CHAPTER 8

THE EXECUTION STAGE: REDESIGN AND IMPLEMENT ALTERNATIVES

8.1. INTRODUCTION

After the reengineering team has analysed the company’s environment and current processes, and possible limitations have been identified, the execution stage, which include redesign and implementation of alternatives, should commence. This chapter will focus on the following:

- Benchmarking as an exercise to determine the company’s position in terms of competitors and to set standards in terms of reengineered processes;
- Designing options and alternatives which could be implemented;
- Mapping the alternatives;
- Designing the support functions, which include the finance and training functions;
- The important role of the human resource function to facilitate the BPR process;
- Performing a gap analysis;
- Selecting an alternative;
- Developing a change management plan;
- Implementing the selected alternative; and
- Measuring the performance improvement and assuring continued improvement.

8.2. BENCHMARKING

Benchmarking is defined by the Oxford Dictionary of Business as “the process of identifying the best practice in relation to products and processes, both within an industry and outside it,
with the object of using this as a guide and reference point for improving the practice of one's own organisation. Benchmarking can take place within an organisation...or in relation to organisations in totally different fields. ... (The) main value of the practice is that it forces people to look outside their established patterns of behaviour” (Oxford, 1996:55).

According to Chang, benchmarking is increasingly being used together with reengineering (Chang, 1996:31). The reason why benchmarking should be used during the reengineering process is to ensure that the company's own process goals surpass those of its competitors. Jacobson suggests when selecting companies for benchmarking, it is important to examine companies in the same or in a similar business that do an outstanding job and to learn from them. The company should focus on its competitors or on companies in other fields, but which use the same processes. Chang gave a few guidelines when companies are selected for benchmarking:
- The company should have a good reputation;
- The company’s customers should be thoroughly satisfied with their services and products;
- The company should yield high-quality results;
- The company should be recognised as leaders in their field; and
- The selected company should be interested in benchmarking (Jacobson, 1995:86).

8.3. DESIGN OPTIONS AND ALTERNATIVES

8.3.1. Introduction

During this stage the reengineering team should use the information gathered during the pre-study stage as discussed in chapter seven (understand customer needs, value propositions, the current process and support functions) as well as the information
obtained from the benchmarking exercise to design new alternatives. The different alternatives will depend on the unique characteristics of the organisation and its industry.

Morris and Brandon are of the opinion that the reengineering team can design as many different alternatives as there are different ways to execute the process. However, the cost attached to such a detailed exercise should also be considered.

When designing new options and alternatives, the reengineering team should bear the following in mind:
- The objectives of the reengineering process as stipulated in the mission statement; and
- The impact of possible current and/or new information systems, which will be discussed in chapter 9 (Morris & Brandon, 1994: 172,173).

Before designing the new alternatives, the mission statement and objectives of the reengineering process should be updated to ensure the reengineering team works to an updated and common goal. As soon as the mission statement has been updated, the alternatives can be designed and mapped.

8.3.2. **Update the mission statement and set specific goals**

8.3.2.1. **Introduction**

Before starting with the designing process, it is necessary to review the scope and objectives of the reengineering process as discussed in chapter 6. It is possible that new objectives are added to the original plan and that the boundaries are re-framed. If not included, specific objectives may also be
added (Cross, Feather & Lynch, 1994:130,131). Such objectives can be as specific as to complete the underwriting processes of policies in a short-term insurance company within one hour defect-free. When setting these specific objectives, it is important to maintain a balance between quality, delivery, cycle time and costs.

According to Cook it is helpful to use a consultant when developing objectives. The function of the consultant should be to test ideas. He/she will provide that essential impetus, whether in the form of a change model, their experience, or relentless pushing (Cook, 1996:14-16).

Besides specific reengineering objectives, there are certain general reengineering objectives that should be considered during the designing process.

**8.3.2.2. Halve the lead time**

As discussed in chapter 3, one of the principles of business process reengineering is to eliminate non-value added tasks as far as possible. That means that lead time should be identified and eliminated in the new design. Too many check points and control checks involve inevitable delays and shift the emphasis away from quality. “Don’t automate – eliminate” is one of Michael Hammer’s well-known sayings. The reengineering team should always ask themselves the question: “Do we really need this?” (Ballé, 1995:70). Ballé also pointed out that in practise, it is recommended that objectives to eliminate lead time be rather too optimistic in order to ensure the necessary results are achieved (Ballé, 1995:63).
8.3.2.3. Only a few customer contacts

It is important to remember that any customer should have as little as possible contact persons within an organisation. This does not mean that only one person should work in close relation with the customer, but to minimise each individual customer’s contacts within the company (Jacobson, 1995:115).

8.3.2.4. Conclusion

Before the reengineering team continuous with the designing of options and alternatives, it is important to focus the team on the mission and objectives of the reengineering process. By doing so, the mission statement should be updated to include specific and general reengineering objectives.

Once the team is focused, the designing phase can commence.

8.3.3. Design the options and alternatives

The purpose of this step is to organise certain ideas with regards to the new processes and organisational structures. The detail mapping and descriptions will be done during the next step. These ideas will form the backbone of the reengineering process. It is, therefore, important that the team focuses on the principals rather on the technical detail.

It is impossible to discuss the detail of how the perfect solution should be designed during the reengineering process. The new designs of the business structure will depend on a number of variables, which can include:
- Customer requirements;
- Weaknesses identified within the current processes;
- Budget available to implement new processes;
- Industry specific or other such as labour legislation;
- Limitations of information systems;
- Other limitations such as geographical sites;
- Availability of skills, etc.

However, the principals of reengineering should always be included in any new design. These principals were discussed in Chapter 3.

### 8.3.3.1. Processes replace departments (functions)

One of the fundamental changes from a traditional business to a reengineered business is that reengineered companies are process driven and the organisational structure is divided into teams. When the new process is designed, it is important not to redesign the original hierarchical structure of managing by functions. Armistead and Rowland explained the difference between the structures:

(a) *Managing by functions*

This structure is hierarchical and will normally be found in traditional companies.
(b) Managing by process

There are different ways of structuring the business to manage by process.

In this example, functions still exist, but cross-functional processes are in place to perform the tasks. These processes are centres of expertise from each function. An example of a process will include processes that specialise in specific clients, e.g. client with insured assets > Rx, clients in a certain...
geographical area, specific products, etc. Alternative options to arrange processes are discussed in chapter 10.

Functions can also include specific support functions within the organisation such as marketing, training, finance, security, etc. These functions can be allocated to the different processes, but also be controlled and evaluated as part of a specific function within the organisation.

According to Armistead & Rowland, functions can also be eliminated in total and all activities be performed in processes by teams (Armistead & Rowland, 1995:51-53). The organisational structure can be illustrated as follows:

![Figure 8.3. MANAGING BY PROCESS WITH NO FUNCTIONS](image)

This structure implies that the strategic management function will operate as a team and a process, all core activities will operate as teams and processes and all support functions will operate as teams and will be included in processes. These different teams and processes will interact with each other, but will still be individual teams and processes. This structure differs from the preceding structures in that the preceding structures were a mix of reengineered processes and traditional structures. An example of a mixture of structures is where certain support functions are too small to include them
as part of a process. Such support functions will then remain separate functions.

It is important to consider to what extent the company should move to a horizontal organisational structure. There are dangers in moving to the horizontal structure. One such a danger is that senior managers from high-level business processes can overlap and make contrariety decisions (Armistead & Rowland, 1995:51-53).

Eliminating functions in total will also depend on the level of expertise necessary to fulfil each of these functions. The higher the level of expertise required, the less the possibility that all functions will be eliminated. Very often, it will be more cost effective and practical if certain support functions remain separate support functions.

8.3.3.2. **Design the organisational structure in accordance with the process design**

8.3.3.2.1. **Flattening the organisational structures**

The decision to remove middle management and other job functions is possibly the toughest aspect of reengineering. Management has to deal with the impact of retrenchment as well as to reassure and educate those who remain with the company (Von Bormann, 1994:12-18).

The flatness of the organisation, or the span-of-control, is a reengineering decision. Broader spans-of-control are enabled by
the effectiveness of the reengineering process. The span-of-control is also influenced by the following factors:

- The manager’s personality;
- The manager’s capability;
- The manager’s pace and activity level;
- The manager’s fatigue tolerance;
- Complexity of work;
- Available assistance;
- Subordinates’ capabilities;
- Similarity of subordinates’ activities; and
- Location of subordinates.

