

**BUSINESS PROCESS RE-ENGINEERING AS A STRATEGIC TOOL
IN PERFORMANCE IMPROVEMENT AT APA INSURANCE
LIMITED KENYA**

BY

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DECLARATION

I declare that this research project is my own original work and has not presented to any other institution of higher learning for an award of a degree, diploma or certificate.

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DEDICATION

This research project is dedicated to my parents, Mr. Hasan Mayaka and Mrs. Veronicah Boyani for laying a foundation in my education. Special dedication to my wife Faith Jesang and my sons Liam Aruta & Dylan Aruta for their love and support throughout my study period.

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ABBREVIATIONS AND ACRONYMS

AKI	-	Association of Kenyan Insurers
APA	-	APA Insurance Ltd
BDD	-	Business Development Director
BPR	-	Business Process Reengineering
BSC	-	Balanced Score Card
CBDO	-	Chief Business Development Officer
CEO	-	Chief Executive Officer
CFO	-	Chief Finance Officer
CRM	-	Client Relationship Management
COO	-	Chief Operations Officer
DMS	-	Data Management System
GWP	-	Gross Written Premium
HRIS	-	Human Resource Information System
IRA	-	Insurance Regulatory Authority
IS	-	Information Systems
IT	-	Information Technology
KCB	-	Kenya Commercial Bank
KPA	-	Kenya Ports Authority
KRA	-	Kenya Revenue Authority
LTD	-	Limited

PBT	-	Profit Before Tax
RBV	-	Resource Based View
UAP	-	UAP Insurance Company Ltd

ABSTRACT

The study sought to determine the effectiveness of BPR as a strategic tool in performance improvement at APA. APA insurance underwrites general insurance business in Kenya. APA was established in 2003 after the merger between Pan Africa Insurance and Apollo Insurance general divisions. An interview guide was used to obtain the data that is necessary to achieve the study objectives. An interview guide was used to collect primary data from 5 selected respondents within APA Insurance Limited while secondary data was collected by way of analysis of APA's financial reports as well as IRA and AKI periodicals and industry reports. Content analysis was used to analyze the collected data. From the study findings it is clear that BPR positively influences organizational performance that can be measured using both financial and non-financial indicators. Five critical success factors played a major role in ensuring success in the implementation stage and ensure that the desired outcomes were achieved. One important aspect that clearly came out is that the support of the senior management was of paramount importance in tackling staff resistance which was the key impediment to successful implementation. Earlier and proper communication of the impending changes within APA helped prepare the company for the process before it actually started, winning a lot of support from the entire company. The use of consultants, however expensive could also not be ignored as it greatly contributed to its success. It is also evident that as much as there are benefits of a flatter structure, the new structure created limited opportunities for growth which is a factor for staff turnover. The structure also killed specialization which in the long run may result into deteriorating technical expertise and reduced profitability. The study recommends that in order for APA to enjoy full benefits of BPR in performance improvement, it is important that IT resources be deployed to support efficient processes. Further, the systems used in the transacting insurance business should be fully integrated to ensure full benefits are realized from the available data which is largely disintegrated in various systems. Lastly, there is need to reintroduce technical department for proper controls in underwriting matters.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

In this rapidly changing business environment, it is important that organizations also change the way they do their businesses in order to be competitive. For organizations, just like living creatures, to remain competitive and successful, they must be cognisance of the rapidly changing external and internal environments and respond to their demands. Again, organizations which fail to frequently re-organize themselves are destined for failure, just like living creatures that fail to adapt to the changed circumstances become extinct. From early 1990s, organizations have had reducing returns as they try to improve efficiency and effectiveness through the use of traditional re-organization methods. This has prompted use of more radical approaches to re-organization. Business Process Re-engineering (BPR) is one such radical approach to re-organization (Johnson, *et al.*, 2006).

Hammer and Champy (1993) define BPR as a “fundamental rethinking and radical redesign of business processes in order to achieve dramatic improvements in performance”. It aims at redesigning the work so that it can support better the organization’s objectives while managing costs. Giaglis (1996) argues that this concept BPR has an impact on organizational strategy. Firm’s performance emanating from BPR implementation initiatives should be assessed along the following parameters: turnaround timelines a company takes in service delivery; level of customer service; cost reduction; quality of a firm’s products and services; revenue generated; technology improvement; and a firm’s competitiveness (Hayley *et al.*, 1993).

This study was guided by two theories, namely: Resource Based View (RBV) and Dynamic Capabilities Theory. The RBV looks at how businesses can strategically identify and utilize the scarce resources at the disposal of the firm to gain a competitive advantage over its peers (Penrose, 1959). Such resources include human capital, physical capital and organizational capital which must be reorganized and utilized optimally in order for a firm to achieve its objectives (Penrose, 1959; Wernerfelt, 1989). According to Teece, Pisano &

Shuen (1997), the dynamic capabilities theory complements RBV and has been defined as “*the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments*”. Firms cannot gain sustained competitive advantage by only controlling unique resources: they need to leverage on dynamic capabilities within the organization to quickly sense and exploit emerging opportunities within the competitive business environment profitably (Teece *et al.*, 1997).

This study delved into how BPR has been strategically used to improve performance at APA Insurance Ltd. Just like all the other insurance industry players and the financial services sector at large, APA has faced many challenges such as stiff competition from both existing and new entrants; globalization; changing industry regulatory environment; changing consumer demands; increased litigious environment; high cost of doing business; changing market dynamics; desire to improve efficiency in service delivery among others (Association of Kenya Insurers[AKI], 2016). These challenges and the changing dynamics in the insurance industry coupled with the desire of profitable growth made it necessary for APA to strategically re-engineer its operations to respond to the changing business environment.

1.1.1 Business Process Re-engineering

BPR entails fundamental rethinking and radical redesigning of business processes so as to gain dramatic improvements in critical contemporary measures of performance such as cost, quality, service, and speed (Hammer and Champy, 1993). BPR aims at achieving dramatic improvements in performance and not small frequent and gradual improvements brought about by the traditional approaches to process improvements (Davenport, 1993). This brings about radical changes to organizations, changes that are meant to produce sudden large changes in productivity and profitability if appropriately administered (Hammer and Stanton, 1995).

The characteristics that distinguish business process reengineering from other forms of process improvement include: cross-functionality; radical change; operations across the organization; paradigm shift and involvement in innovative technology (Tsang, 1993). The

emphasis however should be on value addition in every activity and creation of a competitive strategy for an organization (Porter, 1983).

Hammer (1990) further points out that process management plays a critical role in creating sustainable competitive advantage through BPR. This is in line with a firm's ultimate aim of achieving its strategic goals as laid down in its strategic plan. The end result of BPR include improved service delivery through reduced turnaround times; reduced costs; increased competitiveness; increased revenues; improved product quality as well as technological advancement. The insurance sector's competitiveness and dynamic market leaves firms operating in the sector with little option but to continually create, implement, assess and improve on their strategies so as to remain relevant and competitive.

1.1.2 Firm Performance

The objectives of BPR are: delivery of more value to customers by rethinking of existing business processes, use of technology for improved dissemination of information and decision making and redesigning the functional organization into cross-functional units (Al-Mashari *et al.*, 2001). Successful BPR needs mapping of performance against the predetermined process objectives for an impact to be felt within a firm. Kaplan and Norton (1992) argue that the diversity of results that emerge from BPR require a multidimensional measurement of its impact on organizational performance. Therefore, Kaplan and Norton's Balanced Score Card (BSC), a powerful model for strategy execution, can be used to assess the impact of BPR activities in an organization. The BSC consists of four dimensions: Financial, Customer, Learning & growth, and Internal business processes perspectives.

