The Implementation and Challenges of BPR in Ethiopia, in Case of Bahir Dar Revenue and Custom Authority

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Abstract: This study was conducted in Bahir Dar City Administration Revenue Office with the objective of examine the rationale behind the introduction of Business Process Re-engineering (BPR) and examine challenges in implementing BPR and service delivery of Revenue and of Custom Authority of Bahir Dar. To accomplish its objective, the study employed both quantitative and qualitative approaches. Then 200 customers were selected by using accidental and convenient sampling technique. 22 employees of Revenue Office were included in the study. In addition the manager of the revenue office was also selected in the study for interviewing by using purposive sampling technique. Questionnaire was the main instrument of data collection. Interview, document analysis and observation were also utilized to validate the data gained through the questionnaire. Descriptive statistics (frequency and percentage) were utilized to analyze the quantitative data. The qualitative data on the other hand was analyzed by using narration. The results of the study revealed that the after BPR implementation there is improvement in the service delivery but lack of awareness among employees, lack of adequate infrastructure and poor communication of top managers are the major challenges that lead BPR fail in the office. Therefore, it is recommended that Thus, Bahir Dar City Administration and Revenue Office should assess its capacity and increase the numbers of skillful employees. Before implementing new management tools the organization should create awareness to its employees as long as they are major success factors and develop IT infrastructure development.

Keywords: BPR, quality service, service delivery, revenue office, challenges

1. Introduction

Since the global economy keep on changes, markets are globalized, customer requirements change and competition is intensified, new approaches had to be developed for coping with environmental dynamics and required flexible organizational change (Simon, 1994). Cognizant to this fact different organization introduce different management tools to provide quality service and be competitive.

As part of the re - orientation and re - organization of public administration to acquire a citizen focus and meet their needs and preferences, agencies are undertaking comprehensive Business Process Re - engineering and Organization Re - design (Deloitte, 2012). The pioneer of BPR Hammer and Champy (1993), define BPR as: “the fundamental rethinking and radical redesign of Business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, and speed”.

With the view of modernizing one’s service and increase customers’ satisfaction organization implement BPR in their organization. Successful implementation of BPR brings many benefits to the organization (Maleki, and Beikkhakhian, 2011). Thus the rationality behind implementing BPR is service improving quality and increasing customer satisfaction. One of the principles of BPR is increase customers’ satisfaction. According to (Gouranourimi, 2012) customers’ satisfaction is the desired outcome that BPR brought

But to be benefited from the fruit of BPR institutions have to analyze the situation and the need for BPR before implementation. In view of BPR idea, the first and possibly the most important success criteria is to make sure that the rationale for initiating the project is sufficient for justifying the effort and expense of the project (Mayer and deWitte, 1998) and the good reason of the need for BPR marks the initial step of preparation for BPR (Muthaura, 2011).

Because, though it is significance for the growth of performance to a given organization, all BPR projects are not achieving their intended result. Many organizations that have attempted to reengineer their processes have ended up burying the organizational resources (Mlay et al, 2013) and BPR Hammer and Champy (1993) also estimate that up to 70 percent of BPR efforts do not achieve the expected dramatic results. Some of the failure factors are the following:

Among the challenges the first comes from the employees of the organization. One of the failure factors for BPR is fear of loss of control and position (IBID). This is mostly because of lack of proper communication with the employees. Without an effective approach to deal with employees’ resistance, BPR implementation is certain to fail (Naod, 2011). The second reasons are lack of resource. Apparently, implementing BPR without adequate financial resources is impossible. According to Maleki and Beikkhakhian (2001), budget allocation to BPR is a long - term investment for achieving favorable results. The third one is lack of formal communication. Lack of proper communication with employees as well as with the customers leads to failure of BPR implementation (Mlay et al, 2013).

