

Innovations

Impact of Business Process Re-Engineering (BPR) on Cost Reduction in Corporate Organizations: A Case of Sterling Bank PLC

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Abstract: *Business Process Re-engineering (BPR) has emerged as a critical strategy for organizations aiming to achieve substantial cost reductions and enhance operational efficiency in today's competitive environment. This study explores the impact of BPR on cost reduction within corporate organizations, with a specific focus on Sterling Bank Plc. Utilizing a survey research design, data was collected from 100 employees through structured questionnaires, designed to capture both quantitative and qualitative insights into BPR practices and their effects on cost reduction. The data was analyzed using multiple linear regression, which revealed that BPR accounts for 53.1% of the variability in cost reduction. This significant finding indicates that BPR factors included in the model explain a considerable portion of the observed changes in cost reduction, highlighting BPR's crucial role in cost management. The standardized coefficient of 0.687 and a p-value of 0.046 further underscore the positive and statistically significant relationship between BPR implementation and cost reduction, leading to the rejection of the null hypothesis. These results emphasize the effectiveness of BPR in achieving cost reduction objectives. Based on these findings, it is recommended that organizations prioritize BPR initiatives, streamline processes, invest in employee training, and continuously refine BPR strategies to enhance cost management and operational efficiency.*

Keywords: *Business Process Re-engineering (BPR), Corporate Organizations, Cost Reduction, Operational Efficiency*

1. Introduction

Business Process Re-engineering (BPR) has become a crucial strategy for corporate organizations aiming to achieve operational efficiency and significant cost reductions in today's competitive environment. It involves a radical overhaul of business processes to achieve major improvements in key performance areas such as cost, quality, service, and speed. The goal of BPR is to eliminate inefficiencies and redundancies by fundamentally rethinking how work is performed, often with the support of advanced technology. In a world where global competition and economic uncertainties are squeezing profit margins, the

ability to cut costs while maintaining or enhancing quality has become essential for organizational success.

The increasing complexity of the business environment has made it necessary for organizations to adopt new and advanced concepts to stay competitive (Zraquat et al., 2021). Among these, achieving a cost advantage is critical, as it allows organizations to effectively utilize their capabilities in a dynamic environment (Zraquat, 2019). This has led to a growing focus on BPR, which is recognized as one of the most effective contemporary approaches for driving organizational change and gaining a competitive edge (Daud, 2021; Sungau, 2019). BPR's importance lies in its emphasis on rethinking operations, organizational structures, information technology, and job roles to achieve significant improvements in productivity (Chandna & Ansari, 2012). The pressures of globalization have heightened competition among international businesses, compelling senior management to adopt strategies that enhance competitiveness through cost reduction (Chandra & Kumar, 2000). Unfortunately, many organizations struggle to effectively implement modern management techniques like BPR, which hinders their ability to reduce production costs and weakens their competitive position (Al-Basal et al., 2021).

While BPR has the potential to deliver substantial cost savings, its implementation has produced mixed results. Success typically depends on a thorough analysis of existing processes, identifying non-value-adding activities, and adopting innovative solutions supported by advanced technology. However, BPR also carries risks, including organizational disruptions, resistance from employees, loss of institutional knowledge, and potential short-term declines in productivity (Fasna & Gunatilake, 2020). Despite these challenges, when BPR is executed successfully, it can lead to significant cost reductions, improved customer satisfaction, and a stronger competitive advantage. Therefore, this study aims to evaluate the impact of business process re-engineering (BPR) on cost reduction in corporate organizations.

Research Hypothesis

A null hypothesis has been formulated to guide the study:

H0: Business Process Re-engineering (BPR) does not have any significant impact on cost reduction in corporate organizations.

2. Literature Review

Business Process Reengineering (BPR) is a strategic approach that involves fundamentally rethinking and radically redesigning an organization's core processes to achieve significant improvements in key performance areas such as cost, quality, service, and speed (Ştefănescu et al., 2007; Hnylianska, 2022). Unlike incremental changes, BPR seeks to overhaul existing processes entirely, eliminating inefficiencies and adopting innovative solutions. The goal is to streamline operations, reduce costs, and enhance overall organizational

performance. BPR often leverages modern technology to transform processes, making them more efficient and better aligned with the organization's strategic objectives (Weerakkody et al., 2011).