The use of BSC approach in performance measurement was intended to give a precise prescription of what organizations should measure so as to have a "balance" in the financial perspective in the implementation and control of firms' strategic objectives (John, 2010). Internal business processes perspective takes into consideration initiatives that an organization should undertake so as to satisfy the customers and shareholders by performing well in specific business processes. Customer perspective deals with objectives that have been put in place by an organization in order to achieve its vision and portray a positive outlook to its customers. The customer and internal business processes

perspectives or measures involve the identification of parameters that a firm perceives important in its quest to gain a competitive advantage. Learning and growth perspective entails measures that are employed by an organization to achieve its vision through sustained ability to change and continuous improvement. Finally, financial perspective measures how a firm's strategic options contribute to profitability improvement and involve measures that an organization should take to look successful in the eyes of the shareholders. According to Drury (2004), the Balanced Score Card as a management technique enables an organization communicate and evaluate the extent to which it has achieved its mission and strategy. In the context of BPR, successful implementation of fundamental improvements in an organization's operations leads to improved financial numbers (Kaplan & Norton, 1992).

1.1.3 Insurance Industry in Kenya

Insurance Act CAP 487 of the Laws of Kenya and subsequent amendments and regulations govern the insurance industry in Kenya. The industry is regulated by Insurance Regulatory Authority (IRA), a body that is mandated to protect the interests of policyholders. IRA meets its mandate by ensuring that all the licensed industry players operate within the set guidelines. Insurance penetration in Kenya is estimated to at 2.7% (AKI, 2016).

There are 52 licensed insurance and 3 re-insurance companies operating in Kenya as at the end of 2016. While 25 of insurance companies deal with general insurance business only, 15 handle life insurance business only and the remaining 12 insurers are composite in nature, dealing with both life and general businesses (Insurance Regulatory Authority [IRA], 2017). Further, the insurance industry has licensed 206 insurance brokers, 11 re-insurance brokers, 30 medical insurance providers and 8,123 insurance agents to offer insurance services to the insuring public (IRA, 2017). Other players who play a critical role in the Kenyan insurance industry include: 123 motor assessors, 140 claims investigators, 31 insurance surveyors, 32 insurance loss adjusters, 9 risk managers and 5 claims settling agents (IRA, 2017).

The insurance industry in Kenya in 2016 achieved mixed results when compared to the three preceding years – 2013 to 2015. The industry experienced better performance in 2016

in terms of Gross Direct Premium growth that stood at 13.2% as compared to 10.7% in 2015. However, this growth was lower than what was experienced in 2014 (20.6%). The industry also experienced reduced penetration rate from 2.9% in 2014 to 2.7% in 2016(AKI, 2016). Insurance companies face challenges that are not unique to the industry alone. Such challenges include high administrative costs, difficulty in debt collection, lack of innovativeness and differentiation in product design and offering, weak laws to enforce contracts, high illiteracy levels as well as lack of awareness (IRA, 2017). Insurance companies therefore need to approach changes in the environment that they face in a more rapid and radical way if they are to survive in this turbulent business environment.

1.1.4 APA Insurance Ltd

APA Insurance Ltd (APA) was incorporated in the year 2003 and started its operations in January 2004. The 2003 merger of Apollo Assurance Company Limited's general insurance business unit with that of Pan Africa Insurance Company Limited gave rise to the current day APA Insurance Ltd, a company that carries a combined experience of over 100 years from its parent companies. APA underwrites general insurance businesses which include Motor, Medical, Aviation, Marine, Liability, Fire Industrial, Fire Domestic, Theft, Agribusiness (Crop & Livestock), Micro Insurance among other classes of general insurance. In order to support the large risks that APA underwrites, the company has developed a well-structured re-insurance arrangement with established re-insurers, both locally and internationally.

APA Insurance Ltd is Headquartered in Westlands, Nairobi, with branches in all major towns such as Central Business District (Nairobi), Mombasa, Kisumu, Eldoret, Nyeri, Nakuru, Thika, Machakos, Meru, Embu, Kisii, and Naivasha. It has also established its footprint in the Kenyan market through its more than 20 liaison offices in various towns across the country. Regionally, APA has presence in Uganda through its wholly owned APA Insurance (U) Ltd and Tanzania through its associate company, Reliance Insurance Company Ltd. Its distribution network includes tied agents, those who only sell APA products, independent agents and professional insurance brokers.

APA is among the leading insurance underwriters in Kenya by market share, commanding 7.4% of the market share (IRA, 2016). In the recent past, APA Insurance has attracted international suitors (investors) who have had an interest in owning a share in the Kenyan Insurance Market. In the year 2013 Leapfrog, a US venture capitalist equity firm acquired 27% of APA Insurance Ltd at an undisclosed amount of money. Leapfrog divested from the company in 2016, a year when Swiss-Re, a leading international re-insurance company acquired 27% of APA's shareholding.

Over the years, APA has experienced a rapid growth since the merger took place making it more complex in planning and operations. The company has grown by over 80% within 7 years, from Gross Written Premium (GWP) of Kshs.4.8Billion in 2010 to Kshs.9Billion as at December 2016. However, there was a slight drop of 2.7% in GWP in 2016 over the year 2015. Further, APA has experienced a drop in market share over the past 7 years moving from 9.2% in 2010 to 7.4% in 2016. The company has experienced an increasing trend in profitability, moving from Kshs.281Million Profit Before Tax (PBT) in the year 2012 to Kshs.808Million in 2016. However, it saw a 6.4% dip in PBT in the year 2016, dropping from Kshs.863Million to Kshs.808Million. The complexity of the organization coupled with unappealing business metrics have made it necessary for APA to review and redesign its systems, processes and operations so as to realign them to the company's vision of being "*The region's most respected group creating and protecting wealth*" (APA, 2017).

1.2 Research Problem

There is need for organizations in the current volatile business environment to strategically align themselves to the demands of the environment. BPR is important in today's competitive business environment as customer-facing organizations have to quickly respond to the changes in the business environment in order gain sustainable competitive advantage. In Particular, insurance industry in Kenya has seen many drastic changes ranging from increased competition brought about by the entry of new players to changes in regulation among others. This increased competition has led to decreasing returns on investments and profitability. The industry players are therefore left with no option but to improve their processes to enhance efficiency and effectiveness for improved performance.

Recently the industry has experienced entry of new players such as UK's Prudential Assurance Plc, Morocco's Saham Assurance, South Africa's Sanlam Insurance among others. The insurance regulation in Kenya is ever changing and unpredictable. The Insurance Act 2015 has brought about a new era of Risk-Based Regulation whose implementation date is set to be 2020, moving away from Rules-Based Regulation. This has made the insurance regulation unpredictable, hence affecting all levels of planning by various insurance players.

APA Insurance Ltd is faced with stiff competition and rapid environmental changes that call for rapid, radical changes in order to compete effectively in such a business environment. The company has constantly reorganized and restructured its internal processes and systems as it strives to better offer its products and services to the general insuring public in a more effective and efficient way than its peers within the insurance industry. Systems and processes are an important part of an insurance company and service industry in general and they determine how acceptable a company's offering to the public will be and they will guide a firm's strategic planning in areas such as Marketing, Underwriting, Claims Management, Human Resource Management and Investments.

A number of studies on business process reengineering have been undertaken both on local and international spheres yielding mixed results. Doyle (2014) studied BPR for the improvement of bank credit operations in South Africa. The study found out that leadership and employees were not adopting a culture of performance improvements. It was further observed that the process lacked employees' involvement to bring about the desired change initiatives. Hagos (2012) researched on BPR implementation and results within the Ethiopian ministry of health and Gambella region. It was established that the organization lagged behind in terms of quantifying performance level in as far as level of customer satisfaction, cost, speed, quantity, quality and measuring their progress against set goals were concerned.

