NEW DEVELOPMENTS HERALDED BY BUSINESS PROCESS RE- ENGINEERING WITH REFERENCE TO THE BANKING INDUSTRY

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Abstract: The Nationalized Banks plays an important role in the financial sector with respect to the customer and operations but after the entrance of foreign and private banks, the customers have several options with differentiated services and products. The changing nature of banking and other financial institutions market forced at all level to re-engineer their business operations. This brought the new trend in Banking Industry. The Banking operations and functions which are intended to meet the challenges are slashing of operating cost, investment in portfolio, outsourcing, payment and settlement of cash for innovative banking services by Business Process Re-engineering.

This objective of this paper is to discuss the impact of Business Process Re-engineering in the organization and that how the performance is affected after the re engineering. This paper will uncover the main impact information technology leads to the performance of the organization after the liberalization.

The paper examined the various .relevant issues of BPR and its impact on Customer's satisfaction. Various issues such as objective of BPR in the Bank, settlement system before and after BPR, other banking services before and after BPR, benefits of BPR, impact of BPR on the customers, employees and performance of the Bank. The following conclusion came out after the study of BPR that "Better Customer Service" is priority.

Keywords: Business Process Re engineering (BPR), Information Technology, Liberalization

INTRODUCTION

Liberalization came in to the effect in 1991 and after that industrial competition has intensified so much that company has to be alert with the other company in the same strategic way otherwise it will fall. So it is now necessary for the company to reinvent themselves by the methodology named "Business Process Reengineering or BPR". Hammer and Champy (1993) says "Business Process Reengineering means starting all over, starting from scratch".

Business Process Reengineering or BPR is defined as the" fundamental rethinking and the redesign to business processes to improve the modern measures of performance of the organization such as cost, quality, service and time". The main objective of the BPR implementation is to rethink and redesign the organization in the modern measures to achieve the performance of the organization. It is a continuous and step by step process in the organization. Sharma (2006) posited that business process re-engineering implies transformed processes thattogether form a component of a larger system aimed at enabling organization to empower themselves with contemporary technologies business solution and innovations. The competitions in the market among the companies are rapid and exhaustive, by which business process helps to meet the challenges. The strategy "how to rethink or redesign" , "how to implement it" , "how will perform it", and " where it should be done" , the only solution is business process and business process reengineering. It can be confirmed that Business Process Reengineering is the continuous analysis process and design of workflow within and between the organizations.

The change brought in the banks by the reengineering is showed in the products and services provided in the new way, the schemes of products in the upgraded manner(such as credit cards, debit cards, hassle free housing loans, fixed deposit etc). The new information technology helped in the integration of the branches and providing better techno services such as Any Time Teller Machine (ATM), e- banking and any time banking.

LITERATURE REVIEW

Business Process Reengineering Defined

Although many Laureate have given several definitions of BPR, all of them bring the same theme of radical change and corporate renewal in the business process.

The definition given by Hammer and Champy(1993) is " Business Process Reengineering is the fundamental rethinking and radical redesign of business process to achieve dramatic improvement in critical contemporary measures of performance such as cost, service, quality and speed." The fundamental rethinking in business process is what to be done and why to be done. This will enable organization to rethink about the rules and regulations and assumptions underlying in the proper way they conduct the business. This results in the organization to eliminate or redesign the rules and regulation in the new design. The redesign is the phase where essential steps have to be taken in the business process. Reengineering in the organization is the design of workforce and analysis and processes between and within the organization. Reinventing the organization is the reengineering. Improving the organization or enhancing it is not a part of reengineering. In reengineering the main focus is to be done on the process and not on the task.

