



SAIMAS NEWSLETTER

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FROM THE EDITOR

Greetings to all the SAIMAS members, we hope you are all still doing well and staying safe and healthy! I am sure you all by now have been informed that SAIMAS is not hosting the Conference this year. It was a voted decision that we postpone the conference to next year. See the President's message and the reasons for the postponement. To keep with a bit of routine, the editorial team decided to share some of the previous conference articles with you in this Newsletter. Some date back to 2006 just for a good old laugh and a bit of nostalgia!

Extract from 2006 Conference Overview: The papers were presented on topics ranging from communication to the latest in Information Technology. Buhle Dlamini enthralled the audience with his tour through history with the theme "Balancing Today and Tomorrow".

Here is a selection of the 2006 Conference which was held at Bela Bela Aventura:

"The first presenter GP van Rheede van Oudtshoorn kept us entertained with robust bars of song. His message; "The first steps in enhancing organisational capacity is to improve performance and to achieve excellence in professional interaction, you make the world a better place for the people working in your organisation". Furthermore, if people believe in the excellence found in your organisation, it will become part of your organisational culture. The key to all of this is to manage micro behaviour (perceptions, expectations, words, signs, feelings and processes) by communicating. According to him we need to take communication seriously. Micro behaviour must not become misbehaviour. Micro –inequities are all the indirect offences that demoralize people and it occurs whenever people are perceived to be different. If you are serious about communication, you should plan it and maintain it. His catch phrase "violate expectations". In closing, when the communicator violates expectations, the communication interaction stands out."

There is more so please keep reading!

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MESSAGE FROM

EXECUTIVE PRESIDENT



Dear fellow SAIMAS Members,

I trust you and your families are well. The impact of Covid-19 and the lockdown levels is still being experienced at various levels of our lives. It is also still impacting on the planned face-to face activities of SAIMAS, requiring us to adapt as and when required.

After consideration of available information as well as opinions in terms of situation of the previous and future months, the Executive Management of SAIMAS took the decision to postpone the October 2021 scheduled SAIMAS Annual conference. The uncertainty of the duration of various levels of lockdown as well as the hesitancy of delegates to commit well in advance to attend, together with low vaccination numbers, made it extremely difficult to plan for a face-to-face event for October 2021, also to predict what the attendance will be. Given the costs of a face-to-face conference, the expenditure cannot be justified should the attendance be low. The SAIMAS conference committee is considering arranging the annual conference in the second quarter of 2022, but all factors will be considered in due course before a date will be confirmed.

The Webinar held on 9 September 2021 was presented by Dr John Eliastam. His presentation was on '*Adaptive leadership in a VUCA world*'. VUCA stands for volatility, uncertainty, complexity and ambiguity. The presenter provided the delegates with skills to enable them to build or assist to build adaptive organisations that can change fast and successfully execute strategy despite the challenges that comes with VUCA.

The next Webinar on the topic '*Managing a virtual workplace in the new normal*' will be presented on 5 November 2021, invitations will be sent in due course by the SAIMAS office.

Stay safe and resilient in your endeavors.

SAIMAS greetings

Ria Loubser



THE IMPACT OF FUTURE INFORMATION TECHNOLOGY TRENDS

In 2006, Willie Appel, made us realize that we do not know much about IT and the latest trends. He informed us about blogging (I have heard about it but had no idea what you do with it). Apparently blogging is your own website where you can write your thoughts and anything else you like. You can even ask other internet users to comment or even add to your thoughts. To get back to the Willie's presentation, in a nut shell, to ensure that your organisation does not become a dinosaur you need to ensure that you stay in touch with the latest trends. Companies who did not heed the IT calls,

landed up going bankrupt. Organisations need to take cognizance of the four action points: Think trends; Act ahead, Find the Cycle and Shift the culture. IT's contribution needs to grow and the following actions should be prioritized:

- Delivering projects that enable business growth
- Linking business and IT strategies and plans
- Building business skills in the IT organisation
- Attracting, developing and retaining IT personnel
- Improving the quality of IT services
- Flexible technology infrastructure
- Improving IT governance

By the way, wireless networks are here to stay and Albert Einstein said "The only reason for time is, so that everything does not happen at once!"

The next article was specifically chosen for those of you who still have to prepare your SDIP!



