CONTRIBUTION OF BUSINESS PROCESS REENGINEERING TO STRATEGIC DEVELOPMENT IN THE FINANCIAL SECTOR

A CASE OF THE COOPERATIVE BANK OF KENYA

BY

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A Project Report Submitted to the School of Business in Partial Fulfilment of the Requirement for the Degree of Business Administration

UNITED STATES INTERNATIONAL UNIVERSITY NAIROBI

SPRING 2012
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

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This project has been presented for examination with my approval as the appointed supervisor.

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ABSTRACT

The purpose of this study was to establish Business Process Reengineering as a tool in the strategic development of Financial Management Institutions to contend with continuously changing conditions due to pressure from competitive markets and the rapid evolution of information communication technology to construct their processes and improve how they conduct business. Researcher was guided by the following research questions: (i) How does the definition of Business Process Reengineering apply to the Financial Sector? (ii) What factors are critical to ensure successful implementation of Business Process Reengineering? (iii) What is the role of Information Technology in Business Process Reengineering?

The research design employed in this study was descriptive in nature. Descriptive studies describe the characteristics associated with the subject population. The target population in the study was Cooperative Bank of Kenya’s staff establishment of about 2,288 employees as at December 2009 and we used stratified sampling technique to select the sample. We discovered and measured cause and effect relationships among variables, guided by the independent variables using questionnaires and interview data collection methods and analyzed using the Statistical Package for Social Sciences, the results presented in form of pie charts and tables. The descriptive design gave proper and succinct recommendations to the management of Cooperative Bank.

The banking industry is a fast changing environment and so there is a need to improve services and add value to meet customer demands. Business Process Reengineering is a strategic tool and a core competence to an organization which assists players in the industry to gain competitive advantage and this study seeks to understand its relevance in this fast changing environment. The results from this study are of importance to Cooperative Bank as well as any party interested in the development of the financial sector in Kenya.
ACKNOWLEDGEMENT

First is to give God all the glory for health, strength and a sound mind to do these studies and to always finish what has been started. Thank you Jesus!

To acknowledge my dear wife Annette and our soon coming baby for their overwhelming support even when I spent late night hours in the living room trying to meet strict deadlines to finalise on the project. May the almighty God help us to enjoy what you were part of!

To my employer, Co-operative Bank of God, who were my respondents, thank you so much for the support, allowing me to administer the questionnaires and for your patience and understanding especially while filling the same. This project would not have been a success without you. You’re truly a blessed team.

My supervisor Dr. Paul Katuse for the encouragement, availability and prompt response while handling the project. You were very instrumental throughout this project with your careful advice without which this project would not have come this far. Thank you so much.

To Professor Francis Wambalaba who prepared us to carry out research work. To the Dean, School of Business, Dr. George K’aol, your meticulousness and guidance shall always forever be cherished.

My colleagues at USIU cannot go unmentioned for their co-operation and encouragement throughout this course. You made the journey worthwhile and I am looking forward to interact more as alumni of this great institution. May this true Kenyan spirit continue to ignite with passion.
DEDICATION

This project is dedicated to my dear wife, Annette and soon coming baby.

I also dedicate this project to the Co-operative Bank of Kenya Ltd and the people of Kenya.
# TABLE OF CONTENTS

STUDENT'S DECLARATION .............................................. ii  
COPYRIGHT ................................................................... iii  
ABSTRACT ..................................................................... iv  
ACKNOWLEDGEMENT ..................................................... v  
DEDICATION .................................................................. vi  
LIST OF ABBREVIATIONS ............................................... ix  
LIST OF TABLES ........................................................... x  
LIST OF FIGURES .......................................................... xi  

CHAPTER 1 .................................................................. 1  
1.0 INTRODUCTION ......................................................... 1  
1.1 Background to the Problem .......................................... 1  
1.2 Statement of the Problem ............................................. 4  
1.3 Purpose of the Study ................................................... 6  
1.4 Research Questions .................................................... 6  
1.5 Rationale of the Study ............................................... 6  
1.6 Scope of the Study .................................................... 6  
1.7 Definition of Terms ................................................... 7  
1.8 Chapter Summary ..................................................... 7  

CHAPTER 2 ................................................................ 9  
2.0 LITERATURE REVIEW ............................................... 9  
2.1 Introduction ............................................................. 9  
2.2 Contribution of Business Process Reengineering to Financial services ............................................. 9  
2.3 Implementation of Business Process Reengineering ............................................................... 12  
2.4 The Role of Information Technology in Reengineering ..................................................... 16  
2.5 Chapter Summary ..................................................... 22  

CHAPTER 3 ................................................................ 23  
3.0 RESEARCH METHODOLOGY ...................................... 23  
3.1 Introduction ............................................................. 23  
3.2 Research Design ....................................................... 23  
3.3 Population and Sampling Design ................................ 23
LIST OF ABBREVIATIONS

Coopbank – Cooperative Bank of Kenya
BPR – Business Process Reengineering
LIST OF TABLES

Table 1: Sample Distribution ................................................................. 25
Table 2: Percentage distribution of staff by Job category ...................... 28
Table 3: Percentage distribution of the Respondents by Departments/Branches .......... 31
Table 4: Numerical strength of the forces driving the rate of change. .................. 34
Table 5: The rate at which organizations need to change to meet customers needs.......... 35
LIST OF FIGURES

Figure 1: Gender distribution of the respondent .......................................................... 29
Figure 2: Job category distribution of the respondents ..................................................... 29
Figure 3: Period of service distribution of the respondents ............................................. 30
Figure 4: Numerical strength of factors contributing the need for Business Process Reengineering ............................................................... 32
Figure 5: Rate at which customers’ needs are changing ................................................... 33
Figure 6: Numerical strength of the individual forces driving the rate of change ............. 34
Figure 7: Numerical strength for the need to reorganize ............................................... 36
Figure 8: Personal opinion on the critical success factors to business process reengineering ............................................................ 37
Figure 9: Personal opinion on the critical failure factors to business process reengineering ............................................................... 38
Figure 10: Role of Rapid IT development in Reengineering ............................................ 39
Figure 11: Role of IT in reorganizing percent ............................................................... 39
Figure 12: Personal opinion on the Role of IT in re-engineering .................................. 40
CHAPTER 1

1.0 INTRODUCTION

1.1 Background to the Problem

The idea of reengineering was first propounded in an article in Harvard Business Review in July – August 1990 by Michael Hammer, then a professor of Computer science at MIT. Business Process Reengineering promised a novel approach to corporate change, and was described by its inventors as a “fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical measures of performance such as cost, quality, service and speed” (Harvard Business Review (HBR), 1990)

So popular was re-engineering that one survey in the 1990s showed it to have been adopted by almost 80% of Fortune 500 companies. Hammer, whose writing can be surprisingly vivid, once wrote: “A company that does not focus resolutely on its customers and the processes that produce value for its customers is not long for this world.” Process improvements come from “walking in the customer’s shoes”, finding out what it is that customers really want, and then designing processes to meet that demand (Economist, 2009).

By 1997 Hammer had taken the view that: “Processes are the key organizational theme for companies in the 21st century. Excellence in processes is what is going to distinguish successful organizations from the also-rans.” He added, mindful of the main beneficiaries of most novel business ideas: “Capability at helping companies to achieve process excellence is what’s going to distinguish leading consulting companies from those sweeping up after the elephants.” (Economist, 2009)

When accessible data is combined with easy-to-use analysis and modelling tools, frontline workers—when properly trained—suddenly have sophisticated decision-making capabilities. Decisions can be made more quickly and problems resolved as soon as they crop up. The modern bank is considered an information system and the banker an information manager (Osano, 2009).
Michael Hammer (2004) published a paper, “The invention and deployment of new ways of doing work”, on operational innovation. In this he pointed out that many companies—from Dell to Toyota to Southwest Airlines—have flourished not because of what they do but because of how they do it. They simply “out-operate” their rivals. Hammer went on to say that operational innovation, which “may appear unglamorous or unfamiliar to many executives ... is the only lasting basis for superior performance”. A bold claim, indeed, since phenomena such as Apple and Google continue to thrive because of their innovative products and services.

Many scholars, however, saw re-engineering as a return to the mechanistic ideas of Frederick Winslow Taylor. Others saw it as a shallow intellectual justification for downsizing, a process of slimming down that was being forced on many corporations by developments in it. It was often blamed for the widespread lay-offs that became part of almost every company’s radical redesign at that time.

One of the faults of the idea, which the creators themselves acknowledged, was that re-engineering became something that managers were only too happy to impose on others but not on themselves. Champy’s (1994) follow-up book was pointedly called “Reengineering Management”. “If their jobs and styles are left largely intact, managers will eventually undermine the very structure of their rebuilt enterprises.”.

BPR was implemented with considerable success by some high-profile organisations. For instance, Hallmark, a card company, completely re-engineered its new-product process; and Kodak’s re-engineering of its black-and-white film manufacturing process cut the firm’s response time to new orders in half. The idea was given a boost by the development of enterprise resource planning (ERP). ERP systems enabled a firm’s different operations to talk to each other electronically. At last the left hand of the organisation knew what the right hand was up to.

Hammer focuses on one of the key concepts of BPR, that it is fundamental and radical. The alternative business improvement methodology is Continuous Process Improvement, which emphasizes small and measurable refinements to an organization’s current processes and systems. Continuous process improvement has its origins in total quality management (TQM) and Six Sigma, a program that began at Motorola.
BPR, as a term and as a practice, has a tarnished history. Reengineering became very popular in the early 1990s, however, the methodology and approach was not fully understood nor appreciated. Many times, improvement projects labeled with the title "BPR" were poorly planned and executed. Employees and organizations cringed at the thought of another "BPR" experience. The term itself is being used less, or is being altered so that these types of initiatives are not associated with the "BPR" of the past.

