

Factors Associated with Successful Re-Engineering of Customer Loyalty to Bank Services

(Case Study: Customer Loyalty of Chalus Branch public and Private Banks)

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ABSTRACT

This study examines the factors associated with successful re-engineering of customer loyalty to banks and private banking services to the city of Chalus. The population in this study consisted of managers and professionals and employees of state banks and private Chalus Branch of the number of 396 persons, based on sample-size table (krejci & Morgan, 1970) 196, of whom the sample was selected. Descriptive correlation study was conducted. Data analyzed using spss (ver 20) and correlations test were calculated and analyzed. Hypothesis test results indicate that there is a relationship between the factors affecting the success of reengineering (commitment and support of senior management, change management, implementation, and performance) and customer loyalty to the city's public and private banks of Chalous Branch.

KEYWORDS: Success- Reengineering- Process- Loyalty – Services

1- INTRODUCTION

One of the features of the new world of business is increased levels of competition. Organizations that want to increase their market share or even survive in such a space Should devote themselves to the changing conditions of the many changes in the way business is being formed. Change and redesign processes (reengineering business processes) that achieves dramatic improvements in critical measures of performance such as cost, time, quality, maintaining profitability and customer service as well as extensive changes to customer services are the effective ways to build and maintain customer loyalty to service organizations gain is the result of a sustainable competitive advantage for organizations.

Banks play an important role in the economy and there is a close relationship between economic development and bank developments, so the most beneficial and the most appropriate strategy for the banks is customers and in other words, banking foundation is "client ". Today, the bank is obliged to present themselves in the mirror and try to understand the demands of its customers at highly competitive environment. Through its loyal customers to achieve significant gains.

Favorable conditions in the banking market, fierce competition with other banks in order to attract more customers and making them loyal, and thus to achieve the benefits and advantages mentioned, should reconsider its attitude in all aspects of their development and to overcome their deficiencies and weaknesses to provide the best facilities in order to meet the needs of customers and thus provide loyal to them. One of the best ways to make fundamental changes to the overall strategy of the organization's activities and processes are carried out in line with the objectives of the business process re-engineering of organization.

According to the researchers of previous studies like as (song & Gibson,1998), (Almashiri & zahiri,1999), (Jesus Khani and others, 1384) and many other researchers were identified factors such as "the role of senior management commitment and support, change management, implementation and execution "as the most influential factor in the successful implementation of reengineering projects, the researcher in this study is looking at the importance of customer loyalty for banks whether it is through the re-engineering of processes and using the identification of these factors on its successful implementation in ideal conditions in terms of customer loyalty to banks to state banks and private banking of Chalus Branch achieved? And check whether the correct implementation of each of the factors affecting the successful implementation of reengineering projects are related to customer loyalty? in order to generalize the results to create new and more favorable conditions in bank that will attract customers and build loyalty and create a more efficient and new way by the multiplicity of competitors and competitive market and have identified ways to reach customers of all banks.

2- The importance and necessity of research:

Today, banks are the lifeline of the economy in all countries. need to be aware of how the state banking satisfaction and loyalty, and financial performance is easily palpable in order to more accurately plan for the

improvement of their performance. Especially since the move to privatization of banks, their profitability are more widely. (6)

The structure and organization of business and trade and the future of global competition, changing markets and rapid technological advances are suddenly turned into rigorous and excellent special features, one of which requires approach the process of re-engineering central processes. (5)

Organizational structure of public and private banks in Iran as well as other professional organizations based on the organization and processes to make things simple functions which have caused difficulties that other improvements in the way they function in such a way that it will not adopt the approach and its solution process. Considering the feedback received from the bank to the banking system in general indicates that the current position is the ability to respond appropriately to customer expectations. Therefore the increasing competition in the current state that is dominated the banking system, finding ways to increase efficiency and effectiveness in the body is such as the blood that flows in the banking system and it is crucial for survival and success in such a situation. The problem with this system is similar in most countries banks are: 1- problems related to laws and regulations, 2- paperwork and bureaucratic red tape, 3- Problems arising from the hierarchical structure, 4- daily-oriented, 5- Cost orientation and evaluation of faulty functions, 6- Lack of customer needs.

All of these problems will lead to poor performance of banks and since the resources and increase the market share are the important goals of public and private banks, so, customer satisfaction and loyalty to the banks in this way will be the most important step.