The term "Business Process Reengineering (BPR)" gained prominence through Michael Hammer's 1990 Harvard Business Review article, which examined how information technology could revolutionize business processes. Hammer & James Champy (2009) later defined BPR as the fundamental rethinking and radical redesign of business processes to achieve significant improvements in cost, quality, service, and speed. They argued that traditional methods like rationalization and automation had failed to deliver dramatic performance gains because they merely sped up outdated processes without addressing underlying inefficiencies.

Hammer (1990) emphasized the need to "obliterate" outdated processes and harness contemporary information technology to radically redesign them for improved performance. While IT plays a role in BPR, the real challenge lies in implementing organizational change and aligning processes with strategic objectives. The concept has been referred to by various terms, such as process innovation, organizational change ecology, and business process management, each highlighting different aspects of process improvement.

Factors Contributing to the Success or Failure of BPR

The success of Business Process Reengineering (BPR) in achieving cost reduction and performance improvement depends on several key factors. A clear, well-defined vision aligns BPR with organizational objectives, ensuring all stakeholders work towards common goals. Strong leadership and management support are crucial for providing the necessary resources and overcoming resistance to change. Effective communication helps manage expectations and fosters a culture of collaboration and innovation. Proper planning and realistic goal-setting enable organizations to target processes with the greatest improvement potential, while the integration of information technology (IT) enhances efficiency and reduces costs. Involving employees at all levels is essential for identifying inefficiencies and ensuring successful implementation, supported by continuous training and development. Ongoing monitoring and evaluation of the reengineered processes are vital to achieving and sustaining desired outcomes. Conversely, BPR failures often stem from a lack of clear planning, unrealistic expectations, and viewing BPR as a quick fix rather than a strategic overhaul (Fasna & Gunatilake, 2020). This misconception, coupled with the absence of metrics to measure improvements, leads to disappointment. A focus on tactical rather than strategic goals, poor execution without comprehensive cost-benefit analysis, lack of expertise, and inadequate IT partnerships further hinder success. Insufficient management support, technological incompetence, poor project planning, and change management

issues also contribute to BPR failures, preventing organizations from realizing transformative improvements (Nkomo & Marnewick, 2021).

Importance of Cost Reduction for Organizational Competitiveness

- a) **Enhanced Profit Margins:** Reducing costs directly improves profit margins by decreasing expenses relative to revenue. Higher margins allow organizations to reinvest in growth and innovation, strengthening their competitive edge.
- b) **Increased Pricing Flexibility:** Lower costs provide the flexibility to adjust pricing strategies without sacrificing profitability. This enables organizations to offer competitive prices, attract more customers, and capture market share.
- c) **Improved Financial Health:** Effective cost reduction enhances overall financial stability by improving cash flow and reducing debt. Strong financial health supports resilience against market fluctuations and economic downturns, ensuring long-term sustainability.
- d) **Greater Investment Capacity:** Savings from cost reduction can be redirected into strategic investments such as research and development, technology upgrades, and expansion projects. This helps organizations stay ahead of competitors and drive future growth.
- e) **Operational Efficiency:** Cost reduction often involves streamlining processes and eliminating inefficiencies. Improved operational efficiency leads to faster production cycles, better resource utilization, and enhanced service delivery, further bolstering competitive advantage.

Relationship between BPR and Cost Reduction

At the heart of BPR is the drive for cost reduction. By re-engineering processes, organizations aim to streamline operations, cut redundancies, and optimize resources. This often involves automating tasks, simplifying processes, and removing non-essential activities to reduce overall costs (Zaini & Saad, 2019).