Despite this abuse of the practice and tarnished name, the practice of redesigning business processes and the associated technology and organizational structure is more popular today than ever. Companies continue to reexamine and fundamentally change the way they do business. Competitive pressures and a sluggish economy provide the impetus for continued efforts to "deliver more with less." Reengineering remains an effective tool for organizations striving to operate as effectively and efficiently as possible.

Financial management institutions have to contend with continuously changing conditions due to pressure from competitive markets and from the rapid evolution of information communications technology. The ever present competition gives rise to the steady development of new services and financial products that must be developed and sold effectively (Osano, 2009).

Osano (2009) wrote “In a fiercely competitive environment the advantage one financial institution has over another lies in the value added services it’s prepared to offer. Opportunities for doing this come from information communication technology and a financial institution must therefore gain extensive experience and develop in-depth expertise in high technology areas”.

Chorafas (1987) identified factors that make the difference between success and failure in banks and these are as follows; ability to anticipate market evolution, mastery of all aspects of such development, offering modular, incremental services, ensuring low cost of these services and capability of further innovation.

This means that the thinking, attitudes, skills and decisions banks make must reflect a new reality of rethinking their role in new markets, new products, oncoming client demand and high technology. A growing number of retail firms are offering financial
services that were once a monopoly of banks. Furthermore these non banks are free from the legal reins that apply to commercial banks (Osano, 2009).

Technology is a key strategic element in financial institutions. Institutions that do not take an active role in this regard risk being reduced to followers where others decide what and when should be done.

1.2 Statement of the Problem

BPR as a term and as a practice has not been fully understood nor appreciated. It is considered as just another management fad and a fashionable buzzword by business executives and managers and as a result many changes being done in organizations end up being called reengineering. Others see it as a shallow intellectual justification for downsizing, a process of slimming down that was being forced on many corporations by developments in it. It has often been blamed for the widespread lay-offs that have become part of almost every company’s radical redesign. Many scholars see re-engineering as a return to the mechanistic ideas of Frederick Winslow Taylor.

Re-engineering has become something that managers are only too happy to impose on others but not on themselves. Champy’s (1994) follow-up book pointedly called “Reengineering Management” says “if their jobs and styles are left largely intact, managers will eventually undermine the very structure of their rebuilt enterprises”.

The methods used by companies for improving business processes have been effective to obtain gradual, incremental improvement. However, several factors have accelerated the need to improve business processes. Because the rate of change has increased for everyone, few businesses can afford a slow change process. One approach for rapid change and dramatic improvement that has emerged is Business Process Reengineering (BPR).

Sam Walton’s creation of Walmart Inc. and the consequent remaking of retailing in the United States is a dramatic example of how a company can change the rules of the game in an industry. It’s a lesson on dynamism and aggressive emphasis on organizational practices and excellence in core business processes. Yet evidence abounds that the same route is open to large numbers of organizations that think carefully and deeply about the
nature of business they are in and how they can break the competitive deadlock to change the game in their favour (Henry, Patrick, John, William, 1994).

The key lies in visionary thinking to redefine business operating capabilities amidst precipitating factors. The most obvious is technology and opening of world markets and increased free trade thereby raising the competitive bar and the need to improve business processes dramatically.

In today's marketplace, major changes are required to just stay even. It has become a matter of survival for most companies. Process excellence is what will distinguish successful organisations from the also-rans. This excellence can only be achieved through a fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in measures critical to performance.

“When William Edgerly became president of State Street Bank in Boston it was a far cry from his former life in manufacturing. But he quickly realised that moving through banking processes is no different than moving goods down an assembly line. Thinking of the process from the customer through the back office activities, and then focusing on providing effective transaction processing services to other financial service providers such as stock brokers and mutual funds, Edgerly has made State Street Bank number one in return on assets for all U.S. banks” (Henry et al, 1994.)

Market leaders have had to cut through the old notion of strategy in which they ask; what do we sell, to whom do we sell it, where do we sell it, and have invaded business operations where they want to know; how do we organize and operate in order to produce efficiently and effectively. As such Business Process Reengineering (BPR) is the strategic tool of modern management that helps companies rethink their business operations to become not only more efficient but more effective as costs naturally decline and profits are enhanced. It is a key concern to every organisation to improve services and add value to its client offering in order to gain the much needed competitive advantage in the marketplace.
1.3 Purpose of the Study

The purpose of this study was to establish the contribution of BPR to strategic development in the financial sector as carried out at Cooperative Bank of Kenya.

1.4 Research Questions

This study was guided by the following research questions formulated to aid in gathering the information regarding the research topic.

1.4.1 How does the definition of BPR apply to the financial sector?
1.4.2 What factors are critical to ensure successful implementation of business process reengineering?
1.4.3 What is the role of Information Communication Technology in BPR?

1.5 Rationale of the Study

This study was of importance to the following stakeholders;

1.5.1 Customers

The customer is the reason behind the reengineering process to ensure his satisfaction through value adding products/services.

1.5.2 Financial institutions.

They are most affected by the accelerating change in the market place and therefore have to ensure survival through the use of such strategic tools.

1.5.3 Industry Regulator.

The mandate of the Industry regulator being the Central Bank of Kenya is that of formulating and implementing monetary policy as well as overseeing the stability of the financial system.

1.6 Scope of the Study

There are more than 43 banks in Kenya today. However, our study focused on the Cooperative Bank of Kenya which is but one of the banks in the industry. We focused on the Business Process Reengineering activities undertaken within the recent years and their impact in this study.
1.7 Definition of Terms

1.7.1 Business Process Reengineering
Hammer and Champy (1993) defined reengineering as; “The fundamental rethinking and radical redesign of business process to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed.”

1.7.2 Process
A collection of activities that takes one or more kinds of input and creates an output that is of value to the customer (Hammer and Champy, 1993).

1.7.3 Fundamental
This means serving as a base or foundation, essential, primary, original (The Concise Oxford Dictionary, 1995).

1.7.4 Radical
Far reaching, thorough, an overhaul of the root of things e.g. business processes (The Concise Oxford Dictionary, 1995).

1.7.5 Dramatic
This refers to quantum leaps and not marginal or incremental, sudden and exciting or unexpected, vividly striking (The Concise Oxford Dictionary, 1995).

1.8 Chapter Summary
This chapter has addressed the importance of Business Process Reengineering in the ever dynamic and highly competitive business environment. BPR has been misunderstood and is taken by managers as a fad or fashionable jargon while the employees have interpreted it to mean downsizing. The critical factors that are essential to ensure successful implementation of BPR, Key among the factors discussed, is managing the resistance to change and support from management.

The chapter also gave the study background history and the challenges faced in BPR over the last few years. In addition to that, the chapter has clearly outlined the purpose of the study and the research questions to guide the study which is to be contacted within the
specified scope. Finally, the chapter provided the definitions of the unusual terminologies and concepts in the context of this study.

The chapter two reviewed the literature available on BPR, particularly the theoretical framework. Chapter three describes the methodology used in the study; this includes population, sample size and sampling techniques as well as methods of data collection and data analysis. The chapter will also address the format in which the results will be presented. Chapter four analyzes the findings of the study by going through the feedback obtained from the respondents and briefly explain the meaning of each response. Chapter five discusses the implications of the findings, conclusions and gives recommendations to all stakeholders including suggestions for further research or studies.
CHAPTER 2

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the literature on the topic of Business Process Reengineering as in the previous studies. The chapter is structured on the basis of the research questions: How does the definition of BPR apply to the financial sector? What factors are critical to ensure successful implementation of business process reengineering? What is the role of Information Communication Technology in BPR?

2.2 Contribution of Business Process Reengineering to Financial services

Three forces, separately and in combination are driving today's companies deeper and deeper into territory that most executives and managers find frighteningly unfamiliar. These are customers, competition and change (Hammer and Champy, 1993).

It is increasingly apparent that the survivors in this new era of business will be those companies that are rigorous in the pursuit of three concurrent goals: customer satisfaction, market domination, and increased profitability (Henry et al, 1994).

There are two different approaches in performance improvement: Kaizen (continuous improvement) and Radical improvement (big leaps in improvement).

2.2.1 Business Process Improvement

Improving business processes is paramount for businesses to stay competitive in today's marketplace. In the recent past companies have been forced to improve their business processes because customers are demanding better and better products and services. Many companies began business process improvement with a continuous improvement model.

Continuous improvement is a management philosophy that sees quality improvement as an ongoing process of incremental improvement rather once and for all or episodic series of major improvement efforts (Steve et al, 2001). Kaizen describes the Japanese concept that major improvements come through a series of small, incremental gains (Imai, 1986).
According to (Amanat, 2000), this model attempts to understand and measure the current process, and make performance improvements accordingly as follows; begin by documenting what you do today, establish some way to measure the process based on overall business strategy, do the process, measure the results, identify improvement opportunities based on the data you collected, implement process improvements, and measure the performance of the new process.

This loop repeats over and over again, and is called continuous process improvement. You might also hear it called business process improvement, functional process improvement, etc.

This approach is clearly evident at Toyota, who state (Brown, 1996): All Toyota employees in their respective functions pledge to; consider customer first, master basic ideas of quality circles and put the ideas into practice.

This method for improving business processes is effective to obtain gradual, incremental improvement. However, several factors have accelerated the need to improve business processes. The most obvious is technology. New technologies (like the Internet) are rapidly bringing new capabilities to businesses, thereby raising the competitive bar and the need to improve business processes dramatically. Another apparent trend is the opening of world markets and increased free trade. Such changes bring more companies into the marketplace, and competing becomes harder and harder (Steve et al, 2001).

