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**INFLUENCE OF BUSINESS PROCESS RE-ENGINEERING ON SUSTAINABLE COMPETITIVE ADVANTAGE: A CASE STUDY OF UAP OLD MUTUAL.**

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**Abstract:** The aim of the study was to investigate the influence of business process re-engineering on sustainable competitive advantage in UAP Old mutual. The specific objectives of this study were to investigate the following BPR factors; Management commitment and support, I.T capability, change management and process redesign on sustainable competitive advantage. The target population was 220 employees in management positions at the organization. A sample of 142 was determined through Yamane formula. Primary data was obtained through questionnaire survey and evaluated using the tools of descriptive statistics and inferential analysis using computer package- SPSS version 22. The study findings showed that Management commitment and support, I.T capability, change management and process redesign have a positive and significant influence on sustainable competitive advantage of UAP Old mutual. The study recommends that the top management team at UAP Old mutual should improve their commitment and support to the key processes in the organization. They should further improve change management practices through establishing effective communication and training as well as education. There is also a need to improve their information technology capability by investing more in information technology infrastructure, information technology skills and knowledge, information technology operations and information technology control. Process redesign practices should also be improved further.

**Key Words:** *Management commitment and support, I.T capability, Change Management, Process Redesign, Sustainable Competitive Advantage*

## **Introduction**

The definitions of business process reengineering have evolved as follows; Hammer and Champy (1990), defines BPR as the specific activities aimed at achieving radically redesigned and improved work processes within a specific time frame, while Hussein (2008) defined BPR as the redesign and improvement of business processes in terms of job descriptions, performance and appraisal, organizational structures, systems, core values and skills as well as activities which would lead to long-term profits. According to Goksoy, Ozsoy and Vayvay (2012) the main elements of BPR are fundamental work process redesign, adding value to final customers, integration of cross-functional specialization, and exploitation of information technology. Elements of reengineering in an organization as cited by Ezigbo (1997); Ikon, Onwuchekwa, and Nwoye (2018) as follows; rethinking of the business models, challenging old assumptions and discharging old rules that are no longer applicable, breaking away from conventional wisdom and the constraints of organizational boundaries, using information technology to redesign new process, focusing on customers and the generation of greater for them and empowering employees through creation of creative work environment, training and development to fully achieve their potential by identifying and undertaking activities which deliver value to customer. Osano and Okwena (2015) considered the factors key to the success of BPR projects; management commitment, communication of change, processes and systems management and monitoring and evaluations.

Businesses are compelled to undertake BPR by external and internal factors (Nangami, 2014). The internal factors include outdated technology, need to automate processes, need for efficiency improvement, need to manage cost, and a re-examination of the strategic aspirations which exert pressure from within the organizations (Dogan, 2013). On the other hand, the external factors exert pressure from the outside such as customers' demands, increased competition, dynamic market conditions, and changing regulatory environment (Kyengo, 2014). One approach for managing rapid change and dramatic improvement that has emerged is Business Process Reengineering (BPR). Factors such as growth of international trade, the customer demands for high quality, fast development in technology and product lifecycle lead to organizations to improve operational processes (Ringim, Razalli & Hasnan, 2012). This enables the customer to dictate for tailor made products within a certain ability to pay (Kangogo, 2014). BPR involves discovering how business processes currently operate, how to redesign these processes to eliminate wasteful or redundant effort and improve efficiency to achieve competitive advantage given demands of today's markets and technologies (Siha & Saad, 2008).

## **Statement of the Problem**

In the Kenya's context, there has been intense competition in the insurance industry occasioned by entry of new players in the market through expansion of banking services to offer insurance products. These banks are forming their own stand-alone products and collaborating with the existing insurance companies. Examples of such realignments include the purchase of the first assurance company by Barclays Bank of Kenya to offer stand-alone products in the market. This challenges the old assumptions and discharges old rules that are longer applicable which then calls for process redesign (Ikon, Onwuchekwa, & Nwoye, 2018)

According to the UAP Old Mutual strategic planning their first phase implementation of the strategic plan is to deal with internal inefficiency in their day to day business operations. This inefficiency has increase the operation's cost due to things like fraud, delay in payments of service providers, and failure to adhere to policy guidelines/framework set up by the IRA (Annual Report 2017). Today's business environment is facing spontaneous and unpredictable changes mostly because of rapid evolution of Information Communication Technology (ICT).

