BUSINESS PROCESS REENGINEERING PRACTICES AND PERFORMANCE OF KENYA COMMERCIAL BANK

NORAH DEBORA ACHIENG

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

OCTOBER 2014

DECLARATION

This management project is my original work and has not been presented for a degree in any other university.

Signed …….. Date …….

NORAH DEBORA ACHIENG'
D61/73067/2012

This project has been submitted for examination with my approval as university supervisor.

Signed …….. Date ……

Prof. Martin Ogutu

Department of Business Administration

School of Business

University of Nairobi

ACKNOWLEDGEMENTS

My pursuit for the MBA degree would not have been possible without the encouragement, support and assistance of a number of people. Whereas I cannot mention everyone by name, I feel extremely grateful to so many people. I would like to thank my supervisor for his patience and dedication in guiding me. I would also like to thank my family and friends for their moral support during the entire duration of the course. Special gratitude to Susan Amondi, Praxedes Ngelechei, Diana Obell, Jane Arwa and Hilda Gacheri for their continuous support. Finally, I also extend my gratitude to my workmates who ensured that I got enough time to complete this work.

DEDICATION

This project is dedicated to my dear parents Mr. and Mrs. Moses Rabok to whom I owe so much. I highly cherish your love, encouragement, support, and guidance throughout all these years. Thank you for setting a strong foundation for me to value education.

ABSTRACT

The increasing competitive pressure as a result of technological development, globalization, changing customer demand led to survival challenges of many banks in the developing countries and demanded for improvement in quality customer service and speed to enhance profitability performance and cost reduction.Reengineering is a useful tool that has been adopted by and hailed as one of the current major drivers of change within many organizations. Business Process Reengineering is playing a vital role in the enhancement of productivity and efficiency of many organizations. Reengineering primary goals aimed at to reduce wastage, improve efficiency and ultimately reduce costs. This study is aimed at exploring possible relationships between business process reengineering practices and organizational performance. A case study approach will be used with specific focus on Kenya Commercial bank. Interview guide will be used to collect primary data with content analysis used in data analysis. To supplement primary data, secondary data will be collected from KCB website, Journal, financial magazine and past similar research literature. The paper concludes that business process reengineering has become useful weapon for any corporate organizations that is seeking for improvement in their current Organizational performance and intends achieve cost leadership strategy in its operating industry. It recommended that reengineering process remains effective tool for organizations striving to operate as effectively and efficiently as possible. Organizations are required to reengineer their business processes in order to achieve Breakthrough performance and long term strategy for organizational growth.

TABLE OF CONTENTS

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Business process reengineering (BPR) is defined as the fundamental rethinking and radical redesign of business processesusing information technology to bring about dramatic improvementin key areas of performance such as service, quality, cost, and speed. (Hammer and Champy, 1993). In an ever-changing global economy Hesson (2007) notes that organizations must find ways for operating by developing new competences as the old advantage and competences gained is quickly eroded owing to environments changes.

Organizational performance is the total economic results of the activities undertaken by an organization (Lusch and Laczbiak, 2009). (Walker and Ruekert, 1995) found primary dimensions of business performance could be grouped into three categories of effectiveness, efficiency and adaptability.But there is little agreement on what really defines organizational performance. According to Julia Kirby (2005) in Harvard Business Reviewarticle if history provides lesson it is that no single factor or metric guarantees organization success rather high performance is a composite of many things.

Business firms are the economic engine of society and making of profit is a social responsibility (Hunderson, 2005) and thus to survive in the turbulent environment business organizations have to adapt to change in their operation as well. To ensure that change is systematic and fruitful most organizations have adapted to BPR. The changing dynamics of banking and other financial institutions market forced all players at all levels worldwide to re-engineer their business organizations.Kenya commercial embarked on a Business process reengineering project with the main objective to strengthen the Bank's

ability to acquire new customers, build lasting relationships with existing customers and increase customer satisfaction through world-class service quality. This was as a strategic tool to manage the challenging change dynamics in the banking sector.

1.1.1Business Process Re-engineering

In today's service dominating world the foundations of any organization are the people and the processes. If people are motivated and working hard, but the business processes are not good and remain as non-value-adding activities , organizational performance will be poor (Peter and Sohal, 1999). As Linden, (1994) stated that all organizations, whether service giving or manufacturing, are struggling to meet the tough and new competitive standards of the 1900s speed, quality, efficiency and increased productivity in order to become more competitive, and flexible to meet the desired standard. In order to create a dramatic increase in efficiency, productivity, or profitability, a drastic change in the design of the organization's processes is required. Reengineering is a useful tool that has been adopted by and hailed as one of the current major drivers of change within many organizations (Graham, 2010).

Business Process Reengineering is playing a vital role in the enhancement of productivity and efficiency of many organizations. Reengineering primary goals aimed at to reduce wastage, improve efficiency and ultimately reduce costs (Lotfollah et al., 2012). And an increase in consumer requirements for both product and service efficiency and effectiveness has resulted in Business Process Reengineering (Al-Mashir et al., 2001).

Reengineering helps organizations to throw away their old fashioned processes to achieve new heights of success (Jemal et al., 2011).Hammer and Champy, (1993) also stated that BPR focuses on processes and not on tasks, jobs or people. It endeavors to redesign the strategic and value added processes that transcend organizational boundaries.

Business process reengineering (BPR) is a popular management tool for dealing with rapid technological and business changes (Ranganathan and Dhaliwal, 2001). It was first introduced by Hammer (1990), as a radical redesign of processes in order to gain significant improvements in cost, quality, and services (Ozcelik, 2010). BPR does not seek to alter or fix existing processes; but, it forces companies to ask, whether or not a process is necessary, and then seeks to find a better way to do it (Siha andSaad, 2008). BPR integrates all departments into a complete process which have been designed to fulfill a specific business goal (Cheng et al, 2006). Successful implementation of BPR enables organizations to achieve dramatic gains in business performance (Shin and Jemella, 2002).

Business Process Reengineering (BPR) is one of the top five issues of concern for IT executives in 2010 (Luftman and Ben-zvi, 2009).The value of BPR can be seen at both process such as cost and time reduction (Grover et al.,1995) and overall organizational performance such as productivity, profitability and market advantages (Ozcelik,2009)levels. 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. (Hammer, 1990).BPR helps banks to deal with new economic challenges and change the traditional processes to improve their customers' satisfaction. Sharma (2006) posited that business process re-engineering implies transformed processes that together form a component of a larger system aimed at enabling organization to empower themselves with contemporary technologies business solution and innovations.

Most organizations that have undertaken BPR can improve their business process performance. However, achieving order of magnitude improvements that go beyond process level benefits and that impact overall organizational performance depend not only on reengineering business process per se but also on creating a set of BPR complementary skills, systems and technologies. These set of skills systems and technologies are necessary to institutionalize and reinforce the redesigned business process post-BPR implementation.(Ozcelik,2009) .This implies that the degree of investment and change made to BPR Complimentary organizational skills, systems and technologies is as important as the process change itself. We refer to such skills, systems and technologies as BPR complimentary Competences (BPRCC).

Similar to any other management approaches, the successful implementation of BPR depend on how well it can be fitted to the bank/companies cultural norms, and information technology (IT) suggested by (Davenport and Short, (1990); Hammer and Champy (1993); Murray and Lynn (1997); Al-Mashari and Zairi, (1999); Bhatt (2000); Khong and Richardson, (2003); Attaran (2004); Ahmad, Francis and Zairi,

(2007).Reengineering in a bank should be undertaken as a project, the project management expertise of IT department become a key ingredient in the success of reengineering. The IT capability includes both the technical and managerial expertise required to provide reliable physical services and extensive electronic connectivity within and outside firm. Information technology (IT) increase the market share of the bank through offering of a product or service that is not offered by another bank (e.g. those customers that prefer private/personalized banking or use debit cards have become the focus of retail and investments in banking (Beyers and Lederer ,2001)

1.1.2 Organizational Performance

Organizational performance is an analysis of a company's performance as compared to goals and objectives. Within corporate organizations, there are three primary outcomes analyzed: financial performance, market performance and shareholder value performance (in some cases, production capacity performance may be analyzed). Performance of an organization is a complex interrelationship between seven performance criteria namely effectiveness, efficiency, quality, productivity, quality of life, innovation and profitability. Though the right method to determine high performance has not surfaced, the quest to find it continues.

