EFFECT OF SERVICE RE-ENGINEERING ON CUSTOMER RETENTION OF SELECTED MONEY BANKS IN ILARO

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ABSTRACT

The research examined significant impact of service re-engineering on consumer retention in Union Bank Nigeria Plc and Access Bank Nigeria Plc in Ilaro, Ogun State. The study objectives were to ascertain the effect of customer focus, process redesign, change management and culture change on customer retention. The researcher used a survey study approach. The two banks' full bankable customer base in the area under examination makes up the population. The respondents from the survey aimed at bank clients were chosen using a straightforward random sample procedure. The Cochran formula was used to determine the study's sample size, which was 385 respondents. The study used a structured questionnaire using a 6-point Likert scale. With the help of (SPSS) version 23, data were examined using percentages and hypotheses were tested using the Chi-Square parameter. The results of the study showed that there is a substantial correlation between service re-engineering elements and customer retention. Additionally, among the variables examined, customer focus, change management, and cultural change are significant, however process redesign is not. In order to keep potential consumers, the researchers advised banks to continue process redesign initiatives.

Keywords: *Customer Focus, Change Management, Culture Change, Process Redesign, Customer Retention.*

INTRODUCTION

Service re-engineering signifies a radical transformation, not just change. The redesign of organizational structures, management systems, employee roles and performance evaluations, incentive systems, skill development, and information technology use are examples of significant change (Ab-llah, 2017).In order to effectively traverse these difficult operating conditions, modern organizations should reassess their basic strategies to focus on lowering the cost of services and goods as well as

improving customer satisfaction, service quality, and staff satisfaction (Kumar & Mathew, 2020). According to Stoddard and Jarvenpea (2015), a business process is just a collection of tasks that use labor and tools to convert a set of inputs into a set of outputs in the form of goods or services for another person or process. It encompasses a broad range of tasks, including product development, order fulfillment, customer support, and sales (Sharma, 2016).

Players at all levels were pushed to redesign in Nigeria due to the shifting dynamics of the banking and other financial institutions industry (Kumar & Mathew, 2020). To address the new difficulties of bank consolidation, reducing operational costs, outsourcing, portfolio investment, payments, and settlement systems, the banking operations and services were overhauled. Through service re-engineering, innovative banking practices allowed Nigerian banks to implement strategic innovative customer schemes to close the service and product gap present in the banking industry (Lucas, 2016).By introducing product and service schemes like credit cards, debit cards, hassle-free housing loan schemes, educational loan schemes, and flex-deposit schemes, as well as by integrating the branch network by using advanced net-working technology and customer personalization programs through Automatic Teller Machine (ATM) and anytime banking, banks have been able to reflect the change brought about by reengineering. Businesses must adapt to the major trends changing marketplaces in order to survive and thrive in a global economy (Cheng & Chiu, 2018).

Undoubtedly, a process redesign is a reworking of a company's key business processes intended to bring about significant changes. Unfortunately, Nigerian banks are struggling to keep up with their service process redesign due to poor bank management, which causes most banks to lose potential consumers. The objective of change management is to implement strategies for bringing about change, managing change, and helping people adapt to change. However, it appears to be particularly challenging in the case of Nigerian banks because of a culture and attitude that are resistant to change, a lack of executive support and active sponsorship, ineffective communication that caused misalignment, a lack of buy-in for the change and a lack of support for the solutions, a lack of knowledge and resources for change management, and a lack of buy-in for the change. As a result, many clients have stopped using banks today. The incapacity of the financial sector to alter its culture is another

problem it is currently experiencing. The fact that the goal of the change is unclear to employees, a lack of communication and training, a lack of feedback, and a potentially unclear change process are some of the factors that may make culture change seem difficult. The general objective of this study is to examined the significant impact of service re-engineering(customer focus, process redesign, change management and culture change) on customer retention in Nigeria banking industry.

LITERATURE REVIEW
Service Reengineering
Since 1993, academics like Hammer and Champy have popularized the idea of reengineering or process redesign. They define service reengineering as a process redesign that uses technology to increase performance in terms of cost reduction, quality services, and profit as measured by geometric progression. According to Al-Mashari &Zairi (2015), Siha&Saad (2018), and Ozcelik (2016), service reengineering is a comprehensive process transformation that discourages bureaucratic structure in organizations in favor of core process specialization. Business process reengineering was defined by Herzog, Polajnar, and Tonchia (2017) as a management discipline for examining and redesigning existing business processes and their constituent parts in terms of efficiency, effectiveness, and added value to the firm's objectives. Service reengineering, as defined by Hammer and Champy (1993) and Siha and Saad (2018), is the fundamental rethinking and radical restructuring of business processes to produce major gains in crucial modern performance metrics including cost, quality, service, and speed.

