

BUSINESS PROCESS REENGINEERING IN THE NIGERIAN BANKING INDUSTRY

Joseph Agbadudu

Abstract

The study examined Business process reengineering in Nigerian banking industry, using a sample of 80 randomly selected respondents from eight banks in Benin metropolis. The questionnaire served as the data collection instrument. Research data were analyzed, using descriptive statistics such as mean, standard deviation, and tables while correlation tests served as the inferential statistic. Research findings indicate that there is a significant positive relationship between corporate performance and business process reengineering. On the basis of the findings, the need to adopt BPR as a strategic option is suggested but management needs to be cautious in adopting the BPR option.

Introduction

Organizational survival and competitiveness is a function of management response, through strategic options, to the problems that confront organizations. The scientific revolution was necessitated by the need to ensure efficiency and effectiveness with respect to productivity in organizations. The major thrust of scientific revolution was the enhancement of productivity through financial incentives. The human relations school of thought, although opposed to the scientific school for turning men into machines, as they claimed, posited that a complex network of social relationships controlled work group behaviour. They were therefore of the opinion that the welfare of the workers should be paramount in the mind of management to ensure enhanced productivity (Olorok, 2005).

The introduction of the structural adjustment programme {SAP} in Nigeria in 1986 and the consequent deregulation of the financial sector in 1991 caused a boom in the financial sector which culminated in the establishment of over one hundred and twenty (120) Banks and several finance houses. Three years after the euphoria, pomp and pageantry caused by the rapid growth in the number of banks subsided, the financial sector witnessed massive distress, leading to the liquidation of five banks between 1993 and 1996, and the liquidation of additional 26 banks in 1998 with many more still threatened by technical insolvency and bankruptcy (Olorok, 2005). In the face of stiff competition coupled with global economic depression as manifested in stock market crashes, disintegration of economic blocks, financial distress and corporate collapse, organizations are left to contend with one form of survival strategy or the other, in order to stay afloat.

While some are pursuing a stability option, others are comfortable with retrenchment strategy, yet others opt for a combination strategy. Nevertheless, irrespective of the grand strategic option, corporate performance experiences constant returns to scale, decreasing returns to scale or increasing returns to scale.

The Going Concern Concept, which requires that the organization must continue in operation into the foreseeable future, has necessitated a proactive search for strategies to ensure corporate survival and dominance, one of such strategic options is the stability strategy. The focus of a stability strategy is basically on incremental improvements in functional performance. A company adopting the stability strategy aims at protecting her opportunity/ market shares and making as much profit as possible by controlling cost and doing things more efficiently. This is what is now referred to as Business Process Reengineering which is the title of this research project. A process is defined as "a structured measured set of activities designed to produce a specified output for a particular customer or market. It implies a strong emphasis on how work is done within an organization" (Davenport, 1993). A business process on the other hand is a set of logically related tasks performed to achieve a defined business outcome. "Reengineering" is a radical reorganization of a productive process where "radical" implies increasing productivity by at least 100%. We may, therefore, define business process reengineering as the radical reorganization of a set of logically related task performed to achieve a defined productive process.

Aim and Objectives

The aim of the study is to determine the extent to which Business Process Reengineering, as a strategic option, has affected the performance of banks in Nigeria. The objectives are to determine: Whether there is any relationship between Productivity and BPR; whether there is any relationship between employee commitment and BPR.

Review of Related Literature

In 1993 the world market for consultancy in Business Process Reengineering was about one billion dollars and was expected to double by 1997. Like Total Quality Management (TQM) Overhead Value Analysis, Kaban or Just-In-Time-Management, Business Process Reengineering has rapidly developed into a management philosophy. Many people use the term Business Process Reengineering (BPR) in different ways, presenting cases of minor process improvements as well as radical changes in management philosophy and organizational structure. The fundamental objective of Bank's management as with other firms is to maximize shareholders' wealth. This goal, typically interpreted, means maximizing the market value of the firm's common stock, as financial management involves the cost of efficient acquisition of funds and the effective and judicious disbursement of the funds so acquired to optimize shareholder's wealth. Cost minimization is a sine-qua-non for profit maximization which forms the basis for wealth maximization, consequently, to obtain higher yield, a firm must lower operating cost. Business Process Reengineering is, thus, the result of a new process orientation which is out to overcome some of the problems associated with the Tayloristic view of structural specialization. BPR stresses radical change of process concerning different departments. However, the re design of process is only one aspect of the management of business processes. At least there are three different kinds of process management; they include: The management of ongoing business processes; the improvement of business processes; and The Reengineering of business processes.

