CHAPTER 3

A COMPARISON BETWEEN TRADITIONAL COMPANIES AND BUSINESS PROCESS REENGINEERED COMPANIES

3.1. INTRODUCTION

As discussed in Chapter 2, Japanese companies applied specific principals to overcome the problems they had experienced within their businesses. These principals developed to business process reengineering, which was defined in paragraph 2.4. Chapter 3 will illustrate the following:

- The characteristics of a traditional business;
- The problems experienced within a traditional business; and
- The characteristics of a reengineered business that should solve these problems.

Each of these areas will be discussed according to the changes required by the definition of business process reengineering.

Many companies assumed that they have implemented BPR, but as indicated by the research performed by the Gardner Group, only a few of these projects qualify as true business process reengineering projects. From the Gardner Group’s research, 60% of these projects labelled as BPR were in fact “streamlining” typically to achieve improved efficiency within a single function. Merely 35% of projects were “true BPR” which endeavours to match or create a best practice and would typically include an analysis of the core business processes and the supply chain. The remaining 5% would qualify as “business invention” (Du Plessis, 1994:39–42).
The definition of business process reengineering as discussed in paragraph 2.4. requires the following changes:
- A radical change;
- Change in orientation (beliefs and behaviours);
- Re-design the business processes;
- Change the organisational structure;
- Technological Improvements; and
- The objective is the improvement of customer service and reduction of costs, which imply the development of new performance measurement systems.

Chapter 3 will focus on changing the beliefs and behaviours, re-designing the business processes, changing the organisational structure and develop new performance measurement systems in business process reengineered companies as opposed to traditional companies. Technological improvements will be discussed in chapter 9.

3.2. CHANGE OF BELIEFS AND BEHAVIOURS

3.2.1. Introduction

The beliefs and behaviours of the people who run a business is the first element that should be changed in a BPR process in order to solve most of the problems experienced by traditional businesses. The people running businesses not only include senior management and directors, but every single employee in a company. Changing beliefs and behaviours is probably the most difficult part of BPR.
3.2.2. Traditional businesses

Traditionally, the mission of a company is to create or increase value for its shareholders. Hammer argues that this is not necessarily irrational or unreasonable, but wrong. On the one hand, he says, it is easy to see a business as a device that converts invested capital into an income stream. However, although capital is necessary for a company to succeed, generating profits in order to pay for this capital is not the essence of a business and should not be its mission. It is only one of its requirements. Satisfying shareholders is something that needs to be done, but it is not the reason a company exists (Hammer, 1996:97–101).

Since the King report (and other similar reports in the USA and Europe) was issued, many companies have expanded their missions to create value for its stakeholders, which include not only shareholders, but also workers, managers, suppliers, customers, the public and the environment. Although customers are only one stakeholder group, the road to all these other destinations lies through customer value (Hammer, 1996:97–101). This view is also born out by the sixth key element of the definition of BPR as summarised in paragraph 3.1.

3.2.3. The problems traditional businesses experience

The problem with traditional companies is that they are driven by tradition and not by the marketplace. Communication to the market is limited and worst of all, no one pays attention to the customer (Cook, 1996:14–16).

Another problem is that very few employees are aware of the mission of the company and its content. In many companies, a mission is nothing more than impressive
words in the financial statements of which only a few senior managers and directors are aware of. As a result, the rest of the staff does not necessarily live to that mission while performing their daily tasks. Most often, there is a negative connotation with the mission. Employees have to work extremely hard to enrich the shareholders without additional benefits being added to them. The question they ask themselves very often is why they should be more productive.

In order to reengineer a company and its processes, both the beliefs and behaviours of people should be changed. Reengineering is not only changing the documents and flow charts, but a change in culture.

3.2.4. Reengineered businesses

In order to reengineer a business, the first belief that should be changed is that a company exists to create shareholders’ wealth. Besides the fact that employees have a negative connotation with this statement, is this not true. The mission of a business should be to create value for its stakeholders, who include its customers. Hammer asked the question “What is a company and what is it for?”. According to him, “the only useful contemporary answer is that a company exists to create customer value. Everything a company does must be directed to this end” (Hammer, 1996:97–101). Although this statement is controversial, one can agree with Hammer that in order to add value to other stakeholders, customer value should be created first.

The first concept to address in the BPR process is to assess who the customers of the business are. The traditional definition of a customer is imprecise and incomplete. Hammer defines customers as “people whose behaviour the company
wishes to influence by providing them with value.” This means that customers include consumers (influence the consumer to select and use the products) and retailers (influence the retailer to carry the products, to allocate shelf space to them and to promote them through advertising). He uses the example of a pharmaceutical company to explain the complexity of customers, who includes the following:

- The patient who takes the medicine;
- The physician who prescribes it;
- The pharmacist who dispenses it;
- The wholesaler who distributes it;
- The Food and Drug Administration scientists and officials who approve its use; and
- The medical aid company that pays for it (Hammer, 1996:97–101).