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Activity Based Costing "ABC"

Presented by Cobus Terblanche
Article Prepared by Glen Rampedi

Cobus Terblanche facilitated a workshop on Business Process Management at the Three Oaks Conference Centre. He also made a presentation on process performance indicators & measurement techniques, which included Activity Based Costing and Business Process Management, at the 23rd SAIMAS Annual Conference held at Sanbonani Resort Hotel in Hazyview Mpumalanga. Mr Terblanche advised organisations to apply the ABC principle as it is a well-known tool used by management and improvement teams to clarify and simplify decisions. "ABC" encourages improvement teams to focus on activity costs rather than the budget allocations.

INTRODUCTION

This article features two topics namely Activity Based Costing (ABC) and Business Process Management (BPM). The focus will mostly be on the ABC which is defined as the technique used to determine the cost elements needed to produce a given product or service. While BPM measures the effectiveness and efficiency of business processes in an organisation; it identifies, classifies, models, measures, improves but does not assign cost to an activity. The author of the handbook on "ABC", Mr Cobus Terblanche, indicated that a unit cost of every major output produced by a process can be measured by identifying cost elements first. Then, we evaluate whether they add value or not to the final product or service. The main aim of "ABC" in business is to:

- Minimize or eliminate non-value-added costs and activities from a process.
- Serve the customer while doing it in a profitable manner.

The article also defines "ABC" as the technique used to quantify cost and performance of activity resources. "ABC" is different from BPM; "ABC" focuses more on the cost needed to perform business processes (activities) rather than the cost of paying the organisation's personnel. Business developers are continually depending on the ABC tool to develop costing methodologies that will help reduce waste whilst improving productivity.

HISTORY OF “ABC”

“ABC” was developed in the early 80’s by two (2) American professors Robert Kaplan and Robin Cooper from the Harvard University. The professors used “ABC” as a tool to understand and measure product cost in manufacturing organisations. Traditional costing systems such as accounting systems were not able to identify cost drivers or activity cost for this reason ABC was developed. These costing systems could not show improvements or savings that were needed to improve productivity in both the public and private organizations. In the late 80’s Hewlett Packard known as HP, used ABC to design more cost-effective equipment to help improve the quality of their products.

“ABC” AND BPM IN PUBLIC AND PRIVATE SECTORS

BPM and “ABC” are effective in both the public and private sectors. In public organisations i.e. government, which is primarily focused on improving service delivery, Management is always given the mandate to do more with less resources e.g. a team given limited budget to carry out a big project. ABC and BPM have developed increasingly in private organisations over the years due to a rapid change in technology advancement. Top management continually relies on ABC and BPM to make informed desiccations to help improve daily business operations. ABC can assist project teams in all organisations by:

- Associating the cost of resources with activities in a way which reflects how those activities consume resources.
- Providing information for improvement action.
- Focusing on activities associated with major costs of doing business.
- Promoting value analysis.
- Highlighting cost drivers in order to reduce negative effects.
- Developing metrics-performance, quality, time and costs.
- Determining activity and unit cost allowing preferred practices comparison and “to be” development.

Many process developers have seen BPM as a very useful tool due to its ability to drive out waste and inefficiency in organisations. For improved quality, cost and speedy services, improvement teams should first obtain non-financial data from BPM methods which can be derived from the Organisation’s:

- Mission, vision, goals, and objectives via strategic planning;
- Analysis of current processes and organisational performance; and
- Best practices and benchmarking which identify opportunities for improvement.

“ABC” on the other hand tends to trace activity cost and determines the cost drivers needed to perform business processes. Once the costs are known, it becomes possible to determine if the performance of activities adds value or not to final products or services.

COMPONENTS OF “ABC”

Activity Cost

Activity costs are the resource costs that are assigned to the activities where they are consumed.

Resource Driver

A resource driver is the measure of consumption by a particular activity e.g. it might be the man hours (for labour), kilowatt-hours (for electricity), or square meters (for office space).

Primary Activities

Primary activities are those activities that directly support the delivery of a product or service. Most of these activities include doing physical work to produce or deliver a product or service e.g., pulling stock to fill orders.

Secondary Activities

These are the other activities that support primary activities, but do not add value to the delivered product or service.

Sustaining Activities

Sustaining activities are activities that cannot be associated to the product or service, this would be the technology, facilities, or even gardening needed to sustain the product or service.

Non-value-added activities

Non-value-added activities are determined when the cost of inputs and activities costs are relatively higher than the output product or service.