A corporation’s structure will produce better performance if and only if it improves the organizations ability to make and execute key decisions better and faster than competitors. For most companies this requires a fundamental rethinking of their approach to reorganization. Instead of beginning with an analysis of SWOT, structural changes need to start with what we call a decision audit (Harvard Business Review, June 2010).

As a result, companies have sought out methods for faster business process improvement. Moreover, companies want breakthrough performance changes, not just incremental changes, and they want it now. Because the rate of change has increased for everyone, few businesses can afford a slow change process. One approach for rapid change and dramatic improvement that has emerged is Business Process Reengineering (BPR).
BPR can be seen as a culmination of a number of techniques that provide operational efficiencies and process improvement. The techniques include product improvements, total quality management and restructuring. Whereas these other techniques provide incremental improvements around the existing organizational framework, BPR is a much more radical approach that looks for the organization to reinvent the way it does business. It is not about automating or optimizing existing processes, it is about a fundamental review of whether the process adds value or is necessary (Amanat, 2000).

BPR fundamentally differs from the scientific management approach; whereas scientific management concentrated on optimizing functional tasks, BPR aims to deliver dramatic improvements to response time, service and quality by focusing on customer oriented business process. The golden rule of BPR is ‘be bold, think big’ (Amanat, 2000).

The need for reengineering could be summed up as follows; incremental change is not enough for companies today, managers groping about for a more fundamental shift in their organizational capabilities must realize that change programs treat symptoms and not underlying conditions. These companies do not need to improve themselves they need to reinvent themselves (Gross et al, 1993).

2.2.2 Business Process Reengineering (BPR)

A company periodically needs to shake itself up, regardless of the competitive landscape. The longer things are done in a particular way, the harder it is to adapt when markets shift. Worse, the less people in organizations explore and search for new opportunities the less capable they are of doing so. As James March of Stanford University famously explained: Exploitation (doing what works today) drives out exploration (seeking out risky but potentially valuable new ways of doing things) (HBR, 2010).

Business process reengineering (BPR) relies on a different school of thought than continuous process improvement. In the extreme, reengineering assumes the current process is irrelevant - it doesn't work, it's broke, forget it. Start over. It involves rethinking all aspects of a business process including its purpose, tasks, structure, technology and outputs, then redesigning them from scratch to deliver value added process outputs more efficiently and effectively (Steve et al, 2001).
Market leaders will probably be the last to transform themselves even if they realize they must in order to survive. Beliefs and practices constitute their dominant logic. The logic may not always be articulated but every employee knows: that's the way we do things here. But these success factors often turn to orthodoxies and no one challenges them. To change systems faster than their rivals can create new modes of competition, enterprises must; articulate the emerging competitive reality and its implications for the bottom line, identify gaps in skills, fill them quickly and change IT systems because they normally represent the old business models (HBR, 2010).

As explained by Hammer and Champy (1993), the four general themes of BPR are process orientation, the creative use of information technology (IT), ambition and rule breaking. Such a clean slate perspective enables the designers of business processes to disassociate themselves from today's process, and focus on a new process. It is like projecting into the future and asking; what should the process look like, what do my customers want it to look like, what do other employees want it to look like, how do best-in-class companies do it and what might we be able to do with new technology.

It begins with defining the scope and objectives of the reengineering project, going through a learning process (with customers, employees, competitors and non-competitors, and with new technology). Given this knowledge base and the definition of the "to be" state, create a vision for the future and design new business processes. Then create a plan of action based on the gap between the current processes, technologies and structures, and the "to be" state and then a matter of implementing your solution.

In summary, the extreme contrast between continuous process improvement and business process reengineering lies in where you start (with today's process, or with a clean slate), and with the magnitude and rate of resulting changes.

2.3 Implementation of Business Process Reengineering

According to Roberts (1994), “The implementation and transition phase of a process reengineering project is typically the most challenging of the entire project. Unlike continuous improvement, where incremental changes are made to a relatively stable process over a long period of time, the process reengineering project can have an extremely disruptive effect on operations if special care is not taken”.

12
2.3.1 Critical Success Factors in BPR

Over time many derivatives of radical, breakthrough improvement and continuous improvement have emerged that attempt to address the difficulties of implementing major change in corporations. It is difficult to find a single approach exactly matched to a particular company's needs, and the challenge is to know what method to use when, and how to pull it off successfully such that bottom-line business results are achieved (Bernard Burnes, 2000).

Among the main success factors are ambitious objectives, the deployment of a creative team in problem solving, and a process approach and integration of electronic data processing (EDP) (Peppard and Fitzgerald, 1997). Ascari et al. (1995) have discussed four other elements leading to successful BPR; culture (which is similar to Hall et al., 1993; Peppard and Fitzgerald, 1997), processes, structure and technology.

Ascari’s study found that the companies that implemented BPR agreed that its impact on the change of their culture was related to the organization’s rethinking of its fundamental business process. The focus was also on identifying and improving core processes. However, the scope and maturity of the business process architectures and the nature of changes within processes vary within organization. In addition, there must be significant changes in structure, especially with emphasis on cross-functional work teams.

It is interesting to note and remember that human factors could become one of the obstacles for the change to happen. The results in Stoddard et al. (1996) and Peppard and Fitzgerald (1997) highlighted that human resistance to BPR could lead to unsuccessful BPR projects. If the change has not been handled and managed carefully, people would resist it, even it is a top-down approach, which is, driven from the top. Embarking on BPR involves the challenge of persuading people within an organization to embrace or at least not to fight the prospect of major change.

A new strategy or new execution of an existing strategy can require both macrochanges and microchanges to a company's structure. But any new structure will create new boundaries that people may find hard to cope with and that may make effective decision making more difficult (Harvard Business Review, June 2010).
Smith (2003) highlighted that BPR aims to achieve performance breakthroughs by applying innovative ways of doing business. Among few things, he mentioned to manage radical change effectively includes communication is crucial to show support to the process change project and effective leadership to coordinate deployment of the resources to accomplish the strategic objectives.

Further, to identify the critical success factors (CSFs) of BPR in an organisation, it is necessary to understand the organisation itself, since the factors may differ regarding the type of organisation, including private or public. From the research by Berrington and Oblich (1995), it could be summarised that in order to implement reengineering, an organisation needs to understand its structure first and to ensure the vision was accomplished.

One of the important points here is that commitment needs to be maintained and enhanced through communication. The people issue rather than the technology issue is seen as important to be dealt with and managed in order to make the change effort a success (Burnes, 2000).

The issue of culture becomes an important factor for BPR, which was further emphasised by Peppard and Fitzgerald (1997) who examined the transfer of culturally grounded management techniques, namely BPR, making specific reference to the German business and cultural context.

Peppard and Fitzgerald (1997) analysed BPR applicability to the German business environment, a business culture which is sufficiently different from the American, in order to justify this undertaking. They explored how this American concept can be best transferred to the German business environment. Their study concluded that managers and employees as well should give their commitment for change. The conflict-free situation will reflect on the success of BPR in the long term. Germany stressed process and customer-focus. Other factors like self-autonomy, empowerment, culture and organisational circumstances seemed to be important for BPR to be successfully implemented in Germany.
Various scholars have come up with holistic frameworks of the BPR effort. Paper (1998) has come up with one consisting of three independent components that he refers to as the "3 pillars" namely; a systematic BPR methodology pillar, the environment pillar and the people pillar.

Many scholars have described the key steps for business process reengineering and presented step-by-step guidelines, exercises and checklists for; preparing and organizing your team for business process design, conducting research with your customers and employees, benchmarking with other companies and uncovering new technology, creating the key concepts and guiding principles for your solution, designing the new process, organization and technology solution and presenting your solution to key business leaders and your organization (Steve et al, 2001).

2.3.2 Failure Factors of BPR

Beside the success factors, many scholars’ also highlighted some failure factors in implementing BPR. Aggarwal (1998) highlighted failures of BPR implementation, which were related but not limited to; managers’ arrogance, resistance, crisis, cost and vision.

This is a fundamental review of all the business processes, and will involve massive change not only in process flows, but also in organizational power and controls, skill requirements, reporting relationships and management practices. This strategic perspective implies wide ranging radical change that needs careful management consideration. Therefore it is imperative that senior management are able to allocate the time and effort necessary to drive this activity (Amanat, 2000).

Hammer and Champy (1993) highlighted some failure factors like failure to have a process perspective, a fixed process which is not flexible enough to be responsive to the needs and requirements, not involving employees (bottom-up) in decision making, assigning someone who does not understand BPR, technology limitations, designing a project but with focus on cost reduction and downsizing, having a weak team, and problems with communication.

Reengineering is supposed to start with a new vision, new mission and new customers. Therefore lack of financial and human resources, and inadequate IT capabilities and
expertise posed the main problems in carrying out programmes. Other factors are the lack of support from organisation members, lack of strategic vision, inflexible organisational structure, and lack of champion for BPR efforts (Aggarwal, 1998; Ranganathan and Dhaliwal, 2001).

Senior management expects huge benefits from re-engineering, for example according to Manganelli and Klein (1994), 3000 percent improvement can be achieved but these are exceptions. This is because, in some aspects of business processes, tenfold gain may indeed be attainable with re-engineering but in other aspects 30 percent improvement may well represent a break-through, particularly if it involves a broad aggregate measure of performance such as profitability.