Organizational performances in this study refer to the level of bank performance (increase/decrease) in terms of both financial and non-financial performance indicators. The perception of organizational performance is linked to the continued success and achievement of an organization. There are wide ranging literatures on performance, but

there is still no consensus definition of the term performance (Johannessen, Olaisen, and Olsen, 1999). Murphy, Trailer & Hill (1996), study found the use of term performance to include 71 different measures of performance categorized into eight (8) dimensions of both financial and non-financial measures. Majority of the previous studies used financial and non-financial indicators to measure performance (Johannessen et al., 1999; Murphy et al., 1996). The debate on what performance measurement to use would continue as criteria could not apply to all settings (Cameron, 1986).

A review of the literature on the evaluation of performance in organization context by Gomes, Yasinand Lisboa (2004), reveals different emphasis on the performance measurement depending on the objective of the organization in that particular situation. There are many possible benefits from reengineering that translate into improved organizational performance. However, because of wide possibility of benefit from company innovativeness on performance a multiple dimensional scale of performance measurement offers more comprehensive operationalization of organizational performance than on uni- dimensional approach.

Therefore based on the previous studies, this study would consider multiple measurement of performance:Financial performance and Customer service management performance. The financial and non-financial performance indicators would consist of: profit, profit growth performance target, sales growth, overall response to competition, future outlook, and success rate in new product launch, overall business performance, customer service management, market research, customer relationship management, customer satisfaction,

operational performance, speed, quality service and process improvement. In this study, the perceived measures of financial and non-financial performance of organization would be used because subjective measure was found to be correlated with objective measure of performance (Dess and Robinson, 1984; Dawe, 1999). Also the previous studies Lyles and Salk (1996); Hansen and Wernerfelt (1989); Bart et al., (2001) confirmed the reliabilities and correlations between objective measures and perceived measures are strong. Similarly, previous studies conducted by Bontis (1998); and Bontis et al., (2000) revealed that subjective measure of performance (financial and non-financial) are feasible.

Many organizations are convinced that the implementation of BPR could bring significant and measurable benefits (Vergidis et al 2008). The challenges for globalization of financial markets require major changes on the part of market participants to move beyond national-level competition and achieve international and global competitiveness. The entire banking industry is focusing on major process performance enhancements and gains in domestic market share as a catalyst for successful diversification. Banks are concentrating their efforts on market segments offering the potential for growth and enhancing performance, resulting in a re-direction within the overall financial services sector. Innovative banking services and processes were evolved as the market consolidates due to mergers and acquisitions. This dual trend toward specialization and consolidation is forging banks that will be able to compete in international and global markets.

According to Julia Kirby (2005) in Harvard Business Review, todays management expert are still building on one another'swork, developing more sophisticated survey instruments using richer data with better toolsand creating theories with greater explanatory powers about high performance. But if history provides lesson it is that no single factor or metric guarantees organization success rather high performance is a composite of many things. Practicing managers have much to learn from high performance research but they should beware of easy answers that promise long-term high performance.

Organizational effective performance has become a keyword in modern business, theturbulent and rapid expansion of competition across markets and geographic raises important questions such as "how should work be redesigned", "who does it"? And "where do they do it"? "How to get it performed"? These questions necessitate venturing of Business Process Re-engineering into the overall strategy for sustained competition advantage, check costs, and differentiate products and effective price management with greater intensity and then flawless execution. The goal of BPR process is to achieve dramatic improvement in organizational performance.

Organizational development is a continuous process but the pace of change has increased in manifolds. In a volatile global world, organizations enhance competitive advantage through Business Process Re-engineering (BPR) by radically redesigning selected processes.Performance enhancement efforts are aimed at a complete realignment of internal processes. In addition to cost containment strategies, focus is now on improving

customer service delivery. Organization processes must be effective, efficient, and be more customer-friendly. Attempts are being made to transfer approaches like process reengineering initiatives that have proven effective in other industries, particularly manufacturing, to the financial sector.

1.1.3 Commercial banks in Kenya

In the early 90's Kenyan banks was a reserve for the rich and affluent of the society. In the aftermath of the Second World War, customers started to become more affluent and as a consequence, more financially sophisticated. In response to these socioeconomic changes, banks, which had traditionally been supply-led, started to emerge as demand-led organizations (Howcroft,2005). The Kenyan banking industry experienced a similar phenomenon after the political and economic liberalization of the 1990's.

The few banks in existence at the time were having a large number of branches operating manually with a huge customer base. But then the presence of new private and foreign banks with their attractive products and service packages, the customers had several options. The products offered by these banks lured the customers away from the banks which did not offer them. This set a new trend in banking industry. Retaining the existing customer base and expanding the same became the order of the day. The competition among the banks became very intense. The leading banks, therefore, quickly shifted their focus by re-engineering their processes in providing prompt, efficient customer service and offering variety of hi-tech banking products/services.

The changing dynamics of banking and other financial institutions market forced players at all levels to re-engineer their business organizations. The banking operations and functions which is intend to meet emerging challenges of bank consolidation, slashing operating cost, outsourcing, portfolio investment, payments and settlement system call for innovative banking practices through Business Process Re-engineering. Modern banking has been practiced in Kenya for the last 100 years. Since independence, the commercial banks in Kenya have grown both in number, branches, and the variety of services they offer like loans, credit and debit card services, and introduction of automatic teller machines (ATMs), electronic banking and other services.(Lyaga,2006).

The banking financial institutions in Kenya are predominately incorporated under the Companies Act Chapter 486 of Kenya Laws. However quasi-bank cooperative credit unions are incorporated under the Cooperative Act. The banks are regulated by the Banking Act, the Central Bank of Kenya(CBK) Act, Micro finance Act of 2006, and the supplementary operational guidelines issued by CBK. The banks and micro finance institutions also self regulates themselves through their lobby organizations bodies the Kenya Bankers Association and the Micro finance association respectively.

The banking sector and the totality of the financial sector is very important to the economy. Business firms are the economic engine of society and making of profit is a social responsibility (Henderson, 2005).Kenya's financial industry is currently one of the fastest growing not only in the East African region but in the continent. The Kenyan banking industry has experienced phenomenal growth supported by the expansion of the

banks into new market segments, prudent risk management and enhanced economic prospects underpinned by a stable macroeconomic environment.

The Kenyan banking industry is dominated by Barclays, Citigroup, Kenya Commercial Bank, Standard Chartered, Cooperative Bank, Equity Bank and CFC Stanbic. Although Kenya is a relatively small economy, leading global banks like Citigroup, Barclay's, United Bank of Africa, Standard Bank of South Africa (trading as CFC Stanbic) and Standard Chartered have local subsidiaries. As per the CBK listing currently, the Kenyan banking sector comprised 44 commercial banks, 2 mortgage finance companies and 123 foreign exchange bureaus. Out of the 44 institutions, 31 are locally owned and 13 are foreign owned. Kenya is considered to be over-banked as compared to other countries like Nigeria, which has less than 30 banks with a population of 130 million as compared to Kenya that has 45 banks and about 33 million people.

Competition is likely to intensify in the banking industry in the background of a shrinking economy. Banks are also competing with mobile phone operators' money transfer services like Safaricom's (M-Pesa) and Zain's (Zap). M-Pesa service has over four million registered subscribers. Most banks have already introduced phone-banking services to counter this competition. Kenyan banks have been diversifying their product offering to other areas like bank-assurance, mortgages and investment banking.

1.1.4 Kenya Commercial Bank

Kenya Commercial Bank is East Africa's largest commercial bank with total assets of Kshs 391.5 Billion, with capitalization standing at Kshs.131 Billion. The bank is over 118 years old having started in Zanzibar in 1896.KCB is represented in six countries with total number branches at 238; in Kenya (178), South Sudan (21), Tanzania (12), Uganda (14), Rwanda (11) and Burundi (2).The expansive branch network is complemented by 955 ATMs across the region 24 hour quick access services and over 6,713 KCB Group agents. The bank also offers mobile banking (M-benki), internet banking, and agency and Diaspora banking services platform that can be accessed on 24/7 basis.