“ABC” AS A TOOL

ABC when used as a practice can help determine resources needed to produce a specific product or service. Organisations should remember that ABC is not a magic stick; it has never saved money for anyone. In the ABC methodology, outputs consume activities and those activities consume resources. For improvement to be made using the ABC tool, organisational development teams should get complete management commitment throughout the whole business improvement process.

“ABC” USING IDEF0

The article shows that the combination of ABC and IDEF0 is more effective when it is practised by improvement teams closest to the activity. Wikipedia defines IDEF0 as a method designed to model the decisions, actions, and activities of an organisation or system. ABC analysis also depends on the existence of IDEF0 activity models because these models provide the information about the activities to be analysed. When we analyse activities, we will be able to identify both improvement opportunities and risks associated with improvement analysis. The analysis of activities also determines which activities are the most labour-intensive, costly and time consuming.

WHAT CAN BE MEASURED BY “ABC”?

“ABC” as a discipline measure amongst the following:

- Activity: ABC measures the total cost of an activity which is the total amount of direct and overhead charges allocated to a single activity.
- Cost driver: measures the amount of performance or effort within a defined single activity e.g. number of iteration (repetition) of cost in an activity.
- Elapsed time: measures the total amount of time including the amount of time delay created while waiting for processing or consumption to complete an activity.
- Cycle time: measures the amount of time needed to complete one cycle or iteration of the cost driver without including delay or waiting times.
- Process: The total cost of the process measures the cost of all activities in a process determined by the amount of the cost driver for each activity in relation to the output of the process.
- Cost of a single iteration: measures the cost allocation for each activity in a process flow.
- Output: measures the total cost of the activity model allocated by the applied activity drivers to the output of the activity model.
- Identification of change opportunities: measures the significant cost consumption and significant time use of activities identified which have evidently larger time periods.
- Evaluation of change alternatives: measures the analysis of total time and allocated cost from the activity model.

PROCEDURES FOR “ABC”

The steps used to carry out “ABC”:

Document and analyse mapped processes:

This step, activity analysis determines whether a given activity is of value or non-value-adding, primary or secondary, and required or discretionary activities. The primary activities support the organisation's mission, secondary activities support primary activities, required activities are essential to carry out business processes and discretionary are only carried out when a need arises.

Gather costing information:

Once the process has been mapped, it becomes easy to research financial data, develop unit costs, establish non-value-added activities and find cost-drivers.

Trace costs to activities:

This step shows both the analysis of activities together with the organisational inputs and costs. It then produces the total output for each activity.

Establish output measure:

This step calculates the activity unit cost. Each activity may have multiple outputs; however one output must be identified as the primary activity output.

Analyse costs:

Once the unit costs are known for each product and service, this information can be used as a baseline figure for process improvements that will lower the unit cost of outputs. The unit cost can be lowered by:

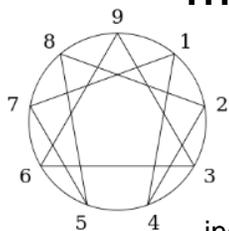
- Eliminating non-value-added activities.
- Applying innovative technologies.
- Increase training to reduce waste and rework.
- Improving the quality of incoming materials to reduce rejects and scrap.

CONCLUSION

The article shows that ABC is a costing methodology and not financial accounting. It focuses on activity costs and depends on BPM and IDEF0 activity modelling to be effective. The "ABC" analysis is more accurate if the results are based on how a business process actually works, not how people think it works. By applying ABC, non-value-added activities are reduced and it contributes towards improving business processes in an organisation.

Cobus Terblanche; Cell; 083 2817246; can be contacted: for inhouse training on "ABC"

THE ENNEAGRAM WORKSHOP: presented by Magriet Engelbrecht



"Are you Einstein or Mother Theresa, Vincent van Gogh or Nelson Mandela?"

The content of this workshop was on: Enneagram at work – personality profiles and the impact thereof in the working environment. It can also be applied to leadership styles. It indicates nine (9) different personality types, linked to definite behaviour, good and not so good behaviour. It also shows what happens when you experience stress and how to grow out of it.

The Enneagram is an innovative approach for leadership development, emotional intelligence and communication skills for high performing teams. The Enneagram has been under development by psychologists since the 1970s, it is now used in corporations, small businesses and in countries around the world, including the U.S., Europe, Brazil, Japan, China and Australia.

