

Nigerian banking sector

[Finance](#), [Banks](#)



According to the advocates of Business Process Reengineering (BPR), the ultimate solution for increasing productivity and quality while cutting costs at the same time, putting the customer first has finally been found.

Recommendations were proffered for Cassettes to comprise of both managers as well as those who actually do the work and BPR to be ‘ owned’ by the organization and not driven by outside consultants, among others.

Keywords: Business Process, Environment, Organizational reengineering 1 .

Background of the Study In today’s highly competitive and constantly changing market place, In order to thrive ND operate successfully, it is inevitable for companies to give up obsolete ways of doing business and adjust to changes in their environment. In the world of competition, ‘ change’ is the keyword. In organizations where changes are going on at alarming speed, it is needed to switch over from rigid, heretical business style to quick, responding and flexible process.

Business Process Reengineering (BPR) is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvement In critical contemporary measures of performance such as cost, service, quality and speed, (Hammer 1993). BPR is boon to those organizations where the business Is young and slow. BPR Is required to take quantum leaps In productivity for competitive advantage -(Ruling, Hosanna, and Racial 2010).

Ruling et al (2011) clung (Cool & Cordovan 1 993) BPR Is a major management approach that can focus on doing things in a better way that is clearer and easier to achieve a said “ one of the primary goals of financial service industry is to always enhance processes that would improve

customer service performance through the management approach of cost reduction, improve quality, speed, and customer Irvine for profit minimization.

Therefore management scholars argued that organization can become proactive in operation by adopting the business process reengineering (BPR) to achieve remarkable improvement in the organizational performance (Hammer 1990; Davenport & Short 1990). " The process of merger and acquisition in Nigerian financial institutions has resulted in these companies undergoing a radical improvement in their operations, Ringing et al. Between 1990-1993, some definitive works on BPR were put forth by Hammer, Champs and Davenport.

Hammer was named by business week Journal Lully 1994) as en of the four prominent management gurus of the sass, together with Champs. They gathered information about organizations thriving in their respective industries, along with assorted management 113 MASER Publishing, Rome-Italy consulting experiences. They were asking the questions of, What worked and why? Along with What didn't work and why not? They discovered that most of the companies that had succeeded in changing their processes had used a similar set of tools and tactics. They called this set of procedures Business Reengineering.

In organizations, the competitive field has been reshaped greatly during the past ears; the globalization of markets, new customer requirements for product and service quality and the rapid development of information technology (IT), require new strategies for successful enterprising, as well as

new methodologies and tools for system analysis and design in dynamic environments. Majority of leading organizations have therefore launched large-scale efforts to deliver greater customer value by ‘ redesigning their businesses, ‘ customizing’ their business processes and using IT as an enabler for gaining competitive advantage.

Beyond that, all changes have to be performed in respect to the aspects of Total Quality. In their striving for competitive advantage, reduced costs and increased profitability, more and more companies are embracing this trend.

1. 1 Statement of the Problem The steady globalization of financial markets necessitated market participants to make changes on their operational processes beyond local competition to global competitiveness. Ringing, Racial & Hosanna 2013 in quoting (Randal 1995) states that improve customer service quality, speed, reduce operating cost and enhance profitability performance.

Innovative banking service and personalized banking portfolio management are developing gradually as the markets consolidate due to mergers and acquisitions of banks and up-to-date strategy. The problem is that the focus is no longer on cutting costs alone, but rather at the same time improving services to customers. Another issue is that the processes are not only must-be- more-efficient, but also must be made more customer friendly too; while communicating the necessity for change with employees. 1. 2 Objectives of the Study The general objective of this study is to analyze BPR in organizational performance in the Nigerian banking sector.

The specific objectives are as follows: 1 . To examine the factors of BPR that may influence the bank performance. 2. To explore the implementation level of BPR in Nigerian Financial Institutions. 3. To uncover how BPR can help organizations to effect innovative and strategic changes in the organizations. 4. To determine ways to communicate the necessity for change with employees. 1. 3 Significance of the Study This study is very significant because the business circle is filled with business entities that have undergone dramatic changes in recent times.

These changes are to large extent caused by market forces of demand and supply, competition, globalization and information technology leading to transformation in business, customers needs, choices, awareness, preference are also affected. Therefore, this study will be helpful to organizations seeking to improve their organizational operational performance. 2. Review of Related Literature 2. 1 Conceptual Clarification The literature sources dated back to sass to accommodate the “ fathers of BPR”, the authors who 114 promoted BPR awareness in the past. Their contributions are fundamental and will help us have better understanding.