The only way to influence customers is by creating value for them. Subsequently, profit will increase (subjected to certain other factors) and benefits will flow to stakeholders, who include shareholders and employees.

The Concise Oxford dictionary describes value as “importance or worth”, “material or monetary worth” and “consider to be important or beneficial.” In order to create value for customers, it is important that the company adds something that is considered to be important or beneficial to the customer (Oxford, 1999). According to Hammer, value is not synonymous with a product or service, but rather a solution to a customer’s problem. A company can solve problems which customers may not even recognise that they have through adding value to the process (Hammer, 1996:97–101).

Hammer is of the opinion that customers have the upper hand in the global economy and that the only way a company can survive in a competitive world is to satisfy their
needs. Companies can not afford to focus inward. All their activities and energies should be focused on and directed to the customer, who is the source of the company’s revenue (Hammer, 1996:97–101).

Armistead and Rowland support Hammer’s view that the beliefs and behaviours should be changed. According to them, the differences between the culture of a traditional business and a process orientated business are:
- A traditional business distinguishes between the front office, who should focus on customers relations, and a back office, who does not have to focus on customers; and
- A traditional business focuses on disciplines while a process oriented business focuses on delivering services.

The beliefs and behaviours in the traditional business should be changed to ensure all employees focus on customers (Armistead & Rowland, 1996:46).

Focusing on customers will be even more important in future. Companies need to make use of technology such as the Internet to improve customer services.

3.2.5. Summary

The objective of BPR is to change the culture within the organisation, which embrace that he beliefs of every employee should be changed to focus on customer needs when performing their daily tasks. Without adopting this approach, companies will be unable to survive in the global market place.
3.3. CHANGING BUSINESS PROCESSES

3.3.1. Introduction

Changing the beliefs of employees to focus on customer needs are not enough to solve most of the problems in traditional companies. The underlying processes in the business should also be changed to support this approach. BPR focuses on why business processes are done rather than on the details of how they are done. By taking this approach, customer focus will always be taken into consideration and unnecessary tasks will be eliminated.

3.3.2. What is a process?

Michael Ballé defined a process as “…a sequence of dependent events. In practice, almost anything which involves time can be called a process under some form or other” (Ballé, 1995:167).

Hammer describes a process as “a group of tasks that create customer value” (Hammer, 1996:101) and “…a black box that effects a transformation, taking in certain inputs and turning them into outputs of greater value.” He uses the example of the ordering process to explain the transformation, where the order received from the customer is the input. Many actions take place to create two outputs:

1. Goods are delivered, which give greater value to the customer; and
2. The company receives money from the customer, which gives greater value to the company. The process does not stop at delivering the goods, but when the bill has been paid. The only way to establish if the customer is satisfied is by receiving his money (Hammer, 1996:9-10).
While a task is a unit of work or a business activity normally performed by one person, a process is a related group of tasks that together create the result of providing value to a customer.

3.3.3. Traditional businesses

Traditionally, businesses are divided into divisions and/or departments. Each division is responsible for certain product lines, services or other sets of responsibilities, for example an insurance company may have different divisions for each product. These divisions could be divided into departments, which are responsible for key functions in the division, for example claims, policy income, broker commission, reinsurance, finance department, etc. Within these departments, different tasks can be identified, which are performed by certain employees.

This concept was built for almost two centuries on the principles of Adam Smith’s insight about fragmenting work into its component tasks. In itself, the idea is simple, being that several highly specialised workers performing single elementary tasks would produce more efficiently than the same number of generalists each engaged in performing the whole work (Ballé, 1995:22-23).

3.3.4. The problem traditional businesses experience

The result of the Adam Smith-module is that you divide employees into small compartments. You teach them to do their portion of the work, and only their portion, very well, while nobody explains to them the objective of the process and where their
small portions fit into the process. This results in bad customer service, mainly due to two reasons discussed below.

### 3.3.4.1. The organisation is not customer-focused

Many organisations are not customer-focused. They provide products to customers, but not solutions to their problems. One company that realised that its decrease in margins was a direct result of this problem, was Unidata, one of the largest computer technology suppliers in South Africa. The executives realised that Unidata was not aligned with industry and customer needs.

According to Mr. Van Vuuren of Unidata, “just being a computer solution provider was no longer enough...Our customers were starting to buy elsewhere and did not require our products. IT has developed to a point where it can do more than the business can understand. So to become more competitive we had to understand what the customers want. Unidata had to be repositioned as a company that could understand, interpret and give strategic advice. This required new skills. A new focus” (Von Bormann, 1994:12-18).