The advantage of the Enneagram is that it provides both professional skills and the self-awareness and centering that is necessary for a personal paradigm shift - a shift out of our current set of

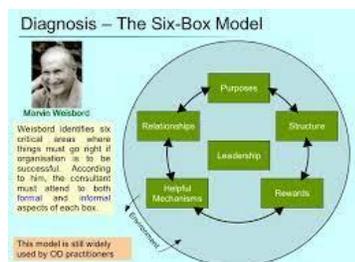
assumptions and way of seeing ourselves, our relationships, and the world in which we participate. It empowers us to make new and more successful choices, more intelligent decisions. It also enables us to tap greater resources in others.

The Enneagram is a path to self-knowledge; as we develop self-awareness we discover what conditions will make us thrive rather than perpetuate self-sabotaging behaviours. We realise that our traits are what we do rather than what we are. We observe when we do our type (our habitual, repetitive patterns) and can then choose to change our behaviour and thus escape from the box we have constructed for ourselves. We also learn to understand other people as they are to themselves, not as seen from our point of view. Thus we become more effective in the workplace and at home.

The Enneagram describes nine ways of seeing the world - nine points of view - that are very different from one another. Each has its strengths and blind spots. Learning to recognize these different points of view enables us to understand people's motivation, their major needs and concerns, and their style of working and relating. It helps us build rapport, reduce unnecessary conflict, and cooperate at higher levels of effectiveness

People cannot be reduced to a type or a number. People do not fit into a one size fits. Each individual is unique. However, there are nine styles at work:

- 1) The Reformer – They are ethical principled, reliable, realistic productive, fair, honest , orderly , self-disciplined self-controlled, conscientious, well-organised, purposeful .”
- 2) The helper – they are loving, caring, self-sacrificing, empathic, demonstrative, generous, enthusiastic, tuned in to how people feel.
- 3) The Achiever – they are confident, industrious, efficient, self-propelled energetic and practical.
- 4) The Individualist – They are warm, compassionate, introspective, expressive, creative, intuitive, inspired, refined, and sensitive and strive for authenticity
- 5) The Investigator – They are analytical, persevering, objective, self-contained, knowledgeable, thoughtful, focused, independent, wise and innovative.
- 6) The Loyalist - They are loyal, likable, warm, compassionate, witty, practical, helpful, responsible, committed, reliable, thorough, engaging and hard-working
- 7) The Enthusiast – They are fun-loving, spontaneous, imaginative, productive, enthusiastic, quick, confident, charming, curious, versatile, optimistic, accomplished, playful, and energetic.
- 8) The Challenger – they are direct, authoritative, loyal, earthy, protective, self-confident, capable, resourceful, decisive, and action-orientated
- 9) The Peacemaker – Pleasant, peaceful, easy-going, flexible, generous, patient, receptive, calm, diplomatic, open-minded, empathic supportive, reassuring and agreeable.



Organisational Design: Theory versus Practical Application

by Mr. Francois Doman

Francois is one of the Directors and consultants of H2R (Holistic Human Resources). He specializes in Strategy, Organisational Design as well as Performance Management. Francois is also skilled as an Industrial Psychologist. He is an organizational development consultant with more than twenty years' experience in both government and the private sector.

Mr. Francois Doman presented four popular organisational models, namely;

- Galbraith's Star Model - Developed by Jay Galbraith in Galbraith's Star Model 1960's, the star model is widely accepted because of the Strategy approach that seamlessly links competitive

advantage to strategy to structure, people, lateral processes and reward mechanisms. People Structure Rewards Processes Behaviour Performance Culture Benefits.

- Weisbord Six Box model - Developed by Marvin Weisbord in the 1970's, this Weisbord Six Box Model gives attention to issues such as Purpose, Relationship, Mechanism, Rewards, Structure, and Environment.
- Nadler and Tushman's Congruence Model - Developed by David A Nadler and M L Tushman in the early 1980s, the basic principle of this model is that an organizations performance is derived from four elements: tasks, people, structure, and culture.
- Burke & Litwin Model - (Developed in 1992), this model shows the various drivers of change and ranks Burke-Litwin Model them in terms of importance. The model is expressed diagrammatically, with the most important factors featuring at the top. The lower External layers become gradually less important.