The oldest process began with Frederick Winslow Taylor in 1911 when he published examine activities and determine the most efficient way of executing them. He launched an engineering tradition that proceeded to measure and analyze activities in an effort to optimize the performance of the activities. He emphasized the importance of careful analysis, measurement and incremental improvement in the performance of specific activities. These are bottom-up approaches that seek to find ways workers

can constantly improve how they perform their jobs – work simplification movement.

About the same time that Taylor was tidying individual workers and trying to determine how to improve their performance Henry Ford was into management processes – launching his third car company – Ford Motor Company. He completely re-conceptualized the auto manufacturers' process. He designed a car that was simple to manufacture and then set up a production line where each worker had a specific task to perform. In essence, starting with an initial frame, a car was assembled as the frame moved down a production line, each worker adding his part to create the final product.

Ford's approach revolutionized manufacturing. He was able to drastically reduce the cost of manufacturing a car, increase production capacity, and still make enough profit that he could pay his workers enough so that they could buy a car of their own. Ford's approach was just the opposite of Taylor's. Taylor assumed the function needed to be done, studied the worker, and determine the best way to perform the function. Ford started with a blank sheet of paper and redesigned the entire process, starting with the creation of a product that could be manufactured on an assembly line.

As organizations grew, more people were added and procedures were quickly fixed, while the organization of work still followed the original logic.

According to (Gush, Kettering and Tent 1993), the localized, incremental approach has created extremely complex processes that contribute little to the overall effectiveness of organizations operating in today's business

environment. Due to the global changes in economy, markets are globalize, customer requirements changed and competition is intensified, and new approaches had to be developed for coping with environmental dynamics and the required flexible organizational change, (Kohlrabies 2009).

The concept of reengineering traces its roots back to management theories developed in the early 19th century. The purpose of reengineering is to “make all processes the best-in class”. Frederick Taylor suggested it as far back as the 1880s (Sturdy, 2010). But the idea of reengineering was first propounded in an article in Harvard Business Review by Hammer (1990). This method was popularly referred to as business process re-engineering (BPR), and based on an examination of the way information technology was affecting business processes.

Michael Hammer and James Champy the BPR originators maintained that re-engineering had a wider significance than mere processes. It applied to all parts of an organization and it had a lofty purpose (Handle, 2008). Hammer in 1991 emphasized the need for fundamental organizational change and for the first time using the term Business Process Reengineering. The concept which has widely spread and applied is viewed by Hammer (1993) as the fundamental rethinking and radical redesign of business processes to achieve dramatic quality, service and speed. BPR focuses on redesigning work processes to enhance productivity and competitiveness.

The demand for a new approach to organization restructuring has been occasioned by the awareness that many of the existing business logic is built on premises of considerable age. These existing processes were first

designed as a set of sequential manual procedures, and then automated parallel with the accelerating development of technology. However, this automation did not change the strong efficiency orientation pushing for optimizing functions and a maximum level of control; neither did it address the organizational externalities, such as customer demands.

BPR is an approach aiming at improvements by means of elevating efficiency and effectiveness of the processes that exist within and across organizations. The key to BPR is for organizations to look at their business processes from a 'clean slate' perspective and determine how they conduct business. BPR has gained a considerable attention in the world of change management during the past years. A key stimulus for reengineering has been the continuing development and deployment of sophisticated information systems and networks – (Ryan, Stephen and Lee 2009).

Business Process Reengineering can be considered as being a combined application of theories and concepts from mainly three areas – ; Organization theory, including the aspects of, human resource management, and organizational strategies. Marketing, in the aspect of competitive advantage, customer focus, industry value systems. ; Informatics, the use of IT for supporting process-based organizations by using appropriate information systems. Adding value for customers is a Business Process Redesigning methodology, considered as being most of the important contingencies.

The concept of value adding was originally developed by (Porter 1984) as stated in (Simon 1994), in his book 'Competitive Advantage'. He stated that every firm is a collection of activities that are performed to design, produce,

and market, deliver, and support its product. All these activities can be represented using a value chain. Value understood in the context of the business unit is Organizations' activities, for a linear flow from the supplier(s), through the business, to the customer(s).

The primary activities the organization has to perform in order to justify its right to exist are adding direct customer value to the product or service and the effective link of these activities has activities are supporting the former, in order to ensure organizational and managerial control, coordination among primary activities are supporting the former, in order to ensure organizational and managerial control, coordination among primary activities, as well as for developing and maintaining a corporate culture within the organization, and a corporate image towards the environment.

Information and communication Technology has, however currently given impetus to the success of the strategies of BPR. 2. 2 Business Process Malay, Colonization and Wetland (2013) citing Ross and Moore (2006) stated that "Business Process is a set of logically related tasks performed to achieve a defined business outcome". A Business Process is designed to add value for the customers and therefore should not include unnecessary activities.