Locally, Disii (2011) researched on the implementation of BPR at Kenya Ports Authority where it was established that there was structural break on waiting times on ships as well as improved port throughput. Laibon (2014) conducted a study on the effect of KK Security Group of Companies' BPR on staff turnover and concluded that team work among other

factors contributed to effective implementation and BPR affected staff turnover. In Mutinda (2009)'s assessment on how human resource factors affect the implementation of BPR in a case study of Kenya Commercial Bank (KCB), it was established that human resource factors play a critical role in the development and implementation of BPR. Osano & Okwena (2009) also studied factors influencing performance of BPR projects in Kenya in a case study of KCB where it was established that management have a critical role to play in effective implementation of BPR activities.

In the Kenyan insurance industry context, Mungai (2015) did a study on business process reengineering and operational performance whose main focus was on the impact of IT on operational performance improvement at UAP Insurance Company Limited. However, there is no known research that has been done to determine the relationship between BPR and performance of APA. This study sought to answer the following research question: What is the effectiveness of BPR strategy in enhancing performance at APA Insurance Ltd?

1.3 Research Objective

The objective of this study was to determine the effectiveness of BPR as a strategic tool in performance improvement at APA.

1.4 Value of Study

The senior management, including the Board of APA Insurance Ltd will find this research valuable in providing the necessary information that will aid decision making in enhancing process improvements within the organization. It will also inform the board of APA in which of the CSFs of BPR to give priority in the allocation of the limited resources on the basis of the expected outcomes. Other insurance industry players as well as those from other sectors, both public and private entities planning a reengineering process for their business processes will also find the study valuable on the effectiveness of the processes before embarking on it.

The government and the insurance industry regulator (IRA) will also find the research useful in the development of a comprehensive insurance policy guiding the industry in its

quest to better public perception through improved processes and customer service experience thereby gaining public confidence. Well informed public policy on insurance will enhance uptake of insurance products and services.

Academicians, researchers and scholars will also find the study useful as it will provide further knowledge on the importance of BPR as a strategic tool. This research will therefore make a contribution to the pool of knowledge from where valuable information will be available for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter looks into the relevant literature that relates to the research. A review of the relevant theories and concepts are examined and research gaps identified. At the end of this chapter, a summary of reviewed literature is provided.

2.2 Theoretical Foundation

The study was anchored on two theories that formed the basis of the research that was being undertaken: Resource Based View (RBV) and Dynamic Capabilities Theories.

2.2.1 Resource Based View

The RBV argues that businesses can strategically identify and utilize the scarce resources at its disposal to gain a competitive advantage over its peers (Barney, 1991). Such resources that should be reorganized and optimally utilized for a firm to achieve its objectives include: human capital, physical capital and organizational capital (Penrose, 1959; Wernerfelt, 1989). Collier (2013) further argues that business units must identify and utilize strategic resources of a firm in order to gain a sustainable competitive advantage.

RBV helps a company examine and identify its strategic advantages through an examination of a firm's combination of distinctive skills, assets, capabilities and intangibles (Pearce and Robinson, 2011). RBV is an important theory as it helps a firm identify ways on which it can gain a competitive advantage by leveraging on its distinct capabilities and internal resources. RBV asserts that a firm can achieve a sustainable competitive advantage not only by controlling and acquisition of valuable and unique resources but also through its ability to exploit such resources (Barney, 1991).

RBV assumes that resources are heterogeneous and immobile. Resources are heterogeneous if skills and capabilities are unique and different for any particular firm thus

making it easy for a company to outcompete others using different strategies and a different mix bundle of assets. The immobility assumption renders it difficult for firms to copy the competition's resources and implementation of competitor's strategy to achieve same or superior outcomes (Barney and Hesterly, 2008). RBV has been criticized due to lack of clear definition of what the resources are and how they can be distinguished from capabilities (Teece *et al.*, 1997). It is therefore important that in the context of BPR, insurance companies and APA in particular should reorganize its physical, organizational and human forms of capital with an aim of gaining optimal utilization of such resources in order to achieve their objectives.

2.2.2 Dynamic Capabilities Theory

Dynamic capabilities are defined as “an organization's ability to build, integrate and reconfigure its internal and external competencies in order to address the rapidly changing business environment” (Teece *et al.*, 1997). They are the firms' ability to extend, reconfigure or change resource base and capabilities quickly so as to exploit emerging opportunities (Helfat *et al.*, 2007). Teece (1982) argues that each firm constitutes of unique resources and capabilities that form the basis of its strategy and a source of a firm's returns. These capabilities are viewed as a business capacity for a set of resources required for the performance tasks in an organization giving it an ability to gain a sustainable competitive advantage through the management of resources in such a way that the outcomes cannot be copied by a firm's competitors, ultimately creating a competitive barrier (Teece, 1982).

Teece *et al.* (1997) further notes that dynamic capabilities emanate from how organizations perform routine operations that define processes and positions that are developed over a given duration. The development of such capabilities take a long period of time and as such, dynamic capabilities are rare and unique to each firm and can only be traced in a firm's history. The resources and capabilities are termed as a bundle of valuable assets of an organization and include its management skills and competencies, routines, processes and other assets that it controls and which can be employed in the implementation of successful organizational long term goals and objectives.

The dynamic capabilities theory has been criticized because they have been described in vague terms. Dynamic capabilities theory exhibits lack of ability to explain the constituents of successful change with conceptual clarity, rational consistency and empirical thoroughness (Arend and Bromiley, 2009). However, Helfat and Peteraf (2009) in their attempt to counter such criticism argue that the gaps identified in dynamic capabilities theory are only signs of a young and emerging field in its early stages of development. The business environment in which APA operates is dynamic and is rapidly changing and companies should strive to rearrange their dynamic capabilities and internal resources continually so as achieve sustainable competitive advantage.

2.3. Business Process Reengineering Strategies

BPR is an effective way of incorporating change into a business that will enable it rethink and redesign its processes (Hammer, 1990). The decision to embark on BPR is not an easy one and Hammer and Stanton (1995) note that re-engineering process is a painful process as it challenges all the existing values and beliefs that a firm is used to. Between 50% and 70% of the firms in the USA that the embarked on BPR failed to meet the intended objectives (Hammer and Champy, 1993).

Some of the reasons why the process fail is lack of full support from the senior management (Hammer and Stanton, 1995) and failure to of firms to integrate BPR processes with the firms' vision and strategic objectives (Chan & Chung, 1997). It is therefore important that BPR be viewed as a strategic program that needs to go through the strategic management process for its success since the reengineered processes not only affect areas of direct control but also other areas that will support the process. Companies that fail to take a strategic perspective on BPR are destined for failure (Sarkis, Presley, & Liles, 1997). Further, the top management may like the idea of BPR but find the whole process time consuming and involving. Raymond and Bergeon (1998), have however observed that as much as between 50-70% of the firms fail to meet the desired objectives of BPR most organizations are likely to achieve to a greater extent the set objectives. In there recent research, Al-Mashari et al. (2001) adduced further evidence of improved success in the implementation of BPR activities in which a 55% success rate was observed.

