

The Impact of Business Process Reengineering Interventions - A Case Study of State Bank of India

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Abstract

With the emergence of global players, the Indian banking industry is facing fierce competition not only at its homeland but also with the international market. Due to continuous changes taking place in information technology, preferences of customers and competition, there is a need to redefine the mission objectives and process of the organization, so that the efficiency and effectiveness of the organization can be improved. While State Bank of India continues to dominate the Indian banking industry and its profits continue to grow, it is coming under increasing competitive pressure. The flattening of the world as a result of networking, information technology and globalization, necessitates SBI to bring out the drastic change in its procedural activities and redesign its business process. Business Process Reengineering aims at making the processes to be focused on producing the desired results. It also aims to be efficient by optimally using the available resources, to be cost effective by minimizing overall costs and should be adaptable by being able to adapt the changing customer and business needs. The present study focuses on business process reengineering interventions implemented in State Bank of India and the changes in the organization structure with special emphasis on Agra branches. The broad objective of the study was to relate the concept of Business Process Reengineering as a tool to enhance the competitive strength of State Bank of India and to improve its functioning to a world class level.

Keywords: Business Process Re-engineering, Redesign, BPR Initiatives, efficiency

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1. Introduction

The present paper focuses on business process reengineering interventions implemented in State Bank of India (with special emphasis on Agra branches) and the consequent changes in the organization structure. The broad objective of the study was to relate the concept of Business Process Reengineering as a tool to enhance the competitive strength of State Bank of India and to improve its functioning to world class level.

2. Business Process Reengineering Defined

Business Process Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as cost, quality, service, and speed¹.

Business Process Reengineering encompasses the envisioning of new work strategies, the actual process design activity, and

the implementation of the change in all its complex technological, human, and organizational dimensions².

A business process is a set of logically related tasks performed to achieve a defined business outcome. The process reengineering is the basis for many recent developments in management. BPR involves eliminating, consolidating, and otherwise altering work activities. Reengineering means to do more with less.

Business Process Reengineering aims at restructuring the processes to produce the desired results. It also focuses on the process to be efficient by optimally using the available resources, to be cost effective by minimizing overall costs and should be adaptable to the changing customer and business needs.

2.1 Business Process Reengineering Interventions for Competitive Strength

Business Process Reengineering is more than just business improving. It is an approach for redesigning the way work is done to better support the organization's missions and reduce costs.

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Any new change or implementation of new policy, strategy or any process in particular requires a deep and extensive study of the existing working of the organization and then proper analysis have to be done. This broad study of the working of organization would help to understand exactly how it is going. Thus the Business Analysis becomes the primary step in developing the competitive strength.

Diagnostic Analysis is the next important step which requires a massive research to understand the areas or fields where the organization is going wrong and also the reasons of going wrong. The major mistakes made by the organization are not to understand the right problems but find solutions to those which are not the problems at all!!

Change has become one constant in business today. Management for change has become concern of every senior business executive striving for his/her organization to be more competitive in this global market place. It was observed that during the change efforts such as downsizing or restructuring the process many of the organizations failed³. To overcome this change should be established as a core value in the organization as well it should be continuously and consistently reinforced. Regular customer feedback, clear and consistent communication from top management to employees about the linkages between corporate profitability and individual as well team accountability and making employees a vital part in decision making are the major aspects that should be kept in mind to meet the competitive strength of the organization.

The linkages between people and process mentioned above will certainly help in sustaining change over time by creating culture of team cohesion, continuous improvement, workplace learning and strong alignment with new organizational goals and objectives⁴. But how to create such links in the organization is the major question? Management of Change is the answer to above raised question. The change can be brought up in two levels – transformational level – the level of leadership, mission, strategy, vision, culture etc and another at transactional level – the level of systems management, management practices, human motivation and employees job i.e. the level where the actual everyday work of an organization is done.

3. Backdrop of SBI going for BPR

With the emergence of global players, the Indian banking industry is facing fierce competition not only at its homeland but also with the international market. Due to continuous changes taking place in information technology, preferences of customers and competition, there is a need to redefine the mission, objectives and process of the organization, so that the efficiency and effectiveness of the organization can be improved.

While State Bank of India continues to dominate the Indian banking industry and its profits continue to grow, it is coming

under increasing competitive pressure. The flattening of the world as a result of networking, information technology and globalization, necessitates SBI to bring out the drastic change in its procedural activities and redesign its business process.

The State Bank of India is country's largest commercial bank and it dominates the Indian banking sector for more than two decades. In the early 1990s, the Indian government laid down a series of reforms aimed at deregulating the banking and financial industries⁵. Because of the new competitors such as ICICI, HDFC and such other private and non government banks and still hold its number one position, State Bank of India was forced to adopt and develop the new methods and technology.

The bank also had been encouraged to increase its branch network, with little concern for profitability. As former, Chairman Dipankar Baku told the Banker in the early 1990s: "In the aftermath of bank nationalization everyone lost sight of the fact that banks had to be profitable time. For the last two decades the emphasis was on physical expansion⁶".

Under Baku, State Bank of India began retooling for the new competitive environment. In 1994, the bank hired consulting group McKinsey & Co. to help it restructure its operations. McKinsey then led State Bank of India through a massive restructuring effort that helped SBI develop a new corporate culture focused more on profitability than on social and political policy. State Bank of India also stepped up its international trade operations, such as foreign exchange trading, as well as corporate finance, export credit, and international banking.

The implementation of new technology helped the bank achieve strong profit gains into the early years of the new century. State Bank of India also adopted new human resources and retirement policies, helping trim its payroll by some 20,000, almost entirely through voluntary retirement.