It has a goal, specific inputs and outputs, uses the resources, has a number of activities that are performed in some order, may affect more than one organizational unit and creates value for the customer (Meyer et al. As cited in Mouth, Whitman and Cherish, 1999 and now cited by Malay, Colonization and Wetland (2013). 2. 3 Business Process Reengineering Business Process Reengineering (BPR) is the analysis and redesign of workflow within and

between enterprises according to (Hammer and Champs 1990 as cited by Malay, Colonization and Wetland 2013).

BPR can also be defined as a total transformation of a business, an unconstrained reshaping of all business processes, technologies and management systems, as well as organizational structure and values, to achieve quantum jumps in performance throughout the business Malay, Colonization and Wetland 2013 citing (Crower, Fond and Says-Castro, 2002). Stoics, Chat and Shin (2004) stressed that BPR is the evaluation and amendment of strategy, process, technology, organization, and culture. This radical process includes plummeting organizational goals that are no longer valid. 116

2. 4 The use of information technology

The use of information technology for gaining competitive advantage and supporting business activities in a dynamic environment has been emphasized extensively 1992; College 1990; and Keen 1991. They all point out the importance of modern information technology. Information Technology (IT) is becoming the most important driver of the global economy. The competitiveness of a country's economy (Nigeria) and well being is getting closely aligned to its ability to innovate and participate in the IT industry. The information revolution is enabling the emergence of a new type of trade system on electronic network.

People can exchange goods without having to exchange money. This has led to the emergence of virtual markets in the form of Electronic business which replaced going to shops. Same is the case with electronic banking system. The impact of IT on economy has accelerated with the development of

satellite communication, increasing powerful and smaller memory chips and developments in software programming. This has had a fundamental impact on organizational structures and human resource management. Intermediate middle management levels have been thinned down and intellectual capital has become a key resource.

Industrialized and evolving countries alike are formulating policies and programs to accelerate IT development and diffusion. IT is increasingly regarded as a 'key technology'. It is seen as generic, strategic, critical, core, enabling as well as pervasive. In Nigeria, it has been established that IT potential to enhance competitiveness of key businesses, modernize basic infrastructure and services, alleviate information poverty and reduce transaction costs. IT is used in areas like macro-economic planning and decision making, public administration, education, health-care, manufacturing, finance and banking, commerce, transportation etc.

The Journey into the information age is for improvement in the quality of every aspect of human life, emergence of a competitive society and a vibrant economy of new age technologies through transparent governing systems, sound infrastructure and skilled human resources. Most BPR theorists and practitioners consider IT as being the essential enabler for any reengineering effort, even if there is a minority claiming, that reengineering can be done without engaging IT. However, it can be stated that IT plays a major role in the majority of BPR projects.

Yates (1989) observed as stated in Simon (1994), when coking on the impact of IT development on organizational change that the period from

implementation to change can vary significantly in time. Beyond that delay in time, the performed change was often of rather incremental nature. It may be concluded, that IT is only one of an assembly of change enablers, and if used inappropriately, it might even be a disabling factor. Especially, when information logical constraints are disregarded, the systems workability is suffering, or wrong technological platforms are used. . 5 Empirical Review

Global competition has brought change. Because of the competitive economy, organizations today seek to rationalize, innovate and adapt to changing environments and circumstances as part of business process reengineering (BPR) efforts. Irrespective of the process reengineering program selected and the techniques used to model it, BPR initiatives involve risk taking. Effective management of risks and their prediction and estimation should help in minimizing failures from BPR efforts.

Process Reengineering on Organizational Performance in First Bank Nigeria. They used the case study method and data was analyzed through simple percentage and regression analysis. The results revealed that business process reengineering (BPR), service quality (SQ), and innovative & strategic change (I & SC) are positively (Directly) related to the success of organization. Business Reengineering Process will only be successful if the activities in which the processes are based are 117 directly related to the needs and objectives of the business.

The impact of Business Reengineering Process to the Nigerian organizations cannot be over- emphasized with the economic situation of this country, because it helps in meeting the domestic and industry needs or pursuance of

better and high performance. Business Reengineering Process has helped in the achievement of the organization over-all objectives. It concludes that BPR has become useful weapon for any corporate organizations that is seeking for improvement in their current organizational performance and intends to achieve cost leadership strategy in its operating industry and environment.

It recommended that reengineering process remains effective tools for organizations striving to operate as effectively and efficiently as possible and organizations are required to reengineering their business processes in order to achieve roughhouse performance and long term strategy for organizational growth and performance. Arrogance (201 1), carried out a study on Business Re-Engineering and Organizational Performance in Nigeria: A case study of First Bank Nigeria PL (FAN). He used the paired data samples method between 1986 and 2008.