Besides the fact that companies are not customer focused with regards to products, many companies are also not customer focused with regards to customer service. Michael Hammer describes the reason for this as being employees’ lack of knowledge with regards to processes. Every employee is only interested in his part of the responsibility, which includes individual tasks. Nobody is interested in the process, which will ensure customers are satisfied at the end of the day (Hammer, 1996:5-7,14-15).
A third reason why an organisation is not customer focused is that processes tend to be fragmented among each of a dozen business units and departments. As a result, each department treated the customer differently and according to its own standards. The customer on the other end had to deal with multiple units of the company in trying to solve a problem (Bartholomew, 2001a).

### 3.3.4.2. Too much time and resources spent on non-value adding activities

Michael Hammer classifies activities into three types:

- Value adding work, or work for which the customer is willing to pay;
- Non-value adding work, which creates no value for the customer but is required in order to get the value adding work done; and
- Waste, or work that neither adds nor enables value.

Value adding activities will, for example, include inventory allocation, picking, packing, route planning, and shipping if a customer places an order. These activities can rarely be eliminated from a process, although it can be improved.

Non-value adding work is the glue that binds together the value adding work in conventional processes, which includes the administrative overheads such as reporting, checking, supervising, controlling and liaising. These activities add expenses and complexity to processes and should be eliminated to only the necessary ones.

Waste work is pointless work whose absence would, by definition, not be noticed by the customer. This includes activities such as producing reports that
no one reads, doing work erroneously so that it needs to be redone, redundant checking activities, etc. These activities should be eliminated from processes (Hammer, 1996:33–34).

The Delphi Consulting Group estimates that up to ninety percent of the time needed to complete typical office tasks is a result of gathering and transferring paper documents (Romney, 1995:24–29). In other research performed by Buzz Adams, president of Peak Value Consulting Incl, on McKesson HBOC Water, 87% of the tasks supporting the company’s accounting processes were non-value adding activities. Eliminating these saved the company $1 million and reduced the accounting staff by 90 positions (Bartholomew, 2001a).

Develin & Partners pointed out in their research that the proportion of time normally taken up by diversionary activities in a business is 35%, which is the same as support activities, while time spent on the core business is only 30% (Fitzgerald, 1994:38-41).

In another research study, it was indicated that the cost of waste could be as high as 50% of revenues in some companies and often around the 20% range (Levine, 1994:39-40).

Michael Hammer also gives examples where companies spent too much time on waste activities:

- Aetna Life & Casualty took twenty-eight days on average to process applications for homeowner’s insurance, only twenty-six minutes of which represented real productive work;
- Chrysler incurred internal expenses of $300 in reviews, sign-offs, and approvals when buying anything through their purchasing organisation, even small stationery items costing less than $10;
- Texas Instruments’ Semiconductor Group took 180 days to fill an order for an integrated circuit while a competitor could often do it in 30 days;
- GTE’s customer service unit was could only resolve customer problems on the first call for less than 2% of the time; and
- Pepsi discovered that 44% of the invoices that it sent retailers contained errors, leading to enormous reconciliation costs and endless squabbles with customers (Hammer, 1996:4).

Snell provides another example from Dames & Moore Group, a Los Angeles-based engineering firm. When performing a detailed analysis of every task in the company, it became apparent that the company tried to streamline the handling of paper and the way in which cheques were deposited as well as the handling of invoices. Employees performed non-value added tasks in unnecessary complex ways, costing both time and money (Bartholomew, 2001b).

According to Hammer, the reason why managers are unable to solve problems is because they apply task solutions to process problems. The reason why services are delivered slowly, is not because employees perform their individual tasks slowly, but because they have to perform tasks that need not be done at all. Another reason is because of delays in getting the work from the person who does the one task to the person who does the next task. As a results, customer service contain errors, not because people perform their individual tasks inaccurately, but because people misunderstand each other while performing one task after another.
Companies are inflexible not because individuals are locked into fixed ways of operating, but because no one understands how individual tasks are combined to create an end-result that satisfy the customer’s need. Unsatisfactory service is provided due to a lack of knowledge and perspective to explain the status of the process to customers. Costs are high not because individual tasks are expensive, but because so many employees have to be employed to combine these individual tasks into one process in order to add value to customers (Hammer, 1996:5,6).

Although other reasons for bad customer service could be added, most of them remain related to the fact that a company is not process-driven.

### 3.3.5. Reengineered businesses

An important solution according to Hammer to changing inefficiencies and bad customer service is that a shift in perspective is needed in the form of process centring. Process centring means that all people in the company recognise and focus on their processes. That means that everyone involved in that process will have a common goal, which is to satisfy customer needs. Only a process, and not individual tasks by itself, can create customer value. A company needs to find a way of managing the process and not the tasks to create customer value (Hammer, 1996:5–9).