Kettinger *et al.* (1997) notes that as much as firms somehow approach reengineering in a similar way, every organization should come up with a BPR process that uniquely satisfies its organizational conditions, rather than following one particular approach that worked elsewhere. According to Tinnila (1995), there are three recognized perspectives of BPR, namely: operational, organizational and strategic perspectives. Hammer & Champy (1993) consider change management, process innovation and strategic IT as the key drivers of BPR. Al-Mashari & Zairi (1999) further argues that BPR implementation process is a complex one and can be looked into from five dimensions also known as critical success factors (CSFs). These five CSFs of BPR implementation include: change management system and culture; management competence; organizational structure; BPR project management; and IT infrastructure.

Effective implementation requires an organization to create an effective culture for organizational change, involve staff, stimulate a firm's reception to change, train and educate staff, empower staff, effectively communicate the changes, revise rewards and motivation systems (Al-Mashari & Zairi, 1999). The change management system involves changes related to cultural, human and social behaviours adjustments required by the management in facilitating introduction of newly designed structures and processes into working practices to effectively handle staff resistance. These factors are considered to be important components of business process reengineering (Carr and Johanson, 1995).

Organisational culture determines the success of the reengineering process in an organization (Zairi & Sinclair, 1995). Jacques (1952) defines organizational culture as “the traditional and customary way of doing things that is shared to a certain level of degree by all members, and which any new member must learn and accept so as to be accepted for the company's services”. It reflects a firm's level of adaptability to change.

According to Bashein, B., Markus, M. & Riley, P. (1994), sound management processes in an organization ensures that BPR activities are effectively implemented. Al-Mashari & Zairi (1999) notes that managerial practices which influence BPR implementation success include: full commitment and support from top leadership, sponsorships and championships, and proper and effective risk management. Davenport and Short (1990) argues that there is need for creation of new organizational structures that defines the look

of BPR teams, human resource integration and formalization of the new jobs and responsibilities. Al-Mashari & Zairi (1999) further argues that the new organizational structure should adequately integrate jobs, have appropriate BPR teams, review job descriptions as well as allocation of responsibilities.

BPR programme management determines the level of success BPR implementation is likely to achieve and entails proper planning, employment of project management techniques as well as setting of performance targets and measures (Zairi & Sinclair, 1995).

It also entails proper BPR strategy alignment with corporate strategy, planning for adequate resources, learning, effective use of consultants, adequate redesign of processes as well as proper integration of BPR with other improvement approaches (Guha, S., Kettinger, W., & Teng, T., 1993).

According to Moad (1993), the composition and reassessment of IT infrastructure form an important component in the implementation of a BPR programme. It entails adequately identifying and understanding enabling technologies to be used in business processes redesigning, selecting appropriate IT platforms, flexible and adaptable infrastructure, proper installation of components and effective overall system architecture (Guha et al., 1993). Effective BPR implementation calls for adequate alignment of IT infrastructure to BPR strategy; an effective and efficient IT infrastructure, ensuring there are adequate IT infrastructure capabilities and properly integrating information systems (Al-Mashari & Zairi, 1999).

2.4. Empirical Studies and Research Gap

It is evident that BPR is a wide subject and a lot of research is still required in this area. However, there seems to be a knowledge gap on how effective the process of business process reengineering is as a strategic tool in performance improvement in the insurance industry in Kenya. Khong and Richardson (2003) did a research on BPR in Malaysian banks and finance companies where a cross sectional research methodology was employed and a questionnaire used in data collection. The study established a relationship between customer service management and firm performance in a well-implemented BPR

process. However, the model used should be investigated to ascertain its applicability in other sectors such as insurance and in the context of other countries such as Kenya.

In the Kenyan context, Osano and Okwena (2009) studied factors influencing performance of BPR projects in Kenya. A case study of KCB was used in a descriptive research where a questionnaire was employed in data collection. The research came to a conclusion that change communication, commitment of management, systems and processes management and evaluation have an influence on BPR performance at KCB. In the same context, Mutinda (2009) did an assessment of human resource factors in the implementation of BPR where it was observed that KCB incorporated the human resource factors in the development and implementation of BPR. The findings from the two studies however cannot be generalized to be applicable in the insurance context and APA Insurance Ltd in particular.

Disii (2011) also researched on the implementation of BPR and benchmarking where a case study of Kenya Ports Authority (KPA) was used and descriptive research design used. The research concluded that BPR and benchmarking techniques were used at KPA to enhance performance improvement. It was not however clear which particular technique contributed to performance improvement and no similar research has been carried out in the insurance industry context. Odede (2013) studied BPR implementation and organizational performance. Kenya Revenue Authority (KRA) was used as a case study and interviews were conducted to collect data. It was observed that management involvement is important in BPR implementation through creating strategic awareness, ensuring attainment of organizational objectives and goals. There is no such study that has been conducted in the context of insurance and APA Insurance Ltd in particular.

Laibon (2014) researched on the effect of business reengineering on staff turnover in which KK Security Group of companies was studied. A descriptive research design was employed and data collection was done using questionnaires. The study observed that team work is important in implementation of BPR among other factors like total quality management(TQM), resources, information technology and six sigma. The study did not however relate BPR implementation and organizational performance.

In the insurance industry context, Mungai (2015) studied BPR in relation to operational performance at UAP Insurance Ltd. Descriptive research design was used and data collection done by use of questionnaires. Inferential statistics and SPSS were employed to analyze the collected data. The research concluded that BPR has an influence on operational performance in terms of service delivery, improved turnaround time, simplified operational processes and better co-ordination between branches. The study did not however investigate the effect of BPR on achieving an organization's strategic objectives.

Various studies have been carried out at APA Insurance Ltd. Omollo (2014) researched on the challenges in the implementation of strategic plan and a descriptive research design was employed and an interview guide used to collect data. The study concluded that organizational culture and structure, high level of employee turnover and resistance to change were some of the challenges that were experienced in strategy implementation. Ingesa (2016) studied the relationship between strategy implementation and performance at APA Insurance Ltd where a descriptive research design was used and interview guide was used to collect data. The study concluded that there is a strong correlation between strategy implementation and performance. However, there is no particular study that has been undertaken to investigate the effectiveness of BPR as a strategic tool in performance improvement in APA Insurance Ltd.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter research design, data collection and analysis methods that were employed during the research to achieve the desired objectives are discussed.

3.2 Research design

A research design entails the layout and blueprint employed in conducting a scientific research. It can be looked at as the structure that a research takes (Kombo & Tromp, 2006). Orodho (2003) further defines a research design as an outline, scheme or plan used to arrive at solutions to research problems.

In this research, a case study design was used to establish the role of BPR as a strategic tool at APA Insurance Ltd. Mugenda & Mugenda (2003) defines a case study as “an in-depth investigation of an individual, institution or phenomenon”. It incorporates qualitative and descriptive data for an in-depth analysis of a subject under study. Successful studies have been conducted using this design by various researchers such as Odede (2013), Omollo (2014), Morogo (2015), Mungai (2015) and Ingesa (2016).

3.3 Data Collection

In order to meet the objectives of this study, the researcher collected both qualitative and quantitative primary and secondary data. An interview guide was used to collect primary data. Mugenda & Mugenda (2003) defines an interview guide as a set of questions that form the basis of questions that an interviewer asks during the interview. The interview included both senior managers heading different functions namely: the Chief Executive Officer(CEO), Chief Business Development Officer(CBDO), the Chief Operations Officer (COO), the Business Development Director (BDD), the Chief Finance Officer(CFO) and the Head of Human Resource Management.

The use of interview guide enhanced in-depth information gathering without restriction. Secondary data such as company performance in relation with its competitors was collected through desktop research by going through the websites of APA and that of IRA. Other sources included reviewing various relevant publications both internal and external such as APA’s own

publications, audited books of accounts and surveys that facilitated comparison of APA's performance over the years.