For example, a manufacturing company might use BPR to cut material waste, reduce downtime, and optimize inventory. In a service-oriented organization, BPR could focus on improving customer service by reducing response times and enhancing service quality (Terziovski et al., 2003; Weerakkody et al., 2011). These improvements can lead to tangible cost savings through improved customer retention and loyalty, highlighting the multifaceted impact of BPR on organizational performance.

Furthermore, the roles of BPR in cost reduction within corporate organizations include:

1. **Process Redesign:** BPR entails rethinking and restructuring business processes to enhance performance. By breaking down and reorganizing processes, organizations eliminate inefficiencies and cut costs.

2. **Technology Integration:** BPR integrates technology to automate tasks and streamline operations. ERP systems, for instance, centralize data and improve efficiency, leading to cost reductions.
3. **Resource Optimization:** BPR aims to match resources with demand more effectively. This minimizes waste and boosts productivity, reducing costs by reallocating staff and optimizing materials.
4. **Quality Improvement:** Though not the main focus, BPR often enhances quality by reducing errors and rework. Improved process efficiency leads to fewer defects and lower costs related to customer complaints.
5. **Cost Reduction Strategies:** BPR involves specific strategies like outsourcing, renegotiating supplier contracts, or redesigning products. These measures, part of the broader redesign, help achieve overall cost savings.

3. Theoretical Review

Resource-Based View (RBV)

The Resource-Based View (RBV) focuses on how an organization's internal resources and capabilities drive its competitive advantage and overall performance. According to RBV, resources such as technology, skilled personnel, and proprietary processes are crucial for achieving superior performance and cost efficiencies (Penrose, 2009). RBV posits that re-engineering efforts should leverage and enhance these internal resources to achieve significant improvements. By redesigning processes to better utilize existing resources and capabilities, organizations can streamline operations, reduce waste, and lower costs.

RBV emphasizes the importance of aligning process improvements with the organization's unique resources and capabilities. Effective BPR initiatives identify and optimize these resources, leading to more efficient and cost-effective operations (Madhani, 2021; Adama et al., 2024). For example, integrating advanced technology or enhancing employee skills through BPR can lead to significant cost reductions by improving productivity and reducing operational inefficiencies. Thus, RBV provides a framework for understanding how re-engineering processes to better align with and enhance internal resources can drive cost reductions and improve organizational performance.

Lean Management Theory

Lean Management Theory focuses on optimizing efficiency by eliminating waste and continuously improving processes. This approach aims to maximize value for customers while minimizing the resources, time, and effort required to deliver products or services (Shaturaev & Bekimbetova, 2021). Lean Management Theory provides a framework for re-engineering processes to remove non-value-adding activities, streamline operations, and enhance overall efficiency. By applying lean principles, organizations can identify and address inefficiencies, reduce

redundancies, and optimize resource utilization, leading to significant cost reductions.

BPR, which involves fundamentally redesigning core processes to achieve dramatic improvements in performance, aligns closely with Lean Management principles. Implementing BPR with a lean mindset helps organizations focus on process optimization and waste reduction, leading to cost savings and improved operational efficiency. By integrating Lean Management practices into BPR initiatives, organizations can achieve not only cost reductions but also enhanced quality and faster response times, ultimately improving their competitive position and overall performance.

Total Quality Management (TQM)

Total Quality Management (TQM) focuses on enhancing organizational performance through continuous improvement in quality across all processes. TQM advocates for a comprehensive approach where every employee is involved in improving quality and meeting customer expectations (Ahmed & Idris, 2020). It emphasizes the importance of systematic quality control and the integration of quality management into all aspects of an organization's operations (Kareska, 2023). By applying TQM principles, organizations aim to reduce defects, enhance service delivery, and improve overall process efficiency, which can contribute to significant cost reductions.

TQM complements BPR efforts by ensuring that process redesigns not only aim for efficiency but also enhance quality. BPR initiatives often involve re-engineering processes to eliminate redundancies and optimize workflows, which aligns with TQM's focus on continuous improvement and quality enhancement. By integrating TQM principles into BPR, organizations can ensure that their re-engineering efforts lead to improvements in product and service quality, which in turn reduces costs associated with defects, rework, and customer complaints. This synergy between TQM and BPR supports achieving sustainable cost reduction and enhanced organizational performance.

