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Impact of Business Process Re-engineering on the Performance of Banks in Pakistan

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Abstract

The purpose of this study is to observe those factors which can affect the performance of banks in Pakistan due to business process reengineering BPR. This study has also tried to discuss the execution of business process reengineering (BPR) in the financial institutions of Pakistan. Pilot test was conducted to measure the test. SPSS is used to analyze the gathered information of banks. The results demonstrate that the dimensions of BPR are reliable and valid. The results are significant and execution of BPR was also found in various operations processes in the Banks of Pakistan.

Keywords: Factors; Information technology capability; Performance; Banks

Introduction

The rapidly growing markets, information and awareness in the world demand organizations to change their operational processes to compete globally. People have more knowledge, more information in these days and this has compelled banks of many countries to advance the quality of their customer service, lessen their operating cost and improve their performance especially in the developing countries [1]. Today customers demand low prices and better quality services due to which organizations are facing stiff challenges. Focus of the organizations should be not only to lessen the cost of the operations but also to provide better and unique services to attract the new and retain the existing customers. Rapid improvements in the technology have forced the organizations to change their strategy, policies and capacities. For the last few decades banks are doing mergers and acquisitions because of changes in their strategies to become more efficient, effective and attractive.

Organizations are taking initiatives to provide better and different services to their customers in different ways to meet the expectations of the customers. Organizations need satisfied and loyal customers to survive and operate in the long run. Mergers and acquisitions are also playing their role as an important tool to enhance the resources, skills, abilities, operations, market access and performance and to meet the global requirements. Business Process Reengineering (BPR) is also important and organizations are using this approach now days to improve their performances, to become more efficient and effective.

Business Process Reengineering approach is better because it focus on those goals, objectives and targets which are not only understandable but also easy to attain to reduce the cost, improve the customer satisfaction, loyalty and performance of the organizations. Grover et al. [2] described that, the financial service industry always try to improve their performance, services, quality and business process reengineering (BPR) is the key tool for doing such things.

This research study has tried to measure the impact of business process reengineering on the performance of banks in Pakistan. Banking sector is the part of financial sector which has its own importance. Financial sectors always play an important role in the progress of any country. Pakistan is one of those developing countries which are facing problems in economic growth therefore business process reengineering has more importance for the banking sector of Pakistan. Organizations can perform in a better way, satisfy the customers, satisfy the employees and enhance the quality of their products through business process reengineering.

Literature Review

Customers always seek that what organization are producing for them and organization seek the knowledge which can provide them competitive edge. Management take decisions how to fill the gap of the operations and bring advancement. Organization adapt such type of change and think about it how to manage it, which are not only understandable for their employees but also meet their expertise. If such type of plan are implemented in the organization then innovative product are produced for the customers, in this way businesses good will and its performance will also enhance.

Hammer [3], suggested ways to bring the advancement in the businesses and to examine its procedures and its managerial framework which is a good addition for its explicit and implicit belief, concept and procedures that are valuable for the decision making and the attainment of the better result and outcome. Askia, describe in organization performance [4] can be enhanced through dramatically advancement, Comprehensive reshape, modernization and examination of its operations. Goll and Cordovano [5] described, If the job is clear to everyone then it can be performed effectively and efficiently and it can also enable the organization to improve processes quality, satisfy the customer and reduce cost.

Linden [6], suggested that in BPR organizations evaluate the organizational processes to perform in a better way. Intermediate assets are those which can affect sales and potential revenue of the organization. Improvement in the quality of product and services,

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decline in manufacturing cost, value creation for customer, innovative idea is the parts of BPR.

According to the Davenport et al. [7], managers find the ways in which well operational work activities can be performed and relating to the ancient Greek assumption reengineering is the radical change and to carry out one foremost activity. In era of Taylors, business process redesigning and its automation are not too advanced at that time multidisciplinary skills in which the specialized person of the every field are involved to performed the particular activity to enhanced the business efficiency rather than the technology involve at that era. Berihu and Assefa [8], briefed that business will get not only competitive edge through information technology but also have a change in organizational strategy.

