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Does Business Process Reengineering Perform in a Third World Setting? A Qualitative Perspective

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Abstract

The purpose of this paper is to examine the perceived predictors that explain business process reengineering performance in a third world context using evidence from Uganda's microfinance institutions. This study uses a narrative case study methodology conducted using qualitative data collection technique specifically the appreciative inquiry. We used QSR NVivostatistical package version 9 to analyze qualitative data. Business process reengineering being an evolving phenomenon, there superficial empirical studies exploring the theoretical explanation of business process reengineering performance in a third world perspective. The study provides novel insights of business process reengineering performance from a Uganda's microfinance institutions as one of the third world countries using complexity theory. Methodological, theoretical, managerial and policy implications herein play pivotal role in bridging the knowledge gap that exists in microfinance institutions.

Keywords-Business process reengineering, Institutional leadership and adaptability

1. Introduction

Microfinance institutions are operating in dynamic environment. The increasing consumer demand for business services of microfinance institutions has altered the nature of service delivery. The forced microfinance institutions to upgrade their business processes to meet the global competitive standards. There is an increasing dynamic nature of everything in microfinance institutions. Such changes are viewed in terms of; change in resources, behaviors of microfinance institutions, institutional values, vision, structures and technological changes calling for institutional leadership that will embrace behaviors of change. In a bid to meet the global demands the microfinance institutions have redesigned business processes to be able to improve business process performance (Razalli et al., 2015). They have improved customer service quality, optimized processing time and reduced operating costs. The timing of studying business process reengineering is proper for Uganda given the stiff competition among existing firms and the recent corporate collapses of microfinance institutions. Further, worldwide, Process Reengineering failure rate is 50 to 70 % (Al-Mashariet al., 2001; Nzewiet al., 2015). In Uganda, over 70% of reengineered endeavors fail to perform (Mlay et al., 2013). Studies that focused on Business Process Reengineering modelling are silent on complexity nature of business process reengineering (Tikkanen & Polonen, 1996; Mahmoudi & Mollaei, 2014). More so, little knowledge is known on theoretical explanation of business process reengineering performance in microfinance institutions of third world setting.

Our study is motivated by a number of reasons and makes important contributions to business process management in the context of microfinance institutions. Firstly, one perspective in this matter is inadequate scholarly explanations of business process reengineering using quantitative and linear methodological approach that ignores the contextual aspects of business process changes. Secondly, there is scanty explanation of business process reengineering performance using the perspective of unstructured reality in microfinance institutions without a good theory that explains the practice. Thirdly, while microfinance sector is providing innovative solutions to efficiently and effectively serve the poor communities, implementing business process reengineering that can perform is another gist to this study. Accordingly, recent data shows that business process reengineering failure rate continues to be high in developing and developed world context (Mlay et al., 2013). Therefore, in this paper, we used case study methodology to capture process changes and complexity theory to explain business process reengineering performance in a third world context using evidence of Uganda's reengineered microfinance institutions.

2.1 Theoretical review

In this section, the theory of complexity is explored to inform our study. The coherent understanding of complexity theory is fundamental in studying the emergent order in dynamic systems. The theory originates from systems theory that describes how to respond and adapt to the uncertainties and demands of global change. The theory postulates that small change results into amplification of large effect on the system and assumes Periodic, bounded dynamics, structure in phase space, deterministic and sensitive to initial conditions (Lorenz, 1963). The theory considers nonlinear dynamic systems, path dependency and complex interactions (Mitchell, 1992; Goldstein, 1999; Millan, 2008). However, the theory ignores the linear approximations, implicit existence of single rational agent, diminishing returns and it is hard to predict emergent behaviors from the characteristics

and relationships of the systems. The theory bridges the new paradigm of dynamic situations where microfinance institutions change and evolve through self-organization.

2.2 Literature review

This section provides deeper theoretical and empirical explanations of the relationship between institutional leadership, adaptability and business process reengineering performance.