4. Empirical Review

Needorn & Agwor (2015) conducted a comprehensive study aimed at analyzing the cost-benefit dynamics of Business Process Reengineering (BPR) within the context of Nigerian banks. Focusing on a sample of ten banks in Port Harcourt, the research delved into the intricacies of BPR by addressing two fundamental research questions regarding its benefits and costs, alongside testing the hypothesis asserting no significant difference between these aspects. Employing a rigorous methodology, the study yielded compelling findings indicating a substantial and positive disparity between the benefits and costs of BPR, thus affirming its viability and potential for enhancing organizational performance within the Nigerian banking sector. The study's conclusion underscored the worthiness of BPR initiatives in Nigerian banks, advocating for strategic planning

as a precursor to BPR implementation, with a specific emphasis on leveraging IT as a competitive advantage and prioritizing customer-centric reengineering efforts. Moreover, the research emphasized the importance of organizational involvement in BPR endeavors, cautioning against sole reliance on external consultants and advocating for a collaborative approach involving all stakeholders. Additionally, the study recommended adhering to a designated time frame for BPR projects to mitigate organizational disruptions and ensure efficient implementation. Overall, the findings and recommendations provided valuable insights into the strategic implications of BPR in Nigerian banks, offering practical guidance for organizations seeking to undertake similar initiatives in the pursuit of enhanced efficiency and competitiveness.

Sungau & Ndunguru (2015) conducted a study on the effectiveness of Business Process Re-engineering (BPR) in reducing operational costs in service organizations. The study, using a cross-sectional survey design, investigated the direct effects of BPR and delivery speed on operational costs, as well as their indirect effects through service quality. The authors constructed a structural measurement model based on an intensive literature review, formulated testable hypotheses, and collected data from ninety-five service organizations in Tanzania. The findings indicate that BPR and delivery speed do not have direct effects on operational costs; instead, they indirectly influence operational costs through the mediations of service quality. Therefore, BPR impacts service quality and delivery speed, which in turn affect the operational costs of service organizations. The study recommends that service organizations should consider using BPR as a strategic tool to reduce operational costs.

Garcia-Garcia et al. (2021) studied the use of Business Process Re-engineering (BPR) to digitalize quality control in a food company, aiming to reduce waste and resource use. Their case study of pack-house operations showed that integrating BPR with Industry 4.0 technologies improved efficiency by reducing check times and enhancing communication between quality control and production teams. Digitalization also made defect identification easier, ensuring products met specifications and reducing rejections. The new system enabled real-time monitoring and faster, more accurate data collection, leading to better operational performance. The study suggests that food companies should adopt BPR and Industry 4.0 solutions to optimize quality control, reduce waste, and improve efficiency.

Al-Basal & Almomani (2021) conducted a study on the impact of Business Process Reengineering (BPR) on reducing production costs in Jordanian public industrial shareholding companies listed on the Amman Stock Exchange (ASE). Using a descriptive applied approach, the study targeted 73 public industrial companies, from which a representative sample of 44 companies was selected through random and stratified sampling. Data were gathered via questionnaires distributed to managers and employees across various administrative levels within these companies. The findings indicated that both the level of BPR

implementation and the reduction of production costs were at a medium scale. Notably, the dimensions of BPR, specifically organizational structures engineering and HR engineering, had a significant impact on reducing production costs. The study recommended moving away from routine practices, adopting modern administrative methods, enhancing coordination between departments, empowering middle and lower management, and providing a conducive working environment to improve productivity and efficiency. These measures are suggested to optimize resource use and further reduce production and operational costs.