It is important to eliminate as many as possible non-value activities during the reengineering process. Senior management need to consider to what extent middle managers should be removed. Although there is no ideal ratio of how many employees should be assisted by a manager, some authors recommend between 50 and 70 (Cross, et al. 1994:97,98).

The important factor to remember is that middle management cannot be removed without enabling employees to perform the work themselves. This can be done by providing extensive training to employees or by providing employees with tools to assist them in decision-making. These tools can include information systems that give workers access to all information they need. Workers should be empowered and supported in making decisions (Cross, et al. 1994:97,98).
8.3.3.2.2.  Working in teams

When reengineering the business, the traditional task orientated business should be converted into a process orientated business where teams are used to perform certain functions. However, setting up these teams is a difficult process.

Tom Peters discussed the view of Quinn Mills regarding the use of clusters in a business. Mills defined a cluster as a:

“…group of people drawn from different disciplines who work together on a semipermanent basis. A cluster develops its own expertise, expresses a strong customer orientation, pushes decision-making towards the point of action, shares information broadly, and accepts accountability for results.”

Clusters vary in size from 30 to 50 people and can be subdivided into self-directed work teams. These teams can perform different functions within the cluster. Top management can also function as a team within a cluster (Peters, 1992:245).

The important factor is using different types of teams appropriately. There are three types of teams:

(a) The baseball team, where players play in the team and not with the team. Every position plays in its own way. That means that a team may include underwriters, claim assessors, product designing, marketing staff, etc. Each of them is part of the team, but they perform their work in their own way.
(b) The football team, where players have fixed positions, but play as a team. There is no individual permissiveness. The word of the coach is law.

(c) The tennis doubles team, where players have primary rather than fixed positions to cover their team mates. However, this does not mean the team will only include two people. Such teams normally include five to seven members that work and train together for some time before fully functioning as a team.

There are a few difficulties about setting up teams during the reengineering process:

(a) The reengineering team should consider what kind of team to select. Each of the three teams is different in their behaviour and it is important to use the correct team for the correct process. One kind of team can only play in one way and it is difficult to change from one kind of team to another.

(b) Together with the process of setting up teams is the question of job design for team members. This will depend on the type of team that was selected. However, it is important to design jobs to capitalise on people’s potential capabilities. Jobs should be designed to require generalist with a speciality, rather than narrow specialists. That will result in jobs being more flexible, both organisational and personal.

The authors of Corporate Renaissance explained the concept by using an example of change requests to a multiple system and software modules. While in the past software development groups included specialists for each computer subsystem and software
module, the reengineered process ensures that a project leader controls the total process and that all team members are involved in analysing the effect of the change request. That means that not only the person whose module is affected by the change will be involved, but the whole team. As a result, the team will focus on the customer’s needs in total and not only on individual modules (Cross, et al. 1994:98,99).

There are four essential factors to the success of a team:

(a) The goals must be clear;

(b) People should have the necessary competence, which not only include technical skills, but also understands the total process. Training can play an important role in giving them the necessary competence;

(c) Information needs to be freely shared; and

(d) People need to know they are trusted and that they will not be unfairly penalised for failures (Peters, 1992:245).

8.3.3.2.3. Complex jobs

As discussed in chapter 3, it is important to design jobs in such a way that employees perform more complex jobs and take more and more decisions themselves. However, it is also necessary to train them to become professionals. Training and tools are important to assist them during the change.

Very often, people are scared to exercise their authority to its full extent. At Rand Merchant Bank Properties in South Africa, it was
necessary to implement rules to ensure that employees started to use their authority and to get use to the complex job situation. Employees were forced to make recommendations instead of asking questions. Management also have to trust employees to make decisions within given parameters in order to improve the service to the customer. According to Adams, the challenge for management is to set the correct parameters and to make a person understand when they are at the limit of their capabilities (Von Bormann, 1994:12-18).

8.3.3.3. **Use your ideas, not your money**

“Use your ideas, not your money” was a very important remark made by T Ohno (Ballé, 1995:64). The team should be creative. It is important to redesign feasible and in a cost-effective way and not to add more resources to the organisation. Ballé warns that without applying the zero investment rule, the reengineering team will “tend to dream up the magical gimmick solution, …which includes…the super computer that will do it all, the wizard expert who will know it all and the nice, cheap, reliable contractor who will do the work for you” (Ballé, 1995:64). It is important to realise that the objective is to reduce costs and not to add additional resources.

8.3.4. **Conclusion**

Before the mapping processes start, the backbone designs should be reviewed to ensure all BPR principals are included and that these options are feasible and in accordance with the mission statement.
Designing a complete and perfect model for a short-term insurance company is impossible. However, this process will be illustrated in an example at the end of this study.

8.4. MAP THE ALTERNATIVES

8.4.1. Introduction

As discussed previously, numerous tools are available to support the reengineering team when mapping systems. Three of these techniques were discussed, being the KJ method (par. 7.4.4.1), using of software (par. 7.4.4.2) and the use case and object model (par. 7.4.4.3). It is only practical that the reengineering team will use the same technique for mapping the current system to map the new alternatives.

8.4.2. High-level design

Firstly, high-level designs should be sketched which include all the major themes/fundamental elements of the new process whereafter the finer details are filled in. It is important that the support structures of the business also be reengineered (Cross, et al. 1994:127). This will be discussed in paragraph 8.5. The reengineering team should also be careful that all the necessary input and output of the current system are accounted for in the new designs.

The authors of Corporate Renaissance gave seven principles, which is set out below, when designing new systems:
8.4.2.1. *Establish a product orientation in the process*

When processes are redesigned, it is important to create work centres or teams who specialise in the production of a particular family of products/services. By doing this, the utilisation of labour and equipment is maximised. This specialisation enhances the capability of the organisation to respond to product revisions as small groups have the ability to communicate easily.

![Diagram of traditional business flow in a manufacturing business](image)

Figure 8.4. *TRADITIONAL BUSINESS FLOW IN A MANUFACTURING BUSINESS*

In this business, four departments are responsible for the manufacturing of three different products. The departments are responsible for their individual tasks on each of the products.
Three different products are manufactured in three different processes. All steps are performed in each of the processes (Cross, et al. 1994:132,133).

In service organisations, products can represent different categories of customers that will receive different types of services.

**8.4.2.2. Eliminate buffers**

Processes should be redesigned to eliminate buffers. Buffers can both be included in products (piling up materials, work-in-process, finished goods) or paperwork buffers. Paperwork buffers will be a buffer in an insurance industry.
Buffers cause numerous problems, including hiding errors, cash flow problems, high cost of capital, etc (Cross, et al. 1994:133,134).

8.4.2.3. Establish one-at-a-time processing

In many organisations, speed is a key to the success of the company. Non-stop processing is essential to speed up processes. Therefore, it is preferable to process information on-line instead of batch processing. Not only may the process be speeded up, but errors will be detected faster, assuming proper controls were implemented.

Not only is this concept important with regards to computer systems, but employees should also complete the task they have started before moving on to the next step (Cross, et al. 1994:134,135).

8.4.2.4. Balance the flow to the bottleneck

This principle concurs with eliminating buffers. It is senseless to produce more in any process (e.g. material, paperwork) than any subsequent process can accommodate. If the capacity of the first process is to produce 100 units per day, but the fourth process can only accommodate 80 units per day, then the first operation should only produce 80 units per day. The problem with bottlenecks is that they are constantly changing because of the mix of products/services. From a reengineering perspective, the key to balancing output to the bottleneck is to ensure bottlenecks are visible (Cross, et al. 1994:135,136).
8.4.2.5. *Minimise sequential processing*

Companies can achieve significant improvement by replacing sequential processing by parallel processing.

Assume four workers are working in a sequential process where each of them is responsible for manufacturing a quarter of a unit. If three of them perform the task in five minutes each and the forth performs it in six minutes, it will take twenty-one minutes to complete one unit. The problem is that the slowest step becomes the bottleneck and limits production to ten units per hour. (60min./6 units)

If the same workers work in a parallel process where each of them is responsible for manufacturing the whole unit, three of them will take twenty minutes to manufacture a unit, while one will take twenty-one minutes. The total output will be eleven completed units. The output will be increased by 15%.

A further advantage is the reduction of “move” time between components. At Time Insurance, the number of functional groups was reduced that resulted in a reduction of “move” time between components. The result was an 80% reduction in cycle time for fast-track work (Cross, et al. 1994:136,137).