According to Selznick, institutional leadership is defined as developing and infusing mission of the organization, nourishing external supporting mechanisms to enhance the legitimacy of organization, and conserving distinctive institutional values and integrity (Selznick, 1957). Further, institutional leadership begins with defining whether the organization operates as an institution, awareness of the thoughts and feelings about it, how these affect actions, and the states of others as well as examining the level of institutional commitment (Meyer et al., 2007; Holt et al., 2007). The institutional leadership roles that boards have to perform have evolved overtime in form of resource dependence, service, strategy and control roles while defining the value of institutions (Johnson, Daily and Ellstrand, 1996; Heuvel et al., 2006; Finkelstein and Hambrick, 1996). Microfinance institutions are created, maintained and disrupted. The challenge is how to ensure the organizational practices become institutionalized (Amdam, 2004). The argument seems to indicate that the transition from administrative leadership in organization to institutional leadership of microfinance institutions has not fully explored yet policy and administration mechanisms are interdependent.

In essence microfinance institutions enhance their reengineered core processes if they inherently harness the institutional leadership practices of coalition network, maintenance, resilient, persuasive and visionary leadership (Selznick, 1957; Terry, 1995; Bass, 1990; Selznick, 1949; Bass, 1999). Scholars view institutional leadership in an idealized way, which allow leaders to identify themselves more closely with the mission and vision of the institutions (Bernard & Avolio, 2004). Further, the relationship between adaptability and business process reengineering performance in Ugandan microfinance institutions is still superficial. Scholars have attempted to explore leadership, empowerment, knowledge technology, cultural factors, project management, methodology, performance management, communications and strategic alignment as the key predictors of institutional agility (Mohammad & Mollaei, 2014). Failure of institutions to adapt to environmental changes makes organization lose important customer segments, cost leadership and fragile survival (Fernando & Rogelio, 2005). Further, Sujova et al., (2013) stipulates that there is need to understand process management and its perspectives such as deterministic, complex dynamic systems, interacting feedback loops and social constructs so that institutions can transfer from functional to process approach leading to competitiveness, productivity and operational performance (Melao & Pidd, 2000; Grzegorz, 2014).

The modern complex challenges of today's competition necessitates reduced costs, minimizations of processing time and quality of business operations. The process of creating institutional leadership that adapts to environmental changes remain a challenge. The process of instituting institutional leadership begins with awareness of thoughts and feelings, and how they affect individual actions. Institutional leadership not only creates management changes but also changes the behavior and values of people involved in the change processes. In this study, based on scholars views it is about leading with an integrity and authenticity that resonates with others, and inspires them to follow to the implemented business process changes.

More so, Institutional leadership is linked to positive organizational outcomes and follower performance through innovations, expectations, expressing a sense of mission, learning (Sosik, Avolio, & Kahai, 1997; Den & Koopman, 1997; Hater & Bass, 1988). The best efforts are made when decision makers can judge the extent to which certain human behaviors contribute to business process reengineering. The concept of business process reengineering is mostly misunderstood and is used to just mean knowledge technology induction and redesign of an organization. There is still a need for exclusive and a universally acceptable model for business process reengineering as well as a commonly applicable methodology (Mohammad & Mollaei, 2014).

Accordingly, leaders are able to learn new skills when needed to match the needs of the organization, vary the leadership style and manage the organizational change process (Weisbord, 1978; Stein, 1996; Hinkin & Tracey, 1999). Institutional leadership offers a vision of what could be and gives a sense of purpose and meaning to those who would share that vision. It builds commitment, enthusiasm, and excitement. It creates a hope in the future and a belief that the world is knowable, understand-able, and manageable. The collective energy that transforming leadership generates, empowers those who participate in the process (Roberts 1984). Within the organization, institutional leadership is critical in creating a cultural context that fosters innovation, and in establishing organizational strategy, structure, and systems that facilitate innovation (Hackman, 1984). Streamlining leadership of organization with inter organizational and intra organizational processes ensures administrative efficiencies, better performance, transparency, good governance, increased accountability, cost and profit optimization. We therefore propose that; Institutional leadership and organizational adaptability stimulate business process reengineering performance. Therefore, this study's research question is "*what are perceived factors that determine the performance of business process reengineering in Uganda's microfinance*

institutions.