It is interesting to note that BPR is often confused with, and is sometimes used as a euphemism for, downsizing. It is true that BPR often identifies inefficiencies in processes that, once identified, reduces the number of people required to carry out a particular process, especially when IT systems are used to automate specific elements or entire processes. However, the decision as to whether to retain or downsize the workforce is independent of the BPR process (Steve et al., 2001).

The objectives of BPR need to be radical and aim for quantum leaps in performance rather incremental change. Many BPR projects have failed to meet expectations because managers have been cautious and too reasonable in setting objectives (Amanat, 2000).

Among other failure factors are lack of top management support and financial resources (Aggarwal, 1998; Al-Mashari and Zairi, 1999), people resistance (Stoddard et al., 1996; Peppard and Fitzgerald, 1997; Mumford, 1999; Ranganathan and Dhaliwal, 2001), IT related problems (Al-Mashari and Zairi, 1999; Ranganathan and Dhaliwal, 2001; Smith, 2003), and ineffective BPR teams, lack of project management, and problems in communication (Al-Mashari and Zairi, 1999; Smith, 2003).

2.4 The Role of Information Technology in Reengineering.

In recent years, one of the more prominent approaches to making changes in business methods is business process reengineering (BPR), which is primarily concerned with making changes in business processes. To make these changes and improvements
proposed by BPR, it is necessary to use elements known as enablers. These elements ease the redesigning of processes, pointing out more specifically information technology (IT). Information technology (IT) is an enabler of reengineering and not the driving force (Talwar, 1993; Turban et al. 1996). Motivation for reengineering has to come from the business itself.

Today, we find a great number of advances in IT being used in companies. In one way, remarkable advances in personal computers and communications allow employees to work outside the office while still being connected to the office. Employees may work from home or other locations. Multimedia communication systems, which send and receive audio and video data, help us in making decisions by using electronic mail, file transference, or video conference. Computer-aided design/manufacturing/engineering (CAD/CAM/CAE) techniques allow for coordinating product design, manufacturing, and engineering activities (Stepper and Petrozzo, 1994).

Using new IT allows companies to gain important advantages such as; cost savings and improving the accuracy of exchanging information, avoiding human mistakes inherent when complex and repetitive tasks are used, saving money because it reduces errors and the time it takes to accomplish tasks, integrating and coordinating several functions at once and improving the organizational efficiency and effectiveness by eliminating delay, administrative intermediaries, and redundant processing steps and by providing better access to information.

BPR is a methodology that promotes change and introduces new processes and new styles of working. So certain elements will be required to make change possible. These elements are known as enablers and may be defined as elements that act as vehicles for processes to change. IT promotes changes in organizations, mainly changes in the nature of the work, the integration of business functions, and the transformation of competitive forces [Scott-Morton, 1991].

IT can help make the changes promoted by reengineering, and it can be considered as an enabler of BPR. There are several studies that show IT as a fundamental capacitor of process redesigning [Naisbitt and Aburdene, 1985; Davenport and Short, 1990; Hammer, 1990; Harrington, 1991].
2.4.1 Information Technology and Processes

Before you can radically improve the information architecture, you should understand what the individual systems do and how they do it: hardware and software architecture, interfaces, ease of accommodating new development and so on (Stepper and Petrozzo, 1994).

Processes may be classified according to two dimensions: degree of mediation and degree of collaboration [Teng et al., 1994]. The degree of mediation refers to the sequential flow of input and output among the participants' functions in a business process. A process at a high degree of mediation involves a large number of intermediate steps, performed in various functions that contribute indirectly to the process outcome. A process at a low degree of mediation has several functions that contribute directly to the process outcome without the mediation of sequential steps. The degree of collaboration dimension is related to the degree of mediation between functions through information exchange. The frequency and intensity of information exchange can range from none (process at the low degree of collaboration) to extensive (process at the high degree of collaboration).

According to Roberts (1994), as you go through the process observe how operation personnel are interacting with a system or with output generated by a system. Take careful note of the following area: input - what information is input and how is the input accomplished, output - what information is generated by the system and how do people manipulate that output, exchange – how do individuals or organizations exchange information and users/usage – how many people in different functions use the system and how much is tied to their job.

Today's environment is demanding firms to quickly develop and offer products that will satisfy customers' needs. Companies may not be able to do this if they use processes with many steps and scarce collaboration. Consequently, this environment forces a change in business processes to feature reduced mediation and increased collaboration (Olalla, 1999).

First, companies must reduce the degree of mediation in processes. That is, they must convert processes with a great number of intermediate steps into processes that take part
directly in the final outcome. The IT related modifications that make this easy might be; shared databases, which is, different functions are allowed to take part directly by using the information stored in databases. Each function can approach, enter, or recover information from this database the moment it is needed. Imaging technology where several people may work at the same time on a digitalized image of documents or graphics, Electronic data exchange and electronic funds transference. Furthermore, shared computing resources make it possible for different functions to have access to information at any time.

Second, companies must increase the degree of collaboration in processes so that involved functions will share information. The IT that makes the collaboration easy among different people may be communication technologies. These allow information transfer by using tools such as electronic mail, video conference, and file transfer protocol.

2.4.2 IT and Types of Processes

Davenport and Short [1990] proposed an initial classification of processes by using three criteria. First, regarding dimension of the involved, there are three types of processes: interorganizational, interfunctional, and interpersonal. The use of IT, such as electronic data interchange and shared databases, reduces transaction costs and eliminates intermediaries in organizational processes. Telecommunication networks make simultaneous work in various locations possible in interfunctional processes. Technologies that combine work and image technologies make it easier to integrate tasks into interpersonal processes. Second, regarding the object, there are physical or informative processes. Physical ones require a labor reduction or substitution which is facilitated by CAM and robotics. Informative ones imply processing a great deal of information, made easier by new IT. Third, activities criteria differentiate between operational and managerial processes. ITs, such as electronic commerce and shared databases, reduce time and costs and improve the output quality in operational processes. Besides, expert systems, decision support systems, and executive information systems are useful techniques in managerial processes.
The development of Information Communication Technology (ICT) has allowed organizations to start the process of integrating various functions within the organization as well as between different organizations. Many organizations are beginning to use IT and their IT infrastructure to gain competitive advantage. The requirement of sharing information and data between financial institutions, markets, clients as well as regulatory agencies has meant that organizational boundaries are much more permeable to IT (Amanat, 2000).

This type of IT led business integration is leading to the development of virtual organizations that will develop new strategic relationships with exchanges and their regulators. This information exchange and sharing for mutual advantage enables greater efficiency, flexibility and innovation to respond to market requirements (Amanat, 2000).

A company should never equate IT to automation, using computers at a business problem in hand will never lead to reengineering. Reengineering, unlike automation, is about innovation. It's about exploiting the latest capabilities of technology to achieve entirely new goals. The real power of technology is not that it can make the old processes work better but that it enables organizations to break the old rules and create new ways of working that is reengineering.

When looking at BPR, it is necessary to look at the role of IT from a different perspective. It's necessary for one to think inductively rather than deductively. Deductive thinking involves defining problems. Inductive thinking on the other hand is the ability to first recognize a powerful solution and then thinking the problems it might solve, problems that the company does not even know it has.

Potter and Miller (1985) suggest five steps that organizations can take to exploit the strategic opportunities that IT creates. They however suggest that not all steps need be followed. These five steps are: assessing information intensity of each link in each of the company’s value chain. Higher intensity implies greater opportunity. If customers or suppliers of a firm are highly dependent on information, or if the service or product is mainly information related, then intensity is high and strategic opportunity is likely to exist. Then determine the role of IT in the industry structure. An organization needs to know how buyers, suppliers and competitors might be affected by and react to IT. New strategies may be necessary to retain industry position in some circumstances. This is
followed by identifying and ranking the ways in which IT can create competitive advantage. An organization must analyze how particular links represent high cost or critical areas of business activity are targets for the information services manager to focus his or her efforts and investigate how IT might spawn new business.

The following factors may provide opportunity for spin off businesses; excess computer capacity, large corporate databases and special strength in some aspect of IT. In investigating spin off businesses organizations should ask themselves the following three questions; what information generated or potentially generated by the business could be sold, what information processing capacities exist internally to start a new business and does IT make it more feasible to produce new items related to the organizations current products.

Lastly develop a plan for taking advantage of IT. To take advantage of strategic opportunities that IT presents one must have a plan that assigns priorities to the strategic investments that the organization needs to make. The process of developing such a plan should be business driven rather than technology driven.

Similarly Mcfarlan (1984) observes that company executives have a duty to carry out a competitive analysis and also assess where IT fits in their companies. Towards this goal he produces a matrix that aids them in understanding where a company fits in.

In summary IT has changed competition in three ways; industry structure and rules of competition have changed, organizations have outperformed their competitors by using IT and organizations have created new business by using IT.

Industry structure and rules of competition have changed because technology has a disruptive power, that it has ability to break the rules that limit how we conduct our work. This makes IT critical to companies that are looking for competitive advantage. Such companies therefore need to think inductively about technology during the reengineering process. Hammer and Champy (1993) note that companies successful in BPR already knew what rules they wanted to break even when the enabling technology was not available.
2.5 Chapter Summary

This chapter reviewed the relevant literature in relation to the research questions presented in this study. It demonstrated the need for business process reengineering and the critical success factors for successful implementation of BPR. Finally, the chapter addressed the actual BPR implementation. Chapter three describes the methods and procedures used to carry out the study. Specifically, the research design, population and sampling design, data collection methods, research procedures as well as data analysis methods will be addressed.
CHAPTER 3

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a discussion of the research methodology that was used in this study. It discusses the research design especially with respect to the choice of the design. It also discusses the population of study, sample and sampling techniques, data collection methods as well as data analysis and data presentation methods that were employed in the study.