Alhawamdeh (2021) conducted a study on the impact of Business Process Reengineering (BPR) on cost reduction in international business organizations operating in the Middle East. The research focused on various BPR dimensions, including decentralization, re-engineering organizational structures, re-engineering human resources, industrial process technology, improving total quality standards, and value engineering. The study encompassed international businesses operating in at least four countries within the Middle East. The findings revealed that all BPR dimensions significantly contributed to cost reduction, with notable effects observed in decentralization, re-engineering human resources, and industrial process technology. However, while improvements were seen in these areas, the combined effect of rebuilding organizational structures, improving total quality standards, and value engineering showed less pronounced impact on cost reduction. The study underscores the importance of modern management accounting techniques and value engineering to identify and enhance value-adding activities and eliminate those that do not contribute to cost reduction. The study recommends that international organizations adopt these approaches to optimize their operations and achieve greater cost efficiency.

5. Methodology

This study utilized a survey research design to examine the influence of Business Process Re-engineering (BPR) on cost reduction in corporate organizations, focusing on Sterling Bank Plc. The population for this study consisted of employees from Sterling Bank Plc. in the Lagos metropolis. A sample size of 100 respondents was determined using statistical sampling techniques to ensure a representative view of employee perspectives on BPR. Data was collected through a structured questionnaire, which was designed to capture both quantitative and qualitative information about BPR practices and their impact on cost reduction.

For data analysis, inferential statistics, specifically multiple linear regression analysis, were used to test the study's hypothesis and assess the relationships between BPR implementation and its impact on cost reduction in corporate organizations. This approach allowed for a comprehensive evaluation of how BPR

influences cost reduction and competitive positioning, providing insights and recommendations for enhancing BPR practices in corporate organizations.

6. Results

Demographic Data

As presented in Appendix 1, the data shows a notable gender imbalance among respondents, with men representing 62% of the sample compared to 38% women. Additionally, the age distribution reveals a predominantly young workforce, with 76% of respondents under 36 years old. The largest age group is between 26-35 years, comprising 45% of the sample, while individuals over 46 years old are least represented at just 5%, suggesting a smaller presence of older, more experienced employees.

In terms of educational background, the majority of respondents are highly educated, with 57% holding a Bachelor's degree and 30% holding a Master's degree. This underscores a strong emphasis on higher education within the banking sector. Only 4% of respondents have a high school diploma, and 9% hold a PhD or equivalent, indicating a workforce that is both educated and well-qualified. Regarding experience, 35% of respondents have 1-5 years in the industry, while 32% have 6-10 years. A smaller segment, 17%, have 11-15 years of experience, and only 2% have over 15 years, highlighting a mix of relatively new and mid-career professionals with fewer long-term employees.

Test of Hypothesis

The adjusted R-squared value of 53.1% (as detailed in Appendix 2) indicates that Business Process Reengineering (BPR) accounts for 53.1% of the variability in Cost Reduction. This significant figure suggests that BPR factors included in the model explain a substantial portion of the observed changes in cost reduction. In other words, BPR plays a crucial role in influencing how much cost can be reduced within corporate organizations. This highlights the importance of incorporating BPR strategies as they have a meaningful impact on cost management.

Moreover, the analysis conducted to test the null hypothesis (H0) — which posits that "business process reengineering (BPR) does not have a significant impact on cost reduction in corporate organizations" — shows compelling results. The standardized coefficient of 0.687, presented in Appendix 2, reveals a positive and moderate effect of BPR on cost reduction, meaning that as BPR efforts increase, cost reduction tends to improve. Additionally, the p-value of 0.046, which is below the standard significance level of 0.05, indicates a statistically significant relationship between BPR and cost reduction. Consequently, the null hypothesis is rejected, and the alternative hypothesis is strongly supported. This finding emphasizes that BPR initiatives are effective in achieving cost reduction goals, reinforcing BPR as an essential strategic tool for improving cost management within organizations.