Customer Focus
The idea of "customer focus" refers to meeting the wants and expectations of both present and potential customers by thoroughly understanding their demands and subsequently giving them perceived value (Alli, 2017). The expected outcomes of a customer focus approach include giving customers value, which promotes customer loyalty and increases business profitability. Because the production and consumption of a service are closely intertwined, quality in services covers both the process and the outcome (Sharma, 2016). In order for businesses to get a competitive edge over their rivals, customer emphasis on the external orientation is based on customer research, competitive analysis, analysis of consumer needs for products/services, and companies that can match customer demand (Zaini&Saad, 2019).

Process Redesigns

Process redesigns of the organization's process orientation should directly impact customer value and cost in order to help the bank improve performance (Zaini&Saad, 2019). This is accomplished by having the proper level of process knowledge, documenting existing processes, choosing the right core processes, and using prototypes. Rethinking and redesigning the business process is the major goal of process redesign in order to achieve long-term improvements in quality, cost, service, lead time, flexibility, and innovation (Hammer &Champy2015). Redesigning a process entails conducting business operations in a different manner. According to Davenport (2017), process redesign is typically a distinct endeavor that also entails the use of particular change tools and technology for enterprise engineering and business process transformation.

Change Management

The process of preparing and systematically implementing change while taking into account the potential that it will be opposed is known as "change management." It's often stated that in organizations, change is the only thing that never changes. Any company organization that isn't ready for change could be destroyed by the conditions of a constantly shifting market and product (Sloan, 2017).

Culture Change

According to Habib (2013), change culture refers to an organization's responsiveness and preparedness to shift from the status quo to a new mindset. Oladimeji, Adeyanju, and Olaoye (2017) pointed out that the adoption of service reengineering requires a collaborative culture. All employees receive it if high management supports it at first. In an organization, culture refers to the way things are done, and how things are done has an impact on how service reengineering is implemented (Sudha&Kavita, 2019). According to Oladimeji, Adeyanju, and Olaoye (2017), senior management change leadership, organizational commitment to change, involvement in change, and change communication all affect change culture.

Customer Retention

Sales in the context of business are the actual monetary sums that a firm receives after making the necessary deductions from the various sales channels for the initial total production that was placed on the market

(Mc Cathy & Milberg, 2017). Sales in a business drive output, which in turn drives earnings, which are influenced by a variety of factors, some of which can be controlled, like quality, and others of which cannot, like competition and broad price changes. Customer retention is an integrated framework that helps businesses to model and plan their sales strategy, execute sales efforts on schedule, and ensure that both front-line sales representatives and decision-makers can see performance data. The next wave of sales best practices is customer retention (Michael, 2016).

Conceptual Model of Service Re-Engineering and Customer Retention (Fig 1)
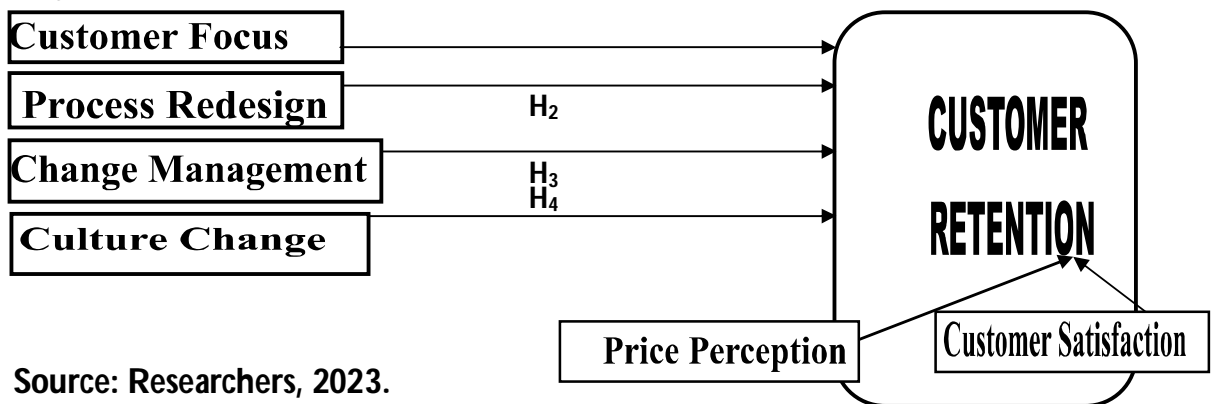
Source: Researchers, 2023.

