CHAPTER 7

THE PRE-STUDY STAGE: UNDERSTAND THE CURRENT PROCESSES

7.1. INTRODUCTION

Once the planning stage has been completed, the project team can continue with the pre-study. The first step is to understand, document and assess the current environment and processes. Regardless of the selected methodology, the following steps should always be included in the reengineering process:
- Understand the unwritten rules of the company;
- Understand the needs of the customers and the company’s value proposition;
- Understand the current processes; and
- Understand the support functions.

7.2. UNDERSTAND THE UNWRITTEN RULES OF THE COMPANY

An aspect that is easily forgotten during the BPR process is the unwritten rules of a company. Loretta Prencipe called these rules the “elephants” as they are grey, have considerable weight and do not move fast. However, they can be trained and put to work (Prencipe, 2001).
The unwritten rules of any business are those day-to-day formal and informal unrecognised guidelines in an organisation that directs it. These rules define and communicate the norms, practices, politics and culture within an organisation (Prencipe, 2001).

Only by observation and communication will the BPR team be able to obtain an understanding of these unwritten rules. Unwritten rules are very often a reflection of top management’s behaviour.

When analysing these unwritten rules, it is important to identify which of these rules slow down the workflow, which are most probably unnecessary non-value added tasks and which improve productivity (Prencipe, 2001).

7.3. UNDERSTAND THE NEEDS OF THE CUSTOMERS AND THE COMPANY’S VALUE PROPOSITIONS

7.3.1. Introduction

The success of businesses is not a result of focusing on the competition, but rather by focusing on the needs of customers now and in the future. Customers demand two things:

(a) Products and services should meet their requirements; and
(b) Quality, which means that products or services should be efficient and effective (Cross, Feather & Lynch, 1994:40, 41).

Cross, Feather and Lynch referred to Armand V. Fiegenbaum who defines quality as a customer determination, not an engineer’s determination or a marketing determination. It is based upon the customer’s experience with the product or
service and measured against his or her requirements. Fiegenbaum’s view of quality implies three levels of quality:  
- The product or service must do what the customer needs it to do;  
- The product or service, or at least some aspects, should meet future needs of customers; and  
- The product or service should be perceived as a good value item.  

While the first two dimensions deal directly with the product or service itself, the third dimension of quality includes how it is delivered (Cross, et al. 1994:40, 41). In a short-term insurance industry, that means that the product should provide the customer with necessary calm that he/she is covered for the specific risks, that the risks are assessed accurately and that the product is easy obtainable and flexible. Access through the internet is a significant opportunity for short-term insurance companies as well as the flexibility and customisation of products according to individual customer needs.  

During 1994, Bowman and Faulkner introduced the strategic compass that is explained in figure 7.1 (Armistead & Rowland, 1996:40-44). This model compares the price of products with the customer’s perception of added value. The compass includes four segments:  

(1) The traditional quadrant, where prices are relatively high but the customers accept these as the products and services are regarded as being superior to other offerings;  
(2) The basic quadrant, where prices are low, but less is given to customers often in terms of completeness of services or reduced performance of products;  
(3) The suicide quadrant, where the product or service is perceived to be overpriced;
(4) *The Lean quadrant*, where customers perceive good value for money with an equitable balance between the make-up of the product and service and the prices which are charged.

![STRATEGIC COMPASS](Armistead & Rowland, 1996:40-44).

The challenge to companies is to move towards the lean quadrant and to build added value through creativity and innovation and to control costs (Armistead & Rowland, 1996:40-44).

However, leanness also involves “being fit for the purpose”. The purpose will be to focus products and services on the customer needs, which should be in line with the strategic goals. That also means that companies should be flexible to change according to customer needs. The processes can be seen as the muscle systems that develop the capability and high performance to ensure “fitness for the purpose”.

Having the intent to “become lean” is the spirit of business process reengineering (Armistead & Rowland, 1996:40-44).
Gouillart and Kelly underwrite the concept of “becoming lean”. Every business is characterised by a value proposition. Customers judge companies based on the benefits provided and at what price they are provided. These benefits represent an emotional end state and will make the customer believe that his or her life is better by using the product or receiving the service (Gouillart & Kelly, 1995:174).

Before the business can be reengineered, it is important to understand the value proposition of the company as all processes should focus on customer needs and the value proposition.

