



**ISRG PUBLISHERS**

Abbreviated Key Title: ISRG J Arts Humanit Soc Sci

ISSN: 2583-7672 (Online)

Journal homepage: <https://isrgpublishers.com/isrgjahss>

Volume – II Issue-I (January- February) 2024

Frequency: Bimonthly



## BUSINESS RE-ENGINEERING AS AN ACCELERATOR FOR BANK PERFORMANCE

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| Received: 27.01.2024 | Accepted: 31.01.2024 | Published: 17.02.2024

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### Abstract

The study sought to investigate the effect of business re-engineering on the performance of Equity bank, Kenya and the corresponding hypothesis was formulated and tested. The study targeted 63 employees of the Equity bank and 62 of them responded. The study adopted a descriptive research design and positivist research philosophy. SPSS version 26 was used to analyze data using correlation and regression analysis. Research findings from the test of hypothesis established that business re-engineering had a positive and significant effect on bank performance. The study findings support Resource Based View Theory, Diffusion of Innovation Theory and Technology Acceptance Model (TAM).

**Keywords:** Business re-engineering, positive research philosophy, Resource Based View Theory, Diffusion of Innovation Theory and Technology Acceptance Model

### INTRODUCTION

There is empirical evidence that business re-engineering significantly and positively affects bank performance (Bako & Banmeke, 2019; Topala & Postolachi, 2018). On the contrary, studies by Tsuma *et al.* (2017) and Mohamud and Mungai (2019) did not produce positive and significant results on the relationship between business re-engineering (process, product & operations re-engineering) and bank performance. Some studies carried out in the Global West indicate positive and significant correlation between business-re-engineering and bank performance whereas other local studies do not. Thus, the need to investigate the relationship between business re-engineering and bank performance in a local setting, with variables conceptualized differently.

### BUSINESS RE-ENGINEERING

Business re-engineering is a radical and fundamental approach to the planning and design of business activity focusing involving the digitization of business, economy, administration, and society (Talwar, 1993). Given the emphasis placed on information technology, business re-engineering is normally considered as a branch of Business Informatics that stresses on Management transformation. Taraniuk *et al.* (2018) opines that business re-engineering is an interdisciplinary solution that separates design aspects of a firm while putting apart the strategic, organizational, and technological aspects layout. It also puts into account varied design objects and separates the aspects that enable the possibility of a focused view of the separate aspects of the desired change. Additionally, dividing the planned activities into different dimensions leads to the desired security and assistance on

minimization of difficult transformation processes (Fasna & Gunatilake, 2019).

Business re-engineering aids in the holistic view of every aspect of an organization. It also assists in the designing of emerging enterprise models, business processing and the operationalization of information systems. Hence, White (2016) stated that BR considers all aspects of the organization that entail the changes that are required. Business re-engineering is considered as a technique and model-based design theory for organizations in the digital era. Business changes in consideration of the technical and socio-economic dimensions are equally crucial and complicated in achieving improved performance without employing any techniques and models. Techniques and models not only enable openness during process of change, but also define the separation of duty, puts in place strong pillars for interaction and make possible recording of the firm's systematic reorientation (Razalli *et al.* 2017). The separation of duty and application of re-engineering dimensions set apart the construction in relation to business re-engineering from specific people's creation. This study focused on process, product and operations re-engineering strategies as alluded to a study by Mabrouk and Mamoghli (2017) that listed process, product, and operations as crucial aspects of performance that banks are concerned about.

## BANK PERFORMANCE

In the banking industry, the overall performance of banks involves assessment of their income from loans, investments, and other banks charges against their expenses such as interests on loans, insurance fees among others. These are the key considerations made when assessing whether a bank is performing as expected and acting accordingly. The research parameters/variables for this study were customer base, competitiveness, and efficiency. Customer base as explained by Hayes (2020) is an organization's principal source of business and earnings. The customers base entails the existing customers paying for the products or services.

The factors affecting the competitive capacity of commercial banks have been explored with one by Dao *et al.* (2020) emphasizing key theoretical frameworks related to competitive capacity of banks. Beck *et al.* (2018) identified that the presence of information asymmetry in the banking sector gives more influential power to investors and capitalists, thereby affecting the competition. At times, prolonged competition within the banking sector can expose the banks to loss of their trading secrets and strategies that can make them collapse.

A bank's efficiency is defined by its strength to implement the planned activities through the lowest possible cost of resources and requires coming up with strategic business goals that only utilize the most crucial resources within the firm (Adame *et al.*, 2016). This argument was supported by Karkoulian *et al.* (2016) by noting that the more the output delivered through non-additional resources, the higher the level of efficiency that is achieved by the firm. Razalli *et al.* (2017), the idea of bank efficiency shows some recent weight in reference to the trend in deregulation and economic changes. This argument indicates that firm deregulation and reforms enhance bank efficiency.