Despite the stiff competition in the banking sector the bank has continue to register impressive financial performance. In the year ended December 2013 the bank posted a 17% rise in net profit. The banks said its after-tax profit it increased to shs14.3 billion in 2013 compared to Shs12.2 billion in 2012.In 2013 the banks CEO while announcing the banks results mentioned that going forward the bank will leverage on technology-driven products such as mobile banking and agency banking to mobilize in customer deposits. In 2013 the lender launched M-Benki a mobile banking platform targeted at the unbanked population which allowed customers to open bank account without physically visiting a branch. This trend is a clear indication of the bank using Information Technology to achieve leverage over competition, one of the benefits of reengineering.

KCB's reengineering process began in 2011 after the rebranding exercise in 2003 under the slogan its board of directors had dubbed the transformation programme. The bank was pursuing a strategy to reposition itself from a "good to great bank". To assist with the reengineering process the bank hired the services of global consultants McKinsey and company to set up the road map for the banks transformation journey by carrying out a four-month diagnostics of the bank. The key agenda of the transformation process was to review the banks business model as well as operating structures and processes with a view of recommending solutions that will make KCB more efficient and productive, while also setting the stage for the banks leap to the next level.

Other key deliverables for the transformation programme were: review of job roles and people placement within the roles across the business as well as a detailed look at the job evaluation process to infuse best practices, recommend operational changes that will result in more efficiency and cost reduction while also ensuring value for money to the banks customers, review of existing performance management and reward frameworks as well as staff numbers with a view to improving productivity and motivation, look into IT, Regional and Innovation strategies and recommend value-adding solutions/changes to the way the bank operates.

A key stimulus for re-engineering has been the continuing development and deployment of sophisticated information systems and networks. The change brought about by re-engineering in banks are reflected in product and services to give a new form or structure by introducing product and service scheme (such as credit cards, hassle-free housing loan schemes, educational loans etc.) integration of the branch network by use of advance networking technology and customer personalization programme through Automatic Teller Machine and anytime banking.

Kenya Commercial Bank adopted the T24 system and came up with KCB Mobi, KCB mtaani and internet banking changing the way customer's access finances and issue request for transfers, withdrawals and other banking needs. This service provides account holders with the flexibility and capability to fit their everyday banking needs into their lifestyles. They no longer have to visit the bank to transact. This is an example of the application of business process reengineering, where the process of issuance of instructions has been automated and the signature and proof of identity has been replaced with passwords and user identities/ usernames.

1.2Research Problem

The consequences of merger and consolidation of operational process and an intensified foreign competition in financial service industry through liberalization and globalization faced by the organizations led to radical changes in operations, and services that result in conflicting performance (Wei and Nair, 2006). The customer retention became a key factor in determining the success of bank. The bank that has the largest customer base and highest customer retention rate will be a market leader in the industry. Hence, the quality of customer service becomes a driving force in ascertaining business survival in the banking industry (Tang and Zairi, 1998).

Many scholars see re-engineering as a return to the mechanistic ideas of Frederick Winslow Taylor. As explained by Hammer and Champy (1993), the four general themes of BPR are process orientation, the creative use 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. Various studies have been conducted by scholars on the concept of business process re-engineering.

Disii (2011), discussed, on his unpublished paper, implementation of business process reengineering and benchmarking at Kenya Ports Authority. BPR and benchmarking were undertaken at the port, even though the correctness of their implementation was unconvincing. Hindrances were political interference, changes in top management and wrong attitude to change. Recommendation was business process improvement

operations need to be divorced from external interferences if success in the magnitude intended was to be achieved. Mutua (2008) studied Employee Perception on the effects of BPR on the performance of MARA-ISON Technology. His recommendation was that companies should not be hesitant to implement radical changes as BPR can actually lead to improved cost management and customer care and thus leading to production efficiency. Organizations should seek to change entire organization as opposed to some departments. These studies have been instrumental in determining BPR is conceptualized, and implemented by institutions across all sectors.

When examining the relationship between the reengineering factors such as intangible resources and organizational performance, it has been posited that there may exist some key moderating variables that are important issues to research (Wade and Hulland, 2004). A moderator variable is a qualitative/quantitative variable that affect the direction and/or strengthen of the relationship between an independent or predictor variable and dependent or criterion variable (Baron and Kenny 1986). The moderating variable of great interest is organization IT capability and its influence on the intangible resources (BPR factors) performance relationships (Liu, Liu, and Hu, 2008).

Based on the mentioned studies and several studies read by the researcher, it was noted that there is no any documentation or empirical evidence regarding the relation of BPR and performance. All there is a broad speculation that 50-70 % of reengineering fails. Rather than addressing directly the elusive concepts of success and failure most studies provide documentation to support or reject hitherto broad speculation or assumption

about the causes and results of reengineering with minimal literature on the relation of Business Process Reengineering and performance. Thus, is there any significant relationship between Business Process Reengineering Practices and Performance of Kenya Commercial Bank?

1.3Research Objectives

The objective of this research is find out if there is anysignificant relationship between Business Process Reengineering practices and organizational performance with a specific focus on Kenya Commercial bank

1.4 Value of Study

The findings in this study will be beneficial to scholars in the business process reengineering to identify gaps that need to be expounded upon. This study will also be important to the various users of this research information who include government regulators, Kenya Commercial Bank, other banks, investors and academia.

The findings in the study will also be useful to top management of the different commercial banks in Kenya since they will be able to know the contribution of business process reengineering as a strategic tool in KCB.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presented a review of the related literature on the subject under study presented by various researchers, scholars, authors and analysts. It provided concept definitions, concept perspectives, current practices, past studies/findings and conceptual framework. It also provided description of related theories.

2.2Theoretical Foundation

The environment is always changing and the survival of organizations will highly depend on their ability to identify potential threats and come up with ways of dealing with them so as to ensure continuity. Organizations must be responsive to the external demands and expectations in order to survive.Organizations must be responsive to the external demands and expectations in order to survive (Meyer and Rowan, 1977). An organizational strategy is a broad based formula on how a business is going to accomplish its mission, what its goals should be, what plans and policies it will need to accomplish these goals.

As the basis of competition changes from cost and quality to flexibility and responsiveness, the value of process management is now being recognized. The role that process management can play in creating sustainable competitive advantage was termed Business Process Reengineering (BPR). The three driving forces behind this radical change are: customers who can now be very diverse, segmented, and are expectant of consultation, competition that has intensified to meet the needs of customers in every

niche, and change that has become pervasive, persistent, and faster and in some markets a pre-requisite. Customers, competition, and change have created a New World for business, such that organizations designed to operate in one environment are inadequately equipped to operate well in another. Companies created to thrive on mass production stability, and growth cannot be simply improved to succeed in a world where customers, competition, and change demand flexibility and quick response. There is no longer unearned brand loyalties, no more complicity among rivals in the same markets; no more passing on of rising wages and benefits in the form of higher prices; no more easy reliance on high entry costs to keep out upstart competitors; and reducing protection by national governments.

Resource based view theory is based on the idea that the effective and efficient application of all useful resources that the company can muster helps determine its competitive advantage. While this influential body of research within the field of Strategic Management was named by Birger Wernerfelt in his article A Resource-Based View of the Firm (1984), the origins of the resource-based view can be traced back to earlier research. Retrospectively, elements can be found in works by Coase (1937), Selznick (1957), Penrose (1959), Stigler (1961), Chandler (1962, 1977), and Williamson (1975), where emphasis is put on the importance of resources and its implications for firm performance (Conner, 1991, p122; Rumelt, 1984, p557; Mahoney and Pandian, 1992, p263; Rugman and Verbeke, 2002).

This paradigm shift from the narrow neoclassical focus to a broader rationale, and the coming closer of different academic fields (industrial organization economics and organizational economics being most prominent) was a particular important contribution (Conner, 1991, p133; Mahoney and Pandian, 1992).

The resource based view has been a common interest for management researchers and numerous writings could be found for same. The essence of the Resource Based Model is that competitive advantage is created when resources that are owned exclusively by the firm are applied to developing unique competencies. Companies are different collections of resources: tangible and intangible assets/capabilities. No two companies are alike in terms of the resources they hold. The resources a company holds determine how well that company performs its activities. A company will be positioned to succeed if it has the best and most appropriate stock of resources relevant for its business and strategy. Competitive advantage ultimately can be attributed to ownership of valuable resources that enable the company perform its activities better than competitors. Organizational capabilities are defined by the complex combination of assets, people and processes that companies use to transform inputs into outputs.