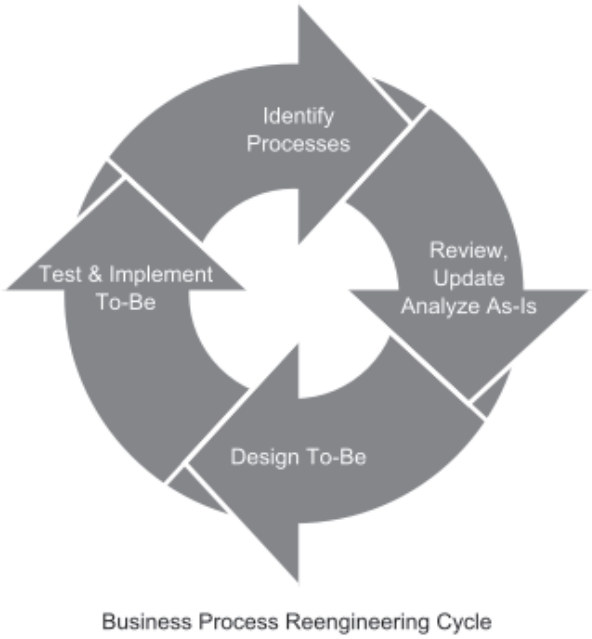


Figure 1: Business Process Reengineering Cycle

Hammer and Clampy (1994) suggests seven "Principle of Reengineering"

1. Organize around results and outcomes, not tasks.
2. Have those who use the output of the process perform the process.
3. Subsume information processing work into the real work that produces the information.
4. Treat geographically dispersed resources as though they were centralized.
5. Link parallel activities instead of integrating their results.
6. Put the decision point where the work is performed, and build the control into the process.
7. Capture information once and at the source.

Elements of Reengineering in an Organization

From the work of Abolo (1997) and Thomas (1996) cited by Ezigbo (2003), the essential element or principles of reengineering include the following:

• Rethinking the theory of the business.

• Challenging old assumptions and discharging old rules that are no longer applicable.

• Breaking away from conventional wisdom and the constraints of organizational boundaries.

• Using information technology not to automatic outdated process but to redesign new ones.

• Externally focus on customers and the generation of greater value for customers.

• Internally focus on harnessing more of the potentials of people and applying it to those activities that identify and deliver values to customers.

• Encourages training and development by building creative work environment.

• Think and execute as much activity as possible horizontally, concentrating on flows andprocesses through the organization.

Steps Involved in Business Process Reengineering

Davenport and Short (1990) prescribe a five-step approach to Business Process Reengineering. These are:

(i) Develop the business vision and process objectives: Business Process Reengineering is driving by a business vision which implies specific business objectives such as cost reduction, time reduction, output quality improvement, quality of work life.

(ii) Identify the processes to be redesigned: Most firms use high- impacts approach which focuses and most important processes or those that conflict most with the business vision. Few number of firms use the exhaustive approach that attempts to identify all the processes within an organization and the prioritize them in order to redesigned urgency.

(iii) Understand and measure the existing process: For avoiding the repeating of old mistake and for providing a baseline for future improvements.

(iv) Identity information technology (IT) levels: Awareness of IT capabilities can and should influence process. This is because IT is a sine qua non to the business process reengineering.

(v) Design and Build a prototype of New Process: The actual design should not be viewed as the end of the BPR process. Rather, it should be viewed as a prototype, aligns the BPR approach with quick delivery of results and the involvement and satisfaction of customers.

Reengineering need people who have different role in the implementation of reengineering in reengineering horizon. The selection of various people in the reengineering is the critical success in the organization. Different people in the organization who play role in the reengineering are:

Leader- The senior level executive who leads and motivates the other in reengineering effort.

Process Manager- The manager who holds the responsibility of the reengineering. It is manager's process which is reengineered

Reengineering Team-The team of the individuals who is dedicated in the reengineering to achieve the result .

Steering Committee- The strategy team of senior level executives who make the strategy for the reengineering and monitor the efforts of the team.