Oluwasanya (2014) sought to establish the effect of business process re-engineering on Organization's Performance in Nigeria with reference to Wema Bank PLC and the results of the study indicated that re-engineering process was an effective technique for organizations seeking to enhance their competitive edge and

improve their overall performance. Adeyemi *et al.* (2018) assessed the impact of business re-engineering on organization performance in the banking sector and established that business operations re-engineering was a useful tool in enhancing organization performance.

Climent *et al.* (2015) evaluated ways that Business Re-engineering can be used to improve banking operations and the results showed that business process modeling enables correct and effective improvements to the organization which includes varied opinions and degrees of detail. Muema (2019) sought to establish the influence of BR on the performance of commercial banks in Nairobi County, Kenya and the study concluded that the adoption of BR by commercial banks especially in terms of new technologies and m-commerce had a positive impact on their performance. In their study to establish the effect of business process re-engineering in commercial Banks in Bengaluru, Kumar, and Mathew (2020) established that BPR strategies had affected working hours, work life balance and product cross sells.

## BPR AND BANK PERFORMANCE

Muema (2019) sought to establish the influence of BR on the performance of commercial banks in Nairobi County, Kenya. The BR approaches considered included leadership transformation, clients' approach, information technology and innovation. The study population was 1,020 employees from 43 commercial banks operating within Nairobi County. A descriptive research design was employed. The study sampled 278 and through stratified sampling methods and used primary data collection methods to gather the required information from the respondents.

Through inferential statistics, the study concluded that the adoption of BR by commercial banks, especially in terms of new technologies and m-commerce had a positive impact on their performance. However, the study was on all commercial banks in Kenya, and the current study sought to explore on the generalization gap and focused on how BR affected the performance of Equity Bank

In their study to establish the effect of business process re-engineering in commercial Banks in Bengaluru, Kumar and Mathew (2020) used random sampling method to select a sample size of five Branches of Cooperative banks. The analyses considered Primary and secondary data to evaluate the efficiency in the implementation of BPR in terms of the flexibility of the employees of the various banks. The findings of the study established that BPR strategies had affected working hours, work life balance and product cross sells. These findings are useful in informing the researcher on the sampling method adopted as well as the different BR approaches applicable in the banking sector.

In Nigeria, Oluwasanya (2014) sought to establish effect of Business Process Re-engineering on Organization's Performance in Nigeria with reference to Wema Bank PLC. The results of the study indicated that re-engineering process was an effective technique for organizations seeking to enhance their competitive edge and improve their overall performance. The researcher in the current study sought to relate the findings of Oluwasanya's study with the operations of equity bank in Kenya and analyze how such Br approaches had affected its performance.

Adeyemi *et al.* (2018) assessed the impact of business re-engineering on organization performance in the banking sector. Primary data was collected and analyzed using simple percentage

analysis and regression analysis. The study through Resource-Based View (RBV) established that business operations re-engineering was a useful tool in enhancing organization performance. This study by Adeyemi et al. (2018) informed the researcher on key issues in the banking sector. It allows the researcher to adopt RBV as part of the theoretical literature and expound on business operations of equity bank in relation to BR approaches.

Climent *et al.* (2015) evaluated ways that Business Re-engineering can be used to improve banking operations. The study applied the business processes model that is based on the flow diagram and integrated definitions techniques. The results showed that business process modeling enables correct and effective improvements to the organization which includes varied opinions and degrees of detail. While the study was based on BR, the study did not cover the effect of business re-engineering (BR) on the performance of commercial banks. Therefore, the current study explored on this gap with respect to Equity bank of Kenya.

Eskom and Otuya (2020) carried out a study on the financial re-engineering and financial performance of SACCOs in Africa. The research employed a desktop literature review method. The findings indicated a positive relationship between financial re-engineering and financial performance of SACCOs. Although the study was based on the relationship between financial re-engineering and financial performance of SACCOs, the current study sought to shift the focus to commercial banks, specifically Equity bank of Kenya.

## METHODOLOGY

The study adopted a positivist research philosophy and descriptive research design. Primary data was collected from 62 employees from Equity bank, Nairobi. A pre-test was done, and based on the pre-test results, the instrument was amended accordingly. Data was analyzed using SPSS version 26.

## Results and Analysis

The study used descriptive and inferential statistics to analyze data from the Pearson Product Moment correlation was performed to establish the relationship between business re-engineering and performance of Equity bank, Nairobi.

### Response Rate

The researcher disseminated 63 questionnaires, out of which 62 were filled and returned. 62(98.4%) responded to the questionnaire while 1(1.6%) did not. According to Mugenda and Mugenda (2003), 50% response rate is adequate, 60% good and above 70% is very good. Therefore, the response rate was satisfactory for the purpose of analysis and generalization of the study findings.