The concept of reengineering traces its root back to this particular theory.According to RBV proponents; it is much more feasible to exploit external opportunities using existing resources in a new way rather than trying to acquire new skills for each different opportunity. In RBV model, resources are given the major role in helping companies to achieve higher organization performance.According to Hammer and Champy (1993)

Business process reengineering (BPR) is defined as 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. Thus the organisation rethinks through its resources in this case processes to be able to achieve a competitive advantage over its rivals.

The aim of reengineering in this environment should be to facilitate the match between market opportunities and corporate capabilities, and in so doing, ensure corporate growth. To achieve these goals, downsizing and outsourcing will be by-products of reengineering, but they do not define reengineering, nor are they the purpose of reengineering. It is possible to make some general propositions on managing change that will enable a company to reinvent it's competitive advantage .They are: strategy that is not only linked to vision, but one that continuously questions what is being done, why it is being done, and how can it be done differently, top management commitment, to vision, strategy and objectives both at the organizational and functional levels, where change is necessary, clear goals, with projects broken down into manageable parts, promotion of cross-functional activities, shared objectives, and externally oriented thinking, and the decentralization of decision making to a point as close to the customer as possible. Above all it is the value adding processes that enable long-term success for an organization. Achieving these ends requires radical bottom-up redesign input, and effective, unwavering top-down leadership. Business Process Reengineering methodology is such radical bottom up redesign.

2.3 BPR and Organizational Performance

To be a truly world-class organization, the company needs to work as a team and all the functional areas of the business need to be properly integrated, with each understanding the importance of cross functional processes. As the basis of competition changes from cost and quality to flexibility and responsiveness, the value of process management is now being recognized. The role that process management can play in creating sustainable competitive advantage was termed Business Process Reengineering (BPR). Business Process Reengineering is being used as a vehicle for re-aligning strategy, operations, and systems to deliver significantly increased financial results and customer satisfaction. It helps to find ways to do more with less, and provide a better product or service in a minimum amount of time, speed, quality, and cost. In one important way, though, reengineering differs from past incremental and analytic methods.

Organizational performances in this study refer to the level of bank performance (increase/decrease) in terms of both financial and non-financial performance indicators. Organizational effectiveness represents the outcome of organizational activities. Organizational effectiveness empirically is the ultimate dependent variable in research on organization (Cameron, 1986). The perception of organizational performance is linked to the continued success and achievement of an organization. There are wide ranging literatures on performance, but there is still no consensus definition of the term performance (Johannessen, Olaisen and Olsen, 1999). Murphy, Trailer and Hill (1996), study found the use of term performance to include 71 different measures of performance categorized into eight (8) dimensions of both financial and non-financial measures.

Majority of the previous studies used financial and non-financial indicators to measure performance (Johannessen et al., 1999; Murphy et al., 1996). The debate on what performance measurement to use would continue as criteria could not apply to all settings (Cameron, 1986). A review of the literature on the evaluation of performance in organization context by Gomes, Yasin and Lisboa (2004), reveals different emphasis on the performance measurement depending on the objective of the organization in that particular situation. There are many possible benefits from reengineering that translate into improved organizational performance.Literature reveals there is a wide possibility of benefit from company innovativeness on performance a multiple dimensional scale of performance measurement offers more comprehensive operationalization of organizational performance than on uni-dimensional approach.

In his work, Prescott (1986) sites various academic scholars such as Porter (1980 in Prescott 1986), Scherer (1978 in Prescott 1986), Hofer and Schendel (1978 in Prescott 1986), and Preffer and Salancik (1978 in Prescott 1986) as being at the forefront of the debate between the relation between BPR and performance, a relationship whose nature has not yet been resolved. Much of the strategic management literature has focused on the relationship between BPR and performance and considered environment as moderator of that relationship. However, when examining the relationship between the reengineering factors such as intangible resources and organizational performance, it has been posited that there may exist some key moderating variables that are important issues to research (Wade and Hulland, 2004).

A moderator variable is a qualitative/quantitative variable that affect the direction and/or strengthen of the relationship between an independent or predictor variable and dependent or criterion variable (Baron and Kenny 1986). The moderating variable of great interest is organization IT capability and its influence on the intangible resources (BPR factors) performance relationships (Liu, Liu, and Hu, 2008).A high level of IT experience enables the smooth implementation of the organization strategy, develops reliable and cost effective systems for the organization, and anticipates customer needs (Bhatt & Grover, 2005). Clark (1997) noted that IT experience in combination with other I.T elements directly determines an organizations ability to rapidly develop and deploy more innovative techniques to enhance performance.

The role of IT capabilities in enhancing organizational performance is well established in the literature. Various I.T studies suggest I.T capabilities provide a basis of gaining competitive advantage and enhancing organizational performance (e.g. Santhanam& Hartono, 2003; Bhatt & Grover, 2005). Floyd et al (1990) contend that I.T capabilities enhance service reliability, reduce transaction errors and increase consistency in performance. Further contentions are that capabilities can contribute to enhancing service quality through better customized or individualized services, and in creating knowledge links for identifying and sharing organizational expertise (Quinn et al., 1994). Tippins and Sohi (2003) argued that I.T capabilities which is also known as I.T competency enhance performance through an elimination of inefficiency, reduction of long term cost, improve service reliability and reduced transaction errors.

Performance of an organization is a complex interrelationship between seven performance criteria namely effectiveness, efficiency, quality, productivity, quality of life, innovation and profitability. Though the right method to determine high performance has not surfaced, the quest to find it continues. 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. (Hammer, 1990).

2.3.1 BPR, Organizations Productivity and Cost Efficiency

BPR is used by most firms to improve performance substantially on key processes that impact customers.BPR reduces costs and cycle time by eliminating unproductive activities and the employees who perform them. Reorganization by teams decreases the need for management layers, accelerates information flows and eliminates the errors and rework caused by multiple handoffs .Productivity is defined as ratio of output to input for a specific production situation. Productivity changes can be caused by either improvement on best technology or changes in level of efficiency. Performance measures can be used to tract productivity over time.The concept of productivity is closely linked with efficiency. Rising efficiencies would therefore imply rising productivity.

Equally the shift outwards of a production frontier also implyperformancegrowth. Reengineering key processes may produce tangible benefits such as cost savings and other improvements. However the cumulative sum of these benefits is not enough to declare success. Traditional theories of planned change have taught that radical changes in some systems produce quick desired outcomes but also cause stress and overload which hasten system failure. (Schlottmann, A., *et a*l, 2004).

2.3.2 BPR Customer satisfaction and Employee Motivation

The key driver of BPR is ensuring customer satisfaction. In reengineering the forces behind the reengineering were characterized as 3Cs namely customer, competition and change. Customers have become much more sophisticated and demanding, they have much greater range of alternatives, are much more knowledgeable about their own need and are exerting even greater pressure on their suppliers.Organizations that are not customer oriented are metaphorical ship sailing without direction and purpose. Effective BPR gears an organization towards offering excellent customers service resulting in standardized and consistent delivery. This enables the business to succeed irrespective of the economic climate or latest technology trends.

The application of BPR is intended to have a positive impact in the organization and cause it to have quantum leaps in turnover. BPRresults into combination of jobs, employee involvement in decision making several jobs get down simultaneously (Davison, 2000)Processes will have multiplier versions which enable economies of scale that ultimately result from mass production yet allowing customization of products and services.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the study methodology followed towards attainment of the objectives. This chapter sets out various stages and phases that was followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. This section is an overall scheme, plan or structure conceived to aid the researcher in answering the raised research question.

In this stage, most decisions about how research was executed and how respondents were approached, as well as when, where and how the research was completed. Therefore in this section the research identifies the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections are included; research design, target population, data collection instruments and finally data analysis.

3.2 Research Design

Research design refers to the method used to carry out a research. Case study design was applied. It was found to be ideal as it allowed an in depth examination of the problem. This would help exposing underlying principles as it would provide a systematic way of collecting data, analyzing information and reporting results. An effective research strategy depends on the research problem, time available for target completion, cost as well as skill.