This principal can be applied in the short-term insurance industry by comparing the manufacturing of units with a scenario in the claims department where

- Person A receives the claim and reviews the validity of the policy, the existence of the client and the coverage of the assets;
- The claim is forwarded to Person B who reviews the payment of premiums for any outstanding premiums as well as any excess amounts payable; and
- Person C who reviews any third party claims and reinsurance claims.

The process can be speedup by combining all functions in one person, but split the volume of claims between Person A, B & C.

### 8.4.2.6. Schedule work based on its characteristics

It is important to sort work into “fast” and “slow” tracks based on the likely processing ease. This principle concurs with the principle of product orientation processes. Sorting between “fast” and “slow” tracks will prevent transactions from piling up (Cross, et al. 1994:137,138).

### 8.4.2.7. Minimise multiple paths through specialised operations

Multiple paths to other specialised functions, which is time consuming and which creates confusion amongst employees, should be prevented when reengineering processes (Cross, et al. 1994:139). The reengineering team should specifically focus on this principal where customisation of products to fit specific client needs creates multiple options. Accounting for transactions where multiple options are available can be simplified for employees by using advanced information technology systems.

### 8.4.3. Fill in the detail

When the high-level design has been completed and reviewed, the reengineering team can complete the details. During this phase, the smooth integration of the boundaries
between the sub-processes is crucial. It is important that the full reengineering team participates in this process and that everyone understands the total picture. The following detail should be considered during this phase:

- Clearly identify the flow of information within each process and between different processes;
- Capture pertinent quantitative information such as volumes, batch sizes and process times to describe the information flow;
- Clearly identify those activities where time per unit is variable from product to product; and
- Identify key measurement points e.g. the boundaries between sub-processes.

Once the new map has been completed, a procedure sheet can be prepared. A procedure sheet serves as a vehicle for every employee (senior executives to hourly workers) to gain an understanding of the new process. The procedures will be documented in detail in the procedure sheet. The basic components of a procedure sheet are the following:

- The activities within each process;
- The purpose of the activity;
- The style of delivery (manual/electronic);
- Accountability (who is responsible for the activity);
- Location of activity (where is the activity being performed);
- Duration and elapsed time (what the process time and cycle time will be for each activity);
- Detailed description (what steps are required for the activity); and
- Notes/exceptions to the process steps.

In order to identify the location of the activity, the new physical environment and the design of the workplace should be completed. When designing the workplace, the
reengineering team should consider different layouts to increase productivity as well as to simplify the information flow. Open plan offices and the U-shape module are popular due to a reduction in cost as well as visual management. The workspace should be designed in such a way that baskets of paperwork are not accommodated, which creates backlogs. Phone calls should be directed to a phone bank that is responsible for handling customer queries. The authors of Corporate Renaissance give four principles when setting up the workspace:

- Locate people close to each other to foster immediate, informal feedback;
- Allow the workers to see the work. This will help the employees to see whether the backlog of incoming paper increased or decreased;
- Since many of the physical layouts call for open plan offices, it is important to give the team a sense of privacy where they can hold meetings, conduct problem solving, provide coaching, etc; and
- It is important that proper tools are available to the team e.g. computers, copiers, fax machines, etc (Cross, et al. 1994:168,169)

Except for details relating to the processes themselves, other aspects such as the following should also be considered:

- Staffing requirements and preferences when allocating staff to different processes;
- New skills and training requirements;
- Supporting information that should be changed, e.g. job descriptions, operational manuals, etc; and
- The motivation of staff, the corporate culture and the handling of stress by staff during the BPR process. The role that the human resource function can play during by addressing these issues will be discussed in par. 8.6.
8.4.4. **Conclusion**

The full reengineering team should be involved in mapping the alternative options to ensure all aspects and interfaces between the different processes are communicated and mapped. The success of this phase is of extreme importance to the success of the BPR process in total.

Mapping the alternatives will include two phases:
- Perform a high level mapping; and
- Filling in the detail.

Although authors of BPR literature recommend that a number of alternative options be designed, it is likely that, due to cost implications, two alternatives will be designed with more alternative variations in certain areas.

On completion of the mapping of the alternatives, the support functions should be reengineered to fit to the designed processes.

8.5. **REENGINEER THE SUPPORT FUNCTIONS**

8.5.1. **Introduction**

Support functions within any organisation are key to the success of the operations. The reorganisation of businesses around their key processes has significant implications for support functions. These support functions should also be reengineered to ensure they support the same BPR principals. Support functions can include:
- Marketing;
- Security;
- Human resource and training;
- Finance;
- General administration and maintenance, and specifically to the short-term insurance industry
- Product development and research.

As discussed in par. 7.5, the extend to which support functions will be considered for reengineering will mainly depend on the size of the organisation, the size of the support function, its importance in relating to the key processes and the cost implications to structure the support function as a separate process.

Based on these considerations, the study will focus on reengineering the finance and training functions due to its importance to and size within most organisations, including short-term insurance organisations.

8.5.2. Reengineer the finance function

According to Armistead & Rowland, there are two important concepts when reengineering the finance function. They based their discussion on the following:
- The importance of management reports in the reengineered environment; and
- The process to reengineer in the finance department (Armistead & Rowland, 1995:161).
8.5.2.1. The importance of management reports in the reengineered environment

Traditionally, the finance and accounting functions for the total organisation were grouped into one department. The principal objective of the finance department was to report on the financial status of the organisation. The fact that the majority of reports were requested and used by the finance department resulted in a situation where the finance department did not view themselves as suppliers of services to their customers, being the other areas within the business.

When reengineering the business, it is likely that the reporting requirements of various processes will expand. In order to manage and evaluate the business by process, each process will require reports on its performance. Reporting across different functions and processes will be as important. The information included in the reports will also include a significant amount of non-financial information. Armistead & Rowland summarised this function as follows:

“A major role for finance is...to translate the existing financial information into the decision-making support required for the fundamental changes within the organisation” (Armistead & Rowland, 1995:162).

Due to the increasing need for decision-making information, management accounting systems tend to allocate costs on the specific activity resulting in the cost (Activity based costing). However, a shortcoming of many management accounting systems is that these accounting systems are

It is important that the finance function realise that it provides a service to customers. These customers are process owners and employees from all processes as well as staff from other supporting functions. Clearly, the requirements of these customers should be considered when reengineering the finance function.

8.5.2.2. Redesign departments to operate as business processes

When reengineering the support functions, it is important to remember then they should operate as functions and no longer as departments. This principal was illustrated in figure 8.2 and 8.3.

When reengineering the finance function, it is important to:
- Eliminate unnecessary tasks in the original process;
- Disperse the finance function largely across and within the organisation to support processes more directly;
- Use modern information technology more efficiently to report on both financial and non-financial information;
- Utilise other functions within the processes more effectively by relocating certain work to the area that lodges the authority to make decisions. Modern information technology can also be utilised in achieving this objective. By relocating certain work to the area that lodges the authority, duplication between different processes will be avoided. This principal was illustrated by Armistead & Rowland in the following example:
Goods are normally received by the stock department and agreed to the delivery note and preferably also to the order. All documents are forwarded to the creditors department for payment and to the purchasing department where outstanding orders are cancelled. Invoices from suppliers are received and validated to goods-received-notes (GRN’s) as well as to orders for validating prices quoted by suppliers. Once the creditors clerk has completed the validation, all documents are forwarded to the manager for authorisation and authorising the cheque requisition form.

Armistead and Rowland summarised the function of the clerks in the accounts payable department as “to tie together and process pieces of paper. They don’t have the information, knowledge, expertise or authority to make any actual decisions regarding payments to outside suppliers”.

To reduce all these non-value added tasks, it is necessary that some of these tasks be carried out in other areas where staff has the necessary expertise, knowledge and authority and that the reconciling functions are performed automatically. Armistead and Rowland pointed out the advances of using information technology to automate certain tasks (Armistead & Rowland, 1995:168, 169). In this example, it is possible to reallocate the reconciliation of GRN’s, invoices and orders to the person receiving the stock. Other actions can be performed electronically.

With the help of information technology and development of financial databases, transaction details are recorded only once and can then be accessed by any financial analyst and/or process owners. Control functions
and analytical activities are increasingly being carried out as an on-line part of the business process. Therefore, it is possible to disperse the finance function largely across the organisation.