3.4 Data Analysis

Kothari (2004) describes data analysis as a process which starts after data collection ending at interpretation and data processing point (Kothari, 2004). The analysis of the collected data was done through content analysis which involved a systematic qualitative description of components of the objects of a study (Mugenda & Mugenda, 1999). According to Berelson (1952), content analysis is a systematic technique for compressing words of texts into fewer categories of content based on defined coding rules.

Content analysis technique enables a researcher to make inferences through a systematic and objective identification of specific message characteristics and relating them to trends or variables (Nachmias and Nachmias, 1996). The technique helps researchers gain new insights during their research work. It allows researchers to easily sift through huge volumes of raw data systematically. This data analysis method ensured that the research objectives and the questions in the interview guide were answered correctly.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter gives a presentation of the analysis and results from the study as collected from the interviews conducted to answer the research questions as spelt out in chapter one. The chapter focuses on participant's profile; knowledge of BPR and its practices as well as BPR and organizational strategy. The chapter delves further into the impact of various Critical Success Factors in the implementation of BPR at APA and the overall impact of BPR on organizational performance. It focuses on the analysis and results from the interviews conducted as spelt out in the research methodology and objectives of the study. The interviews were guided by the interview questions set out in the interview guide (appendix I) and developed in accordance with the objective of the study.

4.2 General information of respondents

The selected respondents in this study had vast experience in the insurance industry and an in-depth knowledge of APA, its internal procedures and processes and have been in one way or the other been active in business process reengineering within the company. The primary data was collected from APA respondents and was backed up by secondary data collected from the journals, APA, IRA and AKI websites as well as insurance and business review magazines.

The study sought data from the senior management team which included the Chief Executive Officer, Chief Business Development Officer, Chief Finance Officer, two Business Development Directors, and Head of Human Resources. Out of the five respondents interviewed, four of them have worked for APA for a period of more than five years and were well versed with BPR activities at APA. This information was necessary as generally long serving employees tend to have a better understanding of processes and systems within the organization and changes that may have been effected.

4.3 Knowledge of Business Process Reengineering and its Practices

The respondents were asked about the major changes or BPR activities that APA has witnessed in the recent past and what necessitated their implementation. This information was meant to ascertain the respondents understanding of what the researcher was referring to before

embarking on a detailed discussion of its practices and how it had been used as a strategic tool in performance improvement within the organization. It was observed that the respondents had a clear understanding of BPR and BPR practices at APA. The respondents demonstrated in-depth understanding of BPR as a tool used for strategic management and how it had been used at APA for performance improvement. The study further observed that the respondents had a clear knowledge on development and implementation of BPR activities within the organization.

4.4 Business Process Reengineering and Organization Strategy

It was observed that APA derived its strategic direction from its mission and vision. It was further established that BPR activities were derived from the company's strategy so that the BPR and corporate strategies are in synch and the resulting impact resonates well with the corporate objectives. Respondents noted that successful BPR implementation required proper alignment of BPR activities to the corporate strategy. It was also observed that changes in strategy brought about changes in business processes and operations at APA which were implemented by BPR.

The study established that APA had grown over the years and during that period there was noticeable complexities in as far as strategic management of the firm was concerned. Gradual improvements, it was noted, were not sufficient to drive the firm to the direction it wanted to go, hence business process reengineering was necessary to ensure success in strategy implementation. The company whose strategy before was to be a market leader in terms of market share experienced dwindling profitability from PBT of Kshs.308M in 2011 to Kshs.281M in 2012 as the growth continued. The decline in the profitability led to a review of the strategic direction the company was taking, changing its focus from market share to enhancing profitable growth. It is from this thinking that the top management found it necessary for APA to incorporate BPR as a tool for strategic management.

4.5 BPR activities and its Drivers

The research sought to understand from the respondents the major changes that had been witnessed at APA between the year 2011 and the year 2015. The respondents outlined various changes that had been experienced at various levels of the business. Some of the changes mentioned include change in organizational structure, departmental reorganization, job evaluation and changes in job descriptions, changes in IT systems among others. The

respondents agreed that the various changes experienced at APA were brought about by change in corporate strategy and the need to realign business processes to the corporate strategy.

It was observed that the company changed its strategy and strategic objectives in line with the changing business environment which brought about the use of BPR in its implementation. The respondents noted that the main driving force of BPR at APA was the change in strategy and BPR was meant to align business processes to the new strategy so as to enhance performance. In particular, the company shifted its focus from increasing market share to enhancing profitable growth. In the past, the company had focussed its energies in acquiring more market share with the sole objective of being a market leader in the insurance industry. This has since changed as the focus in the market share did not take into consideration other stakeholders' interests. One of such stakeholders, the respondents noted, was the shareholders whose interest was mainly to increase their net worth through profitable growth. The change of strategy therefore necessitated radical changes within the organization so as to realign processes with the new strategy and redirect resources in line with the new corporate objectives.

In respect to company structure, the respondents indicated that the company had experienced changes in the organizational structure resulting from BPR. The company merged some departments and consolidated roles thus necessitating development of new jobs and scrapping old ones that were rendered redundant by the new structure. In particular, marketing and underwriting roles which were previously distinct were merged and consolidated into one new business development department. New staff were brought on board to occupy those newly created roles and the existing staff from the affected departments were redeployed to the newly created business units. This is a clear indication that whenever there are changes in strategy and business process reengineering it is important to bring on board new blood to steer the new vision and support the new strategy.

The study showed that the need to increase efficiency in the company's insurance operations was one of the motivations for BPR at APA. The change of structure and consolidation of departments, more especially the underwriting and marketing departments was to rid the company of the frequent conflicting interests between the previously distinct departments. While the marketing department would chase volumes in terms of insurance policy counts and premiums, the underwriting department was interested in ensuring that the insurance risks were properly rated, imposing acceptance terms and sometimes rejecting risks which the marketing team could have accepted. On the other hand, some respondents opined that BPR at APA was driven by the company's intent to reduce costs. Changes in the customer needs as well as

changes in business environment also contributed to the to the need for radical changes in order for the company to strategically position itself in the insurance industry.

Respondents also indicated that there have been changes in the IT systems used in the day-to-day operations. The company changed systems from Premia to Agilis system and later on TurnQuest General Insurance System (GIS) as the main General Insurance System supported by in house systems - Client Relationship Management (CRM) system and Document Management System (DMS). The respondents indicated that the introduction of Human Resource Information System (HRIS) brought about a new era in performance management at APA.

4.6 Management, Implementation and Impact of BPR activities at APA

The research sought to understand how BPR was implemented at APA and factors that contributed to successful management and implementation. It was established that the COO championed the BPR activities with the support of top management team. The new processes were thought about in relation to the processes employed at the time. It was at that time that a new vision for improved process was developed and communicated to the rest of the team. Finally, action and execution plans were developed and implemented.

The study further sought to establish how various factors came into play in the management and implementation of the BPR activities and their impact towards performance improvement. The respondents were asked comment on how the various factors contributed to success or otherwise of the BPR within APA. The five factors or critical success factors that the respondents were asked to comment on include change management system and culture; management competence; organizational culture; BPR project management and IT infrastructure.

4.6.1 Change Management System and Culture

The study sought to find out from the respondents how change management system and culture affected management and implementation of BPR at APA. In this aspect, the respondents touched on various areas and how the company employed them to their advantage. Some of the areas discussed include review of reward systems; communication; staff empowerment; staff involvement; staff training and education; culture change; preparing staff for organizational change; and resistance to change.