Therefore the implementation of each of the factors affecting the successful implementation of reengineering the banks mentioned obstacles eliminated thereby resulting in customer satisfaction and loyalty.(3)

3- Objectives of research

3.1- The main goals:

Identify the relationships between reengineering and the key factors in the successful implementation with customer loyalty of public and private of Chalous city.

3.2- Sub-objectives:

* Identify the relationship between top management support and commitment from the banks re-engineering projects with customer loyalty to bank services.

* Identify the relationship between change management and the changes through re-engineering with customer loyalty to bank services.

* Identify the relationship between the implementation of the re-engineering of the banks and customer loyalty to bank services.

4- Theoretical Study

4.1- Customer Loyalty:

Richard Oliver is defined the concept of loyalty as: "Maintained the deep commitment to rebuy or re-select the product or service consistently in the future, can potentially lead to changes in customer behavior despite situational influences and marketing efforts." (11)

4-1-1- The benefits of customer loyalty:

Loyal customers are the positive effects and benefits for organizations that the most important ones are:

1. Reduce the costs of attracting new customers
2. Reduce customer sensitivity to price changes
3. The benefits of customer lifetime value
4. Positive performance by increasing the power of the forecast
5. Increase barriers to entry of new competitors
6. Recommend the organization to others (9)

4-1-2 – Customer loyalties in banks:

However, in other divisions, many researchers devoted to the formulation of strategies, customers are classified based on their loyalty levels. Different groups have different customer attitudes and behaviors in general. Therefore, these applications must be tailored to the desired levels for each existing customer's loyalty, attract new customers and old customers to revive the bank.

Also the Value perceived by customers as a group of programs varies. The program can be implemented as follows:

4.1.3- Financial programs:

The following items generally are the examples of financial applications for customer loyalty in banking industry:

1. The Bank provides programs for special rates.
2. Banks bank offers gifts for regular transactions.
3. If the customer has a balance of payments by more than a given amount, the bank considers him more discounts.

So loyalty strategy through implementing the programs of economic, positively affects financial and material values perceived by the customer.

4-1-4- social programs:

The most important loyalty criteria for social programs include:

1. Bank maintain the relationships and customer contact and to establish a good relationship with him.
2. The bank focuses on customer needs and strives to meet them.
3. Bank help the customer to end the problems related to financial transactions.
4. Customer Reviews about the bank's services.
5. Bank send customers cards or gifts on special days.

4.2- Business Process Re-engineering:

The term reengineering (BPR) business processes was common from the 1990s, and especially since Hammer, Champi, and Davenport published the books on the subject to clarify issues related to reengineering. Changes and competitive pressures facing the new direction of the organization and business process re-engineering raised as a significant issue in the scientific and industrial circles.

Obolensky (1987): "The works of an organization are done to change its internal processes and controls in order to change from the traditional vertical hierarchy structure to the horizontal structure, the activity is team-based, flat conversion, in which all the process done to customers satisfaction "(1).

4.2.1- Re-engineering of the organization:

What has changed is that organizational reengineering:

- units of "professional offices "change to "team process" transformation.
- jobs of a "simple task", change to the "multilateral affairs" transformation.
- the role of "control "changes to "authorized" showcase of visual.
- Instead of doing "training" to "knowledge" is required.
- Performance measures and rewards are rather than "active" to "results".
- "strengths" are developed rather than "workmanship" criteria.
- Values tend to have from "participating interest" to "productivity".
- Organizational structure comes from the "pyramid salinity" to "broad horizontal".
- Managers pay to "patents" instead of "leader".

4.2.2 Reengineering benefits:

Reengineering the business process structure and focus on customer satisfaction brings many benefits to organizations, some of which include: (4)

- 1- Increase customer satisfaction: by reducing the processing time, improve the quality of the product / service, low price.
- 2- Increase profits: reduce costs, increase efficiency of resources, improve work methods and processes, eliminating sleep capital.
- 3- Increased job satisfaction: Through teamwork, give more authority to employees and job enrichment, functional barriers, removal of unnecessary controls and ...
- 4- Management performance: the assignment of responsibilities to lower levels of operational tasks, more opportunities for managers to address strategic issues the organization, precise and rapid access to information is available to them, with the flattening of the lowest layer of the issues can be approached and cathedral.