3.2 Research Design

The research design employed in this study was descriptive in nature. Descriptive studies describe characteristics associated with the subject population. According to Cooper and Schindler (2000) descriptive statistics discover and measure cause and effect relationships among variables. The study was guided by three independent variables; how does the definition of Business Process Reengineering (BPR) apply to the Financial Sector, what are the critical success factors in BPR and assessing the role of IT in BPR, the organization processes being the dependent variable. The study used a descriptive design because it enabled the researcher to collect in depth information about the population being studied.

The researcher sought to establish the relationship between the need for dramatic change, the critical success factors and the role of IT necessary in a continuous and fast changing business environment just to stay even or make profits in the face of competition. The descriptive design gave proper and succinct recommendations to the management of the bank and other financial institutions.

3.3 Population and Sampling Design

3.3.1 Population

According to Cooper and Schindler (2000), a population is the total collection of elements about which we wish to make inferences. The target population in the study was both management and non-management staff of the bank. In this study the population was the banks staff establishment 2,288 employees. It was cheaper to carry out the research from
a sample rather than from the entire organization due to the logistical aspects of such a large organization.

### 3.3.2 Sample Design

#### 3.3.2.1 Sample Frame

Sampling frame is an objective list of the population from which the researcher can make a selection (Denscombe, 1998). Cooper and Schindler (2000) add that a sampling frame should be a complete and correct list of population members only. The sampling frame for this study is a list of all employees. The employees are categorized into Clerical – Section head, Supervisory – Senior Manager and Chief Manager – Director.

#### 3.3.2.2 Sampling Technique

Stratified sampling technique was used to select the sample. This method allows the researcher to divide the sample into appropriate strata that are mutually exclusive. According to Coopers and Schindler (2000) stratified sampling gives statistical efficiency increase on a sample, provides adequate data for analyzing the various sub-population and enables different research methods and procedures to be used in different strata.

In this study we divided the population into three different strata. First we identified the different staff cadre within the banks structure which was as follows; Clerical – Section head, Supervisory – Senior Manager and Chief Manager – Director. We then proceeded to choose a sample from the different strata taking into consideration the number of employees in a certain strata reduces up the staff cadre and are in different branches within the banks network. Since the number of staff in the lower staff cadre is large and the bank has a network of over 80 branches countrywide, we collected views of 50 staff members (Clerical – Section Head) from different branches and head office, 20 members of staff (Supervisory – Senior manager) mostly stationed at Head Office and 5 members of staff (Chief Manager – Director) all stationed at Head Office. The sample was picked randomly each from a different branch or Head Office department in the entire staff cadre.
3.3.2.3 Sample Size

Denscombe (1998) poised that, the sample must be carefully selected to be representative of the population and the researcher also needs to ensure that the subdivisions entailed in the analysis are accurately catered for.

Table 1: Sample Distribution

<table>
<thead>
<tr>
<th>Category</th>
<th>Sampling frame</th>
<th>Percentage</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clerical - Section Head</td>
<td>1876</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>Supervisory - Senior Managers</td>
<td>342</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td>Chief Managers - Director</td>
<td>50</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>2268</td>
<td>4</td>
<td>75</td>
</tr>
</tbody>
</table>

Source: Researcher

3.4 Data Collection Methods

Primary data collection method was used in this study. Data was collected using an interview guide (questionnaire) that has been developed by the researcher on the basis of research questions. Specifically, this study developed a set of interview questions on the application of Business Process Reengineering, critical success factors and the role of IT were put to the banks employees and BPR team. Examples of the questions are as follows; please explain the factors that will make the BPR or radical process change project succeed and please give your comments on how critical they are to BPR or radical process change project success.

The interview guide, had four parts, the first part had questions on the general information about the respondent in relation to the case organization. The second part had questions on the understanding of Business Process Reengineering in the organization, while the third and fourth parts had questions on the critical success factors and role of information technology respectively. The questionnaire was mainly structured and the respondent was guided by the interviewer through the illustrated answers to ensure that the respondent understands them and therefore respond suitably.
3.5 Research Procedures

The questionnaire designed by the researcher based on the research questions was pre-tested to ascertain the suitability of the tool before the actual administration. Pre-testing was done by administering the questionnaire to respondents who were selected randomly from the sample size. This enabled the researcher to fine tune the questionnaire for objectivity and efficiency of the process.

Existing literature, for example, Hall et al. (1993), Ascarì et al. (1995) and Altman and Iles (1998), suggests that the assessment of BPR in organisations would benefit more by investigating in-depth the real experience of implemented BPR. The selection of the case study based on some decisive factors; implementation of BPR/nature of “radicalness” in process change implementation; and successful BPR project over the last five years.

Actual case study fieldwork was done through a triangulation approach to get both breadth and depth information, and which is in line with suggestions in Miles and Huberman (1994) and Yin (1994), with an open-ended interview involving top management (for example, chief executive officers, directors, deans, and managers). They were asked to identify the leadership factors, particularly from the strategic BPR practices, in terms of mission and vision, and also other elements such as commitment, support, and communication (Davenport, 1993b; Altman and Iles, 1998).

3.6 Data Analysis Methods

This study used the quantitative method of data analysis. To ensure easy analysis, the questionnaire was coded according to each variable of the study to ensure the margin of error was minimized to assure accuracy during analysis. The quantitative analysis was applied using descriptive statistics. According to Denscombe (1998) descriptive statistics involves a process of transforming a mass of raw data into tables, charts, with frequency distribution and percentages which are a vital part of making sense of the data. Data was analyzed using Statistical Package for Social Sciences (SPSS) program and presented using tables and pie charts to give a clear picture of the research findings at a glance. More importantly, this research emphasised the qualitative data analysis to answer most of the research questions and to meet the research objectives using appropriate software.
3.7 Chapter Summary

The chapter describes the methodology that is to be in carrying out the study. The research design is descriptive in nature focusing on Coopbank. The population is all the employees of Coopbank. The sample size, the sampling techniques and questionnaire as a primary data collection instrument have all been described. The questionnaire developed was pilot tested before a refined one was administered to the respondents. The chapter also indicated that, data was analyzed using SPSS and presented in form of chart and tables.
CHAPTER 4

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents and explains the research results. Qualitative data presented in form of frequency and percentage tables was obtained by using the computer software "Statistical Package for Social Sciences". Quantitative responses were analyzed through content analysis. The findings are presented and analyzed based on research questions.

4.2 General Information

4.2.1 Distribution of staff by category

We collected views from 75 staff members from a network of over 80 branches countrywide and head office departments and their percentage distribution is as shown below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clerical - Section Head</td>
<td>67</td>
</tr>
<tr>
<td>Supervisory - Senior Managers</td>
<td>27</td>
</tr>
<tr>
<td>Chief Managers - Director</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher

From the sample size, we collected 67% of the views from Clerical – Section Head level staff members from different branches and head office owing to their large numbers and spread, 27% of the views collected were from Supervisory – Senior management level members of staff mostly stationed at Head Office and 6% of the views were collected from Chief Manager – Director members of staff all stationed at Head Office. The sample was picked randomly from different branches or Head Office department across different job category and questionnaires were distributed as classified by the table shown above.
4.2.2 Gender Distribution

The figure below presents the distribution of respondents by gender.

Source: Researcher

Figure 1: Gender distribution of the respondent

Of the respondents interviewed, 53.3% were male, while 46.7% were female. From this finding, at a glance we can note that, if the respondents are true representative of the total workforce studied in this research, then a majority of the employees in the organization are male.

4.2.3 Job category

The figure below presents the distribution of respondents by job category.

Source: Researcher

Figure 2: Job category distribution of the respondents
The highest number of respondents were in the Clerical – Section head category at 88%, while Supervisory - Senior management category were at 12%. However, there were no respondents in the Chief Manager - Director category. From the findings we note that a majority of the employees are in the lower cadre job category clerical – section head.

4.2.4 Period of Service

The figure below presents the distribution of respondents by period of service.

![Period of service distribution of the respondents]

*Source: Researcher*

**Figure 3: Period of service distribution of the respondents**

From the findings 80% of the respondents have served for a period of 0 - 5 years while the remaining 20 % have served for a period of 6 – 10 years. This notably means that, if the respondents are a true representative of the total workforce period of service, then a majority of the employees have worked in the organization between 0-5 years, followed by those who have worked between 6-10 years. This observation implies that a majority of the workforce is young in the organization and may have not been cultured into the norms of the organization and are better placed and more willing to challenge methods and assumptions to provide better services to their customers.

4.2.5 Sources of Respondents

The table below presents the distribution of the sources of respondents or response departments within the bank:
Table 3: Percentage distribution of the Respondents by Departments/Branches

<table>
<thead>
<tr>
<th>Departments/Branches</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various Branches</td>
<td>34</td>
<td>47</td>
</tr>
<tr>
<td>Personal and Business Banking</td>
<td>22</td>
<td>31</td>
</tr>
<tr>
<td>Credit Administration</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Co-operative Bank Management Centre</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Retail Division – Director’s Office</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Electronic-Banking department</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Finance and Planning Department</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>72</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Researcher

From the survey 47% of the respondents are from the branches and 34% deal directly with the management of the branch. Personal and Business Banking Dept at 31% and Retail Division at 3%. This gives a total of 81% of the respondents being from retail branch customers who deal directly with the day in day out customer activities at their various service points while the rest 19% are respondents from Head Office departments who also relate largely with the internal customer. This observation implies that the feedback from our respondents reflect the view of our customers in relation to our processes at our various customer touch points within our service network and will provide relevant insight to this study.
4.3 Contribution of Business Process Re-engineering to Strategic Management

4.3.1 Figure below shows the numerical strength of factors contributing the need for Business Process Re-engineering.

![Diagram showing numerical strength of factors contributing the need for Business Process Re-engineering.