3. Methodology

We used case study methodology using multiple cases. The qualitative data were gathered using appreciative inquiry were employed in this study primarily to gain an in-depth understanding of the subject matter under study and has been used in previous studies (Gunarathne and Senaratne, 2017; Robertson and Samy, 2015). We further reviewed documentary reports of microfinance institutions to ascertain the extent of business process reengineering practices in Uganda.

To ensure reliability and validity, our data were subjected to triangulation approaches. In research, triangulation helps address the limitations of a given methodology by complementing its weaknesses with the strength of the methods used (Bard *et al*, 2011). We employed data source and investigator triangulations in this study to avoid aspects self-reporting. The views from respondents in listed microfinance institutions firms were validated by views from the association of microfinance institutions of Uganda (AMFIU). Further, to ensure validity, interviews were played to the respondents before and transcription to ensure that what has been captured is exactly what respondents have actually said.

We collected the responses and then transcribed them to obtain key emerging themes through a methodology as suggested by Miles and Huberman (1994). Three processes were followed that is, qualitative data analysis contains three linked sub-processes: data reduction, data display and drawing conclusions. Firstly, we wrote stories from interviews. The post-interview analysis of the transcripts involved a detailed search for underlying themes in the evidence collected. Secondly, following the initial transcripts studied, a comprehensive coding system was developed intuitively so as to facilitate the identification of issues and themes emerging from the transcript analysis. Thirdly, matrices and templates summarizing the themes identified were developed in order to display the core issues emerging from the coding process so as to identify cross-case data patterns in the data and map the relative incidence of different codes. We determined the detailed examination of these matrices to enable us identify regular patterns and explanations in the evidence collected. Lastly, detailed field notes, memos, interview summaries and post-interview analyses were studied and analysed.

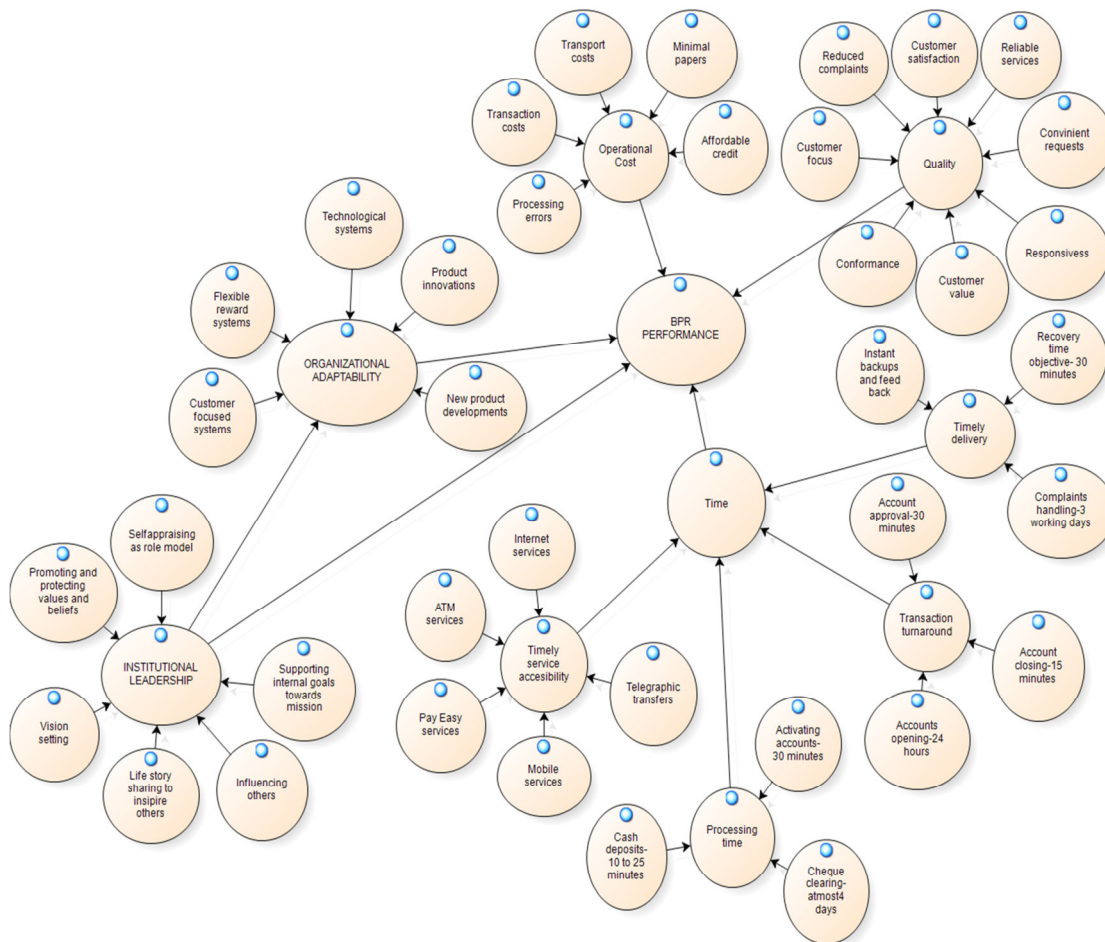
We used QSR NVivo statistical package version 9 to automate coding processes and analyze qualitative data. The typed notes and audio data were transcribed verbatim and analysed. We also ensured that each case was assigned a code number as recommended by Miles and Huberman (1994) and Creswell (2006). The software was used to search, sort, process large volume of text data and capture themes pertaining the study. The generated cases using interview guide were transcribed to inform the theory and practice (Qu & Dumay, 2011). The identification and recording of discrete messages of text was done to demonstrate the same theoretical or descriptive ideas as per the study. All the main concepts that arose from the in depth interviews were linked to free nodes from which research themes and reports were generated. Accordingly, Miles and Huberman, (1998), Strauss and Corbin, (1998), suggest three coding techniques which we used to analyze the text data in this study. The three coding techniques used for analysis, were open, axial and selective coding. Open coding was initially used to identify concepts and recognizable characteristics that were hidden within text data and potentially related to business process reengineering performance phenomenon. The second phase was axial coding where categories and subcategories were assembled into causal relationships to explain business process reengineering performance. Thirdly, the central category or the core variables were identified systematically and logically related to other categories. In this study, in order to clearly code and analyse the qualitative data. We further used annual reports of microfinance institutions to enrich the qualitative findings and discussion.