The new organisational structure for an insurance company may develop as follows:

![Organisational Structure Diagram](image)

**PROCESS 1: INSURANCE PRODUCT A / REGION A**

The team involved in process 1 includes:
- Members responsible for research and development;
- Marketing staff;
- Underwriters;
- Member & policy maintenance staff;
- Brokers responsible for selling products or broker co-ordinators, if the company make use of external brokers;
- Cost accountant and/or financial analysts (depending on the size of the company);
- Reinsurance staff;
- Credit control clerks;
- Claim assessors;
- Representative from the HR function.

Figure 8.6. *PROPOSED ORGANISATIONAL STRUCTURE OF AN INSURANCE COMPANY*

Depending on the specific environment, other alternatives are also possible as discussed in chapter 10. Other processes may include similar team members.
The finance function will be split across the different processes, but due to specialise knowledge required by staff involved in the finance function, they will still report to a financial director who will be responsible for reviewing and quality control of the full function.

Traditionally, the finance function functioned as a separate unit. It should now be integrated with the different processes. Functions that can be performed by accountants within the above-mentioned process should include:

- Policy sales and claim payments will probably be done by using subsystems which integrate with the general ledger;
- Analysing and reviewing of the general ledger account;
- Trend analyses of markets, claims, policy sales for products, etc.;
- If broker commission is not calculated by the subsystems, this function can also be done by the specific accountant allocated to the process;
- The accountant responsible for the process should be responsible for budget control and forecasting for the specific process. This can include expenditure specific to the process, e.g. marketing, salaries, debt collection, etc;
- Calculation of provision for outstanding claims based on claim analysis;
- Preparation of management accounts for the specific process;
- Debt collection for the specific clients;
- Specific reconciliations, which should include recoveries and payments to reinsurers, recoveries from third parties, SASRIA, salary accounts, etc.

The number of functions which will be centralised and which will be allocated to the specific processes will depend on the size of the organisation. Larger
organisations are in a position to easily justify an accountant, debtors’ clerks or other finance staff for each process.

8.5.3. **Reengineer the training function**

8.5.3.1. **The importance of reengineering the training function and which aspects will change during the BPR process**

8.5.3.1.1. **The importance of reengineering the training function**

Training has a significant role during and after the reengineering process in terms of preparing employees for their new role in the reengineered company. With jobs getting more complex, employees need to be converted into professionals. The way in which work is performed changes dramatically. Employees should also be retrained when computer systems change, which is most often the case during the BPR process (Romney, 1995:24–29).

Together with the reengineering of the company, it is as important to reengineer the training function to enable it to provide the necessary training in a changed environment.

According to Buzz Adam, the majority of wasted efforts in systems root to inadequate employee training. As a result, employees are making mistakes or they are duplicating mistakes of other employees. By training employees on the difference between value versus non-value, they will apply the correct principles when doing
business. It is as important to encourage employees to ask questions (Bartholomew, 2000).

The global economy generates new corporate realities, which include intense international competition, new technologies and the need to improve productivity and performance. These challenges require staff to learn new skills and to improve current ones. It is important to develop managers, leaders and professionals to shift from a narrow and restrictive domestic mindset to a global mindset (Shandler, 1996:4).

8.5.3.1.2. **Aspects which should be changed during the reengineering process**

The training function should be changed in accordance with the reengineering strategy applied to the rest of the business. The following principals should be implemented:

1. The training function should be **aligned with corporate business strategies**;
2. The human resource development leadership must **proactively address business, technology and training** needs;
3. **Systems and technology** approaches are required to integrate the training function in the workplace, which implicates that technology and information systems are utilised in the training function.

Due to the responsibility of the training function to increase productivity, change, quality and innovation, it is necessary to
replace the old training programmes with updated ones that include the latest technologies and systems. Shandler emphasised this important principal:

“Never before has the rapid increase in new knowledge and technology and in the base of change itself demanded a learning response as great as what is now required to remain competitive... Today, individuals and organisations must become continuous learners. It is not surprising to find that most successful organisations operate in a continuous learning mode” (Shandler, 1996:5-19,46,46,51).

4. The **value and impact** of the training function need to be more effectively **measured** and demonstrated;

5. Bold, creative and comprehensive strategies are required to **align the training function with the new corporate agenda**.

Randy MacDoland, Senior Vice President of the HR function of GTE Service Corporation summarises it as follows:

“Our challenge is how do we create a motivated and productive workforce for the company today and in the future. Our goal is to create a human organisation that helps our business compete and win in the marketplace” (Shandler, 1996:5-19,46,46,51);

6. **Experts** in a specific area **should train** employees in a specific area. Should internal resources be unavailable, the necessary trainees should be obtained from external sources;

7. **Distance learning** can be implemented by using technology;

8. **Team-based** learning should be introduced;
9. **Mentor and coaching** programmes should be introduced to ensure a continuous learning culture;

10. **Performance evaluation systems** should also be in place for the training function (Shandler, 1996:20);

11. The new training programmes should also include **management skills** required within a reengineered environment. With the elimination of the traditional sources of authority, process owners should change the behaviour of employees and team members by convincing them rather than to dictate (Davenport & Short, 1990:11);

12. Training programmes should be designed with specific techniques for **creativity generation** and evaluation (Couger, Flynn & Hellyer, 1994:24-29); and

13. Access to information should be available. This will encourage a continuous learning culture (Shandler, 1996:20).

### 8.5.3.1.3 Continuous learning

The objective of reengineering the training function as a support function of the business should not be directed towards improving the traditional training function, but rather to developing a continuous learning organisation, which does not implicate quick-fix solutions, but developing an integrated learning culture within the business.

“The rate at which both individuals and the organisation as a whole can learn has undoubtedly become a major factor in competitive survival”

(Talwar, 1993:27).
The approach of training should change to help employees to obtain the skills how to compete given constantly changing boundaries for both firms and markets (Talwar, 1993:27).

To overcome the difficulties of developing an integrated learning culture, Harkins recommended that the training function be treated as a process within the organisation that receives an operating budget. The performance of the training function should be measured. Benchmarking should also be used in developing training programmes (Shandler, 1996:55-56). Twelve factors that will increase the effectiveness of training programmes:

1. Conduct a need analysis prior to launching the training program;
2. Brief the trainees’ supervisors;
3. Send out course objectives in advance;
4. Prepare an individual development plan prior to launching the training program;
5. Use action plans during the running of the training program for follow-up on the job;
6. Create subgroups for maximum participation during the training course;
7. Teach deductively and inductively;
8. Spread out training sessions, intersperse work;
9. Maintain and reinforce the new behaviours after the training course;
10. Evaluate and report the results of the training course;
11. Set up an HR management system; and
8.5.3.1.4. Utilise the training function for enhancing creativity of the workforce

During 1994, it was reported in the USA that nearly one in three companies offered creative training to its employees. Federal Express Corporation in Colorado Springs was one of the companies that introduced the creativity improvement program based on a model developed by the University of Colorado. The results of the program were significant.

The program was not tailored for Federal Express Corporation, but included the following:

- Improvement of the environment for creativity and innovation;

and

- Training in specific techniques for creativity generation and evaluation.

The program consisted of workshops that facilitated creativity and monthly meetings for each department to discuss experience in application of the techniques and test the degree with which the environment for creativity had been enhanced. The workshop leaders provided enough examples so that attendants could concentrate on items specific to their work environment.

The results of the program was experienced in several ways:

- According to employees’ views, their creativity have doubled;

- Identification of the specific creative ideas that resulted in a cost reduction;
- Several people also reported instances of an increase in the level of creativity in their non-work lives;
- It helps them to share and to be more open;
- It forces them to consider other approaches, not just to continue to use proven methods;
- Employees learned that it takes courage and stamina to put new ideas into effect;
- Employees were able to develop intuitive approaches and not rely only on the analytical;
- The program improved group interaction and helped employees to build on each other's ideas; and most importantly
- Creativity became part of their daily jobs (Couger, et al. 1994:24-29).

8.6. THE ROLE OF THE HUMAN RESOURCE FUNCTION TO FACILITATE THE BPR PROCESS

8.6.1. Introduction

Reengineering the human dimension is one of the most difficult aspects in the reengineering process. The importance of role of the human resource function during the BPR process should not be under-estimated. The human resource function can specifically facilitate the BPR process in the following areas:

1. Restructuring the compensation for employees in accordance with their performance;
2. Motivating staff;
3. Ensuring the corporate culture is not ignored by the BPR team; and
4. Assisting staff with stress where some employees face retrenchments.