7.3.2. Identify your customers

The first step is to identify your customers. This includes both external and internal customers as explained by in par. 3.2.4. Chang pointed out that identifying customers should be performed for each process, and not only for the company in total. If customers are not identified for each process individually, it is possible that all customers (internal and external) will not be identified (Chang, 1996:26).

An insurance company’s customers can include the following:

- Potential policy holders;
- Current policy holders;
- Brokers;
- Reinsurance companies;
- Assessors;
- Police services (recovery of stolen property);
- Banking firms (payment of premiums by debit orders); etc.

Depending on the specific company, the list of customers can be expanded.
7.3.3. Identify the company’s value propositions

The second step is to identify the company’s value propositions, which means to identify the value adding goods or services that the company offers. Companies that operate without a clearly defined value proposition are “like walking through a jungle in a sensory-deprivation suit – you may make it through, but only if you’re lucky” (Gouillart & Kelly, 1995:174).

Many companies appear confused about the basis on which they are competing. Cross et al. summarised the danger of this confusion as follows:

“Being all things to all people is a recipe for strategic mediocrity and below average performance. (It) is a manifestation of an unwillingness to make choices about how to compete. It tries for competitive advantage through every means and achieves non, because achieving different types of competitive advantage usually requires inconsistent actions” (Cross, et al. 1994:60–61).

There are a few rules to keep in mind when developing the company’s value proposition of which the following are the most important:

- A company can only be creative when it picks customers as far as possible down the value chain. That will ensure the company supplies products that exceed customers’ expectations;
- Focus on one customer at a time to ensure intimacy. This is the only way the company can ensure specific needs are addressed by the product or the service. Intimacy will not be obtained when working with large populations at a time; and
- The third rule is that companies should never rely on customers to define their own value proposition. They should listen to their customers, but should not rely on them to tell them what to do. That means that creative companies introduce to customers value propositions that they have not yet thought about (Gouillart & Kelly, 1995:174).

Companies should clarify their value propositions. This could be based on price, performance, number of offerings, quality of service, etc. The choice must be based on a combination of understanding the customer, the competitors and the company’s own capabilities (Cross, et al. 1994:60–61).

A short-term insurance company can for example base its value propositions on the timeously payment of claims or replacement of products, the accuracy of risk assessment for individual customers to control prices and the flexibility of products. These value propositions will differ depending on the type of customer. Customers with higher income will be more concerned about the immediate replacement of products as well as the quality of products, while customers with lower income will be more concerned about monthly premiums and potential refunds after a period of no claims. Many insurance companies developed specific value propositions of which Outsurance’s no-claim bonus is one of the most well-known examples.

### 7.3.4. Segmentation of customers

The **third step** is the **segmentation of customers**. This will help organisations to focus on their core processes and customers. Market segments may have different meanings for different businesses. Companies in the finance business may segment the market into customers with different revenue contributions, while manufacturers
may segment customers according to their purchasing patterns. Others may segment customers according to geography (Cross, et al. 1994:42-43). Short-term insurance companies may segment customers first according to geography, which will determine the risk factor, and secondly according to revenue contributions.

7.3.5. **Analyse the customer requirements**

Once the company knows who its customers are, it can focus on its needs. The **fourth step** is to **analyse customer requirements**. These requirements often include some of the following:

- Timeliness;
- Cost;
- Accuracy;
- Functionality;
- Knowledgeable clerks and representatives;
- Responsiveness;
- Follow-through;
- Quality;
- Thoroughness;
- Dimension;
- Yield;
- Price; and
- Availability of clerks and representatives (Chang, 1996:26,27).

Obtaining a sound knowledge of customers and their requirements is also necessary to help employees to develop products that will fulfil the needs of customers (McAdam, 2000).
Specific requirements from customers in the short-term insurance industry would be:

- Peace of mind that in case of disaster, all intended assets are covered under the insurance policy. In other words, the insurance contract should be set out in such a manner as to avoid any ambiguity;

- Damaged or stolen assets should be replaced with similar assets or assets of equal quality;

- The risk of the individual customer should be priced instead of the risk of a category which includes a wide variety of customers with similar, but not necessarily exactly the same risk profile;

- Regular customer communication reminding customers to update information such as additions to insured assets, changes in insured values, personal contact details and risk profiles;

- Customers should have the option to receive communication in different formats, which should include electronic format (e-mail), SMS messages, faxes, etc.; and

- Products should be flexible to fit the requirements of the individual customer.