4. Results

We first present sample characteristics of the study. The multiple cases were generated from microfinance institutions operating in Uganda. We thus collected qualitative data (forming 11 multiple cases) from the 3 microfinance institutions that reengineered their business processes. These institutions include; FINCA, Opportunity and Centenary. We generated interviews from senior managers that include; Relationship manager, IT manager, operational manager, Finance manager and Human resource manager. The choice of selecting the manager to be interviewed was based on the participation, knowledge and experience in the implementation of business process reengineering practices in the context of microfinance institutions.

This study's research question is "what are the perceived predictors of business reengineering performance in Uganda's microfinance institutions using a case of microfinance institutions. To answer this question, we conducted interviews of various members of management of AMFIU and senior managers of microfinance institutions. The perceptions of business process reengineering performance and its predictors are presented in figure 1.

Figure 1: Business Process Reengineering performance model



Institutional leadership was perceived as a key predictor of business process reengineering performance. The results mean that managers in microfinance institutions exhibit coalition networks with key players in the microfinance institutions, the more the chances they innovate their processes and inherently deliver services efficiently and effectively. One senior manager had this to say “...Staff with innovative ideas always respond to the needs of external and internal customers...for us to know that the staff is a good leader, uses the life stories to influence others towards the set vision...we protect the core values, beliefs and create corporate vision, hope, optimism in brochures and manuals for prompt responsiveness and survival reasons”.

Further, visionary ideas are developed, the high performing institutional structures are maintained to ensure a well-defined work flow processes. More so, as leaders develop coordinative mechanism of processes, monitoring and evaluation becomes simplified, quality interactions are amplified leading to competitive advantage. The relationship manager had this to say “.... our top leaders formulate goals, long term plans, vision and sense of purpose to improve process efficiency of structural designs and customized processes of the department”... More so, one senior manager said “... We appreciate the new leadership that has quite improved timely service delivery, reliable services with minimum risks...Ever since I started in this institution, managers with innovative ideas always respond to the needs of external and internal customers”.