The research designed in form of a case study of Kenya Commercial Bank. The researcher opted to study Kenya Commercial Bank since it is the largest commercial bank in the East Africa.

3.3 Data Collection

Primary Data for this study was collected using a semi-structured interview guide.

The structured questions was used in an effort to conserve time and money as well as to facilitate in easier analysis as they are in immediate usable form; while the unstructured questions were used so as to encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information. Primary data was supplemented by secondary data collected from published sources such as newspapers, websites, annual financial statements and the financial performance data available at the Nairobi Stock Exchange.

The targeted respondents for this study were 5 senior managers of the KCB Ltd. The researcher sought permission from the banks Human Resource Department before engaging in the data collection process. This was facilitated through a letter of introduction from Nairobi University, introducing the researcher as a Masters student at the institutions.

3.4 Data Analysis

Data analysis involves reducing accumulative raw data to manageable size, developing summaries, looking for patterns and applying statistical techniques. For this study content analysis was used to analyse the data collected and information was derived from the data thus collected. Content analysis is a technique for making inferences by systematically and objectively identifying specific characteristics of messages and then relating the themes. Cooper and Schindler (2008), point out that content analysis measures the semantic content or the "what" aspect of the message. Its breadth makes it a flexible and wide ranging tool that may be used as a methodology or as a problem specific technique. The data was then analyzed to bring out specific issues about BPR and performance of KCB.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis and findings of the study as set out in the research methodology. The method of data collection was done through an interview guide which was developed in line with the objective of the study. The research objective was to find out if there was any significant relationship between business process reengineering practices and KCB's organizational performance.

The researcher intended to collect data from Kenya commercial Bank top management team who included Divisional directors of Finance, strategy and research,Business process reengineering ,Information Technology and retail banking but due to time constraints and lack of response from the senior management team, the researcher opted to interview managerial representatives from this departments. The respondents were specifically chosen since they had in-depth knowledge of the bank and its procedures and had actively been involved in the BPR project in the bank. Thus, primary data was collected from the KCB respondents and supplemented with secondary data from past research literature, website, journals, KCB website and business review magazines

4.2 General Information

The researcher considered background information of the respondents who took part in the study. The researcher opted to exclude academics since academics could not show evidence of experience in BPR projects within/with real organizations instead the respondents were asked how long they had been with the bank. The length of time was meant to give information as to whether the respondents were sufficiently conversant with the issues relating to the bank. It was assumed that the longer the respondent had been in the bank then they could truly been in a position to comment on BPR and the banks performance. From the interview conducted all the respondents had been with the bank for between 5-10 years.

The fact that all the respondents had been with the bank for 5 to 10 years means that the bank had persons who are well conversant with the bank and the industry it operates or that the employee satisfaction was high which could be attributed to BPR.The application of BPR is intended to have a positive impact in the organization and cause it to have quantum leaps in turnover. Appropriate application of BPR results several jobs being combined into one,employees become more involved in decision making,steps in business process are performed in a natural order and several jobs get done simultaneously (Davison 2000).

4.2.1Participants Profile

The researcher asked general questions to determine the respondents' profile and to assess their expertise in BPR.4 out of the 5 respondents had more than 5 years' experience in Business Process reengineering albeit earlier the department was referred to as Organization and methods. The respondents had participated in Cross Functional process improvement Team projects more than once. Cross functional process Team as stated by one of the respondents is a team gathered from several departments or even suppliers who come together to consult on how a business process can be made better or how an idea can be converted to become a reality .

The respondents were thenasked the roles the participants took in most BPR projects they were involved in. The results implied that most respondents were either business consultants or project managers allowing for an even better validation of the interview results. After all, the participants' experience in BPR projects allows them to see the "big picture" and not only the partial details of, say, the IT part of the project. A closer analysis shows that most respondents indicated having fulfilled three roles or more. This might be related to their relatively long experience in the BPR field and thus different roles they might have undertaken.

4.3 Business Process Reengineering Practices

The respondents were asked to give their understanding of BPR.This was meant to confirm their understanding of the term before we delve further into discussing its impact or lack of it in the bank's performance.The respondents demonstrated an understanding of the term. One of the respondents stated that it is a tool used to gain a competitive advantage by analyzing business processes and adjusting them accordingly to meet the changing needs of the environment.whilst other respondent stated that BPR is a tool used to ensure efficiency in bank operation, fastturnaround time in processing customer application loan, reduction of cost to income ratio and job satisfaction for internal customers who are the bank employees.

The respondents were then asked if they were in support of the BPR project and if it was necessary.Most if not all stated that the rate of change in the banking industry was fast coupled with changes in competitioncustomer and technology; the 3c's that is change, customer and competition which formed basis of BPR.This observation implied that organizations are operating in an ever changing environment in the area of competition, customers' tastes and preferences and development 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.Majority of the respondents agreed that willingness to challenge methods and assumptions is directly relevant to achieve process improvement and hence meet customer and or organizational demands.

The researcher sought to determine the BPR practices being implemented at the bank. The researcher had a list of practices that the respondents were asked if they had the practice and if they did why they chose the particular practice and if not whythey didn't apply the practice. From the interview findings the most used practices stated by the respondents were: Task elimination in which unnecessary tasks from a business process are eliminated ;Task composition defined as combining of small tasks into composite tasks and dividing large tasks into workable smaller tasks ;Integral technology which is elevation of physical constraints in a business process by applying new technology;re-sequencing involved Moving tasks to more appropriate places, Specialist-generalist Consider to make resources more specialized or more Generalist.

Interestingly as found in other past similar research done most participants agreed that they would mostly focus on the customer, the product and the information components when redesigning a business process. We might therefore conclude that in order to obtain a business process which aims to become more customers'-oriented (good service, good product, and good information flow), consultants need to focus primarily on the operational and behavioral views of a business process, as well as on the structure of the processes. From the interview findings the researcher noted that the least favorable practices were order assignment (Let workers perform as many steps as possible for single orders) the numerical involvement (minimize the number of departments, groups and persons involved in a business process)and the empower rules (Empower which is defined as giving workers most of the decision-making authority and reduce middle

management) Some clues to clarify their low-ranking might be found in some participants' comments about the relevant best practices.

On the order assignment best practice the respondent noted that the practice is never used sincesegregation of duties may limit the stages that one operative can perform as may the limit of an individual employees training. Simply having one operative do more of the process is not necessarily an improvement. On the "numerical involvement another participant stated that core processes cuts across department and invite the group to work together. Finally, on the empower practice which is give workers most of the decision-making authority and reduce middle management the same participant justified the non-usage of the rule by stating that this involves redefining the organization's structure and governance authorities.

4.3.1BPR and Performance

The research sought to find out the respondents perception of organizational performance and if BPR practices was a contributing factor in KCB's performance. The respondents had divergent views of what performance is.One of the respondents stated that organizational performance was the fast and efficient execution of tasks, reduction of cost to income ratio. Basically he meant that Organizational performance measures allow companies to focus attention on areas that need improvement by assessing how well work is done in terms of cost, quality, and time. The other respondent based his definition on approaches to organizational performance measurement that encompass different stakeholders' perspectives (Tangem, 2004). The multi-model performance framework

(MMPF) model by Weerakoon (1996) that has four-dimensions including employee motivation, market performance, productivity performance, and societal impact, and covers the satisfaction of various stakeholders such as customers, investors, employees, suppliers, and society.

The respondents where then asked if there was any significant relationship between KCBs performance and BPR practices. Majority of the respondents felt that though there was no direct link into BPR practices on financial performance but non-financial performance of the bank BPR had played a major role. On the BPR initiation the bank main focus was on streamlining cost, streamline of its processes, reduction of operational cost, customer and employee satisfaction objectives which hitherto the BPR project had meet. From these findings we note that there are many possible benefits from reengineering that translate into improved organizational performance. Literature reveals there is a wide possibility of benefit from company innovativeness on performance a multiple dimensional scale of performance measurement offers more comprehensive operationalization of organizational performance than on uni- dimensional approach.

