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Correlation between Business Process Management and Organizational Performance: A Study of Bank X

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ABSTRACT

Business process management is multidimensional tool which utilizes several methods to examine processes from a holistic perspective, transcending the narrow borders of specific functions. It undertakes fundamental reconsideration and radical redesign of organizational processes in order to achieve drastic improvement of current performance in terms of cost, service and speed. Business process management tries to encourage a radical change rather than an incremental change. An analytical approach has been applied for the current study. For this study, the case of Bank X, which is a leading public sector bank operating in the state, has been taken into consideration. A sample of 250 customers was selected randomly from Alwar, Dausa and Bharatpur districts. For policy framework, corporate headquarters were consulted. For the research a self-designed survey instrument, looking for information from the customers on several parameters like cost, quality, services and performance, was used. This article tries to take a critical account of existent business process management in Bank X and to study the relationship between business process management and organizational performance. The data has been tested by correlation analysis. The findings of the study show that business process management exists in the Bank X and there is a significant relationship between business process management and organizational performance.

Keywords-- Business Process Management; Business Process Reengineering; Organizational Performance

I. INTRODUCTION

Role of BPR in Banking Sector

Banking services stimulate economic development and social security of the public at large [6]. The banking sector can be benefited from reengineering**.** BPR assistances banks to cope up with new economic challenges and to alter their traditional process to improve their customer satisfaction, performance and productivity. The various processes completed in commercial banks can be restructured through BPR to achieve operational efficiency. Major banking organizations all over the world has implemented BPR, which include banking organizations of UK, China, Canada, Australia, Iran etc.

The Indian banking Industry is also realizing the need to implement BPR. When Indian economy was liberalized, many private sector banks initiated to reengineer their processes; this step was taken to withstand the global competition. Though nationalized banks were not early adopters of reengineering, shortly they too joined the race. Presently, all major banks in India, both from public sector and private sector, have implemented BPR in their organizations. Some of them are, Punjab National Bank, ICICI Bank, Canara Bank, Bank of India, and State Bank of India etc.

[17] Reported a 75% failure rate in implementing BPR. Failure of BPR projects is expensive, not because of the resources invested, but because of the disruption to the organization as well as the adverse effect on the motivational level of the organization's employees [14]. Many researchers have tried to find out the reasons for BPR failure. [2] pointed some factors for failure like unrealistic scope and expectation, lack of management commitment, non-encouragement of conceptualization of business process, resistance to change and non-detailing of rewards and recognition with new processes. It is advised that organizations should not try BPR before exact examination of all phases and stages of project [1]. It is a complex and dynamic situation to decide which factors contribute to the failure of the project. It needs a huge amount of time to investigate all factors. It is even more complex to investigate the relationship between those factors. [7] claimed that 55-75% of the BPR initiatives fail to deliver the expected results. They also claimed that there is improvement in certain critical areas like 25% cost reduction, 55% process-time reduction and 20% quality improvement.

II. REVIEW OF LITERATURE

BPR can be inferred from existing theories within three areas, i.e., marketing, organization theory and informatics. Many companies approve BPR to solve numerous problems, but it falls short of fulfilling all their ambitions. Clarity of goal is a vital requirement for the success of BPR [19]. [5] treats BPR as a function of IT and reduces it to an implementation problem. But BPR implementation is in itself a real activity, out of which strategic choices emerge [4]. Companies, mainly banking organizations, are driven to reinventing the corporations by one of the three forces: desperation or crises (65% of cases); foresight (25%); and ambition (10%) [8].Success or failure of a BPR project depends upon certain Critical Success Factors (CSFs). Critical success factors are identified by using Interpretive Structural Modeling [15].Various hard and soft factors are responsible for the success or failure of BPR implementation. Some of them are: (a) Change management (b) Management competency and support; (c) Organizational structure; (d) Project planning and management; and (e) IT infrastructure [3]. BPR projects were not organizational context specific; rather a general approach was followed. This is one of the reasons for their failure [17].[11] outlined the 10 best practices which affect BPR, these are: (a) Task elimination; (b) Task composition; (c) Integral technology;(d) Empower; (e) Order assignment; (f) Re-sequencing; (g) Specialist – generalist; (h) Integration; (i) Parallelism; and (j) Numerical involvement. Motivation for adopting BPR are intense competitive pressure and slow economic growth. The chances of failure of BPR can be minimized by using methodologies which take a holistic view of organization [20]. BPR has a potential to bring revolutionary process improvements.