The question arises what are the characteristics of a reengineered company. In addition one should consider how organisational structures would differ in traditional and reengineered companies. The answer is difficult, as none of the reengineering
solutions is identical. The objective is to find the best possible solution for a business although there are no prescribed rules on how to structure the new business. From the examples given by Hammer and Jacobson there are a few common trends on how to restructure the business, which are discussed below.

### 3.3.5.1. Processes replace individual tasks and departments

The first option is to divide the company into processes ("use cases" as described by Jacobson) instead of individual tasks and departments. That does not mean a company will no longer have departments, but the way in which these departments operate will change (Hammer, 1996:36–40). For example, a short-term insurance company can still have a sales department, but each sales person will also be allocated to a process, which can consist of a specific product range or client base. The sales person will be assisted and monitored in terms of both the sales department (specific skills required for a sales person) and the process (the performance of the process in total). This concept can be applied with great success where complex skills are required. An example is the financial function (accountants and financial analysts) or the IT support function. Chapter 8 will discuss this concept in more detail.

### 3.3.5.2. Complex jobs and simple processes replace simple jobs and complex processes

The second solution is to replace simple jobs and complex processes with simple processes and complex jobs. An employee will no longer be responsible for only one simple task, but by understanding the total process, he/she should be able to perform multi skilled tasks in a process (Hammer, 1996:36–40).
This principle was illustrated when Phoenix Designs Inc., a company that designs and manufactures furniture, reengineered their processes. Prior to reengineering, the salespersons called on customers to determine their requirements in terms of the design. The salesmen submitted the ideas to a team who prepared a design that the salesperson took back to the customer. Customers made changes and the salesperson took the changes back to the designers. This process of forwarding the design continues until the customer is satisfied with the design. It took up to six weeks to satisfy customers and present them with the final design.

Phoenix replaced the old system with one in which salespersons, using a PC and a special software package, design the furniture themselves in the customer’s office. The customer could change the design immediately. When the salesperson leaves the customer, the design is complete and manufacturing could start immediately. The system, which cost Phoenix $1 million, increased dealer sales by up to 1000% and has boosted after tax income by 27% (Romney, 1995:24–29).

### 3.3.5.3. Work in teams

A third solution to the restructuring of a business is to organise the workforce into teams, whose goal it is to satisfy customers’ needs. Each team member understands the process, and not only his/her own task (Hammer, 1996:36–52).
Complex business processes are most often divided and assigned to several independent teams, who work in parallel with each other until their tasks have been completed. These tasks are then integrated with each other. Before Chrysler was reengineered, it had different teams designing the body, the interior, the engine, the transmission, etc. of a car. However, when Chrysler began assembling the cars, they often found that the components did not fit together properly and had to be redesigned. During reengineering of its processes, Chrysler re-organised its teams differently. A designing team was created for each car and staff from each design area was included in the new design team. The result was that Chrysler significantly reduced the number of costly redesigns and its product development time (Romney, 1995:24-29). By restructuring the team to include representatives of different departments, processes were improved and lead-time reduced.

Cross, Feather and Lynch argued that the new organisation should include small self-managed teams. They suggest that everyone in the team should be business orientated and employees should be turned “…into mom-and-pop enterprises, into real… business persons” who are responsible for customers from receiving the order till the goods or services are delivered. The following elements should be included in teams:

- Cross training between employees;
- Teams should be responsible for their customers and if services cannot be performed personally, the help of an expert or senior should be called;
- Teams should have access to financial information and expert systems to evaluate performance and to take the necessary actions;
- Teams should have access to the “Global University”, which means that they should have access to all the information needed to support them in performing their tasks;
- Teams should be responsible for their own budgets. That means that they will have the power to act on their own initiative without prior approval;
- Teams should be owners of their assets, which means it is their responsibility to obtain the required return on these assets;
- Teams should have substantial spending authority; and
- Teams should be responsible for quality assurance (Cross, Feather & Lynch, 1994:100).

3.3.5.4. A process owner replaces the manager

A fourth methodology that can be applied in restructuring the business is to replace managers with process owners. A process owner will be responsible to ensure customers’ needs are satisfied and to manage the team. This person will act as the contact between the customer and the company (Hammer, 1996:73–93). Jacobson described the process owner as an “Interface object” (Jacobson, 1995:115,148,232).

An advantage of replacing managers with process owners (interface objects) is that customers only deal with one contact person who is responsible for all aspects of their business. Problems can easily be referred to the process owner and customer relationships will improve.

3.3.5.5. The roles and responsibilities of each object – The Jacobson approach

Jacobson used his own company as an example of a reengineered company. First, he identified all the “customers”, which he described as “actors”. These actors can include a potential customer, suppliers, third parties to which certain
functions are subcontracted, people who buy his product as well as people using his product, but not necessarily buying it.