Theoretical Review
Administrative Management Theory
Administrative management theory served as the basis for this work and was developed by Henri Fayol. Reengineering is a notion that has its roots in management theories that were created as early as the eighteenth century. Fayol detailed how managers would now coordinate and communicate with staff in an article titled "Administration Industrial et Generate." One of the first theories of management to be developed, this one is still one of the most complete. It spreads the message that for service reengineering to be successful, responsibility and authority must work together, there must be order, unity of distraction, subordination of individual interest, discipline, initiative, equity, and spirit-de-corps, among other things.

Resource-Based View (RBV) Theory
The Resource-Based View (RBV) theory, which was put forth by Wenefelt (1984) and Barney (1991), contends that businesses can outperform their rivals by creating resources that are distinctive and

widely dispersed. However, Wade and Hulland (2014) note that there is no uniform meaning of the term resource in the RBV theory.

Complementarity Theory

The complementarity hypothesis, which originated in economics literature, served as the foundation for the theory of company value proposed by Barua, Lee, and Whinston in 1996. The complementarity hypothesis is centered on elements or resources that are mutually beneficial to one another, and the impact of any one of these elements or resources would lead to a bigger improvement in the intended outcome, i.e. performance. According to Milgrom and Roberts (1995), organizational activities and practices tend to be adopted jointly since they are mutually beneficial and each one strengthens the other's contribution. As a result of the synergistic effects of combining practices, the influence on a system of complementary practices will be greater than the sum of its parts.

Empirical Review

The implications of Business Process Re-engineering on Organizational Productivity: A Study of Selected Banks were investigated by Adeoye and Odusanya (2020). Surveys were employed as the research design for the study. The population of the study consisted of male and female workers of United Bank of Africa and Guaranty Trust Bank. 221 employees in total were used as the sample size. The investigation employed the random sampling method. The frequency description statistical method was used to analyse the data, and Pearson correlation was used to examine each of the proposed hypotheses. The research's conclusions revealed a strong link between process improvement and competitive advantage as well as a strong link between radical redesign and sales expansion. In order to swiftly and progressively improve performance, it was determined that business process re-engineering is the practice of redesigning organizational processes, corporate structures, and related procedures.

Yassine (2022) sought to determine how business process engineering affected the organizational capabilities of Jordan's five-star hotels. Data were collected via Google forms from a purposive sample of hotel managers using a questionnaire-based survey. For the aim of testing hypotheses, structural equation modeling was carried out using IBM SPSS 24.0 and AMOS 23.0 software. The findings showed that

organizational restructure, information technology, and employee empowerment had the largest effects on organizational capacities for hotels, while administrative commitment had the least. As a result, managers are urged to flatten their organizational structures, foster work teams and debate, and think carefully about their connections with their staff.

METHODOLOGY

The study looked at how customer retention was affected by service re-engineering in a few chosen money institutions in Ilaro, Ogun State. Because the study aims to uncover or clarify the relationship between consumer attitudes, the survey research design was adopted. The population is made up of all of Ilaro's bank customers. The focus of the study was (Union Bank and Access Bank). These banks were chosen in order to compete with the area's first- and second-generation banks. Because bank clients are unknown, the researchers had to use the Cochran Z-Score formula to determine a sample size of 385 with a 95% degree of confidence. To contact the respondents, a purposive sample strategy was used. A six-point Likert scale was used to format the questionnaire: Strongly Disagree (SD), Disagree (D), Partially Disagree (PD), Partially Agree (PA), Agree (A), and Strongly Agree (SA). Adopting this scale was necessary to guarantee more exact and accurate results and prevent respondents' biases. 38 online responses from First Bank and GT Bank customers in Ewekoro, Ogun State were collected from different online platforms and examined. According to the Cronbach Alpha Value table's reliability of instrument column, this corresponds to around 10% of the sample size needed to determine the reliability and validity of the research instrument. Using SPSS (Version 23), the hypotheses were tested using the Chi-Square ($X2$) method.