Based on these findings the research was able to validate earlier findings. Much of the strategic management literature has focused on the relationship between BPR and performance and considered environment as moderator of that relationship. However, when examining the relationship between the reengineering factors such as intangible resources and organizational performance, it has been posited that there may exist some key moderating variables that are important issues to research (Wade &Hulland, 2004). A

moderator variable is a qualitative/quantitative variable that affect the direction and/or strengthen of the relationship between an independent or predictor variable and dependent or criterion variable (Baron & Kenny 1986). The moderating variable of great interest is organization IT capability and its influence on the intangible resources (BPR factors) performance relationships (Liu, Liu, & Hu, 2008).Thus from the findings we can state that BPR practices indeed has contributed to organization performance at the bank.

4.3.2 Factors Determining the Effectiveness of BPR

Al-Mashari and Zairi (1999) findings revealed that 70% of the BPR fails during the implementation because of lack of planning and proper measures. Findings from literature indicated that most organizations that had embarked on BPR project did not achieve the promised dramatic performance. Thus the researcher sought to find out from the respondents some of the critical success factors that was employed at the bank to ensure successful implementation of the BPR project.

Some of the responses the researcher found was that the causes of failure mainly include not proper implementation and high expectation for BPR. For successful implementation of this radical change process it is necessary to insure that change is properly communicated, human workforce of the firm are taken on board in discussion and radical change, teams that are going to perform BPR are empowered to make sure a proper teamwork, workforce is trained and educated about the change, committed and strong leadership, and adequate resources are provided to make sure process is run smoothly.

Other respondents cited management commitment, less bureaucratic and flattered organizational structure, good Project Management, Customer Focus, Effective process redesign,adequate financial resources, Information technology (I.T) infrastructure are essential elements to the successful transformation process.

Based on this findings it's important to note that similar to any other management approaches, the successful implementation of BPR depend on how well it can be fitted to the bank/companies cultural norms, and information technology (IT) suggested by (Davenport & Short, (1990); Hammer and Champy (1993); Murray and Lynn (1997); Al-Mashari and Zairi, (1999); Bhatt (2000); Khong and Richardson, (2003); Attaran (2004); Ahmad, Francis and Zairi, (2007).Reengineering in a bank should be undertaken as a project, the project management expertise of IT department become a key ingredient in the success of reengineering. The IT capability includes both the technical and managerial expertise required to provide reliable physical services and extensive electronic connectivity within and outside firm.

4.4 Discussion

From the research findings there was clear indication of need for reengineering. As the basis of competition changes from cost and quality to flexibility and responsiveness, the value of process management has to be greatly considered. With the concurrent changes of customer expectations, technological discontinuities, increasing environmental uncertainties organizations have to make right strategic choices 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 current business processes in order to achieve improvement in performance. Firms must now 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.

From the research findings, it revealed that throughout the period under consideration, Kenya Commercial Bank considered reengineering its business an important strategic tool to enable it meets its mission of moving from good to great thus enhance its performance. From the analysis, it is discovered that reengineering a business has a significant positive effect on organization performance .The four measures of performance on effectiveness of BPR that were met are consistent and standardized service delivery, quality in which BPR ensures processes are simplified and streamlined, cost effectiveness and speed in which BPR enhances turnaround time of processes. A general conclusion that can be drawn from this study is that the many findings from literature which hold the view that Business Process reengineering entails the critical analysis and radical redesign of existing process to achieve breakthrough improvements in organizational performance cannot be doubted.

The research findings also indicate that for effective BPR innovations and organizational change is necessary. It was also noted, BPR typically affects various variables in the organization such as people, employees, business, technology etc. Lastly,

Business process reengineering has become useful weapon for any organization 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. From the research findings we can thus state that though BPR does not totally contribute to high performance of organization that has implemented it though it plays a significant role in a firm's performance.

Similar to previous studies carried before examining the relationship between the reengineering factors such as intangible resources and organizational performance, it has been posited that there may exist some key moderating variables that are important issues to research (Wade and Hulland, 2004). A moderator variable is a qualitative/quantitative variable that affect the direction and/or strengthen of the relationship between an independent or predictor variable and dependent or criterion variable (Baron and Kenny 1986). The moderating variable of great interest is organization IT capability and its influence on the intangible resources (BPR factors) performance relationships (Liu, Liu, and Hu, 2008).Thus we can conclude that though there is a significant relationship between BPR practices and organizational performance but moderating variable such as environment and IT capability affects this relationship.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presented the summary of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused to establish if there was any significant relationship between BPR practices and KCB's performance.

5.2 Summary

The researcher targeted to interview 5 senior Divisional directors but instead managed to interview 4 middle managers who were representatives from the targeted departments. The respondents were chosen on the basis of their involvement in the BPR projects thus were able to provide appropriate and relevant feedback. From the feedback it was evident that there is need for organizations to reengineer and make dramatic improvements in their ways of doing business for various reasons for mostly to stay even and remain relevant in an ever changing environment. Customers' demands are also changing and there is need for organization 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 improvement.

The role Information technology was seen as very important as an enabler and not he driving force of the change.Most of the respondents agreed that IT eases the process. The growing of business dependence on information technology both operationally and strategically require the need to focus on value-creating intangible issues of IT capability,

such as process effectiveness, IT experience and innovation. IT management experience and competence is expected to show stronger leadership skills and commitment in organizations .Building upon the knowledge-based theory, it is argued that the ability to blend business and IT knowledge, operational experience for innovation and competence through a variety of strong intra-organizational relationships lies at the heart of firms' superior ability to understand the potential of information technology to enhance performance.

Various factors that influence successful implementation of BPR was observed use and utilization if IT was considered an integral part of BPR. Other major success factors in BPR are improving cross functional communications and management support. Among various barriers, resistance to change and new ideas (creativity) are major obstacles. The researcher suggests improving technology and business process by utilizing firms resources, take corrective actions while keeping the existing culture in mind.

5.3 Conclusion

In today's business world with rapid change and global expansion, the trends are also changing. Companies are shifting from product centered approach to customer oriented approach. Therefore the priorities are also changing and the companies are trying to satisfy their customers to deliver what they want in terms of values. Thus, to meet customer's need and expectation and to get competitive advantage, a need to change in existent process arises. Companies need to identify the tasks that are unnecessary, causing delay and inefficiency, identification of areas and jobs that can be reengineered

with the help of developed and up to date technology. Thus, BPR provides roadmap to achieve organizational goals that results in profit optimization and productivity enhancement.

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. Business Reengineering Process has helped in the achievement of the organization over-all objectives. 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.

The research findings revealed that throughout the period under consideration KCB has considered reengineering an important issue as a result of adopting newly technology equipment that can enhance performance of a business. The bank actually set up a BPR department.From the analysis, it is discovered that reengineering a business has a significant positive effect. One general conclusion that can be drawn from this research 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 research findings show that business process reengineering requires innovations and organizational change, in order to be successful. Also as a matter of fact, Business Process Re- engineering as founded from the respondents it typically affects various variables in the organization such as people, employees, business, technology etc. 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.

5.4 Recommendation for Policy and Practice.

First the study recommends that, the banks should ensure that there are effective channels of communication of change initiatives at all levels of the banks. This can be achieved through change of the banks strategic approach to change. Secondly, the researcher recommends that the leaders should also ensure that there exists strong coordination between managers, employees and other stakeholders in the management of strategic change. This can also be achieved through concerted efforts of working as a team.The researcher noted that BPR was largely a managerial concern and most low level employees didn't even know the existence of BPR.

For successful implementation of BPR the research recommends employees to be encouraged to rapidly adapt to the new IT, assimilate IT knowledge and apply it in their daily routines, which is beneficial for the improvement of organization performance. According to Knowledge based view (KBV) systems of knowing refers to structures of interaction among team members for sharing their perspectives, pooling of knowledge, and development of shared understanding. It is suggested that systems of knowing provides forums for top management team members that exchange their strategic IT and business knowledge, and blend them together to foster higher levels of IT diffusion within the organization. For managers, a frequent interaction between other top management team members enables them to achieve timely information with regards to organizational business, thus to plan and deployment IT to align with organizational business process, improve firm performance through the investments in IT. It is found that IT-related information could be disseminated more effectively between the manager and the top management (CEO) through richer channels of communications, and this greater interactions in different IT forums is proved to have favorable influence on firms' IT success.