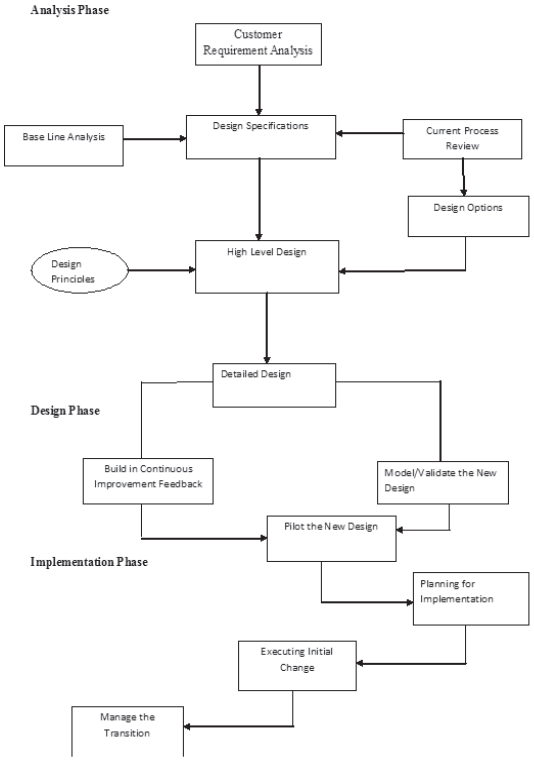
Reengineering" Czar"-The individual who is the responsible of developing tools and technique within the organization to the various reengineering effort . Reengineering Czar hold two important function in the organization, i.e.

1. Enabling and supporting the Reengineering team and Process Manager and

2. CCoordinating the all ongoing activities in the reengineering team.

Implementation of Business Process Reengineering

Business Process Reengineering is treated as a Project; it is not a continuous process i.e. discrete process and onetime event in the organization. So like any other project BPR also have the three phases i.e. an analysis phase, a design phase and an implementation phase. The flow diagram of this business process is given in Figure 2. The model is built on the basic model given by Cross, Feather and Lynch (1994) to the organization



Business Process Reengineering in Banking Industry

In 1998, The Narsimaham Committee restructured the banking sector by up gradation of technology in banks. Specifically the Committee suggested the up gradation of the technology through the process of reengineering in the bank so that employee can make the full utilization of this technology project. Many IT projects are invested in significant amount in the banks to make new change in the working condition among the employees, to meet the global competition in the market and reduce banking risk also. The Return on Investment (ROI) on the technology is the main concern of bank management today. The technology used in the banks is known to all that it is not used for the automating the existing process and procedure but it is used for improving the present process and procedure such as improving mechanism control, reducing the service time and proving facilities among the different services and products to the customer. The profitability of the bank can be improved by keeping all these concerns as cost benefit analysis is over riding and reduction in the cost of services to the customers coupled with the customer services is improved.

Business Process is combination of equipment, resource, people and business procedure to produce the specific result. The following are some of business process reengineering in banks.

- Sanction and disbursal of loan.
- Payment and repayment of Cash.
- Acceptance and payment of demand deposit.
- Handling of Foreign Investment Exchange.
- Transfer of funds of the customers to the units of the banks.
- Maintenance of cash by investment or disinvestment for the statuary requirement.

BPR Projects in Banking Industry

Customer Detail Reengineering

The relation between the bank and customer is no longer just through a few digit account number and some words of name and address that once used to be printed on the face of passbooks. In today's banking scenario, the bank captures the minute details of the customers, some are mandatory(e.g. PAN no, KYC norms), some with the intent for better customer service(Mobile No) and the top most for using the MIS in order to build a good CRM(Customer Relationship Management) with the intent to cross sell their products. Most of the banks follow the practice of creating the Customer Master of a new customer wherein the above mentioned details are captured and thereafter the different banking products(SB/FD/RD) are attached to it.

Branch Cash Reengineering

The banks have been successful in diverting the customer to Alternate Delivery Channels for Cash Transactions. The major turnaround has been with the help of ATM's for Cash Withdrawals. Going forward with these success the Banks are utilizing the I.T to make it more effective by adding more facilities through ATM that includes: Amount Transfer, Bill Payments, Cash Deposit, Tax Collection. All these features have contributed to Reengineering of Cash Transactions.

Service Charge Reengineering

With the Computerization in the Banks, the system is much more transparent and clear for the customers. There are no longer unrealistic and unreasonable charges being charged manually; the charges are now being charged centrally through the Bank Server for each particular transaction, where applicable.

Funds Transfer Reengineering

The transfers of Funds through instruments have been mitigated with the successful utilizations of the Electronic Transfer Schemes such as NEFT and RTGS that are quick in settlements of the interbank funds electronically with comparatively less service charges. There has been value addition with the introduction of CTS 2010 by the banks for electronically clearance of the cheques.