The study was aimed at evaluating the impact of the reengineering of operational processes on the performance of the bank. To do this he tested the hypothesis that business re- engineering has no significant effect on the Fan's operational performance. To test his hypothesis, he measured the operational performance of the bank through three major indicators namely growth, profitability and the extent of financial intermediation. Growth of the bank was measured using alternative but complementary measures.

These are annual changes in gross earnings, total assets, total deposit embroiled. Profitability was assessed with profit margin, return on assets and return on equity. The extent to financial intermediation by bank was

ascertained through the loans and advances to total deposit ratio. The results revealed after the necessary tests that the bank neither grew better during the pre nor post re- engineering period. It can be inferred that the re-engineering project positively improvement on financial intermediation by the bank.

In conclusion, the analysis of the data showed that the re-engineering project significantly improved the profitability performance of the bank but not for growth and the extents of its financial intermediation. Ringing, Racial & Hosanna (201 1), carried out a study on Effect of Business Process Reengineering Factors on Organizational Performance of Nigerian banks: Information Technology Capability as the Moderating Factor. The survey method was used. A pilot est. was conducted to seek the objectives. Instrument content and face validity and reliability were examined through panel of expert in both academic and practice.

The data received from the commercial bank departments were analyzed using the SPAS software. The results show that the dimensions of BPR are reliable and valid. In addition BPR implementation was found in various operations processes in Banks. In conclusion, the main purposes of study were in two fold; ; to identify the dimensions of BPR in Nigerian banks and ; to explore the level of BPR implementation among these banks. The study highlighted that those dimensions include change management, process redesign/ innovation, use of information technology (IT), and IT capability.

It also provides evidence that the banks in Nigeria have been implementing BPR in various operational processes such as in credit risk, domestic,

international, branches and e- banking. They recommended that the findings of this study may be used for further research in BPR in Nigeria banks. Habit (2013), carried out a study on Understanding Critical Success and Failure Factors of Business Process Reengineering in Pakistan. He used the exploration survey methods to carry out his study. The results revealed that companies are shifting from product centered approach to customer oriented approach.

Therefore the priorities are also changing and the companies are trying to satisfy their customers to deliver what they want in terms of values. He concluded that bringing change into an organization is very difficult and very much demanding. Therefore proper planning from top management is very important in accordance with the organizational needs and resources. The supportive role of management is a key to successful implementation. The involvement of HER in planning and implementation is also essential.

He said management and companies should understand that BPR is a customized change tool thus, do not copy what your competitors are doing or else it will result in only failure. He recommended that companies need to identify the tasks that are be reengineering with the help of developed and up to date technology – THEN SHOOT and you achieve success. Sharking and Patterson (2012), did a study on Information and Business Process Reengineering through Application of Information and Communication Technologies Ictus) in Patty (Thailand).

They used exploration method. The result revealed that continued innovation in IT will make sure its role in process redesign will not decline and the more

that business becomes the focus of process redesign. They concluded that information technology has a huge role in BPR, this is because information technology unique attributes cover most BPR heuristics. They recommended that employees in a business should embrace changes and creativity business process reengineering projects to have a high chance of success.

Gook's, Soy and Vary 2012), carried out a study on Business Process Reengineering: Strategic Tool for Managing Organizational Change an Application in a Multinational Company in the USA. The research framework was an attempt to investigate (survey) the effects of BPR in production division in a multinational company. The result revealed that employees think top management commitment and support has been ensured for the implementation of reengineering projects etc. They concluded that in today's world, one of the most popular change management concepts " Business Process Reengineering" has been examined as a change tool.

They recommended that future research can collect information from both employees and management and/or change agents and compare the results to get more accurate information and BPR. Malay, Colonization and Wetland (2013) carried out a study on A Quantitative Analysis of Business Process Reengineering and Organizational Resistance: The case of Uganda. The methodology they used was both quantitative and qualitative methods. The qualitative methods were cluster sampling technique for identifying the; ; purposive sampling technique for selecting the respondents within organizations; ; observation for collecting the data.

The study showed that only 30.4% of BPR projects in Uganda have delivered the intended usable Information Systems. They identified the factors impacting on BPR and possible causes of BPR failures. They identified that emotional response of the users towards the BPR implementation ranges from 'Acceptance' to 'Testing', 'Indifference' and 'Anger'. They concluded that many organizations in Uganda and elsewhere need to reengineering their processes to improve on efficiency. They recommended that organizations intending reengineering processes should put a lot of emphasis on soft issues of the BPR implementation.