Secondly, he identified “Interface objects”, which can be seen in the same position as the process owner as discussed in paragraph 3.3.5.4. The interface objects are the person(s) responsible for communication between the actors (customers) and rest of the company’s personnel.

The next object in the structure is the “Control object”. This person is responsible for controlling entity objects in the process. The persons or things responsible for performing individual tasks are described as “Entity objects”. Entity objects can also realise in things, e.g. machinery utilised by an organisation to perform certain tasks. Jacobson used the example of a market plan as an entity object in figure 3.1.

The following illustration by Jacobson is an example of the interaction between objects in the marketing process.
Jocobson’s module can be used in many different ways to structure teams and processes. This will differ from company to company. The objective of this structure is to explain the different roles and responsibilities within the team and how the process is controlled. The key to the success lies in the co-ordination of the process and teamwork. Everyone is involved in the process and work to a common goal being to satisfy customer needs.

In the Phoenix example, which was discussed in paragraph 3.3.5.2, the roles of both *interface object* and *entity object* have been assigned to the sales person, who was responsible for communicating with the customer and designing the
furniture. By following this approach, it was easier to satisfy customer needs, reduce lead-time and increase profitability.

### 3.3.6. Summary

A lack of customer focus in organisations and an excess amount of time spent on non-value adding activities are a result of traditional businesses being divided into departments and following a task-driven approach. In order to solve the problems traditional businesses experience, the processes should be reengineered to support customer focus. This can be achieved by replacing departments and tasks with processes consisting of teams. Team members will understand the full process and will develop skills to perform complex jobs. By replacing managers with process owners, customers will benefit by making use of a single contact at the organisation.

### 3.4. CHANGE THE ORGANISATIONAL STRUCTURE

#### 3.4.1. Introduction

When changing the business processes and replacing individual tasks and departments with processes that are co-ordinated by process owners, it is no surprise that the organisational structure should also be changed to support the new approach of working in teams and processes. This is necessary to eliminate the non-value adding tasks that are simulated with complex business structures.
3.4.2. Traditional businesses

In traditional businesses, the complex business structure of divisions and departments goes together with the hierarchical organisational structure. This structure can include the managing director, senior management according to each division, departmental managers who reports to the senior manager in the applicable division, line managers in each department, etc. These structures could become very complex.

According to Rakowski, the origin of the problem lies in Adam Smith’s recommendations for manufacturing. Supervisory and middle management levels have to increase in this complex traditional business environment for the following reasons:
- The “partial” or “incomplete” jobs designed for mass production methods;
- A relatively uneducated workforce; and

3.4.3. The problem traditional businesses experience

The problems with the hierarchical organisational structure of traditional businesses are:

3.4.3.1. A passive organisation

The first problem as explained by Cook is that a passive organisation exists. An employee at Albemarle Corporation explained the reason for the passive organisation as being a result of managers waiting for guidance and instructions from the top. This resulted in a company that always reacted to
competitors, customers, regulators, and government instead of being proactive

3.4.3.2. Individual goals instead of company goals

The second problem is that individual goals instead of company goals are
pursued. Companies often have incentive bonuses in place for line managers.
These managers will very often take decisions in their favour to obtain incentive
bonuses, while the decisions are not in the best interest of the company as a
whole. This happened at an electronic company in the USA where the
designer of the company came to his managers’ office to report on his
engineering group’s new design breakthrough. Over $100 per assembly would
have been saved with the new configuration. However, the costs in the design
department would have been increased by $20 per assembly, while the savings
would have been reflected in another department. Due to the design
department being under tremendous pressure to reduce costs, the manager
never implemented the new design although the company could have been
benefited from the new configuration (Joiner, n.d:48-51).

3.4.3.3. Internal politics and lack of communication

Internal politics and a lack of communication are other problems related to
the organisational structure of traditional businesses. Brian Joiner writes about
a company that had a number of divisions that sold various food ingredients to
bakeries and other food preparations companies. Like most businesses, each
division gave its major customers special care and attention. Due to the
competition between different departments, the executives of these
departments did not go out of their way to help each other. As a result, customers receive different treatment from different departments and were not happy with the customer service they received from the company in total (Joiner, n.d:48-51).

Joiner further writes that he asked innumerable middle managers what they would most like to improve about their organisations, and almost all had responded, “break down barriers between departments” (Joiner, n.d:48-51).

Hammer interviewed Deborah Phelps of Showtime Networks, a collection representative in the credit department, who explained the lack of communication as follows:

“It was a very hierarchical system – very rigid and very traditional. I had a manager; I reported to him. He reported to the director, and the director reported to the vice president. At no point would anyone speak to anyone else unless they were directly above them…other people in my area also did collections, but we had no interaction. They didn’t work on my accounts, and I didn’t work on theirs. I might go to them to find out how to process a certain form, but they had no knowledge of the specifics of my accounts. It was just me and my boss.”