The fourth one is lack of Commitment and Support of Top Managements. BPR requires a higher degree of top management commitment (Gouranourimi, 2012). Without the commitment and support of top management BPR is
hardly implemented. In supporting this (Hammer and Champy, 1993, Zigaris, 2000, Sidikat and Ayanda, 2008), lack of continuous management, commitment and leadership cause BPR effort to fail. The fifth reason is lack of Motivation and Reward, which cause BPR effort to fail (Hammer and Champy, 1993). The sixth factor is Unrealistic Expectations. According to Mayer and deWitte, (1998) there are three primary reasons attributed for the failure of BPR efforts. The first reason is the lack of an adequate business case resulting in unclear, unreasonable, or unjustifiable expectations for what is wanted or expected to result from a BPR effort. The last factor but not the least is, lack of adequate technology According to Mayer and deWitte (1998) and Natarajan (2009), the absence of robust and reliable technology and methodologies for performing BPR is a reason for failure in executing BPR efforts.

There are several researches on the issue of BPR implementation and its challenges in different areas and institutions of Ethiopia, but there is no study has been conducted specifically in the Bahir Dar City Administration Revenue Office which is one of the public institutions that implement BPR since 2001 E. C to deliver quality service with less cost and fastest way. Thus this paper tried to examine the rationale behind the introduction of BPR and the challenges in implementing BPR and service delivery of Revenue and of Custom Authority of Bahir Dar.

2. Empirical Frameworks on BPR in Ethiopia

There are companies that bring radical change in their performance because of BPR. In USA GTE, Federal Mogul, IBM credit and Ford Motor Company achieved great success after BPR implementation (Hammer and Champy, 1993).

The first attempt of BPR in Ethiopia started in 2004, but was unsuccessful. Later, a new steering committee was created and trained in BPR. The committee saw the second BPR attempt in 2007 yielding the successful results (Debela, 2009). In Ethiopia, as observed by (Berihu, 2009), after implementation of BPR many institutions improved their service performance. Among the public institutions that improved service delivery, the following are the leading one:

- **The Ethiopian Investment Commission**: It used to take 18 steps and 25 days on average for an individual business person to secure an investment license, whereas now after the conduct of Business Process Reengineering (BPR) by the Commission it only takes an individual 4 steps and 2 days to get his/her investment license. (Berihu, 2009).
- **The Ministry of Trade and Industry (MOTI)**: It used to take 14 working steps (processes) and two and a half days to secure a trade license for an individual business person whereas now (after the Ministry implemented BPR), it now only takes a business person 6 work steps and 34 minutes to get a trade license. (Berihu, 2009 and Debela, 2009).
- **Ministry of Agriculture and Rural Development (MoARD)**: The BPR project shortened the cycle time of preparing facilities for fieldwork from ten days to two hours. The same is true for settling accounts after fieldwork (Debela, 2009).

- **Addis Ababa Transport Office**: Before BPR implementation renewing driving license was taking 2hrs but after BPR implementation reduces from 2hrs to 45 minutes (Debela, 2009). Implementation renewing driving license was taking 2hrs but after BPR implementation reduces from 2hrs to 45 minutes (Debela, 2009).

3. Research Methodology

The research used both quantitative and qualitative approaches and descriptive research design. Descriptive research includes surveys and fact - finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present (Kothari, 1990).

The necessary information was collected both from primary and secondary source. With regard to the primary data, the necessary information was collected from questionnaires, interviews with key informants, and an observation which has given the chance to the researcher for better triangulation of the information provided from the above sources, on the other hand, the secondary data was collected from books, magazine, and research outputs, unpublished materials, reports, journals and documents.

Regarding to data collection tools, the study used questionnaire, observation, document review and interview methods. Thus, the above mentioned methods are summarized as follows:

- **Questionnaire**: To collect data from service providers and service users (tax payers) separate sets of questionnaires were administered. The researcher used both closed - ended and open - ended questionnaires.
- **Observation**: The study used personal non participant observation, by using observation check list. Observation can yield information which people are normally unwilling or unable to provide.
- **Semi - structured interview**: To collect the necessary information the researcher was used semi - structured interview. An in - depth interview was conducted with purposefully selected key informants (manager of the RO).
- **Document review**: the researcher analyzed different document, published and unpublished to narrate concrete conclusion.

Regarding to Sample Size there are total 22 employees under the three units/departments of RO these are tax audit, tax collection and follow up, and information technology. In this study all employees were included in the study as far as it is manageable. The manager of Revenue Office of Bahir Dar city administration was the key informants.