However, the reengineering team should not just produce a list of requirements that they think are customer needs. According to Ivar Jacobson, the best way to perform customer analysis is by interviewing the company's customers in face-to-face, spontaneous interviews or systematically arranged inquiries. Future expectations should also be discussed with customers (Jacobson, 1995:83-85). Chang suggests that a satisfaction survey, which includes a questionnaire, be used. He suggests that:

(a) The survey should ask customers to evaluate the quality of the service and products; and

(b) The survey should ask customers to indicate how important certain areas are to them.
Chang explains the questionnaire and rating by customers by using the following example:

<table>
<thead>
<tr>
<th>Agree</th>
<th>Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – strongly disagree</td>
<td>1 – Not important</td>
</tr>
<tr>
<td>2 – disagree</td>
<td>2 – Slightly important</td>
</tr>
<tr>
<td>3 – neutral</td>
<td>3 - Important</td>
</tr>
<tr>
<td>4 – agree</td>
<td>4 – Very important</td>
</tr>
<tr>
<td>5 – strongly agree</td>
<td></td>
</tr>
</tbody>
</table>

The company’s free-phone number is easy to remember (Chang, 1996:28).

There is also the informal way of obtaining customer information by just observing customers and listening to them objectively without bias. Feedback can also be collected from sales calls, service calls or visits, and from complaints. Spontaneous encounters at product shows and employees’ personal experience with customers, the product or service can also be useful information (Cross, et al. 1994:44,45).

While the quality consultant, Masaaki Imai, worked at Ishikawa on a reengineering project, it came to his attention that very seldom, different processes/cost centres in the same business realise that the next process is your customer. Often, the reengineering team only focuses on the external customer. Michael Ballé focused the attention on internal customers, which is forgotten most of the time. It is important to talk to customers and follow their own processes through. This will ensure that the company understands why and how customers use the product.
Only by understanding that, the company will be able to improve its services to customers (Ballé, 1995:43-45).

Examples where co-operation between two processes are of utmost importance in the short-term insurance industry, are:

- Between the underwriting process and the reinsurance process, to ensure all risks exceeding a specific limit are reinsured; and
- Between the claims process and the reinsurance process, to ensure all claims exceeding the limit are claimed from the reinsurer.

This co-operation between processes can be simplified by making use of integrated information systems.

Another important fact pointed out by Ballé is the usefulness of management reports while analysing the needs of internal customers. This includes information required by the finance department, the marketing department, etc. (Ballé, 1995:43-45).

7.3.6. Understand the impact of external market conditions

Customer needs and satisfaction levels may also be influenced by external market conditions like economics, politics and technology, which has an impact on the process design. The fifth step is to understand the impact of external market conditions on customer needs and satisfaction levels. Companies that do not focus constantly on their customers often miss demographic and economic shifts, segment changes and technological trends that have a potential influence on their objectives and strategies.
Cross, Feather and Lynch used the example of Ford that did not recognise the shift in customer segments when they introduced the Ford Edsel. According to the engineer, the Edsel was a “good car”. However, the market did not demand another choice in the existing product class as there were plenty of alternatives. Ford could not understand why the car didn’t sell until they realised that there was a shift in customer segments (Cross, et al. 1994:41–43).

Davidow and Uttal pointed out the difference between customer and market segmentation. Customer segments tend to be narrower than market segmentation and focuses on what customers expect (Cross, et al. 1994:43,44).

Market segmentation on the other hand focus on the total spectrum. The Oxford dictionary of business (1996) defines market segmentation as:

“The division of a market into homogeneous groups of customers, each of which can be expected to respond to a different marketing mix. There are numerous ways of segmenting markets, the more traditional being by age, sex, family size, income, occupation and social class, or the more recently geodemographic segmentation, which identifies housing areas in which people share a common lifestyle and will be more likely to buy certain types of products.”

While analysing the market, the background of customers should also be considered. That will determine the type of product or level of service that customers require (Cross, et al. 1994:43,44).

The importance of focusing on changes in industries should not be ignored. Changes occur in almost every industry. The C.E.O. of General Motors, Jack Smith explained in the book “Corporate Renaissance” how the traditional American companies in the motor industry were asleep while Japanese companies started to
come into the market. What they didn’t realise was that the Japanese were building cars in a different way, in a different manner and that the costs were much lower and the quality much higher. Not only were the companies in the motor industry caught napping, but also companies in the computer industry. The authors used IBM as an example who remained committed to its mainframes while mini-computers heavily cut into the market. These examples illustrate the danger of losing focus on the directions of change in the industry (Cross, et al. 1994:58-60).