A result of the lack in communication, common problems and possible solutions could not be discussed. If a customer phoned, it was only possible to assist him/her with one specific problem, because she didn’t have knowledge about the rest of the system. Hammer summarised the problems as follows:

“Those myriad interactions lead to departmental as well as personal miscommunications, misunderstandings, squabbles, reconciliations,
telephone calls – headaches too numerous to list” (Hammer, 1996:19–26).

3.4.3.4. Lack of responsibility

Bob Rankin of GTE Corporation of Florida’s problem with the traditional hierarchical structure is the lack of responsibility given to employees. He explains the problem as follows:

“In the old days, the supervisors used to encourage us to call them at the drop of a hat. If you have any questions or doubts about what you’re doing, give us a call and we'll be glad to jump in our truck and talk to the customer and you about the problem. They treated us like children” (Hammer, 1996:26-27).

Except for the time delay in delivering customer service, this attitude has a negative impact on most employees, especially the creative and innovative employees who add the most value to customers.

3.4.4. The organisational structure of a reengineered business

The organisational structure of a reengineered company will mainly differ from the traditional company’s organisational structure in the following ways:

- Process owners and team leaders replace managers;
- Change in employees’ attitudes;
- Change in remuneration structure; and
- Change in future expectations.
Each of these differences will be discussed below.

3.4.4.1. Process owners and team leaders replace managers

As mentioned in the preceding paragraphs, one of the differences between a reengineered company and a traditional company is the use of teams, which are co-ordinated by a team leader/process owner.

Following business process reengineering, fewer middle managers will be required. This does not necessarily imply “downsizing”. While there is a markedly reduced requirement for process supervision and management, there is an increased need for team building and coaching skills, as well as for mature, balanced, strategic thinking skills. Effective teams need team members who can work together. This requires co-ordination, co-operation, commitment and broad training. The maturity and wisdom of the experience of these managers are essential for strategic decisions taken by the organisation (Rakowski, 1994:27–28).

The first problem is how the teams should be co-ordinated to ensure that they function as a team and not as individuals. In traditional businesses, the manager was often the person with the best experience in that area and the best qualifications. However, he was not necessarily the best leader.

To be a process owner and to co-ordinate teams, it is of vital importance that the person is able to manage people. Surely, technical skills are also very important, but this should not be the only requirement for being a process
owner. Leadership is of vital importance. As employees in the reengineered company are paid according to performance and not according to their position in the hierarchical position in the company (refer 3.4.4.3.), it is possible to allocate people to specific roles in the team according to their personalities and skills. Leaders or process owners do not necessarily have to be paid the best salary in the team, but should be able to co-ordinate the team and take responsibility for the process.

According to Deborah Phelps of Showtime Networks, the first responsibility of a process owner is to be energetic, innovative and creative. That is extremely important to ensure problems are solved immediately and to prevent a passive organisation (Hammer, 1996:19–26). Hammer also warned that, “often, a rational and efficient process will feel like a marathon relay. Dramatically increasing the ration of real work to busywork may be a boon to the spirit, but it can also be a great drain on the body” (Hammer, 1996:40).

It is also important to obtain input from all team members when goals are set and problems are solved. This is no longer only the responsibility of one person. As the work of one team member affects the work of another, it is important that a reengineered company should have regular team meetings (Hammer, 1996:23,24).

### 3.4.4.2. Change in employees’ attitudes

According to Bob Rankin of GTE Corporation in Florida (USA), the process focus of a reengineered company expands workers’ responsibilities:
“They’ve given us the freedom to work on our own…In the old days, they treated us like children…We’re also developing ongoing relationships with the customers. Now, when you’ve got only four or five guys and the customer knows them personally, you know that if you don’t fix it correctly the first time it’s going to come back to haunt you. There’s much more pride in ownership. You have self-esteem and all those sorts of things. There’s much more job satisfaction than there was” (Hammer, 1996:26–28).

According to Diane Griffin of Aetna Life and Casualty Company:

“the best thing that has happened is that now the workers feel involved and appreciated…They have given us more and more training and they really are listening to us. We have meetings once a week where we can voice our opinions…The other team members even do the training. Whatever area you feel you are strongest in, you train somebody else in that area…If someone makes a mistake, we don’t lash out at them, but we do tell them about it. We learned …that it is better to bring a mistake to someone’s attention than to let them keep on making the same mistake…The main thing that has happened is that the work is a lot more satisfying because you are focused on customers and wanting to help them. I feel a sense of gratitude. The company is letting me do the best job that I can do. They have shown us confidence. I feel appreciated an I am not just a number anymore” (Hammer, 1996:28–31).

