudulent claims.

Implementing BPR principles will not only increase underwriting profits, but will reduce administration costs due to the elimination of non-value added tasks as well as the significant impact that could result from the implementation of new IT systems.

When implementing BPR principles, it is important that the project is planned in terms of the guidelines provided in chapter 6, that a detailed pre-study is performed in terms of the guidelines provided in chapter 7 and that the execution is performed in as much detail as possible according to the guidelines provided in chapter 8. When redesigning IT systems, it is important that these systems are utilised to full potential in order to provide the best possible customer service and to support business processes.

There are some specific considerations when implementing BPR in the short-term insurance industry that are different to other industries, which include:

- When customers are divided into segments, it is recommended that segmentation is not performed in terms of income class or the value of insured assets, but rather in terms of geographical areas;
- It is not essential to apply the BPR principle of one customer contact in the short-term insurance industry due to the unique situation of the undefined time lag between policy application and logging of claims;
- Brokers play an extremely important role as part of the distribution channel. Administration functions and transaction costs can significantly be reduced should brokers have direct access to databases and computer systems; and

- Performance evaluation of team members in a process cannot be based only on underwriting profits of the process, as these members do not fully control the underlying risks. It is important that performance is mainly based on service levels and performance in terms of objectives set out in the functional strategy. However, a limited proportion of the remuneration should still be based on the financial performance of team, which is based on underwriting profit/loss.

### 11.6 FUTURE RESEARCH AREAS

BPR has been the topic of discussion of many authors during the last decade. However, there are still numerous BPR related aspects that lend itself to more in depth research. Some of these areas include:

- Research on the implementation of BPR in industries where traditionally BPR has not been considered as a method to improve performance;

- Research to determine to what extent South African companies in specific industries have applied BPR principles in order to improve performance and to what extent the implementation of BPR was successful and improved performance. This can also highlight industries where:
  - BPR principles have not yet been applied or has been applied to a limited extent;
  - The implementation of BPR has been unsuccessful and performance has not improved; and
  - The implementation of BPR has been successful and performance has improved; and
- Research on how the increase in electronic business influences processes and the implementation of BPR.

11.7 CONCLUSION

“The demolition of the Berlin Wall is a potent symbol of our times and not just of the end of the Cold War. Rigid barriers of all sorts – from armed frontiers to corporate boundaries to the neat distinction of minds have made for the last few hundred years – are crumbling overnight…Modern structures – in business, in society, in politics – must be open and flexible if they are to keep up with the pace of change…Process centering is about tearing down walls. The boundaries of organisations are becoming more flexible, permeable and dynamic” (Hammer, 1996:168).

By effective implementation of BPR principles in the short-term insurance industry, traditional business models will be transformed to ensure that a flexible, permeable and dynamic industry, capable of surviving the challenges of the South African economy in a highly competitive global market, is created.

BIBLIOGRAPHY