Adaptability was found to be another predictor that improves business process reengineering performance in microfinance institutions. This signifies that as organizations when microfinance institutions tend to change the management systems, technological and cultural changes the higher the chances of reengineered processes tend to perform effectively and efficiently. One operations manager had this to say “...our structures are integrated, aligned with the business processes across intra and inter functional units to improve service delivery and satisfy customer needs. One of the reasons why structures and management systems are aligned with the core processes is to ensure drastic performance metrics....our intra and inter functional processes are often upgraded to gain tight security and minimize fraud risks....”The branch manager added that “....We are revolutionary moving away from manual information systems and traditional hierarchical structures to cross functional structures, vertical and horizontally integrated systems across intra and inter organizational functions”. More so, one senior manager said that “...our microfinance institutionalized social performance management systems

and strategic partnerships to extend social goals to community and serve clients better. As a result a number processes such as accounts payable processes have changed from manual documentation systems to electronic networked computers and automated teller systems....Our institution has created new core processes, inter switching systems, mobile and online banking technologies have enhanced process efficiency....”

5. Discussion

Generally, this section discusses how the results obtained relate to the theoretical underpinnings and empirical findings in the extant literature with a view of making substantial conclusions and credible recommendations of the study. This is in the view of the fact that the study is guided by the earlier conceptualization of study variables using theoretical constructs and formulated hypotheses before gathering the data. As the goal of this paper is to study the perceived predictors of business process reengineering performance of microfinance institutions in a third world setting, results augment the following themes.

Firstly, coalition networking and visionary attitude emerged from institutional leadership to explain business process reengineering performance. In the context of business institutions, coalition networking was perceived as building cooperative relationships both internally and externally with other players to reinforce each other. Microfinance institutions create cooperative relationships, business legal support and collaborative partnerships locally and develop external support internationally to get access to resources that facilitate efficient flow of workflow processes. As such, functional teams at different managerial positions are creating collaborations with other players exploit resources, strengthen their values and integrity. We emphasize that coalition networking in the perspective of this study involves creating a network of people or groups or formal microfinance institutions together by a common interest in pursuit of a specific goal. We stress that building coalition networking promotes interactions among players of financial sector. For example banks have attempted to create flexible internal and external supporting systems such as inter switch, business information management and electronic queuing management systems electronic queuing management to defend the high valued business processes and ease efficient workflow. Managers with coalition networking role evaluate opportunities and exploiting by creating ties and external connections to share resources efficiently.

We assert that building constructive coalition networking is critical capability in microfinance institutions. Such coalitions involve the partnership with; community-based organizations; public and private entities in local and national levels, international governmental and nongovernmental organizations; donors; professional associations; political leaders; government officials; the media; and policymakers. Microfinance institutions form a network of a wide range of stakeholders, including individual champions to create a climate of improved business process orientations. As such microfinance institutions strive to build coalition networking abilities so as to mobilize political and government will, make the right change decisions, influence policy and decisions. We supplement that managers of such institutions when they form coalitions they share actionable information and ideas, create value of communication, transparency in all their functional activities and build customer confidence. We add that to attain such coalition and networking abilities, microfinance institutions often develop structures for clear communication systems, decision-making processes, membership roles and responsibilities at all departmental levels, branch and head offices. Senior managers that recruit staff who have such abilities are able to develop effective business processes that allow clear communication, business risk decisions, team performance and strategic actions. They work collaboratively to mobilize resources and customers who can benefit from insurance schemes, business loans, and cash transfers, create synergetic team of all managers to market the business products such as cash and non-cash deposits, different loan schemes and insurance premiums available. Microfinance institutions create constructive relationships and building corporate social responsibility with stakeholders who add value. They comply with regulating authorities and membership to ensure common policy goals at both individual and organizational level.