Respondents indicated that the company experienced major changes in the human resource management. As part of BPR, the company had to undertake a job evaluation exercise that was meant to review the current roles and their appropriateness in line with the reengineered business model. The new HRIS system was also introduced in the management of staff on various aspects such as payroll management, online access to payslips, performance management, absence management, online application of internal jobs and training management. A clear reward system was then put in place, pegged on the KPIs set and agreed between employees and their respective supervisors. It was observed that there was some resistance from some to the changes that were introduced. Much of the resistance was noted during the merger of departments with some staff resisting the wider scope of roles brought about job integration and consolidation. However, with clear communication from the top management coupled with frequent training sessions the changes were eventually accepted. Of interest was the fact that the company held “Town Hall” sessions, a platform where company wide updates are communicated to the staff, not only before the merger but also as follow up meetings to update the staff of the progress of BPR.

Some respondents noted that the BPR led to delegation of too much powers to the middle level and junior staff who were not well equipped in decision making. The consolidation of the underwriting and marketing roles brought about conflicting Key Performance Indicators (KPIs), for instance the need to assess and rate the risks properly through prudent underwriting while ensuring that production in terms of premium volumes is also achieved. The balance had to be sought to ensure that no particular area suffers as a consequence of the other.

It was noted that the employees who were in underwriting department in the old dispensation were skewed towards prudent underwriting, unnecessarily turning away good business at the expense of the marketing role. Conversely, those who were previously in the marketing department were overly generous with insurance terms from rating to acceptance of insurance risks, some of which ought to have been rejected from the first instance at the expense of the company’s objective of underwriting profitable business. Respondents indicated that the allocation of high weightage on the two main KPIs namely, growth and underwriting profitability led to objective decision making in enhancing profitable business growth.

Continuous training and education is key in the management of the change in culture and ensuring that staff accepted the new dispensation, one respondent observed. The company heavily invested in staff training and education through a staff training scheme facilitated by the Human Resources Management Department. An in-house APA Excellence Academy was

set up and in-house trainers identified and trained to train fellow staff. This involvement of staff in the entire process, more especially at the implementation stage made it easy for the change to be accepted.

4.6.2 Management Competence

The research sought to understand the role of management competence in BPR at APA. The study observed that it was the top management's task to ensure that the BPR was a success. This team of senior managers were required to report to the board on the progress of the process. It was evident that the senior management was fully committed and offered all the necessary support to ensure success. It was further observed that the GCEO keenly monitored the progress of the project and was frequently updated on what was going on. The respondents agreed that the project got all the support that it required to the very end from not only the senior management but also the board of directors.

It was observed that the BPR project at APA was sponsored by the board of directors. It was to the interest of the shareholders that the organization be run in a more efficient and profitable manner thus increase their net worth. The respondents observed that the board and senior management availed all the necessary resources for the success of the project and created champions that spearheaded the BPR project. A notable champion, some respondents observed, was the COO who was given responsibility and resources to deliver the project. Other champions were also created in various business units with a mandate to deliver the project in their smaller business units.

Respondents noted that there was a proper mechanism to manage risks within the organization to mitigate chances of failure. The company's Risk Officer was actively engaged at each step of the BPR project and each probable risk was documented in a risk register and recommendations documented and followed up to minimize risks. Risk mitigation measures were thereafter thought through to ensure that at all times there was a solution to each and every threat. Some of the risks that the respondents mentioned include: risk of resistance to change; risk of the BPR project failing to produce expected returns on investment; risk of employees resigning as a result of the inherent changes; risk of customers not appreciating the newly thought processes among others.

4.6.3 Organizational Structure

The respondents were asked to comment on the impact of BPR on organizational structure and their effects to the organization's day to day operations. It was observed that the organizational structure had to be changed so as to support the new business processes. Various observations were made in regards to different aspects affecting organizational structure, namely: jobs integration, new look of BPR teams; job evaluation and review of job descriptions; and allocation of responsibilities.

It was observed that the merger of core departments, underwriting and marketing led to jobs integration, creation of new roles and alteration of job descriptions with more responsibilities and accountabilities assigned to the reviewed roles. It was further observed that immediately after the BPR, the company commissioned a job evaluation exercise with the help of a renown consultancy firm, roles were properly defined, qualifications for specification roles defined, job descriptions reviewed and clearly stated as well as new reporting lines defined.

The BPR, it was noted, led to a completely new business development departmental structure scraping other technical roles such as that of an underwriting manager. Where gaps were noted in as far as qualifications for particular jobs were concerned, the incumbents of particular roles were given time within which to acquire the requisite qualifications so as continue holding such positions. The hiring of new staff was now based on the set qualifications and only candidates who met such minimum requirements could get a job thereafter. This was to ensure that the teams that handled customers were competent enough to deliver the set deliverables. This led to a flat organizational structure with more delegated decision making capabilities with the aim removing bureaucracies thus reducing turnaround time in service delivery and empowering staff. The consolidation of departments resulted into reduction in the number of staff, reorganization of roles, increased roles and responsibilities and more delegated authority and reduced bureaucracies in decision making that led to reduction in costs. The reduced costs of operations led to enhance profitability.

However, it was observed that the consolidation of roles led to increased workload leading to employees working for long hours to accomplish tasks. This in turn led to high staff turnover within the organization. The staff turnover was further accelerated by the fact that there are those employees who could have wish to specialize in a particular area – either underwriting or sales and marketing. The new structure therefore failed to provide such opportunities leaving some of the staff not satisfied and looking for such opportunities elsewhere. This led to

increased workload in the affected business units and reduced the level of company attractiveness as an employer.

4.6.4 The role of BPR Project Management Team

The study sought to understand the role played by the BPR project management team during the BPR implementation at APA. Respondents indicated that there was a full time project team that was tasked to ensure that the implementation of the BPR activities was a success. Respondents further noted that the team consisted of contracted external consultant who was assisted by a team of full time in-house staff as well as part-time project team. It was noted that the external consultant had handled similar assignments in other companies within the insurance industry with a lot of success, hence the company was able to benchmark the process success with what had already been done within the industry. The full-time in house staff were relieved of their normal duties and assigned to other staff for a period of six months, in which they were fully engaged with the BPR project while the part-time team could be called upon to contribute whenever need arose.

The BPR project management team was guided by the laid down deliverables which were documented in the scope of work with defined measurable outcomes. The project manager while coming up with a work plan with clear performance goals and measures ensured that the BPR strategy was well aligned with the corporate strategic objectives. It was noted from the interviews that the senior management provided adequate resources to ensure that the project was successful and monitored each level of implementation and execution to ensure that there were no gray areas. The use of project management team ensured that there were little hitches in the transition from the old processes to the new ones, reduced level of resistance and enhanced the level of success during BPR implementation. Consequently, the laid down objectives of BPR in performance improvement were realised.

The study also established that APA used workshops involving staff from all departments as a way of mapping out new processes and collecting suggestions on how to improve the existing ones during BPR planning and implementation. It was from such workshops that the methodologies and the new proposed processes were refined to incorporate the views of most of the stakeholders. The values of BPR were identified and communicated to the whole organization to enhance acceptance. Respondents further noted that as much as the new processes were implemented, there was still need for continuous improvements of the new and existing processes for improved performance.

4.6.5 IT infrastructure on BPR

The research also sought to understand what role IT infrastructure played in ensuring success on BPR implementation. It was noted that there was need for alignment of various IT components to support success in BPR. Such components include: adequate alignment of IT infrastructure and BPR Strategies; building an effective IT infrastructure; adequate IT investment and sourcing decisions; adequate measurement of IT infrastructure effectiveness on BPR; proper information system (IS) integration; effective reengineering of legacy IS; increasing IT function competency; and effective use of software.