8.6.2. **Compensation for employees in accordance with their performance**

The authors of Corporate Renaissance considered this as the most important factor in the success of the reengineering process. Some authors believe that all the efforts on training employees in order to improve quality will be ineffective by itself. The reengineering process will only be successful if employees are compensated in accordance with their performance (Cross, et al. 1994:98,99).

According to Gouillart and Kelly, the reward system is what motivates people on a daily basis. Rewards are psychologically rooted and take many forms.

> “Just as an individual’s reward system drives his or her behaviours, so a corporation’s reward system drives the way the people of an organisation work. The reward system is the connector through which people decide whether to make the goals of the corporation their own, personal goals.”

Financial incentives are only one of many drivers of success. It is necessary for companies to develop reward systems based upon a balanced perspective of goals and measures (Gouillart & Kelly, 1995:241,242).

Perhaps the most important change from the traditional reward systems, is the fact that people are allowed to determine their own rewarding systems by making use of opportunities. In the past, the view was that if employees worked a dedicated 40-hour week year after year, the company would give them the security of lifetime employment and a comfortable retirement. In the reengineered environment, the trend is that employees are individuals and, responsible for their own lives. Should they give the company their dedication to growing and bettering the company, the
company will enhance their opportunity to grow and better themselves (Gouillart & Kelly, 1995:243). Offering opportunities to employees as part of their rewarding system, gives them the option to improve their own capabilities in areas that are interesting and enjoyable to them.

There are several other options to select from when redesigning compensation schemes. These schemes can include the following:

- Working according to discretionary time;
- Receive additional time off;
- Further career enhancements such as job rotation, team leader opportunities;
- The degree of autonomy that an employee will receive;
- Authority to make team rules;
- Bonuses, special awards, salary increase, etc. (Cross, et al. 1994:175).

However, to ensure that these design options are not in conflict with the company policies, it is necessary that a representative from the Human Resource function is part of the design team. It is further necessary that all parties agree on the schemes, which includes management, unions, etc.

To enable management to implement these compensation schemes, it is necessary to have proper performance appraisals in place. Appraisals should be frequent enough and reasonable goals should be set up initially. Appraisals should not be a surprise event and should include relevant information with regards to the job description of the employee (Cross, et al. 1994:175,176). It may be necessary to shift the focus of the appraisals and reward systems. An example of shifting the focus of the appraisals is where staff were previously be rewarded on the basis of production quotas or turnover, they should now be rewarded on the basis of customer satisfaction. It could be necessary to include customers in the appraisal and
rewarding systems (Gouillart & Kelly, 1995:243). In addition to rewarding staff on customer satisfaction, staff should also be rewarded for cooperating as a team within a process. That will also include supporting top management’s priorities in a consistent manner (Cross, et al. 1994:184).

8.6.3. Motivation of employees

“It is widely agreed among successful and profitable firms that the greatest potential for increasing productivity lies in the motivation and the untapped abilities of the work force” (Ross & Ross, 1982:93).

“…In the years ahead improvements will derive even more from investment in human capital than from investment in plant and equipment” (Ross & Ross, 1982:94).

The success of motivating staff will to a large extent determine the success of the reengineering process. Not only should staff be motivated during the reengineering process, but also subsequent to the reengineering process. Motivating staff should be an on-going process.

According to Ross & Ross, work can be perceived as one or more of the following:
- A task, which is an activity necessary for economic survival;
- An occupation, which occupies much of people’s time and effort;
- Employment, which uses skills towards some social or economic purpose;
- Vocation, which one is called to do;
- A mission, which one is called upon or sent to do; or
- A job, which one agrees or contracts to do.
It is preferable that work should include elements of all the above-mentioned aspects. However, in order to motivate staff, it is also necessary to go one step beyond and to add “self-expression” as another dimension of work. Many organisations have been reluctant to consider the creative potential of their workers. It is important to realise that people, and not organisations, have objectives and increase productivity (Ross & Ross, 1982:93).

Another aspect of motivating staff during the BPR process is to ensure that management keeps staff informed. It is important that not only positive aspects be communicated to them, but also negative aspects. Most importantly, management should know what motivates employees and how they interact and communicate (Neese, 2001).

However, before employees can be motivated, senior management should be motivated. Barry G. Levine agreed when he said, “senior executives must be prepared to provide active leadership, demonstrate commitment through participation, and ensure that internal resources are made available” (Levine, 1994:39,40).

8.6.4. **Corporate culture**

Every company has a culture that is based on the most deeply seated paradigms of the company. Culture has its strongest impact in two areas, being interpersonal relations and during change (Morris & Brandon, 1994:72). Due to the strong impact during change, it is vital that the corporate culture be considered during the reengineering process.
The reengineering team should first convince everyone that it is not necessary to fear change, but it should be seen as an opportunity. It is more important to channel the energy that they have spent on defending against change, into improving the business. When convincing staff, it should be remembered that there are a few categories of culture:

- Openness;
- Formal;
- Progressive;
- Political;
- Entrepreneurial; and
- Family-like.

When serious culture problems are identified or experienced during a reengineering process, specialised assistance is recommended. (Morris & Brandon, 1994:72)

8.6.5. Stress and retrenchment

When BPR is implemented, there is always a potential for restructuring that could include some retrenchments. As a result, staff turnover is normally higher than usual, morals are low and staff needs could be neglected. Thus, effective communication is essential in taking workers from resistance to a new idea that change is required (Neese, 2001).

Von Bormann pointed out the danger that although employees accept the opportunity and their responsibility and accountability during the reengineering process, it is very likely that some may experience anxiety. Not only will middle management experience anxiety, but also the CEO who should be the driving force behind the
change process. Van Vuuren, the Chief Executive Officer (CEO) of Unidata who undertook a reengineering process said:

“It was tough on me and it was tough on my family. But you must never doubt yourself, you have to hang in there regardless.”

The high level degree of retrenchment can cause great rifts within the company. It may be that during the initial phase of the process, people can contribute to the process out of fear rather than enthusiasm (Von Bormann, 1994:12-18).

Reengineering does not necessarily mean large-scale retrenchments, but changing responsibility structures and job allocation. However, there are many staff members who do not accept the changing environment and leave the company voluntarily. The unique South African dynamics of labour law and affirmative action also influence the success of the reengineering project (Von Bormann, 1994:12-18).

A dismissal is unfair in terms of the Labour Relations Act of 1995 if the employer fails to prove that the reason for dismissal relates to the employees’ conduct or capacity or if the dismissal was based on the employer’s operational requirements (Butterworths, 1996:108,109). During the reengineering process, the employer would like to prove that any retrenchments relates to the latter. However, the procedures specified in the Labour Relations Act of 1995 before an employee can be dismissed on this basis, are lengthy and costly. The act specified that the employer must consult with employees in terms of a collective agreement, or in absence of one, a workplace forum, any registered union whose members are likely to be affected by the proposed dismissals, or in absence of any of these, the employees likely to be affected by the proposed dismissals.

These consulting parties should attempt to reach consensus on appropriate measures to avoid or minimise the dismissals, the method of selecting the
employees to be dismissed and the severance pay for dismissed employees (Butterworths, 1996:108, 109). Rycroft & Jordaan referred to the Labour Appeal Court in *Mörester Bande (Pty) Ltd v NUMSA & another* where alternatives to retrenchments to avoid or minimize the dismissals can include the following:

- A moratorium on hiring new employees;
- The elimination of overtime or Sunday work;
- The transfer of employees to other jobs within the organisation;
- The implementation of an early retirement scheme;
- The gradual reduction of the workforce to permit reduction by the natural turnover of staff;
- The training or retraining of staff to permit them to take up other posts within the organisation;
- The granting of extended unpaid leave or temporary lay-off; or

These required alternatives can force the company to sidetrack from the initial objectives of BPR, which can have a negative effect on the success of the BPR process.

Ideally, a company would like to only keep staff who is capable of adapting to the changes. However, these laws tend to overly favour the employees and people cannot be retrenched for intangibles such as consistent bad service. The impact of unions in some industries is also a possible obstacle if not correctly briefed on the process. According to Warden, who is often involved in consultations with the unions during reengineering process, reengineering teams should learn to work with the unions and consult with them at every step of the process (Von Bormann, 1994:12-18).
According to Van Vuuren, “…there is no correct formula for pacifying the people but it is a lot more achievable if the CEO has a soft touch…Companies didn’t pay enough attention to their people…Your employees are your intellectual capital and your competitive tools. Not enough recognition is given to the personal trauma of the employees” (Von Bormann, 1994:12-18). Communication, an open and honest approach and visibility are probably the best options to manage this difficult situation.

