CHAPTER 1

INTRODUCTION

1.1. MOTIVATION FORUNDERTAKING THE RESEARCH

“Revolutions often begin with the intention of only improving the systems they eventually bring down. The American, French and Russian revolutions all started as efforts to ameliorate the rule of a monarch, not to end it. Reform turns into revolt when the old system proves too rigid to adapt. So, too, the revolution that has destroyed the traditional corporation began with efforts to improve it” (Hammer, 1996:3).

Business process reengineering (hereafter referred to as BPR) was revolutionary during the early and mid 1990’s. Numerous authors wrote articles and books to appraise the concept and discuss the possible benefits of it. However, the question could be asked whether BPR is still of any relevance in 2001 in South Africa?

This question was answered by James Champy in an article published in the Sales & Marketing Management magazine (1998:26) where he stated that:

“It has hardly begun. Why? Principally, because we have yet to experience the full effect that the ubiquity of information technology (hereafter referred to as IT) will have on the way we operate. By (that) I mean the omnipresence of highly portable computing and telecommunications devices in the workplace and in the home, combined with the increase in computer literacy and comfort on the part of most adults…and then there is the exploding Internet phenomenon that has provided a platform for universal communications, along with a whole new infrastructure for doing business.”
The opportunities for BPR that go hand in hand with the implementation of ebusiness are numerous and makes BPR as relevant as e-business itself. This is supported by an article in Computerwold published in December 2000:

“Today, e-business initiatives have made the need to streamline, integrate and automate processes even more pressing” (Ulrich, 2000)

With electronic business still a mere infant in South Africa, and specifically in the short-term insurance industry, its full development can have significant implications on the way businesses operate.

A second motivational factor for undertaking this research was personal awareness of the following misconceptions by certain businessmen:

- That BPR refers to restructuring, retrenchments and the implementation of IT systems; and
- That BPR should be implemented in industries where inventory plays a significant role, e.g. the manufacturing or distribution industries.

The following chapters of this dissertation will strive to prove that these are misconceptions and that BPR is based on sound business principles, which include much more than downsizing or the implementation of new IT systems. Very often, a negative connection is drawn with BPR where companies claimed that they have implemented BPR, but in fact, only retrenched staff or implemented new information systems.

The dissertation will further strive to prove that the implementation of BPR can also be introduced in industries with no inventory, such as the financial services industry, and with specific reference to the short-term insurance industry.
1.2. OBJECTIVE OF THE DISSERTATION

The main objective of this dissertation is 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 (hereafter referred to as SA).

1.3. NATURE OF THE RESEARCH

The research methodology of this study entails a literature study.

The principles identified in the literature study will be applied to a South African short-term insurance business in order to establish how BPR should be implemented in such a business.

However, very little research, if any, has been published on the implementation of BPR in the financial services industry, and specifically the short-term insurance industry. Therefore, it was necessary to apply theoretical knowledge and implementation methods used in other industries to the short-term insurance industry.

1.4. PROBLEM STATEMENT AND HOW THE DISSERTATION WILL ADDRESS EACH IDENTIFIED PROBLEM

The dissertation will discuss three problem areas:

- What is business process reengineering?
- Can business process reengineering also be implemented in the short-term insurance industry? and
- If so, how should it be implemented?
1.4.1. What is business process reengineering?

The first problem that will be addressed by this dissertation is to clarify the concept of “business process reengineering”.

Although the concept of BPR was one of the buss-words of the 1990’s and has been used by many authors, consultants, businessmen, etc. it is still incorrectly being associated with all forms of transformation and restructuring.

This problem will be addressed as follows by chapter 2 and 3:
- Chapter 2 will define the concept of BPR and will also explain the difference between BPR and business reengineering; and
- Chapter 3 will compare the traditional and the reengineered business in order to identify the principles of BPR.

1.4.2. Can BPR also be implemented in the short-term insurance industry?

During the 1990's BPR was implemented in a number of business in the USA. Together with consultants who included Michael Hammer, James Champy and Davenport, companies such as Ford Motor Company, Taco Bell, Texas Instruments, etc. achieved great successes with the implementation of BPR (Hammer, 1996:Foreword).

In 1994, Unidata was one of the first South African companies to implement BPR (Von Borman, 1994:12-18). During that period, a number of dissertations and short
dissertations were also completed on certain aspects of business process reengineering, which included:

- “Electronic data interchange as a business process re-engineering enabler in the manufacturing industry”, by KD Fakir, submitted to the Faculty of Management of the University of the Witwatersrand;

- “An examination of business process re-engineering in selected manufacturing organisations”, by PA Osborne, submitted to the Graduate School of Business Administration, University of the Witwatersrand; and

- “Combining the implementation of information systems and business process re-engineering”, by DB Oberholzer, submitted to the Faculty of Management, University of the Witwatersrand, that specifically reviewed the beer division of South African Breweries.

However, limited, if any, research is available on the implementation of BPR in the financial services, and specifically in the short-term insurance industry.

Traditionally, short-term insurance companies have been seen as lagging behind in adopting change. An article from the BusinessDay published on the 12th October 2000 supports this by quoting Eva-Liisa Nurmi, chief information officer of Finnish insurer Sampo Insurance, that: “insurance companies worldwide have lagged behind other sectors in their acceptance of e-commerce” (Marrs, 2000)

Given that short-term insurance companies should start considering the implementation of advanced technology, and specifically electronic business, as well as improving their negative underwriting results from the past years (refer chapter 4), these organisations could probably implement BPR, which were implemented successfully in various other industries, to assist them in addressing these difficulties.
The question whether BPR can be implemented in the short-term insurance industry will be addressed by chapter 4 of this dissertation.

1.4.3. **Assuming BPR can be implemented in the short-term insurance industry, how should the implementation be performed?**

The third problem that will be addressed by this dissertation is to discuss what procedures should be followed to ensure the successful implementation of BPR. The following chapters will address this problem:

- Chapter 5 will provide a summary of the implementation process and the different stages as well as the importance of on-going evaluation during and at the end of each stage;
- Chapter 6 will discuss the first stage, which is the planning stage;
- Chapter 7 will discuss the second stage, which is the pre-study stage;
- Chapter 8 will discuss the third stage, which is the execution stage;
- Chapter 9 will discuss the IT aspect, which is part of the execution stage; and
- Chapter 10 will provide a practical solution on how these stages could be implemented in a short-term insurance business.

1.5. **EXTENT AND SCOPE OF THE DISSERTATION**

The scope of this dissertation excludes the discussion whether BPR as a tool is or was successful in the past to improve profits in the short-term insurance industry. It is assumed in this dissertation that the successful implementation of BPR in any business, including the short-term insurance industry, could improve results. This statement is based on the sound principles of BPR and results achieved with the technique worldwide.
Very often, the implementation of BPR and IT systems is a jointly process. Although this dissertation will discuss the role of IT during the BPR process and refer to specific aspects that should be considered, it will not discuss the full process of designing IT systems.

1.6. **POSSIBLE BENEFITS OF THE RESEARCH**

The possible benefits of the research could include:

1. Clarification on the definition of business process reengineering;
2. To encourage the implementation of BPR in industries other than the traditional “BPR industries”, which include manufacturing and distribution, and specifically encourage the short-term insurance industry to implement BPR principles;
3. To provide short-term insurance businesses with a guideline on how to implement BPR in their businesses; and
4. To provide a comprehensive overview of the stages of BPR and detail about each of the steps in the BPR process.

Chapter 2 will introduce the concept of BPR.
BIBLIOGRAPHY