For a successful redesign, these steps should be followed: (a) Setting an aggressive reengineering performance target; (b) Committing 25% to 50% of chief executives' time to the project; (c) Conducting a comprehensive review of customer needs, economic leverage point and market trends; (d) Assigning an additional senior executive to be responsible for the implementation; and (e) Conducting a comprehensive pilot of new design. There are four ways to fail as identified by the researchers, these are: (1) Assigning average performers; (2) Measuring only the plan; (3) Settling for the status quo; and (4) Overlooking communication [7].

III. LINKAGE BETWEEN BPR AND ORGANIZATIONAL PERFORMANCE

BPR has become a useful tool for any corporate organization that is seeking improvements in its current organizational performance and aims to achieve cost leadership strategy in its operating industry and environment. For organizations striving to operate as effectively and efficiently as possible, reengineering process remains an effective weapon. Organizations are required to reengineer their business processes in order to achieve breakthrough performance and long-term strategy for organizational growth and performance [2]. By implementing BPR, organizations achieve competitive advantage. This fact has been proved by studying the impact of BPR on four competitive measures, these are (a) cost, (b) customer service, (c) quality and (d) productivity. The organization showed improvement in all the four areas after Implementation of BPR. The results were much laudable in process improvement and customer services [10]. The Satisfaction level of customers is directly affected by reengineering of business process. Increased use of IT, wide network of ATMs and reskilled staff help nationalized banks to gain competitive advantage in the industry [6]. The leading factor behind BPR implementation is value creation for the customer, and information technology often plays an important enabling role. It is necessary to adopt effective strategies for consolidating core competencies and exploring new options for sustained fast track development on an ongoing basis and effecting midcourse correction, wherever necessary [16]. If reengineering is implemented in a proactive manner as a part of organization's business strategy, the chances of achieving profitability increases. The researchers who use reactive approach fail to achieve significant performance outcomes. The researchers have stressed the point that core processes must be reengineered from the customer perspective and managers must focus on the key challenges for successful BPR implementation: changing attitudes and culture, extensive communication and overcoming resistance to change at all levels of the organization, particularly middle management. The researchers have reinforced the earlier finding that IT serves as an enabler in the implementation of BPR [21].
If organizations want to reap the benefits of new information technologies, they may have to restructure their process. BPR is a recent tool to effectively manage the changes that happened due to IT revolution in business world. In order to survive in highly volatile environment, organizations have to restructure and redefine their existing business strategies. BPR helps in reduction in cost, while quality, speed and service are dramatically improved. If BPR is viewed as a tool leading to growth and value creation, it chances of success increases [21]. The objectives of BPR are increasing work efficiency and decreasing waste [12]. Inefficient processes, decreasing market share, increasing of unsatisfied customers or challenges by competitor are the reasons behind company desires to change [22]. BPR has played a significant role in making the enterprises in China more effective and efficient; its implementation has been uneven among various types of business sectors and ownerships [9] and 55-75% of the BPR initiatives fail to deliver the expected outcomes [7].

IV. SIGNIFICANCE OF THE CURRENT STUDY

From the review of literature, it can be stated that organizations have achieved outstanding results in terms of the contemporary performance measures like quality, cost service and speed through the implementation of BPR. However still there are a number of banking organizations which have serious misconceptions about BPR and its utility in the current competitive business environment. The focus of this study is on benefits sought through business process management. The following points favour the significance of the current study:

- To survive in the present competitive & complex environment, banking organizations have to reinvent and rebuild their practices with the help of efficient methodologies and techniques.
- BPR is a workable tool for transformation, provided it is thoroughly understood and properly executed. BPR has already been implemented by State Bank of India and it serves as a reference point to find out infrastructural requirements for adopting BPR and to measure the associated benefits associated with it.
- Though Bank X has emerged very strongly at the national level due to consistently high performance for the last several years but for remaining competitive in the current business environment, it has to be proactive in adopting changing trends and latest innovations.
- BPR implementation in Bank X would help to overcome work inefficiencies, which prevail in the current processes and operations [12].
- Banking industry plays a prominent role in the socioeconomic development of Rajasthan State, particularly the society has a great stake in Bank X, so its progress will have a direct impact on the socioeconomic development of the state.

V. OBJECTIVES OF THE STUDY

1. To study the BPR practices currently followed by Bank X.
2. To study the relationship between business process management and organizational performance in the Bank X.
3. To give valuable suggestions regarding business process management and organizational performance of Bank X.