When analysing external factors that may have an influence on customer needs, it is important to analyse the competition. The company should know who its competitors are and how the company compares to the competition. It is critical that customer satisfaction is analysed for current as well as future periods. A further aspect that should be analysed is changes in competitors’ approaches in certain ways to better accommodate their customers.

In order to obtain answers to all these questions, Chang suggests that benchmarking be used to provide the company with information regarding competition (Chang, 1996:30-31). Many consultant firms perform benchmarking between different companies.

Analysing competitors’ behaviour/benchmarking goes hand in hand with forecasting future customer requirements. This is critical in the reengineering process when goals are set for designing the new processes.

It is critical that the company implements the necessary procedures ahead of competitors to ensure the company does not loose market share. The company should stay ahead of what’s happening in the marketplace by:
- Knowing what is available in the market;
- Keeping a close eye on competitors; and
- Being open to new ideas, services and/or products (Chang, 1996:30-31).

Morris and Brandon added further environmental factors that have an influence on customer needs. These factors include the **government** and **technology** (Morris & Brandon, 1994:29–37).

Not only does the government influence customer needs by taxes and tariffs, but also by the way it structures its monetary policy, regulations e.g. on imports and on the supply of human capital (educational systems). All these policies and regulations will have an impact on business. It should also be remembered that government is also a customer (Morris & Brandon, 1994:29–37).

Technology is the most important single factor of change. The rapid change in technology in recent years is a well-known fact. The influence of these changes does not only include new product designs, but the way that business is conducted (Morris & Brandon, 1994:29–37). The development of the Internet business is one of the latest changes and will also have a significant influence on the short-term insurance industry. This will be discussed in more detail in chapter 9.

### 7.3.7. **Conclusion**

Until a few years ago, the leading thinkers in business strategy kept the customer in a passive, secondary role. Strategy has been dominated by economic approaches, yields, portfolio management, competitor analysis and shareholder value theories.
Since business process reengineering has been introduced, it has become evident that all processes in the business should be designed around the company's value propositions and around customer needs. It is important that the assessment of the customer needs is performed before the new systems are designed and that the assessment includes:
- All different customers should be identified;
- The value propositions of the company should be identified;
- The segmentation of customers;
- Analysing customer requirements (current and in future); and
- Analysing the impact of external market conditions on customer needs.

7.4. UNDERSTAND THE CURRENT PROCESSES

7.4.1. Introduction

Before the new processes can be designed, it is important to understand the current processes. This will enable the reengineering team to assess the flow of information, the sequence of tasks and the problem areas in the current system.

7.4.2. Gather information about the processes

The obvious way of mapping the processes would be to ask employees and other involved party to describe what they do. This is a relatively easy process, but the results are not very accurate. According to Michael Ballé, there is a gap between what people say and what they actually do. The reason could be that they don't remember the sequence of their actions. People tend to tell you what they want you to know and what they think you want to hear. People also have the tendency to
hear what they expect in what other people tell us. Although no one is actually lying, natural biases can considerably change the output of interviews (Ballé, 1995:46).

There are a few methods of gathering information such as detailed questionnaires, examining existing business process descriptions and flowcharts and the walk-through process.

Adams recommended that questionnaires be sent to the supervisors of each department in order to obtain a detailed understanding of employees, the time spent on activities, etc. This approach is also recommended in order to save costs in terms of time spent by the consultants who should gather information on current systems (Bartholomew, 2001a).

The most commonly method is the walk-through process, which is discussed by Ballé. The advantages of the walk through process is:

- An operational understanding, which includes the level of difficulty;
- A feel for the timing and the difference between the value-added time and waiting time;
- An idea of the operational difficulties staff face; and
- The morale of staff. People respond positively when interested in their jobs (Ballé, 1995:46-47).

### 7.4.3. Walk through the current processes

Before starting the walk through, it is good practise to identify possible transactions that take place within the company, e.g.:

- Customer applies for a policy by completing the application form;
- Authorisation of application;
- Loading the policy and calculation of the premiums;
- Calculation of broker commission; etc.

The idea should not be to identify all transactions prior to the walk through, but rather to know where to start and where to end. It is good practise to perform the walk through per transaction. Once the walk through has been completed, the list of transactions will be updated to include more detail.

Ballé suggests that copies of documentation that is used in the process be gathered while the walk through is performed (Ballé, 1995:47,48).