Both the BPR and IT strategies were derived from the business corporate strategies, hence the support and involvement of the top company decision makers was critical. It was observed that the senior management was keenly involved and supported the BPR initiatives from the very first stage, hence there was proper integration of the BPR, IT infrastructure and the corporate strategies. It was further established that for the BPR project to be a success, the company saw a need to change the core insurance system to support the new processes. It is as a result of BPR that the company moved from the Premia insurance information system to Agilis system and now TurnQuest General Insurance System (GIS). TurnQuest GIS now became the core insurance system customized to meet APA's specific requirements as per its need assessment to meet the customers' requirements. The new main system resulted to improved service delivery and turnaround time through increased efficiency thus lowering operational costs leaving highly satisfied clients at low costs. This ultimately contributed to enhance profitability at APA.

It was also noted that the company tried to integrate its other support information systems to the core information system, TurnQuest. The document management system (DMS) that was used to store data in soft copy was integrated into the new TurnQuest system in the company's quest to move to paperless and avoid the used of hard copy files in transacting insurance business. In the researcher's quest to know how successful the integration was, some respondents noted that the process was not a smooth one, hence ultimately the company did not succeed to go paperless in transacting its business. Nonetheless, the integration of the two systems, however to limited success eliminated loss of critical documents and facilitated easy access of documents enhancing efficiency in service delivery and improved performance.

The other system that was introduced in a bid to serve the company's clients better was client relationship management system (CRM). It is in the CRM that all the client's activities and engagements with the company were recorded. Such activities included customer's personal details such as phone numbers, Personal Identification Numbers, email addresses among, customers' queries as well as actions taken to address the queries. The main objective of this system was to provide precise data of the customers in the company's database which could be used to assess the customers needs, allow customer segmentation and customized products for different segments as well as provide an opportunity for cross selling. This led to reduced cost of servicing a customer from need analysis to meeting such customer needs. Ultimately, the company observed a drastic improvement in performance by eliminating duplication of clients' information in various systems and harnessing cross selling opportunities.

Human Resources Information System (HRIS) was introduced to enhance performance management in place of a manual one that was previously used. Key performance indicators (KPIs) that were discussed and agreed at the beginning of the year could now be incorporated into the system with agreed weights for assessment during the mid and end year performance appraisal. It is from these appraisals that a reward scheme was developed and employees rewarded as per their performance. The system enhanced efficiency, transparency and objectivity in performance management. This led to high level of staff motivation and employees worked towards the same direction as a consequence of the aligned KPIs and company strategic objectives.

The study further established that all these systems could not work efficiently without a proper and efficient hardware support. The company invested in the upgrade of the company's main server to support the high data and information that the new systems processed. It was noted that upgrade led to efficient customer service, reduced cost of operations and reduced turnaround time, hence high level of customer satisfaction. However, some respondents were of the opinion that the server and internet bandwidth should be further upgraded to reduce the downtimes that are occasionally experienced to enhance service delivery.

4.6.6 BPR and Organization Performance

The study sought to know the impact of BPR on APA's performance, measured by Kaplan and Norton's four perspectives BSC, namely Financial, Customer, Learning & growth, and Internal business processes perspectives. It was noted that in its desire to satisfy the four perspectives, APA considered four critical success factors (CSFs) that guided the company in achieving its

corporate objectives, namely: “we increase our market share profitably; our people drive the business, our relationships are built on mutual trust; and our products and processes meet the needs of our customers”. These four CSFs were embedded into the BSC in the HRIS and KPIs were derived therefrom which then formed the basis of performance management within APA.

The study also indicated that changes were witnessed in different areas within APA. The IT division become more proactive in giving support to the other departments such as business development, finance and claims departments. Different staff members within the IT division were allocated departments to support and an in-house system developed to monitor queries and turnaround times in responding and resolving IT related issues. This led to reduced system down times and increased customer satisfaction levels in service delivery.

It was noted from the research that BPR led to improvement of the company’s profitability that was declining, improved customer loyalty as a result of well managed business relationships with company’s customers, improved processes and products to meet the customers’ need, increased efficiency and effectiveness in service delivery as well as enhanced staff professional development and motivation. There was also notable improvement in the turnaround time, simplified processes, increased speed in decision making and service delivery and reduced costs. Overall, the company experienced improved service delivery and organizational performance as a result of BPR. APA continued improving its service delivery over the years and won accolades in customer service delivery as a result of BPR and gradual improvements as demanded by the changing customer needs. Ultimately, after BPR implementation in 2012, the company experienced a 117% jump in profitability from a low of Kshs.281M PBT in 2011 and subsequent continued improvements as shown in figure 4.1 below. Cumulatively, during the five year BPR period profitability improved by 207% from Kshs.281M in the year 2012 to Kshs.863M in the year 2015

Figure 4.1: Summary of APA's Profitability



Source: APA Insurance 2015 Annual Report and Financial Statements

4.7 Discussion of the results

The research findings were compared with the existing empirical studies that were previously done as well as the theoretical framework adopted in the study. It is clear that the study relates to the adopted theories. BPR at APA involved reorganization of the company's resources and dynamic capabilities to gain a competitive advantage. The research findings indicate that there is a connection between BPR and performance improvement. Successful implementation of BPR require co-ordination of all the Critical Success Factors and the findings confirm that an organizations' resources and dynamic capabilities play a critical part in its success and achievement of the intended ultimate objective – performance improvement.

The implementation of BPR activities at APA insurance led to improved service delivery which in turn showed improved PBT. This confirms that indeed there exists a positive relationship between customer service management and firm performance as Khong and Richardson (2003) found out in their earlier research. The research further found out that change communication, commitment of management, systems and process management and evaluation have an influence in successful implementation of BPR activities. In addition, this study established

that change management systems and culture, management competence and BPR project management team also play a critical role in successful implementation. These study findings support Osano and Okwena (2009)'s findings in which it was concluded that change communication, commitment of management, systems and process management and evaluation have an influence in successful implementation of BPR activities.

The study established that BPR implementation at APA emanated from the top management and staff at all levels were involved and clear communication was given on why it was important. This in turn won support of majority of the employees. Just as Odede (2013) established, management involvement and support played a critical role in BPR implementation. The findings in this study therefore support what Odede (2013) established. In this study, it was established that BPR has an influence on operational performance in terms of service delivery, improved turnaround time and simplified operational processes. This is true as established in Mungai (2015) study findings. However, better co-ordination between branches as a result of BPR still remain an area that could not be established at APA as established in Mungai (2015)'s findings. The study further established that BPR led to staff turnover. However, it could not be established to what extent BPR contributed to staff turnover as compared to other factors such as need to change work environment. Nonetheless, the research findings support to some extent Laibon (2014) findings that BPR is likely to bring about employee turnover.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents important findings and conclusions drawn from the research work as per the set study objectives. This chapter goes further to make recommendations on the areas for improvements and enhancement. At the end, the chapter presents limitations of the study as well as recommended areas for further research.

5.2 Summary of the Findings

The study set out to ascertain how effective BPR has been used as a strategic tool in performance improvement at APA. Clear and proper communication of the intended BPR activities by the senior management to the entire organization and involvement of staff led to low level of staff resistance to change and supported BPR implementation. Some of the major changes experienced at APA include change in organizational structure, departmental reorganization, job evaluation and changes in job descriptions, changes in IT systems among others. BPR at APA was a well thought out project that was championed by the Chief Operations Officer and has unwavering support of top management team. The development of BPR emanated from change in corporate strategy and objectives that had shifted from being a market leader to attaining profitable growth.