Source: Researcher

Figure 4: Numerical strength of factors contributing the need for Business Process Reengineering

Of the respondents interviewed 97% of the respondents agree that the rate of change of customers’ tastes and preferences is significant over time and there is need for willingness within organizations to challenge methods and assumptions to meet their customers’ ever changing demands. 91% of these respondents agree that dramatic improvements in business processes are key indicators of success as the need for better and faster decision making and the need to reorganize at 96% and 99% respectively of the respondents. Another 91% of these respondents agreed to the responsibility of the customer in defining what constitutes a product or service. It is therefore evident that over 90% of the respondents have positive perception to business process reengineering to meet customer demands and that this process begins with what the customer defines as ideal in product or service delivery.
4.3.2 Rate at which customers' needs are changing.

Figure below shows the rate at which customers' needs are changing.

![Diagram showing rate of change](image)

**Source:** Researcher

**Figure 5: Rate at which customers' needs are changing.**

A great number of the respondents agree that the rate of change is fast. 56% of the respondents agreed that the rate at which the customers' needs are changing is fast while 41% agreed that the rate of change is very fast. However, 3% of the respondents outlined that the rate of change is slow. This observation implies that the rate of change of our customers' needs is fast tending towards very fast. Whether this rate of change is relevant to organizations will be seen in the succeeding responses.

4.3.3 Forces driving the rate at which customers' needs are changing.

The table below shows the numerical strength of the forces driving the rate at which customers' needs are changing.
Table 4: Numerical strength of the forces driving the rate of change

<table>
<thead>
<tr>
<th>Driving Force</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Technology</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>All of the above</td>
<td>61</td>
<td>81</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Researcher*

The driving force to changing customer needs was attributed to current competition, the customers themselves and existing technology, all of the above forces combined. This was supported by 81.3% of the respondents, while 10.7% supported only technology and competition by 8% when looked at separately. This observation implies that organisations are operating in an ever changing environment in the area of competition, customers' tastes and preferences and developments within information technology. These forces are changing the business environment both individually and corporately or combined and there is therefore need for organizations to change appropriately.

The figure below shows the numerical strength of the individual forces driving the rate at which customers' needs are changing.

*Source: Researcher*

*Figure 6: Numerical strength of the individual forces driving the rate of change*
From the diagram above, it's evident that there exist a small variance in the order of priority of the forces driving change, with competition leading with 35%, technology with 34.6% and customer with 30.4% respectively. This implies that the three forces, separately and in combination (as shown above) are driving today's companies deeper and deeper into territory that most executives and managers find frighteningly unfamiliar but need to adapt in order to meet its customers' needs.

4.3.4 Rate of change organizations require to meet customers' needs.

The table below shows the rate of change organizations require to meet customers' needs.

Table 5: The rate at which organizations need to change to meet customers' needs

<table>
<thead>
<tr>
<th>Rate of change</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small, incremental gains</td>
<td>32</td>
<td>43</td>
</tr>
<tr>
<td>Dramatic improvement</td>
<td>42</td>
<td>57</td>
</tr>
<tr>
<td>Total</td>
<td>74</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Researcher*

Of the respondents interviewed, 57% of them agreed that dramatic improvement in business processes is required to meet the fast changing customer needs while 43% of the respondents agreed that small and incremental gains is sufficient to meet the needs of customers. However, none of the respondents outlined that no change is required to meet the customer demands. This observation implies that while customers' needs are changing fast tending towards very fast organizations have also to change through dramatic improvements in their business process in order to meet their customers' demands.
4.3.5 Numerical strength for the need to reorganize.

Figure below shows the numerical strength for the need to reorganize.

![Graph showing numerical strength for the need to reorganize]

Source: Researcher

Figure 7: Numerical strength for the need to reorganize

A great number of the respondents at 60% agree that there is need to reorganize in the face of a changing environment just to stay even, survival while 24% of the respondents felt that the need to reorganize was driven by a desire to achieve supernormal profits and 16% to make normal profits. This observation implies that a majority of the respondents believe that the need to reorganize is necessary just to stay even and relevant in the fast changing environment. If these respondents are a true representative of the total workforce then it is evident that today’s organizations need to reorganize to survive in business.

4.4 Implementation of Business Process Re-engineering

4.4.1 Personal opinion on the critical success factors to business process reengineering.

Figure below shows the personal opinion on the critical success factors to business process reengineering.
Figure 8: Personal opinion on the critical success factors to business process reengineering.

On the critical success factors to business process reengineering, there was a general agreement by the respondents, that vision, mission and core values (34% and 55.3%); structure with (50.8% and 32.1%); people with (40.4% and 53.2%); communication with (38.7% and 56.4%); measures and incentives (34.7% and 51.4%); processes with (33.6% and 54.7%); and culture with (44.7% and 34.7%) are very critical to the successful implementation of business process reengineering. This was highly supported by respondents on those who agreed and those who strongly agreed respectively.

Of the critical success factors highly supported, communication was highly preferred with 95.1%, measures and incentives with 94.7%, the people with 93.6%, vision, mission and core values with 89.3%, the processes with 85%, the structure with 82.9% and finally culture with 79.4%.

4.4.2 Personal opinion on the critical failure factors to business process reengineering.

Figure below shows the personal opinion on the critical failure factors to business process reengineering.

Source: Researcher
 Majority of the respondents in agreement that the existing processes, focus, technology, structure, people and insufficient support were to blame for failure of business process reengineering. Majority of the respondents in support either agreed or strongly agreed. Among those who supported included (41% and 52%) in support of the current process contribution to business failure; (56% and 31%) to current focus; (38% and 43%) to technology; (42% and 54%) to structure; (42% and 35%) to people and (29% and 57%) to finances all agreeing and strongly agreeing respectively.

On the priority of the factors leading to the failure of business process reengineering; the structure was highest with 93%; process with 93%; focus with 87%; finances with 86%; technology with 80% and the people with 77% respectively.

4.5 Role of Information Technology (IT) in Re-engineering

4.5.1 Importance of the role of rapid IT development in reengineering.

The figure below shows the importance of the role of rapid IT development in reengineering.
On the role of IT in reengineering, there was an overwhelming support of 77% of the respondents saying that it is very important while 23% asserted that it was important. Among those who responded, 95% agreed that IT eases the redesigning process thus arguing that it is an enabler in the redesigning process as shown in the figure below.

Source: Researcher

Figure 10: Role of Rapid IT development in Reengineering

Figure 11: Role of IT in reorganizing percent
4.5.2 Personal opinion on the role of Information Technology (IT) in Re-engineering

Figure below shows personal opinion on role of IT in re-engineering

![Graph showing personal opinion on role of IT in re-engineering]

Source: Researcher

Figure 12: Personal opinion on the Role of IT in re-engineering

The role of IT in reengineering was highly supported as a contributor to cost saving, improved accuracy, reduces mistakes, enhanced integration and coordination and a paradigm shift to new processes. This was highlighted by (45.33% and 42.67%) of the respondents supporting that IT saves costs; (48% and 40%) that IT improves accuracy; (49.32% and 32.88%) that it helps avoid mistakes; (50.67% and 49.33%) that it helps in integration and coordination and (41.33% and 54.67%) that it breaks from the old rules. The respondents supported by either agreeing or strongly agreeing respectively.

4.6 Chapter Summary

In this chapter the researcher has analyzed the findings of the study by going through the feedback obtained from the respondents who were drawn from all job categories as had been classified under the methodology part of the report. The researcher has explained in brief the meaning of each response. Majority of the responses have outlined the need to reengineer business processes to meet customers’ demand, the critical factors that will
ensure successful implementation of the reengineering process and the role of information technology in business process reengineering.

The next chapter will therefore discuss the implications of those findings, conclusions and thereafter give recommendations to all stakeholders including suggestions for further research or studies.
CHAPTER 5

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter starts by highlighting a summary of the whole study including the methodology used by the researcher then goes into detail of discussing the findings based on the formulated research questions guiding this study of the Application of Business Process Reengineering to Strategic Management. It is from the discussions that the researcher arrives at the conclusions and recommendations thereof.

5.2 Summary

The purpose of this study was to establish the contribution of Business Process Reengineering (BPR) to Strategic Management in the Financial Sector. The researcher carried out his study on one of the financial institutions in Kenya namely the Cooperative Bank of Kenya based in Nairobi, Kenya and was guided by the following research questions: - How does the definition of BPR apply to the financial sector; What factors are critical to ensure successful implementation of business process reengineering; and What is the role of Information Communication Technology in BPR.

The study applied descriptive research design, which enabled the researcher to get in depth information on the application of BPR to strategic development in the financial sector. This collection of data took about eight weeks between June and July 2011. A comprehensive list of all branches and Head office departments was drawn a sample was drawn from this list. Questionnaires were then distributed to various staff in these branches and Head office departments where the respondents were from both gender and cut across different job categories and period of service in the institution.

After collection of data, it was entered manually into a computer and analyzed using the Statistical Package for Social Sciences (SPSS). The findings were then presented in form of tables and charts then explained.

It was evident that there is need for organizations to reengineer and make dramatic improvements in their ways of doing business for various reasons but mostly just to stay
even and remain relevant in an ever changing business environment. Customers' demands are also changing and there is need for organizations to change to meet their customers' demands. Small and incremental gains are good but in a fast changing environment it is not enough and there is need for dramatic improvements. Various factors that influence successful implementation of BPR were discussed and the respondents outlined communication among other critical factors as key during the implementation process.