Organizations carry out business process reengineering due to one of the following force; do or die 60%; anticipation/caution (30%); aspiration or intent (10%) (Magutu, Nyamwange, & Kaptoge, 2010). Those driven by desperation must do something radical to survive; those with foresight anticipate that they will reach the desperation state unless they do something to avert it. The ambitious will move to a new paradigm to create crisis for their competition. Other research studies have shown 60%-70% of BPR efforts have either failed or did not achieve the expected benefits (Hammer & Champy, 1990). Most studies which have been done have examined business process reengineering and organizational performance in banks. Such studies include Ringim, Razalli and Hasnan (2012) examined the relationship of BPR and organizational performance of small and medium bank and Osano and Okwena (2015) factors influencing performance of business process reengineering Projects in banks in Kenya. Therefore, this study investigated the influence of BPR on sustainable competitive advantage and further investigate the various BPR factors such as Management commitment and support, information technology capability, change management and process redesign on sustainable competitive advantage.

## **Objectives**

- i. To establish how management commitment and support influence sustainable competitive advantage UAP Old Mutual.
- ii. To determine how information technology capability, influence sustainable competitive advantage in UAP Old Mutual.
- iii. To examine how change management influence sustainable competitive advantage in UAP Old Mutual.
- iv. To find out how process redesign influences sustainable competitive advantage in UAP Old Mutual.