VI. RESEARCH METHODOLOGY

The current study is empirical in nature. We have followed a systematic research approach for conducting the current study. Primary data was collected from the respondents by a self-designed survey instrument which was based on previous studies in the relevant research area. A 5-point Likert scale ranging from strongly disagree to strongly agree was framed as the survey instrument. A random sampling technique was adopted for the current study. A sample of 250 respondents was selected from Alwar, Dausa and Bharatpur districts.

VII. FINDINGS AND DISCUSSION

In order to achieve the objectives stated for current study, relevant statistical tools like mean, standard deviation, correlation, etc. were applied. Hypothesis was verified by applying correlation analysis. The hypothesis was tested at 0.05 level for significance.by the bivariate correlation procedure. Bivariate correlation was computed by using Pearson's correlation coefficient. Pearson's correlation coefficient is a measure of linear association. Two variables can be perfectly related, but if the relationship is not linear, Pearson's correlation coefficient is not an appropriate statistic for measuring their association. The Bivariate correlation procedure computes the pair-wise associations for a set of variables and displays the results in a matrix. It is useful for determining the strength and direction of the association between two scale variables. BPR was measured on the basis of factors like BPR Implementation (BPRI), BPR and Organization Structure (BPROS), BPR and Organizational Planning (BPROP) and BPR and Technological Infrastructure (BPRTI), while organizational performance was measured on the basis of factors as Quality Improvement (QI), Customer Service (CS), People Process Management (PPM) and Economic Benefits (EB).

Table 1 displays the findings of correlation analysis between business process management and organizational performance. The correlation is significant at 0.01 and 0.05 level of significance for all the factors. It can be concluded from the given correlation matrix that there is a positive correlation of 0.417 between BPRI and QI. Also, correlation between BPROS and CS is 0.680 and is positive. Between BPROP and PPM, there is a positive correlation of 0.085 which is significant at 0.01 level. Between BPRTI and EB, the correlation is 0.384 and is significant at 0.01 level of significance.

Table 1:Correlation Matrix

	BPRI	BPROS	BPROP	BPRTI	QI	CS	PPM	EB
BPRI	1							
BPROS	0.619**	1						
BPROP	0.584**	0.312**	1					
BPRTI	0.428**	0.568**	0.472**	1				
QI	0.417**	0.691**	0.429**	0.496**	1			

CS	0.577**	0.680**	0.435**	0.450**	0.674**	1		
PPM	0.082*	0.154**	0.085*	0.231**	0.365**	0.254**	1	
EB	0.420**	0.285**	0.368**	0.384**	0.506**	0.338**	0.325**	1
Mean	3.49	3.43	3.46	3.55	3.33	3.36	3.52	3.67
SD	1.015	0.767	0.758	0.723	1.007	0.658	0.794	0.459
Note: ** Correlation is significant at 0.01 level (2-tailed); and * Correlation is significant at 0.05 level (2-tailed)								

From the correlation analysis, it can be concluded that there is a significant relationship between BPR and organizational performance of the bank X. It is further concluded from the analysis that business process management is still in the embryonic stage as the mean values lie below the expected values of 5 on a 5-point Likert scale.

VIII. CONCLUSION

There are plenty research evidences supporting that Indian banking sector has emerged as a prominent sector which demands corporate renewal through BPR, the reason being a strong competition among different players in the Indian banking sector and the diversity of workforce employed therein. When Indian economy was liberalized, many private sector banks started to reengineer their processes so as to cope-up with the global competition. Though nationalized banks were not early adopters of reengineering shortly they also joined the race.

In this context, the current research was carried out to study the relationship between BPR and organizational performance in Bank X. It was found from the study that there is a significant relationship between BPR and organizational performance of the bank X. Though the correlations were not strong enough, they proved to be significant at 5% level of significance. Therefore, it can be concluded that BPR leads to organizational performance and the relationship between the two is linear.

SUGGESTIONS FOR FURTHER STUDY

Following are the suggestion based upon the current study:

1. Organizations should concentrate on the implementation strategies and techniques while reengineering their business processes, as the correlation was found to be 0.41.
2. Organizations should take into consideration participation of people, as participation management has showed a strong determinant of reengineering business operations. For the current study, the correlation was found to be 0.082, which needs to be enhanced.
3. During the reengineering of the processes, organizations should stress on their planning as well as strategies because a strong correlation was found between organizational strategy and quality improvement, which was 0.691 significant at 5% level of significance.

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