The effectiveness of Business Process Reengineering in the Islamic Banks: The Information Technology as a moderator

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Abstract

One of the critical challenges of business world is to manage change. This rapid rate of change has forced many companies to radically improve its business processes or better known as business process reengineering (BPR). Financial sector is one of the main drivers in economy in any nation and has been experiencing drastic change in its operations. This paper examines the effectiveness of business process reengineering (BPR) and the moderation role of information technology (IT) capability on the performance of Islamic bank in Malaysia. BPR factors namely change management, strategy alignment, management commitment, customer focus, IT investment, process redesign, adequate financial resource and less bureaucratic structure are investigated to see their effects on the Islamic banks' performance. The performance of Islamic bank is unique because it is based on three main aspects which include (1) educating individual, (2) public interest, and (3) establishing justice. The direct relationship and moderation effects were analyzed using the Partial Least Square (PLS) structural equation modeling. Collectively, the results show the positive effect of BPR on the performance of Islamic banks. The outcome of this study provides the important insights to both managers and researchers for further understanding of BPR factors particularly on the Islamic bank's performance.

Keywords
Business Process Reengineering, bank performance, Islamic bank, Information Technology capability

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Biography

Razalli, M. R. received a Bachelor of Science in Business Administration (Operations Management) from Indiana University, U.S.A (1998), MBA from Universiti Utara Malaysia (2000), and PhD (Operations Management) from Universiti Sains Malaysia (2008). He is a senior lecturer in Operations Management department in the School of Technology Management and Logistics, UUM. He teaches courses such as Production and Operations Management, Operations and Technology Management, Quality Management, Management Science, and Supply Chain Management. His research interest includes service operations management, service supply chain management, quality services, and green management.