In the case of customers, there are total of 10, 000 tax payers in three categories. Among these three categories of tax payers, in category ‘A’, there are 1, 165 tax payers, in category ‘B’ there are 2, 685 tax payers and in category ‘C’ there are tax 6, 150 payers. Those tax payers under the
category ‘A’ come to the office on a monthly basis to pay Value Added Tax (VAT). Category ‘B’ tax payers come to the office once in three months to pay their tax. Category ‘C’ tax payers come to the office once a year to pay their annual tax, usually around June. To determine the sample population, the researcher use, Yemane (1967) formula. At 95% confidence level and 0.07 (e) precision levels are assumed

\[ n = \frac{N}{1 + N(e)^2} \]

Where \( n \) = the desired sample size \( N \) = Population size, and \( e \) = the level of precision

\[ n = \frac{10000}{1+10000(0.07)^2} = 200 \]

A total of 200 respondents, from three categories, were selected. Even though the number of customers in these categories is varied, the researcher wants to take proportional based on their frequency of visiting the office. Because though, category A and B tax payers are less in number, they visit the office more often that the other. They (A and B) face problems, if there are any, more frequently than the other (C). Moreover, even if taxpayers from category A and B pay their taxes on a monthly and quarterly basis respectively, they are also expected to pay their annual taxes together with tax payers in category C.

Based on this the frequency of visiting the office from category A, B, and C are 12, 4, and 1 days per year respectively.

\[ \begin{array}{|c|c|c|c|c|} \hline \text{Categories} & \text{Frequency} & \text{Distribution} & \text{Sample size} \\ \hline A & 12 & 12/17=0.7 & 0.7*200=140 \\ B & 4 & 4/17=0.2 & 0.2*200=40 \\ C & 1 & 1/17=0.06 & 0.1*200=20 \\ \hline \text{Total} & 17 & 1 & 200 & \end{array} \]

Source: authors own computation (2021)

The study used a combination of sampling techniques for different categories of respondents. In the case of employees all of them were selected. In addition the key informant (the Manager of the Revenue Office) was selected based on purposive sampling.

In the case of customers, three major sampling techniques were utilized. The researcher first divided the total population into different strata based on their tax category by using stratified sampling technique. Consequently, there are three categories, category, ‘A’, ‘B’ and ‘C’. For tax payers in category ‘A’ and ‘B’, the researcher used accidental sampling to include customers visiting the tax office by the time of the data collection. The rationality behind using this technique is that it is difficult to know the exact number of customers who visit the office during the study time. Consequently, the researcher selected those who were coming to pay tax in the office. For category C tax payers, convenience sampling was applied based on the work place of the customers.

Both qualitative and quantitative data analysis methods were applied to make effective interpretation of the data. The quantitative data gathered through questionnaire were analyzed by employing Statistical Package for Social Science (SPSS Version 20). The descriptive statistical methods such as frequency, percentage were used. The qualitative data gathered from the interviews, and observation, on the other hand, was analyzed by narration.

4. Result and Discussion

Bahir Dar city administration Revenue office (BCARO) is one of the public institutions that implement BPR since 2001 E. C to deliver quality service with less cost and fastest way.

4.1 The Rationality behind Implementing BPR

In general Bahir Dar city administration Revenue office (BCARO) is one of the public institutions that implement BPR since 2001 E. C to deliver quality service with less cost and fastest way. Moreover, organizations introduce BPR for the following reasons:

To Improve Efficiency and Effectiveness: In Ethiopia in general the rationality behind implementing BPR was to tackle the bureaucracy endured in public institution and to improve efficiency and effectiveness (Debela, 2009, Hassen, 2012). BCARO is not exception to this principle. One of the principles of BPR are improves efficiency and effectiveness of the service or performance of the organization. Accordingly, (Zigiaris, 2010) BPR improve drastically effectiveness and efficiency. Whereas (Ali - Mashari et al, 2001, Fitih, 2010), BPR brings both product and service efficiency and effectiveness in a given organization. To get theses expected values BCARO implement BPR.

To Provide Customer - Oriented Services: To fulfill the needs of customers’ organization have to bring them at the center. To this end BPR is the best means since it places the customers’ at the center by reducing unnecessary bureaucracy and making flat structure organization. This helps to reduce complain of the customers’ (Zigiaris, 2010). After implementing BPR BCARO began to provide one stop service to its customers.