5.5 Limitation of the Study

During the study a number of limitations were encountered by the researcher. The bigger challenge was time limitations by the respondents. The respondents due to their tight schedule allocated very little time thus the researcher could not inquire very deeply into a number of issues.in addition some of the respondents were hesitant in divulging all the information despite being assured of anonymity and the use of the data only for educational purposes.

The study was undertaken as a case study of Kenya commercial bank and may therefore not reflect the application of BPR practices in other banks .Most banks despite offering similar products the individual banks mostly custom make their products tailored to competitively meet with theirclient's preferences as well as boost profitability and market share

5.6 Areas for Further Research

This study was in case study of only one commercial bank, Kenya commercial bank. Furtherresearch is recommended in the Kenya banking industry as a whole .This would show different applications of business BPR adopted by the banks in the industry or it would help in knowing whether each bank applies BPR uniquely and specific to its internal environment.

5.7Implication on policy, Theory and Practice

The findings in this study will be beneficial to scholars in BPR to identify gaps that need to be compounded on. This study will also enrich the scholarly article on BPR.The study will be of great use to government institutions such as treasury and ministry of finance in coming up with different policies and regulations in improvement of the banking industry in Kenya.

REFERENCES

Al-Mashari, M., &Zairi, M. (1999). BPR implementation process: An analysis of key success and failure factors. *Journalof Business Process Management,5(1),* 87-112.

Ascari, A., Rock, M., & Dutta, S. (1995). Reengineering and organisational change: Lessons from a comparative analysis of company experience. *European Management Journal, 13(1),* 1-30.

Al-Mashari, m., Zairi. I, & Mohamed, Z. (2001).Business Process Reengineering: A survey of international experience .*Business Process Management Journal, 7,(5),437-455.*

Aggarwal, S. (1998). Re-engineering: a breakthrough or little new? *Journal of Socio-Economic Planning Science*, 32(2), 155-67.

Ahmad, H., Francis, A., &Zairi, M. (2007). Business process reengineering: critical success factors in higher education, 13(3), 451-467.*Business process management journal.*

Attaran, M. (2004).Exploring the relationship between Information Technology and Business Process Reengineering. *Information &Management journal, 41(5), 586-589.*

Bharadwa, J., S. (2000). A resource based view perspective on information Technology capability and firm performance: An empirical investigation. *Quarterly, 24,162-169.*

Bhatt, G., D. (2000). Exploring the relationship between information technology infrastructure and business process reengineering. *BusinessManagement Journal, 6(2), 139-163.*

Bontis, N. (1998). Intellectual capital: an exploratory study that develops measures and models. *Management decision, 48*(9), 63-67.

Bontis, N., Chua, C. K., & Richardson, S. (2000). Intellectual capital and business performance in Malaysian industries. *Journal of Intellectual Capital. 1, 85-100.*

Cameron, K., S. (1986). Effectiveness as paradox: Consensus and conflict in conceptions of organizational effectiveness. *Management Science, 32(5), 539- 553.*

Gomes, CF., MM.Yasin., &Lisboa, JV. (2004).An examination of manufacturing organizations performance evaluation: analysis, implications and framework for future research. *International Journal of Operations & production Management 24* (5)488-513.

Coase, R. (1937). The nature of the firm. *Economica (Black publishing)* 4(16):386-405.

Cheng, M. Y., Tsai, M. H., & Xiao, Z. X. (2006). Construction management process reengineering: Organizational human resource planning for multiple projects. *Automation in Construction, 15,* 785-799.

Cheng, T. C. E., & Chiu, I. S. F. (2008). Critical Success Factors of Business Process Re-engineering in the Banking Industry. *Knowledge and Process Management, 15(4), 258-269.*

Chandler, A .D. Jr. (1962). Strategy and Structure. Cambridge*; The MIT Press.*

Corner, K.R., Prahalad, C. K. (1996). A resource based theory of the firm: Knowledge verses Opportunism. *Organization science; 7 (5*) pp.477-501.

Davenport, T.H., & Short, J.E. (1990). The new industrial engineering: Information technology and business process redesign. *Sloan Management Review, 31(4*), 11-27.

Davenport, T. H. (1993). Process Innovation: Reengineering Work through Information Technology. *Harvard Business School Press.*

Dawe, R. (1996). Systems are people to transportation and distribution. *Harvard Business Review, 37, 86-90.*

Dess, G. G., & Robinson, R. B. (1998). Measuring organizational performance in the absence of objective measure: the case of the privately held firm and Measuring organizational performance in the absence of objective measure: *The case of the privately held firm and conglomerate business Unit., 5(3),* 265-274.

Disii, M. (2011), *implementation of business process reengineering and benchmarking at Kenya Ports Authority:* Unpublished MBA Project University of Nairobi.

Hammer,M., &Champy, J. (1993). *Reengineering the Corporation*. New York: Harper.

Gay, L.R. (1981). *Educational Research: Competences and analysis and application*. Howell Company. Columbus, Toronto, London.

Graham, R. S. (2010).*Business Process reengineering: Strategies for occupational health and safety.*

Hesson, M. (2007). Business process reengineering in UAE public sector. A naturalization & residency case study. *Business Process ManagementJournal.13* (5):1463-7.54.

Hall, G., Rosenthal, J., & Wade, J. (1993). How to make reengineering really work. *Harvard Business Review*, 71(6), 119-31.

Hayes, J. (2000). The Theory and Practice of Change Management. New York: Palgrave.

Howcroft, B. (2005). An Insight into Bank Corporate Strategy: A Lloyds TSB Case.

Study.*Thunderbird International Business Review, Vol. 47*(3) 365–380, May–June 2005.

Hunderson, D. (2005). The role of Business in the world Today", *Journal of corporate citizenship*.*Vol.17*, pp.30-32.

Kirby, Julia. (2005). Toward a Theory of High Performance. *Harvard Business Review.*

Johannessen, J., Olaisen, J., & Olsen, B. (1999). Strategic use of information technology for increased innovation and performance. *Information Management & Computer Security, 7(1*), 5-22.

Khong, K. W., & Richardson, S. (2003). Business process reengineering in Malaysian banks and finance companies. *Managing Service Quality, 13(1), 54-71.*

Khong, K. W., &Mahendhiran, N. (2006). The effect of customer service management on business performance in Malaysian banking industry: an empirical analysis. *Asia Pacific Journal of Marketing and Logistics, 18(2), 111-128.*

Wei , KK. , M Nair. (2006). The effects of customer service management on business performance in Malaysian banking industry: anempiricalanalysis. *Asia Journal of Marketing and Logistics* 18 (2), 111-128.

Li, E. Y., Chen, J. S., & Huang, Y. H. (2006). A framework for investigating the impact of IT capability and organizational capability on firm performance in the late industrializing context. *International Journal of Technology Management, 36(123), 209-229.*

Liu, Y. M., Liu, H. J., & Hu, J. H. (2008). IT Competence as Moderator between IT Investment and Firm Performance. *Tsinghua Science and Technology, 13(3), 329-336*.

Lyles, M. A., & Salk, J. E. (1998). Knowledge acquisition from foreign parents in international joint ventures: an empirical examination in the Hungarian context. *Journal of International Business Studies, 27(5), 877-904.*

Linden, R. M. (1994).*Seamless Government, A practical guide to Reengineering in the public sector*.An Francisco: Jossey-Bass Inc.,

Lusch, R. F., Laczniak, G. R. (2009). Macro-Environmental forces, marketing strategy and business performance. A future approach*" Journal of the academy of marketing science, Vol.17* pp.283-95.

Lyaga, S. S. (2006). *An investigation on the X-efficiency of Commercial Banks in Kenya.* Unpublished MBA Project University of Nairobi.

Luftman, J. & T-ben-zvi. (2009). Key issues for IT executives: Difficult Economy's Impact on IT. *MIS quarterly executive 9(1*); 2003-213.

Lotfollah, N., Ziaul H.,Seyed M .A &Saedreza, H.(2012).Impact of IT on process improvement: *Journal of emerging trendsin computing and information sciences 3, (1).*ISSN 2079-8407.

Mahoney, J., &Pandian, T, J. R. (1992). The resource based view within the conversation of Strategymanagement. *Strategic management Journal; 15, (5)*pp. 363-380.