3.1 BPR Initiatives taken by SBI

On the basis of the suggestions given by McKinsey, SBI has developed a proposal of BPR including structural changes and introducing new concept and processes⁷. The main objective was to maintain parity and edge on the emerging banking institutions. The changes brought are in such a way that the customers interest is guarded and services to them become more attractive, in turn the bank increase its business capacity. The care is being taken to look into its employee's convenience, interest, facilities, congenial and working environment to facilitate smooth running of bank services and transactions.

The State Bank of India has in the initial phase rolled out nine BPR initiatives – migration to ATM, introduction of Grahak Mitra, Retail Assets Centralized Cell (RACPC), Small Enterprise Credit Cell (SECC), Drop Boxes, outbound sales force, Currency Administration Cell (CAC), Micro Market Cell. Mobile Banking, Cross Selling such as SBI Life, SBI ME, General Insurance and

Relationship Management for personal banking and medium enterprises are some more initiatives adopted in second phase. The implementation of BPR surely enhanced the quality and speed of decision making. It also helped in meeting the competition and increases the productivity of the bank.

3.1.1 Impact on BPR Initiatives

The introduction of Core Banking Solution (CBS) and the implementation of initiatives under the umbrella of Business Process Reengineering (BPR) drastically changed the functioning of SBI branches. These initiatives gave a competitive edge. Keeping in view the increasing role of technology in SBI operations, information security system increased. Coupled with the initiatives under the BPR Program, these technology initiatives have become appropriate support mechanisms in place to ensure success. Since effective management of change is a process, an organization needs to be committed to change. With the acceptance of restructuring the bank's processes as well as the layout State Bank of India has vastly improved in its performance,

services as well as in its profitability. State Bank of India strongly believes in improving its quality by adopting the philosophy of "doing it right the first time".

3.1.2 Growth Dynamic

Figure 1-3 clearly indicates the positive impact of Business Process Reengineering initiatives. The Business per Employee which was Rs 45600 in the year 2007-08 increased to Rs 157680 in the year 2014-15. Similarly Profit per Employee increased from Rs 375 in the year 2007-08 which was Rs 615 in 2014-15. State Bank of India has a vast improvement on its deposits and advances also. It used to be Rs 537404 and Rs 416768 in the year 2006-07 which shoots up to Rs 1576793 and 1300026 in the year 2014-15. In 2013-14 there is a sharp decline in the profit per employee which can be attributed to the fact that there was a prolonged slowdown in the general macro-economic condition of the country. Moreover in this year the bank increased the provisioning of the NPAs. But again we can see a rise in the profitability condition of the bank.

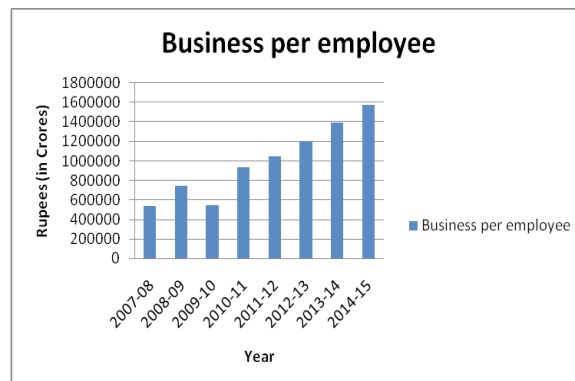


Figure 1. Business per Employee.

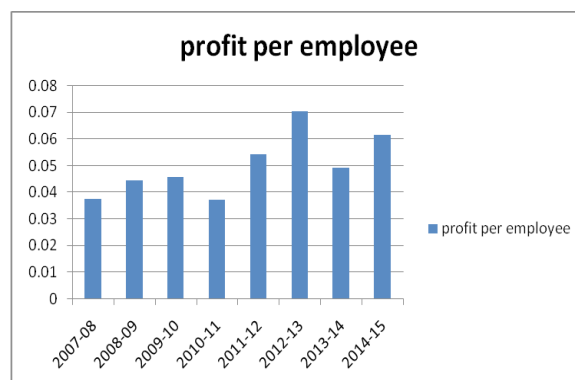


Figure 2. Profit per Employee.

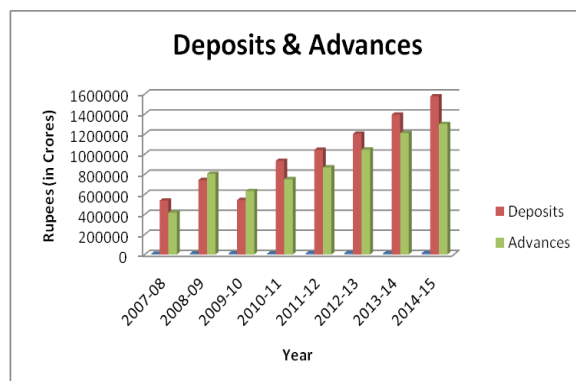


Figure 3. Deposits and Advances.

State bank of India has also been recognized as Best Bank of the Year 2009 by Business India Group, Best Banker of the year for two consecutive years by the banker Magazine and many more⁹. In the year 2013-14 also bank was conferred with many awards for its technology and CSR practices. This clearly indicates that Business Process Reengineering facilitate in quantitative advantages and therefore improves the quantitative strength of State Bank of India.

4. Conclusion

In this ever changing world, the banking scenario is based on experience new changes and as such BPR exercise is a never-ending phenomenon and there would be a continued necessity to review the existing initiatives and take up new ones for sustainable growth of State Bank of India. Let State Bank of India not shatter the aspirations and expectations of its valued customers and maintain its top position.

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