4.2.3- reengineering success factors:

Table 1: Summary of studies about the causes of success and failure in engineering projects (4)

Investigations	Obolensky 1994	Caudal 1995	Greenberg 1996	Song & Gibdon 1998	Mashiri & Zairi 1999	Prosci 1998	Dennis 2003
Senior management commitment and support			✓	✓	✓	✓	
Managing change: 1-cultural factors	✓	✓		✓	✓	✓	✓
Managing change: 2-structural and systemic factors		✓		✓	✓		
Vision and strategic direction	✓	✓		✓	✓	✓	

Understand the principles and concepts of BPR	✓	✓	✓	✓	✓	
Management	✓	✓	✓	✓	✓	
Project		✓		✓	✓	✓
The project team		✓	✓		✓	✓
Systematic methodology		✓	✓	✓	✓	
Use of IT		✓		✓	✓	✓
Implements		✓			✓	✓
Employee participation		✓			✓	✓

After the studies by many researchers as basic factors and the factors that affect the successful implementation of reengineering projects were presented the three major factors identified that play a more effective role in re-engineering projects that include:

1. The support and commitment of senior management
2. Changing management
3. Implements (4)

4-2-3-1- Senior management commitment and support:

Changes in core business processes typically focuses on process technology, job roles and workplace culture influences. Major changes in this field need for resources, money and leadership. It is a wonderful work at changing them. If management does not provide strong support and continuous, or at least one of these factors (money, resources, and leadership) is not over the life of the project, there will be very little chance of success. Although many reengineering projects of employees and consultants to be used as a change agent but efforts will be fruitful without the support of senior management commitment and effective implementation (10).

4-2-3-2- Changing management:

Changing management (cultural factors):

One of the major obstacles to successful reengineering of resistance is that occurs in the organization of different perspectives. Change is not an event, changing management is a discipline management as a process of taking decisions that we humans are not programmable machines. Many reengineering projects provide major changes in the structures and processes of an organization, while that may not reach all expected results. Discuss the issue of changing management of leadership is effective communication and honest (4)

Change management (systemic and structural factors):

Changes in core business processes is not possible without providing appropriate systems and structures. Changing attitudes toward the major components of business systems and structures require design changes to facilitate implementation and support. Proper definition and design jobs, revise incentive systems, changes in the organizational structure of the organization and design process management to support process reengineering can make it successful. (4)

4-2-3-3- Implementation of Performance:

Many organizations implement projects in process reengineering (BPR) to organize activities that make them more powerful business improvement projects have been considering this issue and sometimes costs less to do it again and will have worked. The former relief efforts in all activities and organizations will cause the potential capabilities in organizations that conscious awareness of the capabilities and use them in other projects ongoing will be success of the organization, including (BPR). (2)

5- The hypotheses

5.1- The main hypotheses:

There is a relationship among the factors affecting the success of reengineering and customer loyalty related to banking services.

5.2- Sub hypotheses:

1. There is a relationship among the support and commitment of senior management and banking services to customer loyalty.
2. There is a relationship among the change management and customer loyalty to banking services.

3. There is a relationship among the implementation of reengineering and customer loyalty to banking services.

6- METHODOLOGY

Descriptive, survey, field method of correlation was used in present study; In the general classification, library track and field research is considered that the study will use both of these methods.

6-1- population:

Population survey are consisted of 396 patients of managers and employees of public and private banks branch of Chalous branches city. It should be noted that public and private banks branch of Chalous includes 51 branches. Thus the study population consisted of N=396.

6-2- Sample:

Sampling methods is used to classify them into classes of randomly selected samples. In this study, using a sample-size table (krejci & Morgan, 1970), 196 samples were selected.

6.3- Data collection tools:

Data collected in this study is a questionnaire.

7.1 – Questionnaire validity:

In order to investigate the validity of the questionnaire were used experts, professionals, teachers, professors and consultants and some banking experts comments.

7.2- Questionnaire reliability:

In this study, Cronbach's alpha was used for reliability.

The calculations were carried out to determine the reliability using Cronbach's alpha of 0.771, respectively, to allow it to provide acceptable.

It should be noted that each of the subscales of the questionnaire are numbered by five-item from very low to very high in Likert scale.

7-2-1 Table reliability test using Cronbach's alpha:

Table 3.1 Reliability of the 40 questions on the questionnaire, Cronbach reengineering is equal to 0.786 reliability that is acceptable and logical.