### 7.4.4. Document the gathered information

The documentation of the process can be performed by applying different techniques. The most common technique is drawing flow charts. However, two alternative techniques that can be used will be discussed:

#### 7.4.4.1. Mapping with post-it-notes – the KJ method

The KJ method was invented by Jiro Kawakita, a noted Japanese anthropologist, as a means of summarising large quantities of gathered information during his expeditions. The technique involves recording qualitative data by writing each fact in one sentence on a note card. The cards are then organised into groups based on the common thread contained in the information on the cards, titling the groups and finding the relationship between the groups (Cross, et al. 1994:54,55).
Ballé also applied this technique. The technique is useful when the process is relatively simple and limited time is available.

The technique is performed by getting the redesign team/project team together to perform the mapping and the redesign of the new system together. Staff members that perform the tasks should also be included in the team to ensure all detail tasks are included. Everyone takes part in the discussions for about two days to map the current systems, discuss problem areas and redesign the processes. Ballé pointed out the danger of losing focus within the group. Although it is important to socialise within the group, it is very important to keep focus and to obtain contribution of the whole team (Ballé, 1995:49-53).

Each operation/task is represented by a post-it note. The team members write the tasks performed by themselves on post-it notes. These tasks are organised on a table/board in their current order. It is important to get down to detail task level and to ensure all tasks are included. Ballé suggests that only one idea/task is written on a post-it note, that they write in full sentences and that they are specific by keeping to the facts rather than giving an opinion. It is important that everyone in the team understands the contents of the post-it notes. Different coloured post-it notes should be used to distinguish between:

- Input received from external resources (customers, suppliers, etc.);
- Input received from internal resources (other departments);
- Output supplied to external resources; and
- Output supplied to internal resources (Ballé, 1995:53-62).
Other areas that should be marked specifically are:

- Quality checks;
- Feedback loops; and
- Problem areas.

Ballé suggests that these areas be flagged with red post-it notes. By flagging the areas noted above, the designing team ensures that they deal with them during the re-design process (Ballé, 1995:53-62).

The last thing included in the mapping exercise, is the time it takes to complete operations. This will give an indication if customer expectations are met and exceeded (Ballé, 1995:53-62).

### 7.4.4.2. Software packages

An automated alternative to the use of the post-it-notes (KJ method) is to use a software program specifically developed for this purpose. An example of such a software program is available from Phios Corp., which was used by consulting firms in some 5,000 BPR projects (Bartholomew, 2001).

However, where consultants are not contracted for the implementation of the BPR project, the purchasing of such software will add to the costs of the project.
7.4.4.3. Mapping by using the use case model and the object model

7.4.4.3.1. The difference between the two models

Jacobson described two techniques that can be used to map businesses. These two techniques are:

- The *use case model*, which is used to describe the company in relation to external objects, e.g. customers; and
- The *object model*, which is used to describe how different objects relate to each other internally, how they communicate and interface with each other.

These techniques are different types of business descriptions and both should be applied when mapping a business system (Jacobson, 1995:100–101).

7.4.4.3.2. The use case model

The model should describe the business as it is seen externally. Therefore, only structures that can be seen from the external objects should be included in the model. Jacobson makes use of the following terminology:

- Use-case module, which is a business module that will explain the business and its environment; and
- Actors, who are the environment that includes customers, suppliers, etc. (Jacobson, 1995:101–102).

Jacobson performs the modelling of business systems according to the following steps:
(a) **Identify the business system** that should be modelled. It is important to identify what business system is responsible for which external environment and the boundary between the business system and the external environment (Jacobson, 1995:102–103).

(b) **Identify the actors.** The actors are role-players in the environment and represent everything (not necessarily people) that interacts with the business. Actors can be divided into two groups:
- Human; and
- Mechanical, e.g. another company’s computer system that interface with the company’s computer systems (Jacobson, 1995:103).

(c) **Identify the use cases** in the business system. A use case can be defined as a “sequence of transactions in a system whose task is to yield a result of measurable value to an individual actor of the system.”

Jacobson simplifies the definition by saying it is a specific flow of events through the system (Jacobson, 1995:105). Use cases are also referred to as cycles, e.g. the selling, purchasing, inventory, etc.

Jacobson points out the importance of “measurable value” in the definition. The actors should only interface with use cases that add value to them (Jacobson, 1995:106).
The objective to yield a result to an individual actor should always be kept in mind to ensure that too complex use cases are not designed. The designer should keep in mind that an individual could be a customer, but that there may be three different types of customers. Use cases for each type should be identified, e.g. people that will buy the products but not necessarily use them and people who will use the product but not necessarily use them (Jacobson, 1995:105).