Michael Hammer, (1990, July-August). Reengineering Work: Don't Automate, Obliterate. *Harvard Business Review*, 104.

Mugenda, O. M., &Mugenda, A. G. (2003). *Research methods: Quantitative and qualitative approach*. Nairobi: Acts Press.

Murphy, G. B., Trailer, J. M., & Hill, R. C. (1996). Measuring performance in entrepreneurship research. *Journal of Business Research, 36(1), 15-23.*

Meyer, H., & Utter back, J. (1992). Core competencies, product families and sustained business success. *Working paper Sloan, 3,* 410-492.

Mintzberg, H., & Quinn J. B., (1994). *The Strategy Process: Concepts and Contexts*. Prentice-Hall.

Mutua, O.N.(2008). *Employee perception on the effects of BPR on performance of MARA-ISON Technologies*. Unpublished MBA Project University of Nairobi.

Samia, M. Siha., &Germaine H. S. (2008). Business process improvement: empirical assessment and extensions. *Business process Management Journal, Vol 14 Iss: 6,* pp. 778-802.

Namchul, Shin.,& Donald, F. J. (2002). Business Process Reengineering and performanceimprovement: The case of Chase Manhattan Bank. *Business Procurement .Management Journal 8 (4):351-363.*

Ozcelik, Y. (2009).Do business process reengineering projects pay off? *UnitedStates international journal of project management.*

Peppard, J., & Fitzgerald, D. (1997). The transfer of culturally-grounded management techniques: The case of business process reengineering in Germany. *European Management Journal*, 15(4), 446-60.

Petrozzo, D., & Stepper, J. (1994). *Successful Reengineering*. New York: Van Nostrand Reinhold.

Peter, O., &Sohal, A., (1999).*Business Process reengineering a review of recent literature Technovation* 19,571-581.

Pearce, J.A., & Robinson, R.B. (1997*). Strategic Planning Forecasting Tools and Techniques,* 6th ed. Chicago: Irwin.

Penrose, E.T. (1959). *The theory of the Growth of the Firm*. New York: John Wiley.

Roberts, L. (1994). *Process Reengineering: The Key to Achieving Breakthrough Success.* Milwaukee, Wisconsin: ASQ Quality Press.

Prescott, Edward C. (1986). Theory ahead of business-cycle measurement. *Quarterly Review,Federal Reserve Bank of Minneapolis, Issue* Fall p 9-22.

Reynold E., & Philip, J. L. (2001).Retail Bank and services Strategy: A model of traditional Electronic and mixed distribution choices. *Journal of management Information Systems, Fall*2001, Vol 18, No.2, pp 129-152.

Sharma, M. (2006). Business Process Reengineering: A Tool to further Bank Strategic Goals. *Journal of Management Information Systems* 12: 1.

Saunders, N., Lewis, P., & Thorn, H.H. (2002). *Research Methods for Business Students.* (2nd Ed.). Great Britain, Pitman Publishing.

Siami, Z.A. (2006).Role of electronic banking services on the profits of Jordanian Banks*American Journal of Applied Sciences, 3 (9*), pp.1999-2006 Sing, S., Chatwal, S.S,.

Quinn, J. B., Baily, M. N., Herbert, G. R., & Willett, D., et al. (1994). Information technology: Increasing productivity in services*:* Executive commentary. *The Academy of Management Executive, 8(3), 28.*

Ranganathan, C., & Dhaliwal, J. S. (2001). A survey of business process reengineering practices in Singapore. *Information and Management, 39(2), 125-134.*

Rugman, A.M., Verbeke, A. (2000). Edith Penrose's contribution to the Resource Based Views of Strategic Management.*Strategic management Journal; 23, pp.769*-780.

Thompson, A. A., & Strickland, A. J. (2003). Strategic management: Concepts and cases. (13th Ed.).USA: McGraw Hill Publishers.

Orville C. Walker Jr., & Robert, RuekertW. (1995).Organizing for Effective new product development: the moderating role of product innovativeness. *The journal of marketing p48-62.*

Vergidis, K., & Turner, CJ.,&Tiwar ,A. (2008). Business Process perspectives: Theoretical developments vs real world practice. *International Journal of Production Economics 114* (1), 91-104.

Yahyabhoy, T.N., and Yeo, C. H. (2002). *Dynamics of innovation in E-banking* ECIS, June 6-8 Gdansk, Poland.

APPENDICES

Appendix I: Interview Guide

The interview guide is meant to collect information on Business process reengineering practices and performance of Kenya commercial bank.The information provided will be treated as strictly confidential and at no instance will your name be mentioned in this research. This research is intended for an academic purpose only.

SECTION A:BACKGROUND INFORMATION

1. How many years have you worked in the banking industry?
2. How many years have you worked for this bank?

SECTION B: CONTRIBUTION OF BUSINESS PROCESS REENGINEERING

3. What forces are driving that rate of change the banking industry?
4. Willingness to challenge methods and assumptions is directly relevant to achieve process improvement and hence meet customer and/or organisational demands
5. What rate of change is required by players in the financial sector to meet its customer's demands?
6. Is there really need to reorganize/reengineer/restructure
7. Please give your comment on how critical the change process is to an organization

SECTION C: BUSINESS PROCESS REENGINEERINGAT KCB

8. What is your understanding of BPR?
9. How long have you practiced BPR?
10. How many times have you participated in BPR projects at the bank?
11. Has BPR objectives been met at the Bank ?
12. From the list below which is the most commonly used BPR practices at the bank:

    a) Task composition ☐
    b) Task Elimination ☐
    c) Integral ☐
    d) Empower ☐
    e) Order assignment ☐
    f) Re-sequencing ☐
    g) Specialist ☐
    h) Integration ☐
    i) Parallelism ☐
    j) Numerical involvement ☐

13. Please give your comment from the choice given why the practice and if the practice is not implemented why.

SECTION D: BPR PRACTICES AND PERFOMANCE

14. In your opinion is there any significant relationship between BPR and performance of the bank?
15. Has financial performance of the bank affected by BPR?
16. Is the bank operating efficiently and effectively after BPR implementation?
17. Is customer satisfaction affected by BPR?
18. Has employee performance been affected by BPR?
19. Has processes and procedures been developed to ensure financial performance?

THANK YOU

Appendix II: List of Commercial banks in Kenya

1. African Banking Corporation Ltd.
2. Bank of Africa Kenya Ltd.
3. Bank of Baroda (k) Ltd
4. Bank of India
5. Barclays Bank of Kenya Ltd.
6. CFC Stanbic Bank Ltd.
7. Charterhouse Bank Ltd - Under Statutory Management
8. Citibank N.A Kenya
9. City Finance Bank Ltd.
10. Commercial Bank of Africa Ltd.
11. Consolidated Bank of Kenya Ltd.
12. Co-operative Bank of Kenya Ltd.
13. Credit Bank Ltd.
14. Development Bank of Kenya Ltd
15. Diamond Trust Bank (K) Ltd.
16. Dubai Bank Kenya Ltd.
17. Ecobank Kenya Ltd
18. Equatorial Commercial Bank Ltd.
19. Equity Bank Ltd.
20. Family Bank Ltd
21. Fidelity Commercial Bank Ltd
22. Fina Bank Ltd
23. First community Bank Limited
24. Giro Commercial Bank Ltd.
25. Guardian Bank Ltd
26. Gulf African Bank Limited
27. Habib Bank A.G Zurich
28. Habib Bank Ltd.
29. Housing Finance Ltd

30. Imperial Bank Ltd
31. Investment & Mortgages Bank Ltd
32. Kenya Commercial Bank Ltd
33. K-Rep Bank Ltd
34. Middle East Bank (K) Ltd
35. National Bank of Kenya Ltd
36. Oriental Commercial Bank Ltd
37. Paramount Universal Bank Ltd
38. Prime Bank Ltd
39. Savings & Loan (k) Ltd
40. Southern Credit Banking Corporation Ltd.
41. Standard Chartered Bank (K) Ltd
42. Trans-National Bank Ltd
43. United Bank of Africa
44. Victoria Commercial Bank Ltd

Source: Central Bank of Kenya (Licensed Banks 2009)