
10. Business Process Reengineering and Organizational Structure – A Case Study of Indian Commercial Banks

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Abstract

Business Process Reengineering is an innovative technique which is used to induce the radical change in the organization set up. The goal of the technique is to achieve an optimum level of effectiveness and efficiency. The paper strives to study the relationship between BPR and Organizational Structure with special reference to State Bank of India. For the said purpose a sample of 250 employees was chosen randomly from various branches of SBI with J&K State. A self designed instrument was used to collect data from the respondents. The data was analyzed by using Correlation, t-test and regression analysis. The results reveal that there exists a significant relationship between BPR and OS. Also, the modified OS after implementing BPR is more effective and competitive.

Keywords: Business Process Reengineering, organizational Structure, Effectiveness, competitive.

Full Text:**1. Introduction**

Business organizations throughout the world are experiencing a high level of competition and uncertainty in all the affairs of business. As a result, most of the organizations are desperately feeling the immediate and drastic need of change in their structure, processes, strategies, people etc so, that they remain relevant in the highly compact market. Banking industry is one of the highly competitive and fastest growing industries in India and all over the world as well. To upgrade the standard of their operations and the demands of market many banks throughout world and in India have implemented a contemporary transformation technique that is Business Process Reengineering in their organizations. Business Process Reengineering (BPR) is a potent management tool to bring radical changes in business. BPR was discovered by the Michael Hammer in 1990. Concept of Business Process Reengineering (BPR): BPR is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as cost, quality, services, and speed (Hammer & Champy, 1993). Reorganizing the company or according to its processes consequently requires to rethink them. One needs a good sense of processes that allows BPR through the following four steps (Frias, 2002): Getting back to the basics: It is necessary to ask the fundamental question regarding the needs of the company, the essential information it should dispose, the fundamental relations for optimized planning, taking into account different actors: All actors that are concerned by the process reorganization have to be concentrated on, integration of all hierarchical levels: In order to redesign processes, the managers but also the

lower level hierarchical levels have to be involved in the BPR effort, having the sense of responsibility: BPR is not only done for a better control of the company processes but also to establish a structure to locate the diverse responsibilities within the processes.

Business process reengineering ideas are based on the premise that every organization needs a sense of direction. Without that direction in the form of strategic plans and business plans, the organization has no foundation upon which to build process improvements. BPR is a method of improving the operation and therefore the outputs of organizations. Generally the topic of BPR involves discovering how business processes currently operate, how to redesign these processes to eliminate the wasted or redundant effort, improve efficiency, and how to implement the process changes in order to gain competitiveness. The purpose of BPR is to find new ways to organize tasks, organize people and use information technology so that the processes support the organization's goals. It means analyzing and altering the business processes of the organization as a whole. For a thorough and effective reengineering project, organizations should first meet certain conditions before starting such a project. Initially, the management should abandon all the rules and procedures that have been used up to that time. In addition they should abandon other inadequate organizational and production principles. At this point, the design of a renovated and redesigned organization should begin. According to Hammer and Champy (1993), "Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed". Vidgen (1994) defines the central key points of

BPR as:: radical change and assumption challenge, process and goal orientation, organizational restructuring, the exploitation of enabling technologies, particularly information technology, Which means that by focusing on business objectives, processes are analyzed in the organization, non-essential or redundant procedures are eliminated, and then IT is used to redesign and streamline organizational processes. BPR is a radical change rather than an incremental change. Davenport (1993) advocates radical change as: Objectives of 5% or 10% improvement in all business processes each year must give way to efforts to achieve 50%, 100%, or even higher improvement levels in a few key processes. Radical change is the only means of obtaining the order of magnitude improvements necessary in today's global marketplace. Existing approaches to meeting customer needs are so functionally based that incremental change will never yield the requisite interdependence. These properties of Business Process Reengineering can be followed to manage the crises which have usually following features. The situation materialises unexpectedly, decisions are required urgently, time is short, specific threats are identified, urgent demands for information are received, there is sense of loss of control, treasures build over time, routine business become increasingly difficult, demands are made to identify someone to blame,outsiders' take an unaccustomed interest, rreputation suffers, communications are increasingly difficult to manage. BPR is a transformation technique which aims to revive the organizations that are mal functioning due to change in external and internal environment. These crises may have their origin in processes, people, strategies, structure, and technology. These are exactly the areas over which BPR works and tries to remove the inefficiencies.

The paper gives a brief about the position of BPR model in different banks operating in different regions. The study compares and analyses the position of BPR practices in SBI and Jammu & Kashmir Bank. This study was based upon the null hypothesis, “There exists no significant difference between BPR model in SBI and Jammu rural banks”. The research objectives were, to understand the BPR model in SBI, to understand the BPR model in Jammu Rural Banks, to compare the BPR model in SBI and Jammu Rural Banks, to suggest improvement measures for Jammu Rural Banks.