The five critical success factors (CSFs), namely: change management system and culture; management competence; organizational structure; BPR project management; and IT infrastructure played an important role in the implementation and success of BPR at APA. Each CSFs played a critical role in implementation and had mixed outcomes in relation to performance improvement. While all the five CSFs showed positive impact, organizational structure had some negative outcomes, namely employee turnover and increased workload. Nonetheless, BPR implementation resulted to simplification of processes, enhanced turnaround times in service delivery, reduced operational costs and ultimately enhanced profitable growth with the company experiencing over 200% growth over a period of 4 years.

The two important but conflicting strategic objectives at APA namely, market leadership and profitable growth could be resolved by assignment of appropriate weightages on the KPIs to strike a balance between the two. Flatter and lean organizational structure that resulted from BPR simplified processes, improved decision making, reduced turnaround times and reduced operational costs leading to improvement in profitability. However, there are worries that technical skills have been killed due to lack of specialization which may harm the business in the long run negating the desirable BPR outcomes experienced over the years.

Information Technology as an enabler played a critical role in BPR implementation. Changes in IT systems as part of BPR implementation supported the new processes for enhanced efficiency. The core system made service delivery more efficient supported by other non-core systems. The company experienced better customer service delivery enhancing quality customer retention and loyalty. There was however lack of full system integration hence the company failed to make full use of benefits of such an important IT capability.

5.3 Conclusion

The rapid growth of the company made planning and operations complex over the years and the gradual improvements in the processes was not sufficient. The diminishing level of profitability and market share further made BPR an inevitable tool to try and improve the deteriorating results. It is evident from the results of the research that there was need for APA to reengineer its systems and processes for performance improvement. Successful BPR implementation a clear linkage with the organization's corporate strategy and corporate objectives.

Business process reengineering is a powerful tool for implementation of reviewed companies' corporate strategies in order to achieve the desired goals and deliver a positive return on investments for shareholders. Successful BPR implementation led to improved organizational performance by reviewing the existing processes and coming up with better ways of doing things, more efficiently and at minimal cost, taking the interest of the customers at heart. These processes need to be developed around the customers' needs and

preferences, doing away with the unnecessary tasks that added no or little value in the value chain. Inefficient and ineffective processes were overhauled and new processes that were more efficient and effective were designed to enhance service delivery and reduce costs.

BPR results into reorganization of a company and new structures emanate from such reorganization that are cost effective, reducing the operating costs. APA ultimately experienced improved profits that were nosediving before BPR implementation as well as sustained business growth. The introduction of new ways of performance management enhanced staff motivation to a greater extent. However, the new structure offered limited opportunities for staff growth given its flat nature as well as work overload as a result of consolidation of roles. This is one of the limitations of BPR as a tool for performance improvement.

The research has shown that BPR has a significant positive impact on organizations. It can be concluded that a well thought out reengineering process can lead to very impressive results. The five critical success factors played a major role in ensuring success in the implementation stage. One important aspect that clearly came out is that the support of the senior management is of paramount importance in tackling staff resistance which is the key impediment to successful implementation. Earlier and proper communication of the impending changes within APA helped prepare the company for the process before it actually started, winning a lot of support from the entire company. The use of consultants, however expensive should also not be ignored as it can greatly contribute to success.

5.4 Recommendations

The study recommends that in order for APA to enjoy full benefits of BPR in performance improvement, it is important that IT resources be deployed to support efficient processes. It was evident that the IT team and infrastructure was not sufficient to support the business hence there is need to invest more in that area. Further, the systems used in the transacting insurance business should be integrated to ensure full benefits are realized from the available data which is disintegrated in various systems. IT as an enabler of BPR should be keenly looked at to enhance success of BPR implementation.

It was also noted that the BPR activities mostly revolved around the Head Office of APA. Better results could have been achieved if BPR activities were implemented company-wide so that there is uniformity in service delivery. It is also evident that as much as there are benefits of a flatter structure, the new structure created limited opportunities for growth which is a factor for staff turnover. The structure also killed specialization which in the long run may result into deteriorating technical expertise and reduced profitability. The study recommends that there be a reintroduction of technical department for proper controls in underwriting matters.

5.5 Limitation of the study

It was challenging to get all the target respondents in good time given their tight schedules and the time constraints. Nonetheless, majority of the target respondents created time for the interview however late to facilitate report compilation. The information that was also sought was sensitive, hence not all the information could be voluntarily divulged to the detail that the researcher may have wanted due to data privacy issues. A case study of APA was conducted hence no comparisons could be made on how BPR affects other insurance companies and financial services in general given the parameters under study.

5.6 Implications of the Study for Policy, Theory and Practice

The study findings are important to policy makers within the insurance industry and financial services sector in general in ensuring adoption and development of BPR as a strategic tool in performance improvement. It is important that the insurance industry regulator, Insurance Regulatory Authority (IRA) makes use of the findings of this study in policy formulation that will help the industry turnaround underwriting profitability through enhanced efficiency in processes and service delivery. Policy makers at APA will find the study useful in strategic planning and implementation and in the introduction of key changes within the company.

In theory, this study has provided a basis for academicians' and researchers' literary citation and gaps for further research. The research supports the theoretical foundation of this study in the sense that sources and capabilities of organizations if well organized can

create as sustainable competitive advantage. Under practice, the research findings recommend the use of BPR as a strategic tool in performance improvement in enhancing efficiency in service delivery and ultimately improved profitability. The research findings are of importance to the management of APA and other insurance companies who are keen in implementing BPR activities within their respective organizations, monitoring implementation of BPR and desired outcomes and how it affects organizational performance. The study can also be used as a benchmark by companies intending to implement BPR activities in their organizations and gives such organizations a clear roadmap on the critical success factors that need to be taken into consideration to ensure successful outcomes.

5.7 Suggestions for Further Studies

Further studies should be conducted in other insurance companies to ascertain the relationship between BPR and performance. The study further recommends that relationships between performance and other factors other than BPR be studied so that their impact be compared with that of BPR and a conclusion be made on the contribution of other factors to performance improvement. It will be important that a survey and not a case study be conducted to ascertain the effect of BPR as a strategic tool in performance improvement within the whole insurance industry. The focus of this study was on APA hence there is need for further research on other financial services firms and the whole financial services industry.

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APPENDICES

Appendix I: Interview Guide

Section A: Demographic Information

1. Gender
2. Current position at APA Insurance Ltd?
3. How long have you held the current position?
4. How many years have you worked in the insurance industry?

Section B: Business reengineering

1. What are some of the major changes or BPR activities that have been witnessed at APA within the past 5 years?
2. Why was BPR implemented at APA?
3. How have the following factors affected management and implementation of the changes/BPR activities mentioned within the company?
 - i. Change management system and culture
 - ii. Management competence
 - iii. Organizational structure
 - iv. BPR Project management
 - v. IT infrastructure.
4. How was BPR implemented in APA (steps involved)? Who was involved?
5. How successful has been the implementation of BPR?
6. What do you consider as critical for successful implementation of BPR initiatives in APA?
7. What were the outcomes of BPR implementation at APA in the following aspects:
 - i. *IT division*
 - ii. *Company structure*
 - iii. *Customer satisfaction*
 - iv. *Service Delivery*
8. Explain how BPR has contributed to organizational performance in APA
9. Explain how BPR has contributed to strategic management in APA
10. Any notable recommendation and comments regarding reengineering in APA



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TO WHOM IT MAY CONCERN

The bearer of this letter COLLINS ARUTA HASSAN

Registration No. DG.1/79031/2015

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PROF. JAMES M. NJIHIA
DEAN, SCHOOL OF BUSINESS



APA INSURANCE ORGANIZATIONAL STRUCTURE