Basing on the current study findings, we deduce that coalition leadership plays a key role in creating a networking of coordinated systems, structures and processes through process changes, management change decisions, strategic process selection and structural alignment which are critical ingredients of adaptability (Lawis, 2003). We further accentuate that building coalitions networking builds a clear business process reengineering policy framework of microfinance institutions as justified by a study in health systems where coalitions and networks creates a clear policy frame work (Ogden et al., 2013). The role of coalition of networking forces a number of microfinance institutions to adapt to changing environments, develops flexible processes, find solutions to the complex problems in an innovative way and exploit business resources efficiently. Theoretically, complexity theory augments coalition networking leadership as the process interactions and coexistence of organizations to gain adaptive actions (Goldstein, 2010; McMillan, 2002). The theory supports creation of partnerships, collaborative networks, and cooperative relationships to reinforce creativity, and business process innovations to ensure institutional adaptation. As such the results support complexity theory that further emphasizes the role of coalition leadership in institutionalization of coordinated process networks, management and structural changes, business process innovations and technological changes to meet complex

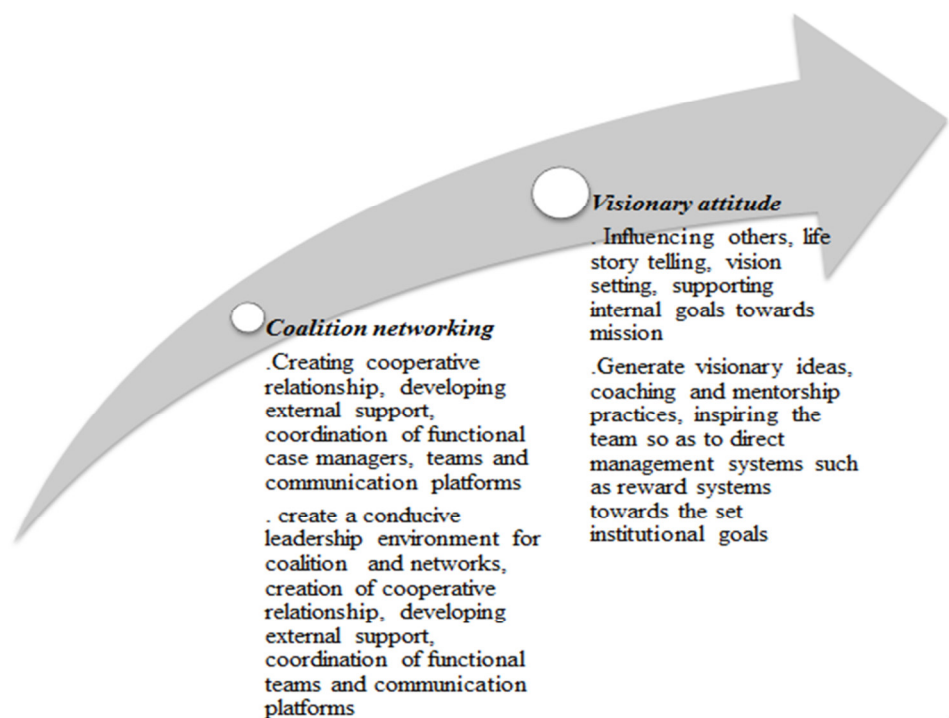
environmental demands. The theory advances the need to institutionalize leadership that creates interactive and coordinative networks which inherently lead to efficient business process innovations (Frese & Gielnik, 2014).

In the context of this study, creating a visionary attitude as institutional leadership reality was viewed as the ability of managers and management to create and articulate clear visions, inspire others, with a shared view of the future and directing people towards the vision of microfinance institutions which include commercial banks, microfinance institutions and insurance firms. Microfinance institutions that exert attributes of visionary leadership tend to generate visionary ideas, coaching and mentorship practices, inspiring the team so as to direct management systems such as reward systems towards the set institutional goals. We augment that managers who endeavor to understand the political orientation of the operating environment create flexible structural designs and reward systems that create efficient and effective business processes that strengthen competitive advantage in both local and international markets. The understanding of political orientations lies in the hands of top management who drive the direction of business institutions. The top management include the chief executive officers and senior managers of microfinance institutions who are bound to persuade internal and external stakeholders, public and mass media to promote, protect the institutional values that inherently induce integrity of business processes.