Number of questions	Cronbach α
40	0.786

Table 3.1 Reliability Statistics

Table 3.2 shows the reliability of the 10 questions on the questionnair related to Cronbach's alpha customer loyalty is equal to 0.711 reliability that is acceptable and logical.

Number of questions	Cronbach α
10	0.711

Table 2-3 Reliability Statistics

7.3- Method of data analysis:

This study was designed to analyze data using descriptive and illation statistics. Descriptive statistics of precedent in the frequency table, mean, standard deviation, and illation statistics, correlation tests were used to test the research assumptions and calculation software spss (ver20) was used.

8- test the research hypotheses:

Assuming normal distribution of the data for all the variables affecting the success of reengineering and customer loyalty to bank services has been confirmed, therefore, Pearson correlation test was used to test the relationship between these variables and customer loyalty to bank services.

8.1- Results of the first hypothesis:

Assuming normal distribution of the data for all the variables affecting the success of reengineering and customer loyalty to bank services has been confirmed, therefore, Pearson correlation test was used to test the relationship between these variables and customer loyalty to bank services.

H1: There is a relationship between the bank's senior management commitment and support of engineering projects and customer loyalty to bank services.

H0: There isn't any relationship between the bank's senior management commitment and support of engineering projects and customer loyalty to bank services.

8.1.1- Test result:

Pearson correlation coefficient of the bank's senior management support and commitment to reengineering projects loyal customers banking services is equal to 0.576 with the fallible 0.0001 and these results confirm the relationship between these two variables and this hypothesis is consistent.

8-1-2- interpretation of the test results:

To explain the results of the research findings of the first hypothesis can be said that the senior management and most importantly the institutional environment provides strong support or at least one of the organization's resources- financial resources and management style throughout the Banking operational services projects and the chance to observe an increase in organizational performance and then more satisfied customers, and repeat this process will have an impact on customer loyalty.

8.2- Results of the second hypothesis:

H1: There is a relationship between the changes through re-engineering and changing management and customer loyalty to banking services.

H0: There is no relationship between the rate of change through re-engineering and changing management and customer loyalty to banking services.

8.2.1- Test result:

Pearson correlation coefficient of rate changes through two variables of re-engineering and changing management and customer loyalty in banking services is with 0.431 with the fallible 0.0001 and these results confirm the relationship between these two variables and this hypothesis is consistent.

8.2.2- Interpretation of test results:

The second main hypothesis of the study concluded that one of the major impediments to successful implementation of a comprehensive re-engineering is the resistance that occurs in some aspects of organization. The change management that is presented as a leadership and management disciplined process is effective on the dynamics of communication and therefore will increase employee performance in banking services and then increasing customer satisfaction and financial implications, will impact on customer loyalty.

8.3- Results of the third hypothesis:

H1: How to implement the re-engineering at Banking Banking services are related to customer loyalty.

H0: How to implement the re-engineering at Banking Banking services are not related to customer loyalty.

8.3.1- Test result:

Pearson correlation coefficient method for implementing re-engineering and implementation of customer loyalty in banking and banking services is 0.463 with the fallible 0.0001 and these results confirm the relationship between these two variables and this hypothesis is consistent.

8.3.2- Interpretation of test results:

The third main hypothesis of the study concluded that the use of suitable style for implementing reengineering step is in applying it. Therefore the Implementation involved in the place for people in the project implementation services in the areas of banking operations then proper implementation and the implementation process of project planning and insurance implications of customer satisfaction on customer loyalty will be affected.

9- suggestions arose from the study results:

1- It is recommended for senior managers of public and private banks in order to increase organizational commitment and support carefully planned meetings with his staff held during the re-engineering project and provide training to their employees proper implementation of the changes in tasks and procedures to increase efficiency and customer service.

2- It is recommended for senior managers of public and private banks on the proper attention to migration and cultural change before and during the implementation of change through communication with staff and meetings are conducted. Staff activations also involved in re-engineering project is a very important issue that must be paid special attention.

3- It is recommended for senior managers of public and private banks to implement the re-engineering project rather than relying on stereotype educations try so that people act based on their own thinking create new patterns and ways. They must realize that the greater the loyalty and customer satisfaction as a result of the variation of new and innovative services the more bank earnings and their rewards are also greater.

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