### 8.6.6. **Conclusion**

It is important that the BPR team recognises the important role of the human resource function during the implementation of BPR. Change could have a significant effect on staff members. It is important that the needs of staff members also be addressed during this process. The human resource function can assist by motivating staff, ensure the corporate culture is not overseen by the BPR team and assist members with stress.

The human resource function can also assist the BPR team in changing the compensation method of employees to a performance based structure.

### 8.7. **PERFORM A GAP ANALYSIS**

A gap analysis is defined as “a methodical tabulation of all the known requirements of consumers in a particular category of products, together with a cross-listing of all the features provided by existing products to satisfy these requirements. Such a chart shows up any gaps that exist and, therefore, provides a pointer to any new products that could supply an unfulfilled demand” (Oxford, 1996:227).
Once the reengineering team has analysed what the marketplace offers (from information obtained from benchmarking) and what customers demand, the differences between the ideal situation and the current situation should be analysed. The gap analysis should be quantified in terms of the defined objectives e.g. hours of delivery, processing time, etc (Chang, 1996:51-58).

During the reengineering process, a gap analysis can be done:
- Between the current process and the designed alternatives; and
- Between the designed alternatives and the ideal situation.

The first gap analysis will indicate what changes should be implemented in order to achieve the required performance improvements as included in the designed alternatives. The second gap analysis will indicate potential future improvements, which is currently unattainable due to the following reasons:
- It is assumed in the ideal model that employees have a certain competence and are able to perform the required tasks. However, due to a lack of current skills, the ideal model can not yet be implemented;
- Limited resources are available, which can include unavailability of funds, human capital, etc.; and
- There may be political reasons that can delay the time it takes to obtain the full effect of a reengineering project.

The gap analysis is not a process to be carried out as a once-off exercise, but should be updated regularly. During the reengineering process, a gap analysis can be performed before designing the alternatives to establish the differences between the current and the ideal situation. However, the process can be repeated after designing alternatives. The outcome of the gap analysis for each process can be used when the best alternative is selected.
The gap analysis can also be utilised to motivate employees. The gaps between the ideal and the current situation can be used as a motivation why the company needs to reengineer its current processes. Secondly, staff can be rewarded when these gaps are reduced. That also emphasizes the importance of performing a gap analysis on an ongoing basis.

8.8. SELECT THE BEST ALTERNATIVE

Once the team has performed the gap analysis between the ideal situation and the designed alternatives, a few alternative options can be identified and presented to the selectors. The selectors of the alternatives will differ depending on the scope of the project and can include divisional managers, a committee, or executive management (Morris & Brandon, 1994:181). These alternatives can be presented to management or the steering committee for a final decision. As an alternative, a final option can be selected by the reengineering team and presented to management or the steering committee for final approval. The committee should review each business process. Senior management should only override the final decision of the committee in extreme cases (Morris & Brandon, 1994:181).

Morris & Brandon recommend that the selection be based on the benefit and costs of the alternatives as well as on the ability of the new design to make jobs easier and free staff from mindless drudgery. This will improve loyalty and morale, and ultimately performance (Morris & Brandon, 1994:180).
8.9. DEVELOP A CHANGE MANAGEMENT PLAN AND IMPLEMENT THE SELECTED ALTERNATIVES

8.9.1. Introduction

Once the best alternatives have been selected for each process, the implementation should commence. It is important that the impact of the reengineering process be analysed in a formal document, called a “migration” or “change management plan” (Morris & Brandon, 1994:182,183). The plan should be a flexible document to allow changes to the original plan once the implementation has started.

“The business is dynamic and the operational realities change constantly. Also, even the best plans can contain errors. It is far better to admit to an error and correct it than to try to make it work” (Morris & Brandon, 1994:184).

Changing the document should be controlled and only absolutely necessary modifications may be allowed, but the ability to adjust the plan according to the realities is a critical success factor (Morris & Brandon, 1994:185,186).

The change management plan should at least include detail regarding the following aspects:

- Administration;
- Implementation of new processes and where necessary, IT systems;
- Considerations with regards to staff; and
- The evaluation method during and after the implementation process.
8.9.2. **Administration**

The change management plan should include the following administration aspects:

- An action plan, including the tasks and assignment of responsibilities (Chang, 1996:79);

- Timing aspects, which can include a critical path, important due dates, etc (Chang, 1996:79). When considering the time duration, it is important to identify the tasks that are inter-dependant on each other. An example of inter-dependant activities is that computer systems cannot be introduced if the cabling for the local area networks (hereafter referred to as LANs) has not yet been installed (Morris & Brandon, 1994:185);

- Cost analysis and quotations (Chang, 1996:79);

- Changes to the office layout, which should include aspects such as telephone connections, network connections, workstations, etc. (Morris & Brandon, 1994:183,184). It is important that all these facilities be tested properly prior to the implementation phase; and

- The plan regarding the movement of staff into new offices / workstations (Morris & Brandon, 1994:183,184).

8.9.3. **Changing departments into processes and functions**

The BPR team should carefully consider how to approach this significant change to ensure normal business and customer services are not interrupted. The following considerations should be addressed by the change management plan:

- The implementation strategy and methodology, which can be the “big bang” approach or by running parallel with the old processes for a certain period. Notwithstanding the methodology chosen, trial runs should always be performed to test the new process. This will identify unanticipated problems and help to
build acceptance and enthusiasm (Chang, 1996:88). Morris & Brandon recommend that the parallel method be applied to implement the new process where possible. This approach is methodical that commits slowly and allows the company to stop and revert the process where necessary. The full switchover will only occur when the new process is fully functional and stable (Morris & Brandon, 1994:184). The BPR team should analyse and consider the effect of each of these methodologies in terms of the specific BPR project. The aspects that should be considered when deciding which methodology to follow include:

- The extent of the BPR project (e.g. whether the full organisation will be reengineered or only certain processes). Where the full organisation is reengineered, it is less likely that the parallel approach will be followed;
- The resources available to run processes parallel;
- The practicality of running processes parallel, e.g. where departments have been changed significantly to operate in processes, it will most probably be impractical to perform parallel running; and
- Whether test runs have been performed in similar, but smaller, environments, e.g. at branches.

Although the BPR team may decide not to perform parallel running when processes are tested, it is possible that the testing of IT systems before final implementation may still be perform by parallel running.

- The procedures to follow in order to change the back office activities (Morris & Brandon, 1994:183,184). The procedures should also consider the order in which processes will change (e.g. which processes will be changed first) as well as how the support functions will be integrated to ensure all processes are
supported in the interim period (those functions that have already been reengineered as well as those functions not yet reengineered);

- The impact of implementing and testing new IT systems during the execution stage (Morris & Brandon, 1994:183,184);

- The necessity of employing new resources (both permanent and/or temporary) as well as when to employ and train these employees (Chang, 1996:79);

- Establishing contingency operational plans as experience has proven that no amount of planning or testing will prevent problems (e.g. where new IT systems are not completed and tested in time) (Morris & Brandon, 1994:183,184);

- The training of staff (Morris & Brandon, 1994:183,184), which should include the following:
  
  - Who should perform the training;
  - When the training courses should be presented;
  - The content of the training that should be provided;
  - The preparation of training material; and
  - Who should attend the training courses.

- It is also important to consider who the reengineering process will affect. A list should be prepared of employees whose work processes, work style, attitudes, etc. that will have to change along with the reengineering process, as well as how these employees will be impacted (Chang, 1996:79); and

- The different aspects that will impact the process and how each of these aspects will impact the process (Chang, 1996:79).

8.9.4. Considerations with regards to staff

The change management plan should also incorporate how certain aspects with regards to staff should be addressed. These aspects can include:
- The implementation of the new organisational structure (Chang, 1996:79);
- Identifying potential emotional factors and how these should be addressed (Chang, 1996:79); and
- The consultation process to communicate the potential impacts of the BPR process to staff (Chang, 1996:74).

When employees are affected by changes, emotions can run high and may become uncontrollable. It is not only important to consult employees before and during the reengineering process, but also after the changes have been implemented. Issues that should be discussed and included in the plan are as follows:
- Why is the process being reengineered e.g. customer needs, competitive advantage, etc;
- What are the benefits;
- Are there any employee concerns that need to be addressed. These concerns can include fears of retrenchment, power that will be taken away, etc.