Table 1: Reliability Computation

Variables	Value of Cronbach Alpha	Number of factors
1. Customer focus	0.768	6
2. Process redesign	0.933	6
3. Change management	0.892	6
4. Culture Change	0.911	6
5. Customer Retention	0.798	6

Source: Researchers' SPSS Output 2023

Results and Discussions

Table 2: Chi-Square Tests for customer focus

	Value	df	Asymp. Sig. (2-sided)	Exact Sign. (2-sided)	Exact Sign. (1-sided)
Chi-SquarePearson	3.765[a]	1	.052		
Correction[b]Continuity	3.355	1	.067		
RatioLikelihood	3.753	1	.053		
Exact Fisher's Test				.005	.034
Associationof Linear-by-Linear	3.755	1	.053		
N of Valid Study	385				

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 57.06.
b. Computed only for a 2x2 table

Source: Field Survey, October, 2023.

Table 3: Symmetric Measures for customer focus

		fig	Asymp. Stdandard. Error[a]	Approx. T[b]	Approx. Sig.
Interval to Interval	Pearson's R	-.099	.051	-1.945	.053[c]
Ordinal to Ordinal	Spearman Correlation	-.099	.051	-1.945	.053[c]
N of Valid Cases		385			

a. Refusing to accept the null hypothesis.
b. Assuming the null hypothesis and using the asymptotic standard error.
c. Using a typical approximation.

The Fisher's Exact test and the Likelihood Ratio test were shown in Table 2, with the Chi-Square parameter serving as the decision-making criterion. This was put to the test in order to demonstrate the importance of customer focus on customer retention as suggested by questions 1-6. The Pearson Chi-Square test was used to determine the significance, and it was discovered that the p-values for both the 2-sided and 1-sided Exact significance in the Chi-Square Test line are 0.005 and 0.034, respectively. Since the p-value (0.05, 0.0340.05) is below than the 5% level of significance, it is clear that customer focus has a significant impact on customer retention within the chosen banks.

However, Table 3's symmetric measurements between two variables customer attention and customer retention show the strength and magnitude of the relationship. Because the correlation's standard error is 0.053b, it is statistically significant. As a result, we come to the conclusion that customer focus has a considerable impact on customer retention within the chosen banks and accept alternative hypothesis while rejecting null hypothesis.

Table 4.   Chi-Square Tests for process redesign

	fig	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Chi-Square Pearson	.830ª	1	.362		
Correctionᵇ Continuity	.653	1	.419		
Ratio Likelihood	.830	1	.362		
Exact Fisher's Test				.410	.209
Association of Linear-by-Linear	.828	1	.363		
N of Valid Cases	385				

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 78.57.
b. Computed only for a 2x2 table.

Table 5:   Symmetric Measures for process redesign

		Value	Asymp. Std. Errorª	Approx. Tᵇ	Approx. Sig.
Interval by Interval	Pearson's R	-.046	.051	-.910	.363ᶜ
Ordinal by Ordinal	Spearman Correlation	-.046	.051	-.910	.363ᶜ
N of Valid Cases		385			

a. Refusing to accept the null hypothesis.
b. Assuming the null hypothesis and using the asymptotic standard error.
c. Using a typical approximation.

The Fisher's Exact test and the Likelihood Ratio test were shown in Table 4 with the Chi-Square parameter serving as the decision-making criterion. This was put to the test in order to demonstrate the impact of process redesign on customer retention as suggested by questions 7 through 12. The Pearson Chi-Square test was used to determine the significance, and it was discovered that the p-values for both the 2-sided and 1-sided Exact significance in the Chi-Square Test line are 0.410 and 0.209, respectively. Since the p-value (0.410, 0.209>0.05) exceeds the 5% criterion of significance. We may deduce with ease that product redesign has no appreciable impact on client retention at the chosen banks.

However, Table 5's symmetric measures illustrate the strength and significance of the relationship between two variables–product redesign and customer retention. The correlation's standard error, which is 0.363b, is statistically significant. Thus, we reach the conclusion that product redesign has no appreciable impact on client retention at the chosen banks by accepting null hypothesis and rejecting alternative hypothesis.