The role Information Technology (IT) was seen as very important as an enabler and not the driving force of the change. Most of the respondents agreed that IT eases the process of BPR and makes it cost effective among other benefits.

5.3 Discussion

5.3.1 Contribution of Business Process Reengineering in Financial services

It is increasingly apparent that the survivors in this new era of business will be those companies that aggressively pursue three forces, separately and in combination; customer satisfaction, market domination, and information technology.

This research found that improving business processes is paramount for businesses to stay competitive in today's marketplace because customers are demanding better products and services. Various forces discussed have accelerated the need to improve business processes thereby raising the competitive bar and the need to improve business processes dramatically. These institutions require a fundamental rethinking of their approach to reorganization. They need breakthrough performance changes, not just incremental changes because the rate of change has increased for everyone, few businesses can afford a slow change process.

Small, incremental change is not enough for today's financial institutions. Institutions looking for a more fundamental shift in their organizational capabilities must realize that change programs treat symptoms and not underlying conditions. These institutions do not need to improve themselves they need to reinvent themselves (Gross et al, 1993).
According to Amanat (2000) BPR aims to deliver dramatic improvements to response time, service and quality by focusing on customer oriented business process. The golden rule of BPR is ‘be bold, think big’.

5.3.2 Implementation of Business Process Reengineering

Among the main success factors discussed in this study were ambitious objectives, the deployment of a creative team in problem solving, a process approach and developments within information technology. The study found that culture was related to the organization’s rethinking of its fundamental business process. Focus also on identifying and improving core processes was found to be a success factor; in addition, to significant changes in structure, especially with emphasis on cross-functional work teams.

It was interesting to note that human factors could become one of the obstacles for the change to happen. The results in Stoddard et al. (1996) and Peppard and Fitzgerald (1997) highlighted that human resistance to BPR could lead to unsuccessful BPR projects. If the change has not been handled and managed carefully, people would resist it, even if it is a top-down approach, driven from the top. Embarking on BPR involves the challenge of persuading people within an organization to embrace or at least not to fight the prospect of major change.

According to Roberts (1994), “The implementation and transition phase of a process reengineering project is typically the most challenging of the entire project. Unlike continuous improvement, where incremental changes are made to a relatively stable process over a long period of time, the process reengineering project can have an extremely disruptive effect on operations if special care is not taken”.

One of the important points here is that commitment needs to be maintained and enhanced through communication. The people issue rather than the technology issue is seen as important to be dealt with and managed in order to make the change effort a success (Burnes, 2000).

Beside the success factors, there were some failure factors in implementing BPR. Some of the failure factors outlined in the study were; failure to have a process perspective, a
fixed process which is not flexible enough to be responsive to the needs and requirements, not involving employees (bottom-up) in decision making, assigning someone who does not understand BPR, technology limitations, designing a project but with focus on cost reduction and downsizing, having a weak team, and problems with communication.

According to Amanat (2000) BPR is a fundamental review of all the business processes, and will involve massive change not only in process flows, but also in organizational power and controls, skill requirements, reporting relationships and management practices. This strategic perspective implies wide ranging radical change that needs careful management consideration. Therefore it is imperative that senior management are able to allocate the time and effort necessary to drive this activity.

Reengineering is supposed to start with a new vision, new mission and new customers. Therefore lack of financial and human resources, and inadequate IT capabilities and expertise posed the main problems in carrying out programmes. Other factors are the lack of support from organisation members, lack of strategic vision, inflexible organisational structure, and lack of champion for BPR efforts (Aggarwal, 1998; Ranganathan and Dhaliwal, 2001).

The objectives of BPR need to be radical and aim for quantum leaps in performance rather incremental change. Many BPR projects have failed to meet expectations because managers have been cautious and too reasonable in setting objectives (Amanat, 2000).

5.3.3 The Role of Information Technology in Reengineering.

The research found that IT allows institutions to gain important advantages: cost savings and improving the accuracy of exchanging information; avoiding human mistakes inherent when complex and repetitive tasks are used; saving money because it reduces errors and the time it takes to accomplish tasks; integrating and coordinating several functions at once; and improving the organizational efficiency and effectiveness by eliminating delay, administrative intermediaries, and redundant processing steps and by providing better access to information.
According to Scott-Morton (1991), BPR is a methodology that promotes change and introduces new processes and new styles of working. So certain elements will be required to make change possible. These elements are known as enablers and may be defined as elements that act as vehicles for processes to change. IT promotes changes in organizations, mainly changes in the nature of the work, the integration of business functions, and the transformation of competitive forces.

This type of IT led business integration is leading to the development of virtual organizations that will develop new strategic relationships with exchanges and their regulators. This information exchange and sharing for mutual advantage enables greater efficiency, flexibility and innovation to respond to market requirements (Amanat, 2000).

A company should never equate IT to automation, using computers at a business problem in hand will never lead to reengineering. Reengineering, unlike automation, is about innovation. It’s about exploiting the latest capabilities of technology to achieve entirely new goals. The real power of technology is not that it can make the old processes work better but that it enables organizations to break the old rules and create new ways of working that is reengineering.

Industry structure and rules of competition have changed because technology has a disruptive power, that it has ability to break the rules that limit how we conduct our work. This makes IT critical to companies that are looking for competitive advantage. Such companies therefore need to think inductively about technology during the reengineering process.

However, Hammer and Champy (1993), note that companies successful in BPR already knew what rules they wanted to break even when the enabling technology was not available. Motivation begins with the business itself.

5.4 Conclusions

5.4.1 Contribution of Business Process Reengineering in Financial Services

Various forces discussed have accelerated the need to improve business processes thereby raising the competitive bar and the need to improve business processes dramatically. A
fundamental rethinking of the approach to reorganization and the need for breakthrough performance changes, not just incremental changes is necessary as few businesses can afford a slow change process.

Institutions looking for a more fundamental shift in their organizational capabilities must realize that change programs treat symptoms and not underlying conditions. These institutions do not need to improve themselves they need to reinvent themselves and Business Process Reengineering aims to deliver dramatic improvements to response time, service and quality by focusing on customer oriented business process.

5.4.2 Implementation of Business Process Reengineering

The deployment of a creative team in problem solving, a process approach, developments within information technology, focus and culture; in addition, to significant changes in structure are among the main critical success factors related to an organization’s rethinking of its fundamental business process. Human factors could become one of the obstacles for the change to happen if the change is not handled and managed carefully, people would resist it. Embarking on BPR involves the challenge of persuading people within an organization to embrace or at least not to fight the prospect of major change.

According to Roberts (1994), “The implementation and transition phase of a process reengineering project is typically the most challenging of the entire project, in that, the process reengineering project can have an extremely disruptive effect on operations if special care is not taken”. One of the important points here is that commitment needs to be maintained and enhanced through communication. The people issue rather than the technology issue is seen as important to be dealt with and managed in order to make the change effort a success (Burnes, 2000).

Failure factors in implementing BPR such as; failure to have a process perspective, a fixed process which is not flexible enough to be responsive to the needs and requirements, not involving employees (bottom-up) in decision making, assigning someone who does not understand BPR, technology limitations, designing a project but with focus on cost reduction and downsizing, having a weak team, and problems with communication will need careful management consideration. Therefore it is imperative
that senior management are able to allocate the time and effort necessary to drive this activity.

5.4.3 The Role of Information Technology in Reengineering.

According to Scott-Morton (1991), BPR is a methodology that promotes change and introduces new processes and new styles of working. So certain elements will be required to make change possible. These elements are known as enablers and may be defined as elements that act as vehicles for processes to change. IT promotes changes in organizations, mainly changes in the nature of the work, the integration of business functions, and the transformation of competitive forces.

IT allows institutions to gain important advantages: cost savings and improving the accuracy of exchanging information; avoiding human mistakes inherent when complex and repetitive tasks are used; saving money because it reduces errors and the time it takes to accomplish tasks; integrating and coordinating several functions at once; and improving the organizational efficiency and effectiveness by eliminating delay, administrative intermediaries, and redundant processing steps and by providing better access to information.

Industry structure and rules of competition have changed because technology has a disruptive power, that it has ability to break the rules that limit how we conduct our work. Reengineering exploits the latest capabilities of technology to achieve entirely new goals. The real power of technology is not that it can make the old processes work better but that it enables organizations to break the old rules and create new ways of working that is reengineering.

5.5 Recommendations

5.5.1 Recommendations for improvement

5.5.1.1 Contribution of Business Process Reengineering in Financial Services

The contribution of Business Process Reengineering in institutions looking for a more fundamental shift in their organizational capabilities to improve business process thereby raising the competitive bar is still yet to be recognized and what we see are small incremental change programs which treat symptoms and not underlying conditions. These
institutions do not need to improve themselves they need to reinvent themselves and there is need to further popularise Business Process Reengineering to deliver dramatic improvements to response time, service and quality by focusing on customer oriented business process.

5.5.1.2 Implementation of Business Process Reengineering

It is generally agreed that for the change to happen people must handled and managed carefully, otherwise they would resist it. The implementation and transition phase of a process reengineering project is typically the most challenging of the entire project, in that, the process reengineering project can have an extremely disruptive effect on operations if special care is not taken. Therefore it is imperative that senior management are able to drive this activity competently and this requires training. An in depth look on how to assist the executives measure up to the task will be beneficial.

5.5.1.3 The Role of Information Technology in Reengineering.

IT promotes changes in organizations, mainly changes in the nature of the work, the integration of business functions, and the transformation of competitive forces. It has ability to break the rules that limit how we conduct our work. This ability to further exploit the latest capabilities of technology to achieve entirely new goals and reveal the real power of technology to create new ways of working that is reengineering needs further study.