It is important that each question should be answered as honestly as possible. As these issues are of such importance to the success of the reengineering processes, the approach that will be followed should specifically be included in the change management plan.

8.9.5. **The evaluation method during and after the implementation process**

The change management plan should also include which evaluation methods should be applied and when to apply it during and after the implementation process as discussed in chapter 5.
It is also important that the implementation be monitored in terms of the objectives and critical path specified in the change management plan.

8.9.6. Conclusion

The change management plan, which should be flexible and allow for changes if necessary, should include as much detail as necessary to provide a detailed plan to the BPR team on how to proceed with the implementation of the selected alternatives. The plan should at least include information regarding:

- The administration aspects of the project;
- How and when the reengineering should proceed in terms of changing departments into processes and functions;
- Considerations regarding staff; and
- How the implementation should be monitored in terms of the plan as well as how it should be evaluated as discussed in chapter 5.

Once the change management plan has been completed, the BPR team should continue to implement the selected alternatives in accordance with the specifications of the change management plan.

8.10. MEASURE PERFORMANCE

8.10.1. Introduction

In the preceding paragraphs, the BPR process has been discussed from the benchmarking exercise (to ensure company’s own process goals surpass those of its competitors) to the implementation of the selected alternative procedures. However,
implementing the selected alternatives does not mean the BPR process has been completed. As discussed in paragraph 2.3.3, the definition of BPR includes: “...the intended result is a dramatic improvement in service, quality, speed and cost (Romney, 1995:24–29).” To determine if the BPR process was implemented successful, it is extremely important to measure the performance of the newly introduced processes in terms of the objectives as set out in the mission and scope of the BPR project.

8.10.2. **How to measure performance**

Although many commentators describe BPR as a cost-reduction mechanism, the objective of BPR is rather to add value. One potential reason for this misunderstanding is that it is much easier to measure cost savings than it is to measure improvements in added value. The finance function should attempt to measure the benefits that result from the added-value processes. When measuring performance, it is important to both consider the value that has been added to the customer as well as measurable outputs from internal processes (Armistead & Rowland, 1996:170,171).

When preparing analysis to measure performance, each identifiable process should be analysed separately. The total value added of the business is reconciled to the value added by each process so that the key contributors are highlighted. This analysis will enable business processes to be placed in one of three basic categories:

- Critical value added processes;
- Non-critical processes which are also not essential to the overall objectives of the organisation; and
- Non-value added processes that are essential and necessary to the business.

The critical value added processes are those that generate super-profits to the organisation and give the organisation a sustainable competitive advantage. They should be maintained in-house and considered as the key assets of the business. The economic life of the assets should be considered and management needs to decide whether they want to invest more funds in an attempt to increase the value of the assets. It is important that sufficient financial information is available to base these strategic decisions upon.

Non-critical and non-essential processes should be discontinued as they do not add value to the organisation.

Non-value adding, but essential processes should be carried out although they tend to add costs rather than value. In order to minimise the costs, the appropriate level of output should be specified and only this level of output should be produced. Another alternative is to outsource the function if suppliers can provide the required level of inputs at a lower cost. It is important that the finance function is able to provide the required financial comparison on the correct basis e.g. the avoidable costs that will be saved if a supplier is used (Armistead & Rowland, 1995:170,171). Cost attributable to non-value adding, but essential to the business, can include both variable costs and some fixed overheads, depending on the specific circumstances. For decision-making purposes only future costs that will be relevant to the decision should be included. Very often it is difficult to quantify in monetary terms all the important elements of a decision. It is important that factors that can’t be quantified in monetary terms be brought to the attention of management during the decision-making process (Drury, 1996:256).
Productivity is defined as:

\[
\frac{\text{OUTPUT}}{\text{INPUT}}
\]

where input equals labour, materials, energy and capital.

Productivity can only increase if either the output increases or the input decreases without resulting in any decrease in the output as well. There are five methods to increase productivity:

1. Reduce the costs (the input will decrease);
2. Manage growth (the output will increase);
3. Work smarter (the output will increase);
4. Downsizing (both the input and output will decrease); and
5. Work effectively (the output will increase, but the input will decrease) (Ross & Ross, 1982:46,47, 67-75).

In order to measure performance of the reengineering process, productivity should also be included in the measurement systems. It is important to accurately measure the output and the input (Ross & Ross, 1982:46,47, 67-75).

Allocation of overheads can have a significant influence on the management results. According to Fitzgerald, traditional accounting systems allocate overheads on the basis of direct labour costs. As a result, it is often claimed that companies do not have information available on vital issues such as which of their products or services are profitable or why cost-cutting programmes that have been initiated do not achieve their objectives. Traditional costing methods may conceal the true picture. He suggests that companies use the ABC method (activity based costing) when allocating overheads (Fitzgerald, 1994:38-42).
Armistead and Rowland agreed that activity based costing should rather be applied and argued that this is the method that can be used to measure the contribution of BPR. Activity-based costing is not functionally based, but focuses on the cost drivers within the business. It can easily be applied to allocate overhead costs to each process (Armistead & Rowland, 1996:174).

“Activity based costing emphasises the need to obtain a better understanding of the behaviour of overhead costs, and thus ascertains what causes overhead costs and how they relate to products. ABC recognise that in the long run most manufacturing costs are not fixed, and it seeks to understand the forces that cause overhead costs to change over time” (Drury, 1996:276).

It is important to measure the performance in terms of the original goals set for the reengineering project. By using activity based costing to allocate overheads more accurately and to re-design information systems to include these objectives, it will be possible for management to measure significant performance indicators on which decisions can be based.

8.10.3. *Use management reports as a tool to measure performance*

The following important aspects should be considered when designing management reports:
- When designing management reports, it is not necessarily necessary to provide more information, but rather to provide the appropriate information;
- Performance reports should not be used to pinpoint the blame to certain process owners. These reports should rather be used to motivate staff;
- The allocation of overheads can have a significant effect on the outcome of performance measures; and
- Although difficult, non-financial performance indicators such as quality, delivery time, flexibility and innovation should be included in these reports (Drury, 1996:505-512)

The following non-financial performance indicators can be included in the management reports:

- Number of customer complaints, responses, calls, etc;
- Number of errors and corrections;
- Frequency and volume of transactions;
- Timing of tasks or processes;
- Number of employees required to complete the process; and
- Customer satisfaction (Chang, 1996:89).

Specific management reports in the short-term insurance industry can include:

- A report that provides statistics on new business per day. This report should include:
  - The number of quotations received per day;
  - Of these quotations, the number of quotations accepted by clients;
  - For these number of quotations received per day, the distribution channel used by the policyholder, e.g. brokers, direct sales or the internet;
  - For the number of quotations accepted by clients, the distribution channel used by the policyholder; and
  - The monthly premium income of these accepted policies;
  - The above information can be sorted by process, e.g. product, region;
- A report that provides underwriting statistics. This report should include:
• Sorted by process and then by age, the number of quotations received per day, but not yet underwritten; and

• The reason for the delay in the underwriting process, e.g. incomplete information provided, awaiting manual approval, etc.

- Sorted by process (e.g. product, region, etc.), a report that lists the number of newly underwritten policies per day where the insured value exceeds a certain amount;

- Sorted by process, a report that lists the number of newly underwritten policies per day that were automatically referred to for reinsurance (e.g. insured value exceeds a certain amount) or policies where reinsurance should be considered (insured amount did not exceed the specified amount, but fell into a certain range below the specified amount);

- Sorted by process and then per category (reason), the number of customer queries logged per day as well as the status of these queries (solved or outstanding);

- Sorted by process and then per category (reason), the number of queries logged by brokers per day as well as the status of these queries (solved or outstanding);

- An age analysis of outstanding queries logged by customers and brokers, sorted by process;

- Sorted by process, the number of policies referred to for reinsurance that has been declined by the reinsurer. This report should include detail regarding the policyholder, the insured amount, the risks insured, the name of the reinsurer and if available (online from the reinsurer), the reason for the decline;

- A report on the performance per broker. Where it is impractical to report on individual brokers due to the number of brokers, the report can then only list certain brokers, e.g. the ten best performing brokers and ten worst performing brokers. The report should include the following information:
• The number of new policyholders underwritten per month;
• The total insured value and monthly premiums of the new policies underwritten;
• The broker commission payable on the new policies, assuming none of the policies will be cancelled before the specified period (normally three months); and
• Of these quotations, the number of quotations accepted by clients.