Relation of BPR and organizational performance

According to the Randle [9], BPR team has the ability, competencies and expertise to change the overall processes, administration and businesses. Organizations which have the strong BPR and IT support are more valuable and have a positive relation with the customer. According to Al-Mashari, [10] BPR and organizational performance are positively correlated because when the businesses operations are redesigned and effectively performed then the performance will also enhance.

According to the Tesfaye and Debela [11], radical redesign has positive correlation with the organizational processes and its performance. In this way the businesses potency and productivity will enhanced, because the standard price of product will increase. Profitability will also increase due to implementation of business process reengineering. Lotfollah et al. [12] briefed that BPR implementation has negative effect on organizational performance because to execute the new processes in the businesses always encounter the problems.

Methodology

Pilot study is used to measure the results of this research paper and samples are selected randomly. Questionnaire is considered to be one of the most suitable tools for data collections. A questionnaire was designed to gather the data for our research study. Closed ended questions, structured questionnaire were used to design the questionnaire. 115 questionnaires were distributed among the employees of banks in Pakistan. 97 fully filled questionnaires were returned. Cronbach's alpha test was used to measure the reliability of the data. Cronbach's alpha coefficient is the famous test to check the item consistency. Validity was also checked for getting more comprehensive results. SPSS was used to measure and analyze the results of gathered data. The rating scale consisting of five different points was used in measuring responses to the questions. According to Khuzaimah [13] five-point rating scale is reliable and more applicable to measure the good results. Innovation, information technology use and Change of management are the variables used in our study.

Results and Discussion

Reliability analysis of constructs

It is clear from the above table that Cronbach's alpha of the construct ranges from 0.82 to 0.921 which shows that result of the reliability was more than 0.70. The cutoff point of 0.70 was applied as the basis of acceptance. According to Sekaran [14] reliabilities which is more than 0.70 are acceptable and considered good whereas reliabilities which is less than 0.60 is considered as poor. Cronbach's coefficient alpha test is one of the most reliable and used test to measure the reliability. It is very clear from the results of above table that the dimensions of BPR are suitable for advance research reliability, the face, and content validity (Tables 1 and 2).

Analysis of BPR implementation

In the above table results for implementation of business process reengineering are measured by using SPSS software. It is clear from the results of above table that 79.38% of the banks have implemented services of electronic banking in Pakistan which has provided convenience to the customers. 64.95% reengineering have been implemented in the branch operations which has enhanced the efficiency of the banks in Pakistan. Credit risk operational processes are reengineered 61.85% through loan processes, consumer loan appraisal analysis, disbursement, administration. 51% of the respondent confirmed to have redesign their domestic and international operational processes of transactions.

Constructs	Dimensions	Number of items	Cronbach Alpha
Change Management	6		
Reward and recognition		3	
People involvement		3	
Training and education		3	0.874
Effective communication		3	
Effective culture		3	
Receptive to change		3	
Total items		18	
Process Redesign/Innovation	1	5	0.858
Use of IT	1	5	0.823
IT Capability	5		
		3	
IT Business Partnership		3	
IT External Link		3	0.921
IT Business Strategy Integration		3	
IT Management		3	
IT Infrastructure		3	
Total items		15	

Table 1: Reliability analysis of constructs.

BPR Processes in Banks	Frequency	Percentage	Cumulative Percentage
BPR1:Credit Risk operations processes:			
Yes	60	61.85	61.85
No	37	38.15	
Total	97	100	100
BPR2: Domestic operations processes:			
Yes	50	51.55	51.55
No	47	48.45	
Total	97	100	100
BPR3: International operations processes:			
Yes	50	51.55	51.55
No	47	48.45	
Total	97	100	100
BPR4: Branch operations processes:			
Yes	63	64.95	64.95
No	34	35.05	
Total	97	100	100
BPR5: e- Banking Processes:			
Yes	77	79.38	79.38
No	20	20.62	
Total	97	100	100

Table 2: Analysis of BPR implementation.

Conclusion

The objective of this research study is to measure the impact of business process re-engineering on the performance of banks in Pakistan. It is clear from the above results and discussion that banks in Pakistan are implementing the business process re-engineering in their different operations and results are significant. Innovation, information technology use and Change of management have increased the performance; attitude and effectiveness of the banks in Pakistan. Efficiency and performance of the banks have been increased due to implementation of the business process re-engineering. In future this research study can further be explored in other sectors of Pakistan as well.

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