5.5.2 Recommendations for Further studies

This study was limited in scope since it concentrated on the contribution of Business Process Reengineering to achieve a dramatic change in business process thereby raising the competitive bar. A similar research is therefore required which will concentrate on the contribution of small incremental changes in improving efficiency and effectiveness of business process since dramatic changes are good when institutions want to reinvent themselves which is not an every so often activity but small incremental improvements are.
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Cone, Edward, Technology Chief of the Year; All the Right Moves -- Tom Trainer of Reebok International Successfully Teamed Business Reengineering with Information Technology, Information Week, December 26, 1994; Pg. 35.


Olalla, M. F. *Information Technology in Business Process Reengineering:* paper was presented at the Forty-Seventh International Atlantic Economic Conference in Vienna, Austria, March 16-23, 1999.


Survey Questionnaire

For

An Evaluation of Business Process Reengineering

Dear Respondent,

Cooperative Bank has embarked on a journey to improve services and add value to its client offering in order to gain competitive advantage in the market place. The bank has used an IT platform – Bankmaster and now time has come to change the current platform besides other numerous change initiatives to improve on technology and meet customer demands. In order to do this the company needs to understand the needs of its stakeholders and most importantly the views of its employees to ensure the project succeeds. The results from this study will be of importance to Cooperative Bank as well as any party interested in the development of the financial sector in Kenya.

You are kindly requested to provide the required information in the questionnaire. Any information and opinions obtained in connection to this questionnaire are important and will remain confidential to be used for academic purposes only.

Should you require a summarized report please indicate your contacts on the back of the questionnaire. Once again thank you for your cooperation and time.

Kind Regards,

Gilbert Rono.
Co-operative Bank strives to adapt to a continuously changing environment and rapid development of information technology to provide outstanding service and added value to its customers. This questionnaire seeks your views on the ingredients necessary to ensure that radical change projects or Business Process Reengineering are successful.

Absolute confidentiality is guaranteed on all, your responses which are important and valued.

**Part I: BIO DATA**

1. My Gender
   - Male [ ]
   - Female [ ]

2. Job Category
   - Clerical – Section Head [ ]
   - Supervisory – Senior Manager [ ]
   - Chief Manager – Director [ ]

3. Period of service
   - 0 to 5 years [ ]
   - 6 to 10 years [ ]
   - 11 to 15 years [ ]
   - 16 to 20 years [ ]
   - Over 20 years [ ]

4. My Department/ Branch: ______________________
PART II: CONTRIBUTION OF BUSINESS PROCESS REENGINEERING

1. The customer alone is responsible for defining what constitutes product or service value?
   Yes □
   No □

2. The needs of these customers in the financial sector have significantly changed over the years?
   Yes □
   No □

3. Briefly explain your answer above (Optional)
   ...........................................................................................................................

4. At what rate are the needs of our customers in the financial sector changing?
   Not changing □
   Slow □
   Fast □
   Very Fast □

5. What forces are driving that rate of change as chosen above?
   Competition □
   Customers □
   Technology □
   All of the above □

6. List in order of priority of the 3 mentioned above the greatest driving force contributing to the rate of change; (1 - greatest driving force, 4 least driving force)

   Force
   1) .................................................................
   2) .................................................................
   3) .................................................................
   4) .................................................................

   Others ..............................................................................................................
7. Willingness to challenge methods and assumptions is directly relevant to achieve process improvement and hence meet customer and/or organisational demands?
   Yes ☐
   No ☐

8. What rate of change is required by players in the financial sector to meet its customer's demands?
   None at all ☐
   Small, incremental gains ☐
   Dramatic improvement ☐

9. Dramatic improvements in cycle times, process costs and/or customer satisfaction are key indicators of success in any organizations?
   Yes ☐
   No ☐

10. Has the need to make better and faster decisions increased in today's organization?
    Yes ☐
    No ☐

11. Is there really need to reorganize/reengineer/restructure?
    Yes ☐
    No ☐

12. If there is need to reorganize, which is the greatest reason to do so?
    Survival ☐
    Normal profits ☐
    Supernormal profits ☐

13. Please give your comment on how critical the change process is to an organization?

...........................................................................................................................................
...........................................................................................................................................
...........................................................................................................................................

58
## PART III

<table>
<thead>
<tr>
<th>No</th>
<th>CRITICAL SUCCESS FACTORS TO BUSINESS PROCESS REENGINEERING</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>STRONGLY DISAGREE</td>
</tr>
<tr>
<td>1.</td>
<td>VISION, MISSION AND CORE VALUES</td>
</tr>
<tr>
<td>a.</td>
<td>Well articulated Vision, Mission and Core Values are critical to the success of the organization</td>
</tr>
<tr>
<td>b.</td>
<td>The Management must put effort to ensure that all staff understand the Bank's Vision, Mission and Core Values</td>
</tr>
<tr>
<td>2.</td>
<td>STRUCTURE</td>
</tr>
<tr>
<td>a.</td>
<td>Organization structure helps rather than hinders the decisions most critical to our success</td>
</tr>
<tr>
<td>b.</td>
<td>Fundamental review of business processes will involve massive changes not only in process flows but also in organizational power and controls, skills requirements, reporting, relationships and management practices</td>
</tr>
<tr>
<td>3.</td>
<td>PEOPLE</td>
</tr>
<tr>
<td>a.</td>
<td>Individuals must understand their roles and accountability in our most critical decisions</td>
</tr>
<tr>
<td>b.</td>
<td>The less people explore and search for new opportunities the less capable they are of doing so. Exploitation drives out exploration</td>
</tr>
<tr>
<td>c.</td>
<td>The people in critical decision roles must have the information they need when and how they need it.</td>
</tr>
<tr>
<td>d.</td>
<td>The people who directly support the business process should be given a central role in analyzing and redesigning the process.</td>
</tr>
<tr>
<td>4.</td>
<td>COMMUNICATION</td>
</tr>
<tr>
<td>a.</td>
<td>Adequate information regarding significant issues are critical in prospecting change</td>
</tr>
<tr>
<td>b.</td>
<td>Good information flow between the Management and employees leads to successful project implementation</td>
</tr>
<tr>
<td>c.</td>
<td>Management has to show support to the process change project and effective leadership to coordinate deployment of resources.</td>
</tr>
<tr>
<td>5.</td>
<td>MEASURES &amp; INCENTIVES</td>
</tr>
<tr>
<td>a.</td>
<td>A carefully planned system of measurement is necessary to establish how well a process is performing.</td>
</tr>
<tr>
<td>b.</td>
<td>People must understand their priorities clear enough to be able to make and execute the decisions they face.</td>
</tr>
</tbody>
</table>
1. List in order of priority of the 3 mentioned above the greatest factors contributing to the failure of Business Process Reengineering: (1 – greatest driving force, 4 least driving force)

**Force**

1)  
2)  
3)  
4)  

2. Please explain your choice above of the greatest driving factors that will make the BPR or radical process change project succeed (Optional)?
1. **PROCESS**
   a. A fixed process not flexible enough to be responsive to the needs of customers leads to failure.
   b. Choosing the wrong process to reform will also lead to failure.

2. **FOCUS**
   a. Designing a project with a focus on cost reduction and downsizing instead of customer focus undermines the radical change project.

3. **TECHNOLOGY**
   a. Inadequate IT capabilities and expertise poses many challenges in carrying out radical change programs.
   b. Automation has sometimes led to inefficiencies.

4. **COMMUNICATION**
   a. A top down approach to decision making not involving employees limits the project's success.

5. **PEOPLE**
   a. Having a team that does not understand their roles and accountability in the most critical decisions hinders process success.
   b. Being too reasonable or too cautious in setting objectives negates creativity which leads to dramatic improvement.

6. **STRUCTURE**
   Inflexible organization structure that does not accommodate significant changes discourages the possibility of success.

7. **FINANCES**
   Lack financial support affects the success of the project.

3. List in order of priority of the 3 mentioned above the greatest factors contributing to the failure of Business Process Reengineering: (1 – greatest driving force, 4 least driving force)

   **Force**
   1) .......................................................... 
   2) ..........................................................
   3) ..........................................................
   4) ..........................................................
4. Please give your comments if any on how critical the above greatest force are to BPR or radical process change project success? (Optional)

PART IV: ROLE OF INFORMATION TECHNOLOGY IN REENGINEERING

1. Is the rapid development Information Technology important (IT) in the process of reorganization/restructuring/reengineering?
   - Very Important
   - Important
   - Not Important

2. Does IT ease the redesigning process?
   - Yes
   - No

3. What is the Role of IT in reorganization?
   - Enabler (ease the process)
   - Driving force (motive of the process)

<table>
<thead>
<tr>
<th>No.</th>
<th>ROLE OF INFORMATION TECHNOLOGY IN REENGINEERING</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Using IT allows cost saving because it reduces errors and the time it takes to accomplish tasks</td>
</tr>
<tr>
<td></td>
<td>IT improves the accuracy of exchanging information</td>
</tr>
<tr>
<td></td>
<td>IT avoids human mistakes inherent when complex and repetitive tasks are used</td>
</tr>
<tr>
<td></td>
<td>IT helps in integrating and coordinating several functions at once</td>
</tr>
<tr>
<td></td>
<td>IT improves organizational efficiency and effectiveness by eliminating intermediaries, redundant processing steps and by providing better access to information.</td>
</tr>
<tr>
<td></td>
<td>The real power of IT is not that it can make old processes work better but that it enables organizations to break the old rules and create new ways of working that is reengineering.</td>
</tr>
</tbody>
</table>

*Thank you for taking the time to complete this important survey!*