The short-term insurance business should decide whether the criteria for best performing broker should be based on the number of new policies written, which will indicate that the strategy is to include as much as possible policyholders to spread the risk, but focus on insured assets with a low risk, or whether the criteria for best performing broker should rather be based on monthly premium income, which will indicate that the strategy is to focus on insured assets with a higher risk, but also with higher premium income;
- Sorted per process and then by age, the amount of outstanding premiums as well as the reason where applicable (e.g. incorrect banking details leading to the debit order being declined);
- Sorted per process, a list of policies that will be cancelled in the next month due to outstanding premiums as well as action being taken to collect premiums (e.g. in negotiation with customer, customer cannot be traced, awaiting correct banking information, etc.);
- Sorted per process, the number and detail of policies cancelled due to premiums being outstanding more than a certain period (normally three months);
- Sorted by process, then by product (e.g. comprehensive motor cover) and then by type of claim (e.g. windscreen, stolen vehicle, etc.), the number of claims received per day as well as the status. The status can include:
  - Logged not yet assessed;
  - In the processes of assessment – no queries;
  - In the process of assessment – query type a / b / c;
  - Assessed – not yet paid; and
  - Assessed – paid.

By also making these status codes available on the internet, clients can log onto the system by providing their claim number, and follow the status of the claim.
- The same report as mentioned above, but sorted per status code. This report will indicate possible bottlenecks;
- Age analysis that indicate the number of claims in the same status code, sorted per process;
- Sorted per process, the number of complaints from policyholders logged per day as well as the status (e.g. outstanding, resolved, etc.);
- Sorted per process and then per age, the number and amount of third party claims outstanding. This report should also indicate the name of the third party insurance company; and
- Sorted per process and then per age, the number and amount of claims outstanding from reinsurers. The name of the reinsurer should also be included in the report.

Although this list of management reports does not represent the full list of possible management reports, the list provides some possibilities where management reports can be used to measure performance of processes as well as the
responsible team members within each process within the short-term insurance business.

8.10.4. Conclusion

It is important that the performance of the reengineered processes be measured on a continuous basis to identify weaknesses as early as possible. When all processes have been implemented, it is extremely important to measure the performance of the reengineered processes both individually and as a combination. The success of the BPR process will be measured in terms of the initial mission and scope of the BPR project.

Management reports should be updated continuously to measure performance in a changing environment. This will form part of continuous improvement, which will be discussed in the next paragraph.

8.11. CONTINUOUS IMPROVEMENT

After the reengineering processes has been implemented successfully, it is important to implement a program that will ensure continuous improvement. Jacobson points out the danger of not having new goals. If a company does not constantly establish new goals, several negative results will follow as people do not work towards one goal.

Changing a company is an ongoing, never-ending process. There are very little differences between the reengineering process and continuous improvement. The only differences exist in the scope of the project. Reengineering should not be seen as a one-time effort, but should be performed many times during a company’s life. Whenever there are new
customer demands, new competition or innovations in process techniques, the current processes should be reviewed (Jacobson, 1995:15).

The plan should support the strategies of the business, which should be adjusted from time to time given the changes in the industry, market and competitors. The plan for continuous improvement should follow the same principals and steps as the BPR process. However, the scope of the process will depend on the changes in the environment, etc. new technology developments, new customer demands in a specific area, etc and will not necessarily include the organisation as a whole. Based on these changes, it is possible that only one process at a time will be reengineered or only certain aspects of a process will be reengineered from time to time.

8.12. REENGINEER’S CHECKLIST

The authors of Corporate Renaissance included a checklist that can be used to check the quality of the redesign. The following questions can be asked:

*Service Quality Test*

- Does the process reflect a customer perspective of what happens?
- Are the key moments of truth identified and does the design eliminate fail points?
- Can you take specific actions in the process to manage expectations?
- Have you made the intangible services you provide more tangible?
- Are waiting times for the customer minimised?
- Are there ways to maximise the value of the customer’s time?
- Have you planned for major exceptions in your procedures?
- Are the front-line employees empowered to make decisions on behalf of the customer?
- Can information technology be used to produce results for the client?
**Workflow Test**

- Is the complete life cycle of a product or service represented on the map?
- Are buffers and backlogs made visible in the process?
- Can work be processed to completion one at a time (or at least in very small batches)?
- Have existing bottlenecks been removed?
- Is there feedback on how to balance the flow of work through potential bottlenecks?
- Have hand-offs been eliminated wherever possible?
- Is work flowing in parallel rather than sequentially?
- Have specialist been integrated into the process?
- Does the design accommodate variations and fluctuations in the volume of work?
- Have steps been taken to ensure quality the first time?
- Have inspection and storage steps been eliminated?

**Workspace Test**

- Have people been located close together to foster immediate feedback?
- Has the work been made visible so that backlogs are easily spotted?
- Has space been made available for teams to conduct meetings, interviews, etc.?
- Have the proper tools been made available in the work-cell?

**Continuous Improvement Test**

- Are performance measures at the core process level explicitly stated?
- Are specific activities aligned with these goals?
- Is there a proper balance between quality, delivery, cycle time and waste?
- Have estimates been built into the planning process to achieve the design’s full potential?
- Have realistic targets been built into the planning process to achieve the design’s full potential?
- Is there a built-in process to improve the process (e.g. statistical process controls)?
- Are individuals in the redesigned process ready to systematically solve problems?
- Is there a process for aligning problem solving teams with the priorities of the core process?
- Are motivational factors designed to encourage behaviour leading to continuous improvement?

**Workforce Design Test**
- Have steps been taken to ensure employee capability (training and certification)?
- Have job security and remuneration been addressed?
- Have objectives of the reengineering effort been clearly communicated?
- Has hands-on experience with the new design been planned to give employees a context of how the change will affect them?
- Has the scope of most jobs been enlarged?
- Do employees have the means to make changes to the design?
- Has the design team spent enough time with the informal leadership of the organisation?
- Is there a sufficient number of change agents and mentors for full-scale implementation?
- Have performance management systems been redesigned to promote both individual and organisational learning?

**Information Technology Test** *(will be discussed in chapter 9)*
- Has technology been applied after first completing a value-added analysis?
- Have shared databases been designed to allow information to appear in as many places as it is needed?
- Can the process make use of expert systems to allow generalists to do more complex work?
- Have telecommunications been used to reap the benefits of centralisation and decentralisation?
- Have decision support tools been employed to make decision making part of everyone’s job?
- Have wireless data communication tools enabled field personnel to spend and receive information wherever they are?
- Have multimedia/interactive disks been considered for certain sales and technical support functions?

### 8.13. CONCLUSION

Chapter seven discussed how the reengineering team should analyse the current business environment and processes. This chapter discussed how these processes should be reengineered.

Before starting with the reengineering process, it is important that benchmarking is performed. The purpose of the benchmarking exercise is to:

- Determine what products and services are available in the market and specifically provided by the company’s competitors; and
- Ensure that your own process goals surpass those of your competitors.

Once the objectives are adjusted with the information obtained from the benchmarking exercise, alternative options should be designed. It is important that the core activities be identified first. These activities will definitely form part of the different processes, which will normally be established per product line, customer group or geographical area.

Once the core activities have been redesigned, the support functions should be redesigned to support these processes. The degree of the reengineering of support functions will
depend on the size of the company as well as the extent to which these support functions should be integrated with the core activities. Reengineering the human dimension is one of the most difficult aspects of BPR. One possible reason for this is the natural resistance to change and the fear of retrenchment. However, it is important that the BPR team work towards the objectives of the BPR project and apply the following BPR principals:

- Flattening the organisational structures;
- Working in teams;
- Increase the complexity of jobs, but also provide staff with the necessary tools to enable them providing excellent customer service. These tools can include information systems and training; and
- Compensation should be according to performance.

The one aspect when designing options and alternatives that has not been discussed in this chapter is the designing of information systems. As the role of information systems during the BPR process is significant, this will be discussed in the next chapter.

Once the alternative options have been designed, a gap analysis should be performed to determine which alternatives provides the best option. It is also important to consider the benefits versus the costs of the BPR process. The best alternative should be selected and an implementation plan should be established. The changes should be implemented and the performance should be measured on an ongoing basis. It is important that the performance also be based on non-financial information.

The BPR process is a detailed and complicated process of which many aspects cannot be covered in detail by this study. The objectives of the BPR process should always be the guideline of which alternative options should be implemented.
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