We thus believe that microfinance institutions that exhibit visionary attitude are more likely to design flexible structures, cross functional units and institutional culture that fits internal and external environment forces. Whereas previous scholars have studied leadership styles, this study demonstrates that visionary attitude creates agile structures and flexible management systems that are responsive to environmental changes. We support existing body of knowledge that microfinance institutions that exhibit visionary ideas understand complex interactions in financial sector consider nonlinear business systems, dynamic management processes and path process dependencies. They are able to design flexible institutional structures and management reward systems that meet the changing business needs and overcome environmental enemies and internal crisis (Selznick, 1957; Pearson, & Clair, 1998).

As such, the results complement the work of Yordsala1, Tesaputa, Sri-Ampail (2014) whose study focussed on the development of visionary leadership of administrators in Thai primary school. Their findings indicate that development of program for visionary leadership as critical in uncertain business world and this is in line with Waldman, Ramirez, House, & Puranam, (2001). They emphasized the historical background and significance of the program; formulation vision; communication vision and implementation of the shared vision as driver of change in business environment (Kark & Van Dijk, 2007).

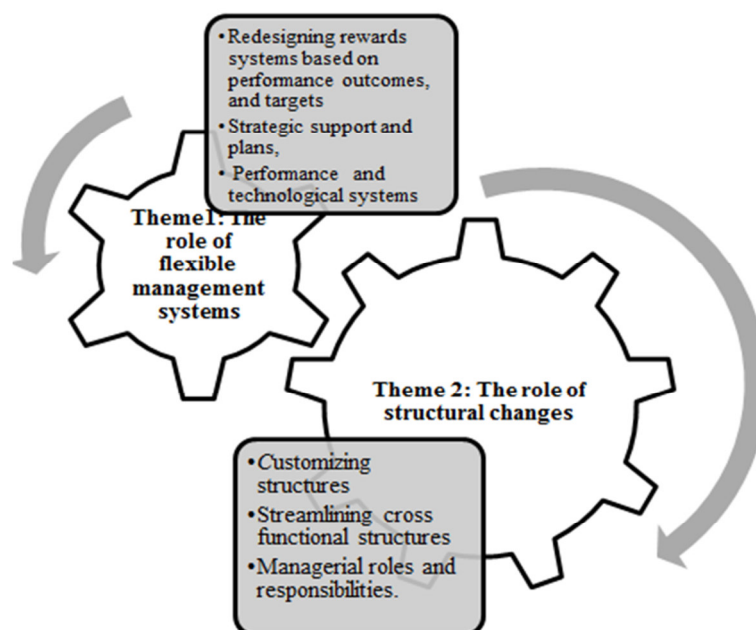
In conclusion, it is re-echoed that building leaders who exhibit and build coalition networking, visionary ideas and persuade others exerts innovative and adaptive capabilities that are plausible to create flexible systems, structural designs and modes of technological modes of microfinance institutions in dynamic and competitive environment. Given the discussion of the findings, we therefore summarize the two emerging themes in the figure 2.



Secondly, in this section we provide a brief discussion of the finding that relate to organizational adaptability as the perceived predictor of business process reengineering performance using the two emerging themes such as; the role of structural changes and management systems in improving business processes. Microfinance institutions that customize business structures, streamline cross functional structures, managerial roles and responsibilities are more likely to respond to performance of business process changes. Microfinance institutions in Uganda are moving away from hierarchical structural designs to cross functional, process centric adaptive structures with maximum agility and minimal bureaucratic tendencies. More so, because of the adaptive structural mechanisms, microfinance institutions are able to coordinate business process, achieve critical business goals, attain regulatory compliance, customer retention and survive in competitive environment.

As microfinance institutions create adaptive systems, they are able to create new processes that improve business operations, increase customer satisfaction, reduce cost of doing business and create new products at low costs. Structural changes play a key role in predicting business process reengineering performance. Microfinance institutions are creating workflow management systems, multiple business process information and rapid innovations such as inter switch systems to support the alignment of information technology and business activities both with in internal institutional units and external business partners to create positive deviance. More so, in order to create sustainable adaptive institutions, more investments in information technology, computerized business processes, re use and creation of new business information systems yield improved business process performance outcomes.