Francois asked the following question: Why do design projects fail principles? For the following reasons:

- Focus on the people and not the work (position)
- To close to the answer (environment) – “Part of process and detail”
- Wrong intent
- Personal agenda's
- Empire building thinking
- GAP from current to new to big
- Cannot afford the structure
- Too little logical definitions and principles applied

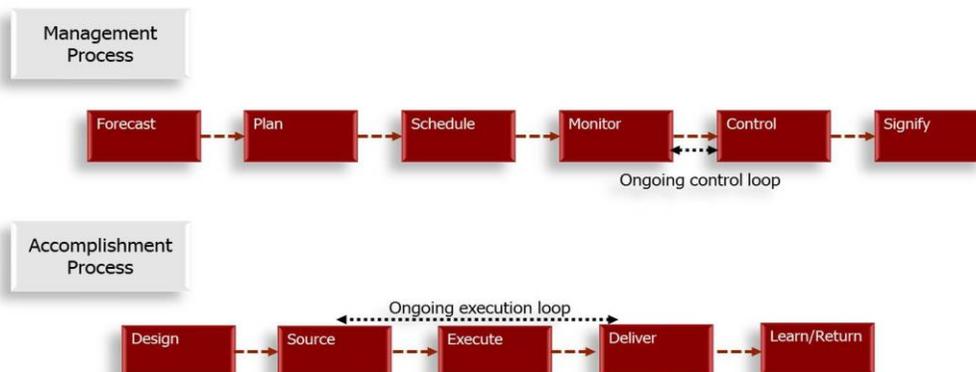
Why We Need Design Principles

- Ensure objective designs
- Provide guidance
- Provide parameters
- Give focus to the design team
- Keep the design team honest and within the parameters

Utilise as evaluation criteria the following:

Evaluation criteria is based on the proposed structure versus the Design Principle;
An Organisational design test (see presentation)

The Holistic view for restructuring is: Structure follows Process follows Strategy





A STRUCTURED APPROACH TO BUSINESS PROCESS MANAGEMENT USING THE VALUE CHAIN METHODOLOGY

Mr. Jánis Myburgh presented the key note address and is currently a Senior Manager, Process Development & Governance at Transnet Freight Rail TFR). He has a BSc Honours degree in Applied Mathematics from US (1986), a BSc Honours Degree in

Operations Research. He has amongst others experience in the following fields: Process Re-engineering, Transformation & Optimisation; Business and Enterprise Architecture; Business Analysis; Change Management & Organisational Development; Operations Research, Quantitative Methods, Simulation & Expert Systems; Project, Programme & Team Management. His presentation dealt with the use of the value chain method to implement business process management (achieving synergy between process, people and technology). Before dealing with subject matter, he gave a brief overview of Transnet. He indicated during this brief that Transnet now has the longest freight train in the world which is 4 km long. It is also the largest Railway in Africa and the Middle East. 15% of the nation's freight tonnage. They own and maintain a network that consist of a 22000km route which is connected to ports and rail networks of neighbouring countries. They operate 700 trans per day and carry 4.4mt per week. Transnet employs 31000 people. Transnet developed a turnaround strategy by coordinating integrated supply chains.

Jánis unpacked the following aspects:

How to draft the company's value chain storyline with top management by addressing the following: How should the organisation work; Define benchmarked processes and their attributes in collaboration with process owners and SME's; Define configured standards adherent process flows and standardised process & data attributes for every organisational process; Operationalising every process via SOP, Training Module, Supervisor Orientation Module, Change Management Package & Process Adherence Assessments; Implementing the life cycle of a process (from request to implementation via suitable governance structures); and Continuously improving processes via lean six sigma and other CI methodologies.

What is a value a chain? It is the sequence of inter-connected business processes/ activities that an organisation carries out to create value for its customers. The way in which the value chain is performed determines the organisations costs, which affects profits and determines competitive advantage. The integrated Value Chain focuses on end-to-end processes and how all inputs are changed by the organisation into the outputs purchased by consumers and used by external stakeholders / partners. A Supply Chain refers to the processes and resources required to move a product or service from supplier to customer. The Value Chain concept builds on this to also consider the manner in which value is added along the chain, both to the product / service and to all actors involved. The End-to-end Value Chain explicitly references internal and external stakeholders in the value-creation process and shows all critical interactions and feedback loops. It also encourages a Full Lifecycle perspective and not just a focus on the (upstream) procurement of inputs. Value includes economical value, excellent customer service delivery, added customer and stakeholder value, and non-monetary value added (e.g., ecosystem value, ethical value, etc.) For more information on this presentation, which is a mine of information, please visit the SAIMAS website for the complete presentation by Mr. Jánis Myburgh.