### Demographic Responses

The study sought to determine the gender, age, level of education and work experience of the respondents. Table 1 presents the results of the findings.

Table 1: Demographic Responses

Category	Total N (%)
Gender of the Respondents	
Male	38 (61.3)
Female	24 (38.7)

Total	N=62 (100.0)
Age of the respondents	
20-29 years	1 (1.6)
30-39 years	16 (25.8)
40-49years	37 (59.7)
50 years and above	8(12.9)
Total	N=62 (100.0)
Highest Education Level	
University Degree	45(72.6)
Postgraduate	17(27.4)
Total	N=62 (100.0)
Respondent's Department	
Strategic Management Staff	8 (12.9)
Operations Management Staff	21(33.9)
Product Development Staff	17(27.4)
Technology and Innovation Management Staff	16(25.8)
Total	N=62(100.0)
Work Experience	
Less than 5 Years	0(0.0)
5-10 years	27(43.5)
Above 10 years	35(56.5)
Total	N=62(100.0)

As shown in Table 1, the findings of this study indicate that out of the 62 respondents, 38(61.3%) of them were male while 24(38.7%) were female. These findings reveal that there were more male employees in equity bank than women employees. Therefore, these findings conform to equity bank's gender policy of not having more than 70% of one gender dominating their workplaces. The results of this study show that 8(12.9%) respondents were from the strategic management department, 21(33.9%) from operations management department, 17(27.4%) from product development department while 16(25.8%) were from the technology and innovation Department. These results indicate that most of the bank's employees are directly involved in the general operations of banking activities, and only a few are in the strategic decision-making levels.

In terms of the age of the respondents, the findings show that only 1(1.6%) respondent was between 20 to 29 years old, 16(25.8%) were between 30 to 39 years old, 37(59.7%) between 40 to 49 years old while only 8(12.9%) of the respondents were 50 and above years old. In other words, most of the employees (85.5% of the respondents) in the targeted departments were between 30 to 49 years. Moreover, all the respondents had a university degree, an indication that most of Equity bank's employees had the requisite academic knowledge and industrial experience to carry out the implementation of new strategic approaches and reengineering activities. Their general industrial experience brings forth some wealth of understanding and desire for growth that can be

integrated with the strategic benefits of BR approaches for performance improvement.

## Test of hypothesis

The study sought to establish the relationship between business re-engineering and performance of Equity bank. A corresponding hypothesis was formulated and tested using Pearson Moment Correlation and regression analysis. The results of the analysis are as depicted in Table 2 and 3.

Table 2: Correlation Analysis

		Bank performance	Operations re-engineering	Process re-engineering	Product Re-engineering
Bank Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	62			
Operations Re-engineering	Pearson Correlation	.657**	1		
	Sig. (2-tailed)	.000			
	N	62	62		
Process Re-engineering	Pearson Correlation	.140	.416**	1	
	Sig. (2-tailed)	.006	.001		
	N	62	62	62	
Product Re-engineering	Pearson Correlation	.442**	.057	.600**	1
	Sig. (2-tailed)	.000	.661	.000	
	N	62	62	62	62

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The results from the correlation analysis indicated that operation re-engineering, process re-engineering and products re-engineering had a positive significant effect on the performance of Equity Bank. ( $r=.657, P<.000$ ;  $r=.442, P<.000$ ;  $r=.140, P<.006$ ). It can be noted here that it's only operations re-engineering that positively and significantly correlated with bank performance. Regression Analysis was performed to measure the strength of the relationship between business re-engineering and bank performance. Table 3 presents the results of the analysis.

Table 3: Regression Analysis

## Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.839	.704	.689	.12544

## ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2.172	3	.724	46.010	.000
1 Residual	.913	58	.016		
Total	3.085	61			

## Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.476	.607		2.431	.018
Operation Re-engineering	.361	.051	.573	7.028	.000
Process Re-engineering	.274	.096	.292	2.869	.006
Product Re-engineering	.515	.074	.650	7.013	.000

## Discussion

From the results in Table 3, the Adjusted R-Squared value was 0.689 indicating that 68.9 % of the variation in organizational performance is explained by business re-engineering and 31.1% is explained by other factors that are not part of the study. The ANOVA results indicate that the model has goodness of fit ( $F=46.010, P<.000$ ) to predict the relationship between business re-engineering and bank performance. The beta values imply that for one unit increase in operation re-engineering, process re-engineering and product-re-engineering, led to increase in organizational performance at Equity bank ( $\beta$  0.573, 0.292, 0.650;  $t=2.431, 7.028, 7.013$ ;  $P<0.05$ ). The findings of the extant study are supported by those of Bako and Banmeke (2019) who established that business process re-engineering has a positive impact on organization performance. Additionally, Akam *et al.* (2018) also found that business process re-engineering has the potential to improve organization performance.

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