1.1 Business Process Reengineering in the Back Drop of History

Business Process Re-engineering (BPR) is a State of the Art, is the constitution of setting the work and waste concept in each step in any process in any entity, that's it as a Generic Concept. And the objective of process re-engineering is to eliminate the waste components/elements and try enriching the work components/elements (*Ragab, E.A., 2009*). Value-creation for the customer is the leading factor for BPR and information technology often plays an important enabling role. BPR benefits customers through significantly reduced transaction time, flexibility in servicing and improved value chain of service (*Sharma, M., 2006*). Business process reengineering has become useful weapon for any corporate organizations that is seeking for improvement in their current organizational performance and intends to achieve cost leadership strategy in its operating industry and environment. Reengineering process remains effective tools for organizations striving to operate as effectively and efficiently as possible and organizations are required to reengineer their business processes in order to achieve breakthrough performance and long term strategy for organizational

growth and performance (Adeyemi, et.al, 2008). Organizations achieve competitive advantage by implementing Business Process Reengineering (BPR). It was observed that BPR makes organization more competitive by significantly modifying the costs incurred, customer services, quality and productivity. (Magutu, P.O et al, 2010). Re engineering of business processes directly affects the satisfaction level of customers. The researchers have supported that more use of IT, wide network of ATMS, Re-Skilled staff, help nationalized banks to gain competitive advantage in the industry (Datta, S.K., Gupta, A., 2009). Business Process Re-engineering (BPR) is a State of the Art, is the constitution of setting the work and waste concept in each step in any process in any entity, that's it as a Generic Concept. The researcher maintains that increase in work efficiency and decrease waste is the goal of BPR. (Ragab, E.A., 2009). Organizations may have to restructure their processes, only then they can reap up the benefits of new information technologies (Rock, N.L., 2003). BPR is a modern tool to manage the changes that happened due to IT revolution in business world. In order to survive in highly dynamic conditions, organizations have to restructure and redefine their business strategies. BPR helps in cost reduction while speed, quality and service are dramatically improved. There are greater chances of BPR success if it is viewed as a tool leading to growth and value creation (Thyagarajan, V., Khatibi A., 2004). CRM should be reengineered even if it is in practice since years. The researcher concludes that successful implementation of BPR for CRM will result in reduced costs, shorter cycle time, improved quality and most important happier customers (Pruit, C. 2009). There are certain critical success factors (CSFs) which are responsible for success or failure of a BPR project. Interpretive Structural Modeling (ISM) to indentify critical success factors. The

researchers have identified 9 CSFs through the use of ISM Approach along with their relative significance. (Salimifard, K., 2010).

2. Overview of Indian Banking Industry

Indian banking industry has transformed in recent years due to globalization in the world market, which has resulted in fierce competition. This new competitive environment has resulted in new challenges for the banking industry to benchmark work culture on parameters which are globally standardized. The new generation banks have infused intense competition into the industry requiring higher utilization of technology, improved customer service and innovative products. Core Banking Solutions (CBS) now emphasizes on the technological applications which would facilitate the intergradations of all customer channels seamlessly. Branches are becoming delivery channels and employees salesmen. Banks are going beyond conventional banking and offering a lot more than vanilla deposits and loans. Thus, there is a paradigm shift from the seller's market to buyer's market in the industry and finally it is affected at the bankers' level to change their approach from "conventional banking to convenience banking" and "mass banking to class banking". This has resulted in increased the degree of accessibility of a common man to bank for catering to his or her variety of needs and requirements.

This therefore has enfolded a new agenda for the banking organizations for honing of skills and capabilities which would enhance the core competencies of the human capital for adapting to changed requirements and as well align corporate strategy with the market opportunities and challenges besides retaining employees. New work culture has significantly impacted the employees and as well as the organizations, as such attention of the researchers, especially in last three decades has been to investigate organic relationship between culture and work effectiveness. Despite the acknowledged importance of the quality of work culture, extensive research has yet to be carried out in the banking sector operating in the state of Jammu and Kashmir.

2.1 Research Hypotheses

H1: There exists positive relationship between Business Process Reengineering Practices and Organizational Structure in the banks under study.

3. Research Objectives

1. To study the impact of Business Process Reengineering Practices on organizational structure.
2. To compare the effectiveness of BPR Process among the banks under study.

4. Study Area

With a view to achieve the objectives and test the hypothesis laid, the data has been collected through both primary and secondary sources. Primary data was collected through a structured questionnaire administered to the employees serving in the Jammu & Kashmir Bank and State Bank of India for analyzing work culture experiences and resultant performance effectiveness. The above mentioned banks were purposively selected as they represented two biggest service organizations in Jammu & Kashmir state. An attempt has been made to analyze work culture and service efficiency and its impact on employee effectiveness among different strata's.