Deborah Phelps of Showtime Networks also explained how her attitude towards clients have changed in a reengineered company:
“Since reengineering my relationships with customers have changed...all the customers in our region know who we are, and we stay in touch on a regular basis. We don’t just call because they didn’t pay their bill right or owe us money. Sometimes we call just to see how things are...We try to find out from them how we can provide better service...I received a copy of my team’s budget in today’s interoffice mail...In the old days, it was unheard-of to know the real numbers” (Hammer, 1996:19–26).

Hammer summarised the effect of business process reengineering on employees’ attitudes as follows:

“They have all moved from performing narrow tasks to positions where they perform an entire process...Their new jobs are more complex, but they also have more control over how they organise their work and what they do all day. Their new positions not only entail more responsibility and autonomy, but also involve change, learning, and intensity...No one is looking over their shoulders to check on each decision and action” (Hammer, 1996:30–31).

Another important consequence of process reengineering is to change employees into professionals. Normally, the term “professional” is used to refer to physicians, attorneys, architects, accountants, etc. Although all these professionals have advanced academic training, according to Hammer, that is not their defining characteristic. A professional is someone who is responsible for achieving a result rather than performing a task. In this sense, process performers should be professionals. Although they are likely to have significant training and education, but not advanced degrees, they are responsible for achieving a result, which is customer satisfaction. A professional can be seen
as a cross between a worker and a manager, responsible for both performing a
task and for assuring its successful completion. That means that he will never
say, “It is not my job”. A professional is “someone who does what it takes”. In
contrast, a traditional worker is “someone who does what he or she is told”

To become a professional, Hammer listed a few character changes. As routine
activities are becoming an even smaller component of modern jobs, the first
requirement is to know how to think. Self-motivation and discipline is important
as professionals do the work correctly not because someone is watching but
because it matters to them (Hammer, 1996:44–52).

Not only do the workers’ attitudes change, but so too their attitude towards
team leaders and process owners. This is probably due to the changing
attitude of the leaders themselves. An employee of Bromine chemicals
described the change in leadership as no longer a cadre of bulldozers, crushing
everything and everyone in their way. A leadership had developed and people
are judged according to issues like customer focus and economic viability,
respect and trust (Cook, 1996:14-16).

3.4.4.3. Change in remuneration structure

One of the things that change dramatically in a reengineered company is the
concept of promotions and remuneration. In a reengineered company it is no
longer about achieving the next level, but about increasing your skills set and
getting compensated for it. You are paid for the results that you produce
Due to this fact, it is vital to measure the performance of staff on what really counts in BPR terms, being customer satisfaction. An employee’s remuneration will no longer be dependant on the subjective appraisal of a supervisor, but on the results of his and his team members (Hammer, 1996:57–61).

According to Neese (2001), most employees want to be evaluated and challenged to do better.

However, changing business processes often means changing employees’ jobs. An individual working on a small part of the job could become part of a process team with responsibility for the entire job. This has a number of implications for training, recruiting needs, team management, incentives, motivation and career paths. In business process reengineered companies, it is still necessary to have some sort of job description and grading. However, more emphasis is placed upon other factors outside of human resources, for example business strategy and capabilities (Rakowski, 1994:27–28).

One company where the managerial ladder is no longer used as basis for increases in remuneration, is Commerce Clearing House. This company established three separate career tracks:

- One for writers;
- One for product specialists and technology experts; and
- One for business leaders.

As a result, writers and engineers are no longer forced to become managers in order to increase their salary. They can remain in their profession while
meeting their financial goals. All three tracks are essentially equivalent and all lead to well-paid positions. Since a great technologist can earn just as much money as a great leader or a great writer at the summit of those tracks, employees are urged to make their career choices based on what they enjoy and what they are best at. Commerce Clearing House still urges people to move around in the company to see how they could fit into other positions. (Hammer, 1996:63,64).

When changing an employee’s remuneration structure, it is important that he/she is part of the process to set objectives and evaluation criteria (Neese, 2001). These criteria should be in line with business strategies and objectives, but should also reflect specific job requirements.

**3.4.4.4. Change in future expectations**

Probably the most unpopular change in the human resource structure of a business process reengineered company is that particularly in respect of middle managers, job titles are eliminated.

Employees in a traditional business often see promotion as equivalent to the acknowledgement of their contributions. Unfortunately, promotions in traditional businesses often relate to a change in titles, e.g. a staff member is promoted to a supervisor, an assistant manager, a manager and a senior manager. As discussed in paragraph 3.4.4.3, a result of the process where promotions are directly connected to titles, is that the leaders are not necessarily staff with the best leadership skills.
One of the great challenges that companies should overcome in moving to a process focus, is to ensure staff is motivated and future expectations are not limited. According to Hammer, reengineered companies will overcome this difficulty by changing employees into professionals. Professionals have limited titles. Their titles will describe their professions rather than their ranking in the organisation. Instead of being promoted from one job to a more senior one, employees’ careers should be about personal growth, which include increasing their skills and quality of work (Hammer, 1996:62–69).