From our view point based on complexity theoretical support, as microfinance institutions create new adaptive structures, new technologies, collaborative functional units, performance based reward systems, new product developments, product innovations, customer focused systems and flexible structural designs, they tend to fundamentally improve the performance of redesigned processes. This is contrarily to previous scholars who assert that information technology can be used to support new organization structures and re-engineered processes to boost business process efficiency (Ian and Yen, 2000). The study extends the earlier model in terms three critical parameters of business process reengineering such as process approach, radical change and social technical (Ahmed & Simintiras, 1996). The focus was majorly the conceptualization of business process reengineering and these scholars believed that so long as it conceptualized well, it will perform. We urge that understanding the degree of adaptability of microfinance institutions in terms of flexibility of management systems is crucial. We add that microfinance institutions that have continuously undertaken business process re-engineering projects re-organized and re-structured their business process operations to remain competitive in static environment have not yielded significant results (Ian & Yen, 2000; Wanberg & Banas, 2000). The results support complexity theory which explains that institutions interact across institutional boundaries such as departments, branches and trading partners to gain adaptive behaviors. The two emerging themes are summarized in the figure 3 presented.



In this section, we conclude that when microfinance institutions create a conducive environment for institutional adaptability that create new management systems, structural institutional designs, flexible business information technologies and business process management systems that inherently create value and business process efficiency.

6. Conclusions and implications

The study bridges the gap between theory and practice in Uganda's microfinance institutions. We therefore, conclude that leaders who have the institution at heart look out at whatever is happening in business processes, values, vision and goals to devise new ways of serving the clients. Microfinance institutions modify internal structures and systems to enhance business processes in terms of timely delivery, interaction quality and reduced operational cost.

Further, building adaptive coalition networking improves business processes reengineering performance in microfinance institutions. As such; Leadership that defends institutional values improves working relationships and customer friendliness; Aligning communication system with clear mission and vision improves timely attainment of goals and objectives; Developing partnerships and collaborations for mutual benefits with big companies creates business values. More so, strengthening structural coordination improves business process reengineering performance in microfinance institutions is important. Thus; building inter functional departments quickens decisions and timely feedback; Creating a conducive and interactive cross functional teams minimizes delays; Building a reengineering steering committee implements new harmonised and responsive structures that create customer centric orientations.

This paper brings out the theoretical, managerial and methodological implications as follows. This study contributes by building a conceptual model that integrates institutional leadership and adaptability to explain business process reengineering performance. The study variables are derived from institutional and complexity theories in explaining business process reengineering performance. The study findings lend support to institutional theory. The study demonstrates the extent to which institutional leadership boost business process reengineering performance through the conduit of adaptability. The study confirms the relevance of complexity theory in explaining business process reengineering performance. Adaptability boosts business process reengineering performance of microfinance institutions.

Managers need to consider institutional leadership and adaptability as key business process reengineering performance drivers in microfinance institutions. Besides, leaders need to be committed to values and the mission thus managing the internal consistence, develop external supporting mechanisms to enhance institutional legitimacy and overcome external enemies to protect and maintain institutional integrity and survival through vision setting, storytelling, and network brokering to defend the practices of the institution. The management of microfinance institutions need to devise institutional leadership programmes to prepare for business process reengineering initiatives. The study adds variation to the qualitative methodological perspective. Unlike previous studies on business process reengineering that deeply focused on quantitative study methodology, this study used qualitative approach. Despite the contributions and implications of the study, this study was constrained by few limitations as follows;

Some of the measurement items were adapted from literature in developed world context. We reframed, contextualized, and pre-tested the research instruments to reduce the errors; Self-reporting mechanism was another limitation to the study that was overcome by triangulation of respondent category. Future research can be undertaken to explore the concept of business process reengineering performance in other contexts such as educational institutions, public entities among others. A rigorous research need to focus on mixed research approach to get in-depth structured and unstructured reality of business process reengineering performance in other sectors.

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