Management of Ongoing Business Processes

One of the central traditional research paradigms of the theory of international management attempts to elaborate those characteristics of MNC's which might be held responsible for the way managers coordinate the relationships between headquarters and subsidiaries" (Reengineering, 2004). One significant feature of a process orientation is that it changes the perspective of business from structural relationships between headquarters and subsidiaries to the interaction processes between them. Thus, "the management of ongoing flows of material, information, and energy between different parts of the corporation become crucial" (Reengineering, 2004) several types of business processes can be identified, according to the proportion of material, information and energy. The following business processes: Strategic planning; Budgeting; Logistics and "Launching" new products (services) are more common because they represent a broad range of business activities. The above business processes vary from well to ill structured in operational content. Management of ongoing business processes, particularly the coordination and use of information technology (IT), was expected to vary along with the respective character of each process. Consequently, the general view of organization theory which claims that the coordination of headquarters subsidiaries relationships depends on organizational characteristics would not be valid. This implies that the traditional perspective has to be supplemented by a new one which focuses on the tasks to be performed and the processes to be controlled as determinants of the choice of coordination instruments.

Business Process Improvement

Continuous improvement of business processes is an integral aspect of the management of business processes, however, the fact that managers are generally responsible for functions and departments and not for processes often hinders their improvement. More often than not managers manage the isolated part of a business process, which concerns their departments alone. This often results in sub optimal solutions, particularly when the preceding or succeeding process steps fall under the responsibility of a foreign subsidiary. Whether managers consider interface problems or not, whether they adopt sophisticated programmes such as: Overhead Value Analysis (OVA), Total Quality Management (TQM), Just-In-Time production (JIT) or Computer Integrated Manufacturing

(CIM), improvements will be small compared to the third kind of process management, that is, the management of radical change:

Reengineering of Business Processes

Total Quality Management and Overhead Value Analysis aim at reaching cost improvements of thirty to forty percent. However they often realize less. Hammer and Champy {1993} report cases about redesigns where processes have been shortened in time by a factor of one hundred (100). Process redesign takes a holistic view of the business process, focusing on customers and in some cases even attempting to integrate other actors like suppliers and/or competitors into the process. B P R breaks radically with existing process structures and looks for innovative solutions. While some companies improve or redesign some isolated business processes, others change process systems, yet others with more purposeful and proactive managers often introduce comprehensive process reorganization, decomposing the ongoing activities of the company into a well defined set of business processes. While some authors stress organizational aspect of processes, others concentrate on aspects of improving processes or business process reengineering. Although perceptions and understanding of SBPR are different, their common focus is to optimize the efficiency of an organization. Efficiency depends on processes. Consequently, it can be increased by a planned change of appropriate processes, thus causing a shift in the attention of organization theory from structure to process. Business Process Reengineering is “the analysis and design of workflows and processes within and between organizations” Davenport (1990). According to Strassmann (1994), Reengineering “calls for discarding all existing institutions and reconstituting on the basis of completely fresh ideas; the new business model is expected to spring forth from the inspired insights of a new leadership team.” He went further to say that BPR means starting all over, starting from scratch,... it means forgetting how work was done,..., old job titles and old organizational arrangements,..., cease to matter. How people and companies did things yesterday doesn't matter to the business reengineer. “It is basically taking an axe and a Machine gun to your existing organization” Computer World (Strassman, 1994). Hammer (1990) defined BPR as “the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as quality service and speed” his position recognizes a holistic, dramatic rather than gradual or step by step approach to a new beginning. It emphasizes complete u-turn from the status quo, a concept synonymous with corporate rebirth. Teng et al (1994) defined BPR as “the critical analysis and radical redesign of existing business processes to achieve breakthrough improvements in performance measures.” On his part Edosonmwan (1996) defined BPR as “the elimination of old and archaic process, policies, procedures, technologies, principles and structures that affect organizational operations.” Furthermore, he stated that the process is likened to a continuous rethinking, assessment, evaluation, redesign, and improvement of structures, work process element, procedures, technology, management systems, rightsizing, and core competence to achieve competitive performance.