The technique of stratified sampling has been used to select the sample employees on the basis of the levels of manager's i.e. top level, middle level and lower level managers. The present study has been undertaken on the banking industry in the state of Jammu and Kashmir. A sample of 100 employees was taken for the study.

5. Analysis and Findings

The data so collected was subjected to correlation analysis, regression analysis and independent t-test.

5.1 Hypothesis Testing

Correlation Analysis was used to test the hypothesis the results of which are shown in the Table-5.1.1.

Table-5.1.1, Correlations

Correlations			
		BPRPRACRICES	Structure
BPRPRACRICES	Pearson Correlation	1	.770**
	Sig. (2-tailed)		.000
	N	200	200
Structure	Pearson Correlation	.770**	1
	Sig.(2-tailed)	.000	
	N	200	200
**. Correlation is significant at the 0.01 level (2-tailed).			

As shown in Table-5.1.1 that a Pearson Correlation coefficient of .770 depicts a strong correlation between the BPR Practices and Organizational Structure.

To find out difference in BPR Practice among banks under study an independent sample t-test was used. The results of t-test are shown in the Table-5.1.2.

Table-5.1.2, Organisational Structure in SBI and JK BANK

Pooled & Welch t- test Results	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Equal variances assumed	13.780	.000	-5.703	200	.000	.17917	.03142	-.24082	-.11751
Equal variances not assumed			-5.703	200	.000	.17917	.03142	-.24082	-.11751

In the Table-5.1.2 the significance (p-value is .00 which is smaller than α (i.e., .05) therefore equal variances are assumed. Here t gives the observed or calculated t value. By assuming equal variances the t value is 5.703 with 958 degrees of freedom. The column labeled " Sig. (2-tailed) gives the two-tailed p value equal to .00 which is not greater than or equal to .05 (ie; $p \leq \alpha$). This states that there is significant difference between the Organizational Structure in State Bank of India with (M=1.49, s=.513) and in Jammu and Kashmir Bank with (M=1.67, s=.458).

6. Summary and Conclusion

Business Process Reengineering has totally overhauled State Bank India and its Organizational structure has become much effective and customer friendly compared to the Jammu and Kashmir Bank which has not formally implemented the Business Process Reengineering.

Business Reengineering Process will only be successful if the activities in which the processes are based are directly related to the needs and objectives of the business. The impact Business Reengineering Process to the banking organizations cannot be over-emphasized because it helps in meeting the domestic and industry needs or pursuance of better and high performance. Business Reengineering Process has helped in the achievement of the organization over-all objectives. Reengineering which is a situation when a business organization is transforming processes that together form a component of a larger system aimed at enabling organization to empower themselves with contemporary technologies business solution and innovations. In the context of changing customer expectations, technological discontinuities, increasing environmental uncertainties, business managers have a big challenge of making the right strategic choice and setting their strategic priorities in order to allocate their resources to different functions in an efficient manner for business success.

Most of the aim of reengineering a business performance is to redesign the existence of a business practices in order to achieve improvement in performance. Banking organizations must develop new tools, new concepts, new organization and the new mindsets to cope with the turbulent and chaotic environments leading to continuous change. This can only be achieved through effective and efficient reengineering of their business. The paper revealed that throughout the period under consideration, First Bank Plc has considered reengineering its business as an important issue as a result of adopting newly technology equipment that can enhance performance of a business. For example, the Automatic Teller Machine (ATM) that was introduced by the bank makes withdrawal of money easier for the customers. From the analysis, it is discovered that reengineering a business has a significant positive effect. One general conclusion that can be drawn from this paper is that many findings from literature which hold the general conception that

Business Process reengineering entails the critical analysis and radical redesign of existing process to achieve breakthrough improvements in organizational performance cannot be doubted. Interestingly, the paper shows that business process reengineering requires innovations and organizational change, in order to be successful. Also as a matter of fact, Business Process Reengineering as founded from the paper typically affects various variables in the organization such as people, employees, business, technology etc. The results show that SBI has effectively implemented BPR and has subsequently reaped up its benefits but, on the other hand Jammu and Kashmir Bank is yet to implement the same as a result of which it is not able to grab many of the available opportunities.

Finally, Business Process Reengineering has become useful weapon for any corporate organizations that is seeking for improvement in their current organizational performance and intends to achieve cost leadership strategy in its operating industry and environment. Reengineering process remains an effective tool for organizations striving to operate in the competitive world; organizations are required to re-engineering their business processes in order to achieve breakthrough performance and long-term strategy for organizational growth.

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