(d) Once the use cases have been identified, they should be described in detail as well as the interaction between the use cases and the actors. A structured writing approach should be used when the detail is documented. Use cases can follow different paths through its description, depending on the choices that are made (Jacobson, 1995:108–111).

(e) As soon as the detail information has been documented, the system can be mapped according to the object model.

An example

Jacobson used the example of a restaurant to explain the mapping exercise of the use case.

(a) Firstly, the business system, which is the restaurant, should be identified.

(b) Secondly, the actors are identified as the guests and the suppliers.
(c) The *use cases* within the business system are:

- Serving lunch;
- Serving dinner;
- Purchasing from suppliers.

(d) Detailed system descriptions should be performed to describe the different use cases and the interaction between them and the actors.

(e) The mapping will be as follows:

```
Actor:   Use Cases:   Actor:
Guest   Serving lunch   Supplier

Serving dinner

Purchasing from suppliers
```

Figure 7.2. *USE CASE: RESTAURANT*  

The use case model of a short-term insurance company will be much more complicated. The following actors and use cases could be included:
<table>
<thead>
<tr>
<th>Actors:</th>
<th>Use cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Customers</td>
<td>- Policy sales</td>
</tr>
<tr>
<td></td>
<td>- Policy services and maintenance</td>
</tr>
<tr>
<td>- Developers of new products</td>
<td>- Marketing &amp; research</td>
</tr>
<tr>
<td>- Financial Services Board (FSB)</td>
<td></td>
</tr>
<tr>
<td>and other government regulators</td>
<td></td>
</tr>
<tr>
<td>- Broker firms</td>
<td>- Broker commission</td>
</tr>
<tr>
<td>- Banks</td>
<td>- Premium collection</td>
</tr>
<tr>
<td>- Reinsurance firms</td>
<td>- Reinsurance</td>
</tr>
<tr>
<td>- Assessors</td>
<td>- Claims</td>
</tr>
<tr>
<td>- SA Police Services</td>
<td></td>
</tr>
<tr>
<td>- Third party insurance companies</td>
<td></td>
</tr>
</tbody>
</table>

Table 7.1.  **ACTORS & USE CASES: SHORT-TERM INSURANCE INDUSTRY**
FIGURE 7.3. USE CASE: SHORT-TERM INSURANCE INDUSTRY
This module can be expanded and be much more complicated, depending on the structure of the short-term insurance company.

7.4.4.3.3. The object model

While the use case model provides a good, comprehensive picture of what the business, its environment and processes are, the object model gives a clear picture of how the business is structured internally and how activities are linked together.

Jacobson made use of the following terminology when explaining the object model:
- An interface object, that is responsible for communicating with the environment;
- Control object(s), that are responsible for controlling the entity objects; and
- Entity object(s), that are responsible for performing certain processes. Entity objects are also more independent from their environment and are realised in the form of things, not human (or mechanical) resources.

An example

Jacobson used the object model to map the restaurant as follows:
Together with the object model, it is necessary to document any alternatives. Detail descriptions can also be added to the diagram to explain certain complex associations. To follow is an example of an interaction diagram used by Jacobson to illustrate the relations between the objects. (The cloakroom function has been excluded from the above picture as this is not used in South African restaurants) (Jacobson, 1995:112-133).
<table>
<thead>
<tr>
<th>Step</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Guest enters the restaurant.</td>
</tr>
<tr>
<td>2.</td>
<td>Seating plan is checked.</td>
</tr>
<tr>
<td>3.</td>
<td>Show guest to table.</td>
</tr>
<tr>
<td>4.</td>
<td>Notify order handler.</td>
</tr>
<tr>
<td>5.</td>
<td>Guest may order</td>
</tr>
<tr>
<td>6.</td>
<td>Record information about order.</td>
</tr>
<tr>
<td>7.</td>
<td>Prepare the check.</td>
</tr>
<tr>
<td>8.</td>
<td>Notify food preparer about new order.</td>
</tr>
<tr>
<td>9.</td>
<td>Prepare food</td>
</tr>
<tr>
<td>10.</td>
<td>When dish is ready, food preparer notifies order handler and meal is served.</td>
</tr>
<tr>
<td>11.</td>
<td>When guest is finished, present the bill.</td>
</tr>
<tr>
<td>12.</td>
<td>Notify headwaiter that guest is leaving.</td>
</tr>
<tr>
<td>13.</td>
<td>Headwaiter updates seating plan.</td>
</tr>
<tr>
<td>14.</td>
<td>Guest leaves. Use case is completed.</td>
</tr>
</tbody>
</table>