To Increase Speed: BPR increases the speed of the organization in performing a given task. In supporting this, (Zigiaris, 2010) said BPR brings dramatic reduction of the time it takes to complete a task for key business processes. For instance, if process before BPR had an average cycle time 5 hours, after BPR the average cycle time should be cut down to half an hour. Indeed after BPR the time a given customer spend decrease dramatically.

To Increase Customers’ Satisfaction: In BCARO, there is a paradox. In the one hand, the office strives to collect large amount of tax, on the other hand, people who came to the office to pay complaining over the service they receive. Thus the office implements BPR to increase customers’ satisfaction. One of the principles of BPR is increase customers’ satisfaction. According to (Gouranourimi, 2012) customers’ satisfaction is the desired outcome that BPR brought.
4.2. Challenges of BPR Implementation in BCARO

There were challenges that the office faced during BPR implementation. What was the reason behind that? To enquire into the problems, the researcher used simple descriptive statistics.

**Table 2: Reason for challenges**

<table>
<thead>
<tr>
<th>Response Item</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fear of losing jobs</td>
<td>4</td>
<td>18.2</td>
</tr>
<tr>
<td>Resistance to change</td>
<td>1</td>
<td>4.5</td>
</tr>
<tr>
<td>Lack of adequate resources</td>
<td>11</td>
<td>50.0</td>
</tr>
<tr>
<td>Lack of confidence to cope up with the new technology</td>
<td>1</td>
<td>4.5</td>
</tr>
<tr>
<td>Lack of understanding about BPR</td>
<td>5</td>
<td>22.7</td>
</tr>
</tbody>
</table>

Source: own survey data, Bahir Dar, Ethiopia, 2013

The above table 4.5 shows the challenges faced during the implementation of BPR. Accordingly most of the employees, that is 11 (50%), claimed that lack of adequate resources is the challenge to implement BPR. While interviewing with the manager, he also supported that lack of adequate resources was one of the challenges. In supporting this, Maleki and Beikkhakhian (2001) regarded that lack resource allocation to BPR is a big challenge for achieving favorable results.

Lack of understanding about BPR was a challenge to implementation of BPR stated by 5 (22.7%) of the employees, (Fitih, 2010) strengthen this idea by stating that lack understanding about BPR in its entire sense and attempts to reengineer departments are one of a challenge factor for BPR. There were 4 (18.2%) employees who answered that the challenge to implement BPR was fear of losing jobs. In line with this (Hammer and Champy, 1993) one of the challenges for BPR is fear of loss of control and position.

The other 1 (4.5 %) employees claimed that resistance to change was challenge for BPR implementation. As (Sidikat and Ayanda, 2008) said lack of adequate planning for resistance to change leads BPR to fail. While the rest 1 (4.5%) confirmed that lack of confidence to cope - up with the new technology were challenges to implement BPR.

5. Conclusions and Recommendations

From the above findings of the whole research, the researcher draws the following conclusions:
1. The rationality to introduce BPR in the study area was to improve efficiency and effectiveness in service delivery on the one hand and the ever increasing needs of the customers to receive improved service on the other.
2. However, there are some challenges as shown in the finding, managers are not agent of change and good performer employees are not rewarded though these are the principles of BPR, while there is punishment for the wrong doers. These discourage strong and dedicated professional workers and thereby decreased their commitment.
3. One of the major challenges is attitude of the employee towards BPR. Most of them view it as a threat to their job. This accounts the major reason for BPR to fail.
4. There is lack of resources in the study area which challenges BPR implementation as well as service delivery.
5. Based on research findings, the study recommends the following:
   - Though there is improvement in service delivery after the implementation BPR, it has not brought a radical change as comprehended by the initiators. Thus, BCARO should assess its capacity and increase the numbers of skillful employees’. In addition the office has to introduce other tools like Balanced Score Card (BSC).
   - Before implementing new management tools the organization should create awareness to its employees as long as they are major success factors.
   - Even if there is IT infrastructure development, it is not sufficient. Since IT has a great role both in BPR implementation and service delivery, BCARO has to expand its capacity and provide sufficient training both for the employees and customers to make tax collection more scientific. This would lay the foundation for launching online tax collection in the future.

References