Research Methods

The population of the study consisted of eight (8) banks in Benin metropolis – Firstbank, Skye bank, Intercontinental bank, Access bank, Diamond bank, Bank PHB, Fin bank, and Zenith bank. A sample size of 10 respondents per bank was used, thus bringing the total number of respondent to 80. In each of the banks the employees were stratified according to Organizational status – Management, Senior, and Contract staff. The sampling frames were obtained from the branch managers. The total number of employees was divided by 8 (the sample size per organization) to obtain a sampling interval (K) in each case. Simple random sampling (lottery method) was then used to select a number within the interval (1 – K). Subsequently, every kth employee was included in the sample. It is thus evident that the sampling technique used was Stratified Systematic. Stratification was on the basis of Staff status. The data gathering instrument was the questionnaire, which consisted of respondents' bio-data and as well as items which addressed the subject matter of the study. Items in the subject matter featured likert type questions with the question-response format of the five-point scale ranging from a region of strong agreement- Strongly Agree (SA) through a neutral zone, Not Sure (NS), to a region of strong disagreement, Strongly Disagree (SD). Operational measurement of variables was as follows: SA: 2 points; A: 1; NS: 0; D: - 1; and SD: - 2.

Results

Table 1a Responses elicited from respondents

1 Indicate the extent to which you think that BPR will enhance each of the following

S/N	Item	Very Much	Much	Don't know	Little	Very Little
a	Service Delivery	25	30	5	15	5
b	Efficiency	29	36	3	10	2
c	Resource Utilization	32	28	6	12	2
d	Turnover	22	36	2	14	6
e	Minimization of resource idleness	36	29	2	11	2
f	Cost reduction	38	34	1	7	0
g	Elimination of waste	31	34	2	10	3
h	Process improvement	29	38	3	8	2
i	Employee commitment	24	33	5	10	8
j	Employee competence	24	32	5	10	9

Source: research Fieldwork, 2009.

Table 1b: Indicate the extent to which you think that each of the following will enhance organizational Performance

S/N	Item	Very Much	Much	Don't know	Little	Very Little
a	Service Delivery	29	35	3	2	5
b	Efficiency	30	35	5	8	2
c	Resource Utilization	31	34	5	8	2
d	Turnover	28	34	3	10	5
e	Minimization of resource idleness	35	34	4	5	2
f	Cost reduction	40	32	2	4	2
g	Elimination of waste	35	36	3	4	2
h	Process improvement	30	39	4	3	3
i	Employee commitment	29	36	3	7	5
j	Employee competence	28	34	4	8	6

Source: Research Fieldwork, 2009.

Table 2a Productivity Vs BPR, Relevant items: 1a, 1b, 1i, 1h, and 1j, as well as 2a, 2b, 2i, 2h, and 2j.

Descriptive Statistics

	Mean	Standard Deviation	N
Productivity	298.600	28.9960	5
BPR	316.8000	8.4380	5

Correlations

	Employment Creation	Growth in SMEs
Productivity: Pearson Correlation	1.00	0.551
Sig. (2-tailed)	-	0.336
N	5	5
BPR: Pearson Correlation	0.551	1.000
Sig. (2-tailed)	0.336	-
N	5	5

Note: N = number of items used.

In comparing productivity with Business Process Reengineering, it was observed that the mean score of the items related to productivity was 298.600 with a standard deviation of 28.9960 while the values of the items related to business Process Reengineering were 316.000 and 8.4380

respectively. The correlation tests showed that the Pearson coefficient was 0.551 with a significant probability of 0.336, thus indicating a high positive relationship but not significant at the 5 percent level. We may thus conclude at the 95 percent confidence level that there is a positive relationship between Productivity and Business Process Reengineering.

Table 2b Employee commitment Vs BPR, Relevant items: 1e, 1i, and 1j, as well as 2e, 2i, and 2j.

Descriptive Statistics

	Mean	Standard Deviation	N
Employee Commitment	293.3333	32.0208	3
BPR	320.6667	12.8970	3

Correlations

	Employment Creation	Growth in SMEs
Employee Commitment: Pearson Correlation	1.00	0.723
Sig. (2-tailed)	-	0.485
N	3	3
BPR: Pearson Correlation	0.723	1.000
Sig. (2-tailed)	0.485	-
N	3	3

Note: N = number of items used.