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Centralized Account Holders:

The proverb earlier used as "Branch Customer" no longer exists, after the introduction of Core Banking Solution in the Banks. The customers are now referred as Bank Customers since all the facilities that one customer expects from the base branch is available at any of its Bank branch for him.

Role of Information Technology in the implementation of BPR

Hammer and Champy (1994) defined information technology as an integral part of reengineering as since it allows to re engineer business process to the companies. Whisler (1970) says that information technology as the technology of sensing, coding, transmitting, translating and transforming information. Devenport and Short (1990) says that information technology and BPR have a recursive relationship. IT should support business process and business process should support IT capabilities in the organization. Table shows the Capabilities of IT in Business Process Reengineering.

Capability of IT	Organizational Impact of the Capability
Transactional	IT can transform unstructured business process into standardized transactions
Geographical	IT can transfer information with rapidity and ease across large distance, making business process independent of location
Automation	IT can reduce

	human labor in certain process
Informational	IT can bring vast volume of detailed information into business process
Analytical	IT can bring complex analytical methods to bear on a process
Sequential	IT enables changes in the sequence of tasks in a process, often allowing multiple tasks to be worked on simultaneously
Knowledge Management	It allows the capture and dissemination of knowledge and expertise to improve the process
Tracking	IT allows detailed tracking of status, input and output
Reduction of Intermediaries	IT can be used to connect two parties within a process that would otherwise communicate through intermediaries

Table 1: Capabilities of IT in Reengineering (Thomas H. Devenport and James E.Short, 1990, Sloan Management Review)

Information Technology is central to banking industry. IP based networks and Centralized operations and process automation using core banking application improve efficiency and productivity levels tremendously. Core banking application and services have helped a bank to shift from "branch banking" to "bank banking". The meaning of this really means that a customer will be treated as a bank's customer than just the customer of that particular branch. Also, IP-based networks lets a bank offer various and multiple services over the same network. This will result in cost saving, as bank introduce a welcome kit, a customer comes in to open an account, debit card, credit card, cheque book, Net Banking account, and phone banking account- in a matter of minutes. These services are IT enable. IT provides management skills and expertise in project management, key ingredients in implementing the reengineering.

THE WAY FARWARD

As IT is advancing at very high speed day to day, the future of IT in reengineering is becoming very critical. Prosci Research and Publishing Company conducted a survey among CEOs of 205 companies across the globe. The result concluded that the future role of IT have been identified into three broad categories.

·Participate in the reengineering team of the organization as a member but do not control the project.

· Identify new technology solution to enable new business process and educate operational managers about the new technology.

· Implement new technology solution when needed to the new business processes. While implementing make sure to set expectations and define deliverables clearly.

In integrating business knowledge with technical skills, IT managers and staff have to become Business Analyst, knowledgeable of business needs and able to combine with technical expertise.

By the introduction of internet and e-commerce, businesses are getting closer and easier to the customer day by day. Internet will change the way of business carried out in the future. Reengineering will be more affected by the E-commerce more than the present IT.

CONCLUSION

Without the support of IT, reengineering in the organization is not possible. Information Technology provides the skills and tools needed in the reengineering effort, thus IT is

crucial in the implementation of reengineering. IT has become an integral and an essential part for all reengineering activities in the organization.

1. IT is an important tool as it supports redesigned business process and cross functional workflow in the organization in the organization.

2. Project management skill is provided by the IT, which is important in the implementation of reengineering.

3. The capabilities of IT can be used to reproduce model and thereby validate new design while in the design phase of the implementation of reengineering.

4. IT capability should not influence directly the IT solution needed in the organization.

5. The disruptive power of IT helps to think different and helps to break the rules in the organization, so that company can gain in competitive advantage.

6. The organization's IT infrastructure capabilities should be flexible and adequate because if IT is not used properly then it can become an inhibitor of the reengineering.

In future, companies will not be able to reengineer without the involvement of IT department of the organization. The employees and staff play an important role in the reengineer team of the organization. But companies have to understand that the role of IT in the reengineer activities is not to automate the business processes.

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