Table 6:   Chi-Square Tests for Change Management

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Chi-Square Pearson	.131[a]	1	.717		
Correction [b]Continuity	.060	1	.806		
Ratio Likelihood	.131	1	.717		
Exact Fisher's Test				.000	.002
Association of Linear-by-Linear	.131	1	.717		
N of Valid Study	385				

a. There are 0 cells (0.0%) with an expected count of fewer than 5. 43.46 is the bare minimum anticipated count.
b. Only calculated for a 2x2 table

Table 7:   Symmetric Measures for change management

		Value	Asymp. Std. Error[a]	Approx. T[b]	Approx. Sig.
Interval by Interval	Pearson's R	.018	.051	.362	.018[c]
Ordinal by Ordinal	Spearman Correlation	.018	.051	.362	.018[c]
N of Valid Cases		385			

a. Refusing to accept the null hypothesis.
b. Assuming the null hypothesis and using the asymptotic standard error.
c. Using a typical approximation.

The Fisher's Exact test and the Likelihood Ratio test were shown in Table 6 with the Chi-Square parameter serving as the decision-making criterion. This was put to the test in order to demonstrate the impact of change management on customer retention as suggested by questions 13–18. The Pearson Chi-Square test was used to determine the significance, and it was discovered that the p-values for both the 2-sided and 1-sided Exact significance in the Chi-Square Test line are 0.000 and 0.002, respectively. Because the p-value (0.000, 0.0020.05) is below than the 5% criterion of significance. We may simply deduce that change management has a big impact on keeping customers with the chosen institutions.

But Table 7's symmetric measures, which compare two variables—change management and customer retention—show the strength and magnitude of the relationship. Because the correlation's standard error is 0.018b, it is statistically significant. This means that we reject the null hypothesis and accept the alternative hypothesis, after which we draw the conclusion that

change management significantly affects customer retention at the chosen banks.

Table 8:   Chi-Square Tests for culture change

	fig	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Chi-Square Pearson	.966[a]	1	.326		
Correction [b]Continuity	.773	1	.379		
Ratio Likelihood	.967	1	.325		
Exact Fisher's Test				.022	.019
Linear-by-Linear Association	.963	1	.326		
N of Valid Study	385				

a. There are 0 cells (0.0%) with an expected count of fewer than 5. The lowest anticipated count is 73.75.
b. Only calculated for a 2x2 table

Table 9:   Symmetric Measures for culture change

		Value	Asymp. Std. Error[a]	Approx. T[b]	Approx. Sig.
Interval by Interval	Pearson's R	-.050	.051	-.981	.007[c]
Ordinal by Ordinal	Spearman Correlation	-.050	.051	-.981	.007[c]
N of Valid Cases		385			

a. Refusing to accept the null hypothesis.
b. Assuming the null hypothesis and using the asymptotic standard error.
c. Using a typical approximation.

The Fisher's Exact test and the Likelihood Ratio test were shown in Table 8 with the Chi-Square parameter serving as the decision-making criterion. This was put to the test in order to demonstrate the impact of culture change on customer retention as suggested by questions 19 through 24. The Pearson Chi-Square test was used to determine the significance, and it was discovered that the p-values for both the 2-sided and 1-sided Exact significance in the Chi-Square Test line are 0.022 and 0.019, respectively. Since the p-value (0.022, 0.0190.05) is less than the 5% criterion of significance. We may simply conclude that culture change has a big impact on keeping customers in the banking sector.

CONCLUSION

The primary focus of this study is on Union Bank Plc. and Access Bank Plc. to examine the major impact of service re-engineering on customer retention in the Nigerian banking sector. For the study, four research questions and four hypotheses were developed and examined. The results show a direct, significant, and favorable association between service re-engineering and customer retention in the Nigerian banking sector, supporting the primary goal. Process change, however, had little impact on the chosen institutions' ability to keep customers.

RECOMMENDATIONS

It is recommended that, in light of the study's conclusions;

i. To keep potential clients, banks should enhance their customer-focused initiatives. To prevent clients switching to the competition, top management of commercial banks in Nigeria are also recommended to outline their business process objectives effectively.

ii. It was also suggested, among other things, that senior management of commercial banks should offer a clear direction or vision in order to aid service re-engineering team members be driven toward the necessary goals in order to survive in this dynamic and tumultuous business climate. This can be accomplished by implementing an appropriate process redesign, which has little to no impact on retaining customers.

iii. Commercial banks should also enhance their ability to manage change and raise the caliber of their services by utilizing efficient technology. Nigerian commercial banks' top management should make an effort not to rely too heavily on IT solutions. Instead of automating an inefficient procedure, they should look into the business process.

iv. The findings in this research show that culture transformation considerably enhanced organizational performance and resulted in long-term customer retention. From the standpoint of the client, any organization's system is only as effective as its people. A smart individual with a good work ethic might create a brilliant method to keep customers.

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