Figure 7.5. **INTERACTION DIAGRAM: RESTAURANT**
7.5. **UNDERSTAND THE SUPPORT FUNCTIONS**

Apart from the core processes that add direct value to customers and that have been identified for reengineering, the company structure also includes a number of support functions. These functions include finance, security, training, media communication, human resources, etc. These activities do not add direct value to the customer, but is necessary in the daily operations of the company. Jacobson divided the company into two layers, one of core (business) processes and one of the support activities (Jacobson, 1995:205).

The support activities should also be redesigned. The way these functions should be redesigned will also be discussed in chapter 8. However, it is important that the reengineering team understands the working and purpose of these functions.

The extent to which these support functions will be reengineered will depend on several factors and can include the following:

- Size of the organisation;
- Size of the support function;
- Importance of the support function to the key processes; and
- Cost implications to structure the support function as a separate process.

This study will focus on reengineering the finance and training functions due to its importance to any short-term insurance organisation. In most short-term insurance organisations, the size of these functions makes it cost effective and viable to reengineer the function as a separate or combined process.
7.5.1. The finance function

Business process reengineering is about improving added value within processes, in which financial information plays a prominent role. The role of the finance function is especially important during the following two phases:

- Before and during the reengineering process to provide the necessary information required as a basis for fundamental decisions on what changes to implement; and
- The financial function has a subsequent role to control the new cross-functional processes and to monitor whether the financial benefits expected as a result of business process reengineering, are actually achieved.

To ensure the financial function is capable of providing appropriate information to meet future expectations, it is important that the finance function itself is reengineered. This is discussed in more detail in paragraph 8.5.2 (Armistead, Rowland, 1996:162–168).

As a result of task driven organisations, management accounting systems concentrated on efficiency measures for sub-divisions within organisation (cost centres/departments). This means that management accounting system reflects the efficiency of a particular area rather than the effectiveness of the key processes within the organisation. Due to this, many management accounting systems cannot provide the financial information that is required to enable a proper financial evaluation of the proposed business reengineering process. Quite a number of reengineering processes and restructuring decisions are taken without any comprehensive, valid financial evaluation (Armistead & Rowland, 1996:162–168).
A further challenge for the finance function is, therefore, to ensure that all BPR initiatives are financially justified. This financial justification should include the costs involved in the reengineering process evaluation and the implementation process (Armistead & Rowland, 1996:162–168). Different techniques such as analysing future cash flows, calculating the payback period or the internal rate of return can be used to perform a financial evaluation of the cost and benefits of the reengineering process.

7.5.2. The training function

7.5.2.1. Why should the training function be reengineered?

With the introduction of the principles of business process reengineering, companies have new requirements from employees and their trainers. According to Shandler (1996:14), there are three new workplace forces that affect the training function of companies:
- Business strategies concentrate more on human resources and require strategic practices;
- There is increased pressure on productivity and performance; and
- There is an increased need for commitment and participation on the job by a larger proportion of the workforce.

That means that new skills are required from employees. Shandler listed fifteen skills, which are:
- Learning to learn – Foundation skills;
- Reading skills;
- Writing skills;
- Computational skills;
- Speaking skills;
- Listening skills;
- Problem solving skills;
- Creativity skills;
- Self-esteem skills;
- Motivation and goal setting skills;
- Personal and career development skills;
- Interpersonal skills;
- Negotiation skills;
- Team work skills;
- Organisation skills; and

Shandler argues that these skills will only be transferred to employees if the training function is rethought, re-evaluated and reengineered. Trainers should change the way they think about their work and should shift from “the business of training” to the “business of learning” (Shandler, 1996:16–17).

### 7.5.2.2. Identify the current unproductive training practices

In order to reengineer the training function, it is important that the current process is understood. According to Shandler, the starting point is to identify the organisation’s current unproductive training practices.

The unproductive training practices should be identified in terms of the following:
(1) Are the training leaders proactive?