In comparing Employee commitment with Business Process Reengineering, it was observed that the mean score of the items related to productivity was 293.33300 with a standard deviation of 32.0208 while the values of the items related to Business process Reengineering were 320.6667 and 12.8970 respectively. The correlation tests showed that the Pearson coefficient was 0.723 with a significant probability of 0.485, thus indicating a high positive relationship but not significant at the 5 percent level. We may thus conclude at the 95 percent confidence level that there is a positive relationship between Employee commitment and Business Process Reengineering.

Table 2c Corporate Performance Vs BPR, Relevant items: 1a-j, as well as 2a-j

Descriptive Statistics

	Mean	Standard Deviation	N
Corporate Performance	309.0000	23.2847	10
BPR	323.5000	12.7126	10

Correlations

	Employment Creation	Growth in SMEs
Corporate Performance: Pearson Correlation	1.00	0.777**
Sig. (2-tailed)	-	0.008
N	10	10
BPR: Pearson Correlation	0.777	1.000
Sig. (2-tailed)	0.008	-
N	10	10

Note: N = number of items used.

In comparing corporate performance with Business Process Reengineering, it was observed that the mean score of the items related to corporate performance was 309.000 with a standard deviation of 23.2847 while the values of the items related to Business Process Reengineering were 323.5000 and 12.7126 respectively. The correlation tests showed that the Pearson coefficient was 0.777 with a significant probability of 0.008, thus indicating a significant positive relationship at the 1 percent level. We may thus conclude at the 99 percent confidence level that there is a significant positive relationship between corporate performance and Business Process Reengineering.

Conclusion

Business process reengineering is, without doubt, an effective strategy in the present socio economic dispensation characterized by economic depression and financial distress because of its ability to impact positively on corporate performance. However, that the effect of BPR is expected to be optimum if the whole process is geared towards a complete overhaul of the entire business processes, including the people in the organization rather than the prevalent selective reengineering in which many organizations expend so much money on the acquisition of sophisticated equipments without complementing the efforts with adequate human resource training and developments; this has been a major factor militating against the effective implementation of BPR. Such a selective approach to reengineering often fails to address the larger organizational issues of corporate culture and development. Consequently, it does not yield the full desired results. For BPR to impact fully on the organization there is the need to adopt a holistic approach.

Recommendations

In view of the perceived positive impact of BPR on corporate performance, there is the need for actors in the banking sector to internalize the change process in order to reduce the cost associated with BPR. It should also be mentioned that reengineering is a continuous process consequently there is the need for organizations to establish a business and strategy service unit vested with the responsibility of identifying, formulating, implementing and evaluating the change process. Furthermore, there is the need to be cautious in embracing reengineering, it must be adequately integrated with the human resource function of the organization. It is pertinent to mention that reengineering must not be misconstrued with downsizing of the workforce. However, if it becomes necessary to downsize, the out placed employees should be re trained to fit into other areas in the organization rather than discarding them completely.

References

- Davenport, T.H, (1993) *Process innovation: Reengineering work through information technology*. Boston: Harvard business school press.
- Davenport, T.H & Short, J.E. (1990), The new industrial engineering: information and Business process redesign *Sloan management review*, vol. 31, Pp 43-45.
- .Edosonmwan, J.A, (1996). *Organizational transformation and business process reengineering*. USA: St Lucie press. .
- Hammer, M (1990), Reengineering work: Don't automate, obliterate *Harvard Business Review* July-August, Pp 71-75.
- Hammer, M & Champy, J (2000). *Reengineering the corporation: a manifesto for Business revolution*. New York: Harper.
- Olorok, R.A (2005), Reengineering in Nigerian Banks, UNIBEN MBA Project
- Reengineering (2004), retrieved June 18, 2004 from [.File://a/reengineeringbpr1.htm](File://a/reengineeringbpr1.htm).
- Strassman, P.A (1994),The rap on Reengineering, *Computer world*, Pp 2-4
- Teng et-al (1994), cited by Olorok (2005), Reengineering in Nigerian Banks, UNIBEN MBA Project.