7. Discussion of Results

The data presented in Appendix 1 reveals a significant gender imbalance among the respondents, with men comprising 62% of the sample compared to 38% women. This disparity may reflect broader gender dynamics within the banking sector or suggest potential biases in the survey's outreach. Additionally, the age distribution indicates a predominantly young workforce, with 76% of respondents under 36 years old. Notably, 45% of the sample falls within the 26-35 years age range, while individuals over 46 years old are minimally represented at just 5%. This suggests a workforce dominated by younger employees and a smaller presence of older, more experienced staff. The educational background of respondents further highlights a well-qualified workforce, with 57% holding a Bachelor's degree and 30% possessing a Master's degree. This indicates a strong emphasis on higher education within the sector. Only 4% of respondents have a high school diploma, and 9% have a PhD or equivalent, underscoring the high educational qualifications of the workforce. Experience levels are diverse, with 35% of respondents having 1-5 years in the industry, and 32% having 6-10 years. A smaller segment, 17%, has 11-15 years of experience, and only 2% have over 15 years, reflecting a mix of relatively new and mid-career professionals with fewer long-term employees.

In terms of BPR's impact on cost reduction, the statistical analysis provides compelling insights. The adjusted R-squared value of 53.1%, as shown in Appendix 2, indicates that BPR accounts for a substantial portion of the variability in cost reduction. This suggests that BPR significantly influences cost-saving efforts within organizations. Furthermore, regression analysis reveals a statistically significant positive relationship between BPR and cost reduction. The standardized coefficient of 0.687 demonstrates a moderate but meaningful influence of BPR on cost reduction, implying that increased BPR efforts correlate with greater cost savings. The p-value of 0.046, which is below the 0.05 significance level, supports the rejection of the null hypothesis and confirms a strong, statistically significant relationship between BPR and cost reduction. These findings underscore the effectiveness of BPR as a strategic tool for enhancing cost management and improving organizational performance. Additionally, these findings are consistent with the previous research findings documented by Needorn & Agwor (2015), Sungau & Ndunguru (2015), and Al-Basal & Almomani (2021).

8. Conclusion and Recommendations

In conclusion, the data and statistical analysis strongly demonstrate that Business Process Reengineering (BPR) plays a crucial role in achieving cost reduction within corporate organizations. The gender imbalance, youthful workforce, high educational qualifications, and varied experience levels provide context for the sector's diverse perspectives. The analysis shows that BPR accounts for a significant portion of the variability in cost reduction, with a strong positive

relationship between BPR efforts and cost savings. The adjusted R-squared value of 53.1% and the statistically significant coefficient reinforce the effectiveness of BPR in meeting cost reduction goals. Consequently, organizations should prioritize BPR to enhance efficiency and drive cost savings. Streamlining processes, investing in employee training, and continuously refining BPR strategies will contribute to substantial cost management improvements. Future research should focus on the long-term impact of BPR across industries, the role of organizational culture and leadership in BPR success, and how emerging technologies like AI and automation can further advance cost management and efficiency.

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Appendices

Appendix 1: Demographic Characteristics of Respondents

Table 1: Demographic data of respondents

Variable	Sample Composition	Frequency	Percentage
Gender	Male	62	62%
	Female	38	38%
	Total	100	100%
Age	18 – 25 years	31	31%
	26 – 35 years	45	45%
	36 – 45 years	19	19%
	Over 46 years	5	5%
	Total	100	100.0%
Educational background	High School	4	4%
	Bachelor’s Degree	57	57%
	Master’s Degree	30	30%
	PhD or equivalent	9	9%
	Total	100	100.0%
Years of Experience in the Banking Industry	Less than 1 year	14	14%
	1 – 5 years	35	35%
	6 – 10 years	32	32%
	11 – 15 years	17	17%
	Over 15 years	2	2%
	Total	100	100%

Source: Field Survey, 2024

Appendix 2: Results of Regression Analysis

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.623 ^a	.495	.531	1.871

a. Predictors: (Constant) BPR

Table 3: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.154	1	11.426	61.347	.000 ^b
	Residual	20.735	98	.615		
	Total	58.889	99			

a. Dependent Variable: Cost Reduction

b. Predictors: (Constant), BPR

Table 4: Coefficients ^a

Model		Un-standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.494	1.603		14.227	.000
	BPR	.629	.174	.687	1.942	.046

a. Dependent Variable: Cost Reduction

Source: SPSS version 29 output