Are training leaders proactive or reactive. Leadership is extremely important to ensure the training function is proactive in the development of staff. It is important that the leaders develop training that is aligned to the new corporate strategies. The Chief Training Officers’ Workshop sponsored by the ASTD and Andersen Consulting identified the following skills required from training leaders:

- Achieve a working partnership with senior executives;
- Deliver more performance with fewer resources;
- Adapt the training function to the challenges facing the entire organisation;
- Position training as a key to workplace performance and our organisation’s competitive position;
- Help the organisation to develop strategies for change (Shandler, 1996:79–82).

(2) Do training leaders focus on high-performance strategies?

When analysing the unproductive training practices, it is important to ask the question “Are we meeting the learning needs of a high-performance organisation?” The training function should move from traditional training to a continuous learning organisation. The training function should be a support group to staff who ensures information is not simply deposited into workers heads, but that they apply the knowledge within the context of the work (Shandler, 1996:82–84).
(3) *Do trainers perform multiple roles?*

“One of the biggest obstacles a training department can face is a lack of respect and credibility from line managers and workers who think a trainer’s work is irrelevant to their own work” (Shandler, 1996:86–88).

This is probably one of the most common weaknesses of training functions in organisations. Training professionals should be performance and change drivers in an organisation. They should assess, develop, practice and demonstrate relevant roles in the organisation. The following roles should be performed by the training personnel:

- Researcher;
- Career development advisor;
- Manager;
- Training program designer;
- Need analyst;
- Human resource materials developer;
- Marketer of the training;
- Organisation change agent;
- Administrator;
- Instructor and facilitator; and

(4) *Do we evaluate the results of training?*

Training will be of no use if the results are not visible. It is, therefore, extremely important to measure the results of the training function. Shandler presented four levels of training evaluation:
- Reaction of trainees;
- Learning of trainees – how did they change their attitudes, improve their knowledge and skills;
- Behaviour of trainees – how did they change their behaviour; and
- Results – what are the final results of attending the training course.

It is important to measure trainees’ reactions to courses, test their knowledge, observe their behaviour in the workplace and calculate the business results of the training course (Shandler, 1996:93).

Shandler gave a list of the worst unproductive training practices, which can be used to identify unproductive training practices during the reengineering process:

(a) Alignment with business demands more the exception than the rule;
(b) Benchmarking of training practices talked about, but often not done;
(c) Classroom instruction remains the dominant method of delivery;
(d) Decentralised and duplicated training services exist within a single company;
(e) Failure to identify skill deficiencies before committing to training;
(f) Gaining management’s support for training is often challenging;
(g) Human performance needs or organisation’s needs not met by training offerings;
(h) Inaccurate judgement on the trainability of specific people;
(i) Just-in-time training often late or unavailable;
(j) Keep the status quo and resist introducing alternative training technologies;
(k) Linkage between training function and line organisation lacking;
(l) Multimedia and electronic learning alternatives under-utilised;
(m) Not enough time spent on application, feedback and practice in training sessions;
(n) Organisational culture may simply not support training;
(o) Perceived by many as a “pleasant indulgence” versus an investment in increasing productivity;
(p) Quality of design, development and delivery uneven;
(q) Return on investment of training not rigorously measured;
(r) Senior management support of training and education uneven or missing;
(s) Transfer of training not effectively and/or consistently measured;
(t) Upper management and direct supervisors not briefed and involved as partners in training;
(u) Virtual reality is virtually unused;
(v) Workers (production, service, administrative) who have the most contact with customers receive only one-third of budgeted training; and
(w) A feeling that training is expensive and time consuming (Shandler, 1996:91).

When reengineering the training function, it is important to include not only staff from the training department, but all line managers to identify the unproductive training practices.
7.6. **CONCLUSION**

Before the reengineering team can commence with any changes to the current processes, it is of utmost importance to understand the environment in which the company operates. This environment includes:

- Identifications of customers, the segmentation of customers and their requirements;
- What the company’s value propositions are; and
- External market implications and conditions.

In a global market, it is impossible for companies to be everything to everyone. Companies should analyse and focus on their value propositions and customers should be segmented in order to improve the value being added to them.

The team should also have a comprehensive understanding of the current processes as well as the supporting functions of the organisation. It is important not only to realise how these functions are performed in the organisation, but also to identify weaknesses upfront.

The gathered information should be formally documented and reviewed before the reengineering team continues performing the following steps in the execution stage, which will be discussed in chapter 8:

- Redesigning the alternative options and new systems;
- Performing a gap analysis;
- Selecting an alternative and
- Implementing new processes.
BIBLIOGRAPHY