3.4.5. Summary

One of the differences between a traditional company and a reengineered company is the organisational structure. Traditional business often experience difficulties, which include:

- A passive organisation;
- Individual goals instead of company goals are pursued;
- The occurrence of internal politics and a lack of communication, and
- The lack of responsibility.

These problems can be solved by changing the organisational structure in a reengineered business. Von Bormann summarised the required changes of the new approach as discussed in paragraph 3.4.4. According to him, workers should organise themselves into self-managing teams, they should undergo cross-training, become multi-skilled and handle complete jobs. They will feel more committed to the organisation and will participate more in decision making.
Business process reengineering leads to an elimination of interdepartmental boundaries, a flattening of the organisation hierarchy and the adoption of self-managing process teams (Von Bormann, 1994:12–18).

3.5. **NEW PERFORMANCE MEASUREMENTS**

As indicated in paragraph 2.4, part of the definition of BPR is to improve the performance of the company dramatically. Before a company can measure the improvement in its performance, it is important that the necessary measurement systems are developed.

Michael Ballé used an example prepared by George Stalk and Thomas Hout from the BCG to illustrate the difference between Japanese firms, which apply process focused strategies, and a similar US firm in which process focused strategies were not applied. This example is shown in Table 3.2.

<table>
<thead>
<tr>
<th></th>
<th>US Firm</th>
<th>Japanese Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume of products manufactured</td>
<td>10,000,000</td>
<td>3,500,000</td>
</tr>
<tr>
<td>Product Types</td>
<td>11</td>
<td>38</td>
</tr>
<tr>
<td>Units per Worker</td>
<td>43,100</td>
<td>61,400</td>
</tr>
<tr>
<td>Total staff</td>
<td>242</td>
<td>57</td>
</tr>
<tr>
<td>- Direct staff</td>
<td>107</td>
<td>50</td>
</tr>
<tr>
<td>- Support Staff</td>
<td>135</td>
<td>7</td>
</tr>
<tr>
<td>Cost per Unit in $</td>
<td>100</td>
<td>49</td>
</tr>
</tbody>
</table>

Table 3.1. **COMPARISON OF US & JAPANESE FIRMS**
The example in table 3.1 shows the result of business process reengineering and how productivity is increased and unit cost is decreased (Ballé, 1995:17).

It is important to measure both the financial or cost implications and the non-financial indicators.

Traditionally, it has been the role of middle management to exercise control. This was largely through reliance upon financial reporting. This accounting information was most often produced for each department on a monthly basis, in a format indicating budget, actual and variance for the current month and the year to date. Very little non-financial information was available to evaluate the performance of the company.

New performance measures should be implemented in the reengineered company with the following characteristics:

- The addition of more meaningful, non-financial measures;
- Measures should be relayed to the workforce and should be reasonably simple and readily understood;
- Measures of the process and team performance should be implemented – not of the tasks nor the individual;
- Measures which are generated instantly, preferably as an automatic by-product of the process;
- Measures which may be varied to suit particular requirements at a given time and in a given place; and
- Measures which reflect performance over a period of time and reveal trend information (Rakowski, 1994:27–28).

These measures should be used to evaluate the result of the BPR project. As indicated in chapter 2, continuing improvement is part of business reengineering. The performance of
the company and its employees should be evaluated on an on-going basis. Part of the continuing improvement should be to improve management reports, which should not only indicate financial related information, but information relevant to each process and its objective.

3.6. CONCLUSION

Traditional companies experience certain problems, which can be solved by implementing the key principles of BPR. These principles are:

(a) A change in the beliefs and behaviours of employees to focus on customer needs;

(b) A change in the business processes, which include the replacement of tasks and departments with processes, simple jobs and complex processes with complex jobs and simple processes and the introduction of teams;

(c) A change in the organisational structure, which include the replacement of managers with process owners, the elimination of titles and non-adding supervisory tasks and the implementation of a new remuneration scheme; and

(d) New performance measurement systems should be implemented to ensure continuous improvement. These performance measurement systems should include much more non-financial information to measure specifically how well did teams satisfy customer needs.

Chapter 3 focused on the changes that should be implemented when following a BPR approach. For some companies the changes will be dramatic and for others the opportunities they were waiting for. However, it is extremely important that the BPR project is implemented in such a way that the dramatic effect on employees is limited. Chapter 5 to 10 will focus on how the BPR project should be approached and implemented to ensure the success of the change.
BIBLIOGRAPHY