## **Literature Review**

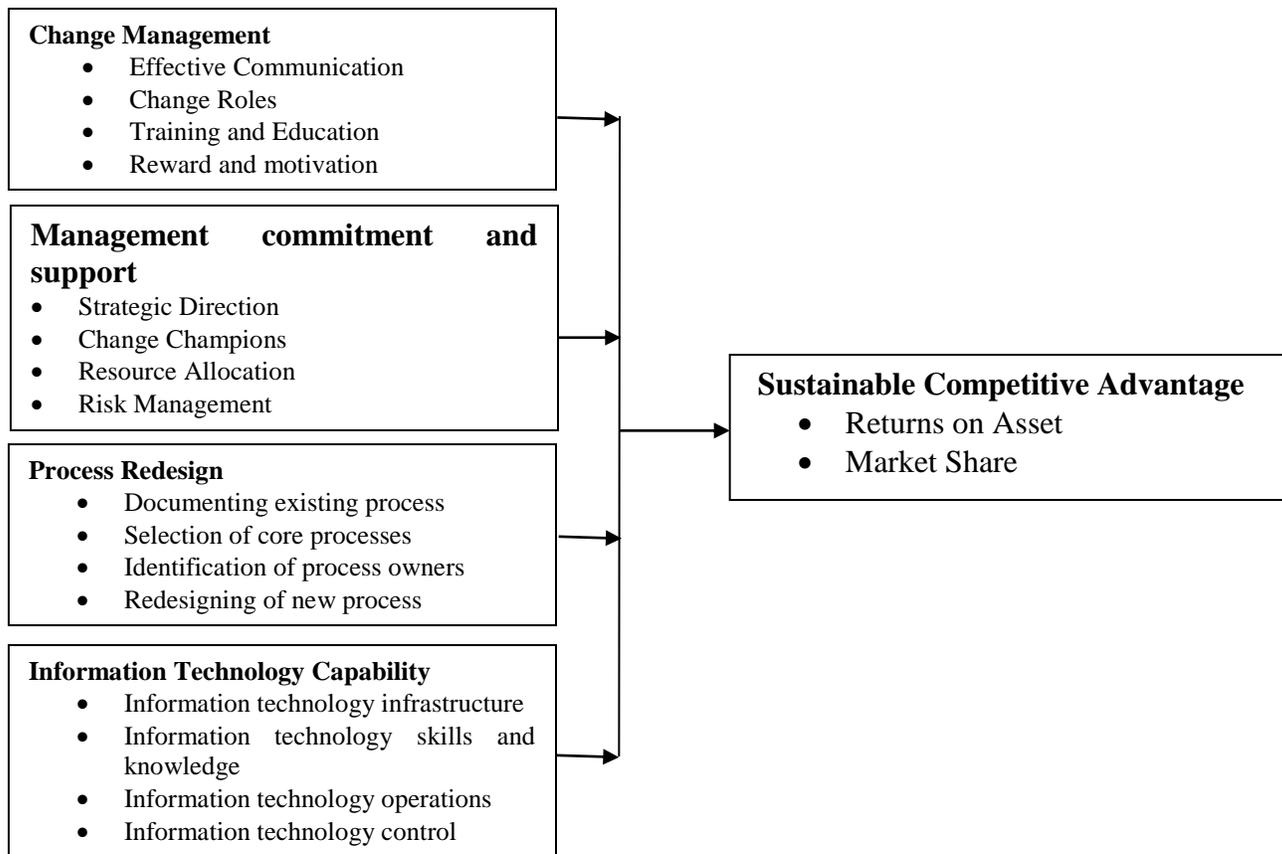
### **Theoretical Review**

The theoretical framework was based on the Resource Based View, Dynamic Capabilities Theory and Systems Theory. The Resource Based View initiated in the mid-1980s by Wernerfelt (1984), has become popular contemporary approach for analyzing sustainable competitive advantage. Resource based view argues that a firm compete based on their resources and capability. Resource based view further looks within a firm's internal factors which contribute to competitive advantage (Peteraf & Bergen, 2003). The RBV takes an 'inside-out' view or firm-specific perspective on why organizations succeed or fail in the market place (Dicksen, 1996). Resource based view in an organization can be considered as a collection of physical resources, human resources and organizational resources (Barney, 1991). In the context of the BPR processes within the insurance industry, management commitment and support in allocation of resources that the firm uses with a view of optimally utilizing their resources to achieve the sustained competitive advantage.

Dynamic Capabilities theory analyses the sources and criteria of wealth creation in a rapid technological change. Dynamic in this matter refers to capacity to renew competences to achieve congruence within changing operating environment; certain innovative are required such as time to market, when rate of technological change is rapid, foreseeable future competition and when it is difficult to determine the market. On the other hand, capabilities refer to the ability to adapt, integrate and reconfigure internal and external organizational skills, resources and functional competencies to match requirements of changing market environments. Dynamic capabilities are the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Barton, 1992).

System Theory by Bertalanffy (1968) recognized the need of any organization to interact with its external environment. For survival of an organization like the way living organism survives, should operate in open system and not closed system. Organizations that operate in fast changing technologies and market surrounding are more successful if they take advantage of technology in their day to day activities. The researchers continue to argue that the more rapid the changes in the external environment the more necessary it is for subsystems to be specialized in their functions. This means organizations must devise ways to manage change and further support the change process. The contingency theory of leadership was proposed by the Austrian psychologist Fred Edward Fiedler in his landmark 1964 article, "A Contingency Model of Leadership Effectiveness." The basic premise of this theory is that there is no one best way to lead an organization. Fiedler believed that there is positive relationship between the characteristic traits of a leader and the effectiveness of a leader. The contingency theory presently provides a major framework for the study of organizational design (Donaldson, 2001). However, contingency theory supposes that under different circumstances different solutions may prove effective. The theory tries to demonstrate that different circumstances require different organizational structures (Dobák & Antal, 2010). The optimal course in the Contingency theory depends on the internal and external factors.

### Conceptual Framework



### Independent Variables

### Dependent Variable

Figure 2.1 Conceptual Framework

## Empirical Review

In the study conducted by Habib and Wazir (2012) to investigate the role of education & training in the successful implementation of business process reengineering (BPR), there was a strong correlation between education and training and successful implementation of BPR. Ringim, Razalli and Hasnan (2012) examined the relationship of BPR and organizational performance of small and medium bank. The following BPR factors; cost reduction, customer service management and minimal error process were considered very significant to organizations performance while customer focus, reward, training and education were negligible. Osano and Okwena (2015) studied the Kenyan banking sector to investigate factors that influence performance of BPR projects. The study found that management commitment, communication of change, processes and systems management and, monitoring and evaluation influence the performance of BPR projects at KCB Ltd. Nzewi, Nzewi and Moneme (2015) explored the effect of BPR on performance of Courier Service Organizations in Anambra State Nigeria.

The result of the analysis revealed that there was a significant relationship between BPR factors (change management, process redesign, management commitment, and IT infrastructure) and overall organizational performance of the selected Courier Service Organizations. In the study by Hin (2005) to investigate the status of business process reengineering (BPR) in China, it was found that management support, cross-functional communications, cross-unit project team, and measurable BPR objectives are the top of the list for critical success factors, whereas a culture that resists changes and new ideas, lack of innovation incentives to state-owned enterprises, seniority, not performance, based promotion, and unemployment pressure of process restructuring are the top four obstacles in China.

## Research Methodology

The study employed a descriptive design. The target population of the study involved the UAP Old mutual 220 employees in management level in Kenya. The study used stratified random sampling technique where the focus was on a few managers from the organization. The study used Yamane 1967 formula to calculate the sample size of 142.

$n = \frac{N}{1 + N(e)^2}$  Where n = sample Size, N= Total Population (220), e= 0.05 significance.

The instrument for data collection was questionnaires. Since the research was a descriptive survey in nature, descriptive data was collected using descriptive statistics technique. Both correlation and multiple regression analysis were used to make a prediction of a dependent variable in relation to the independent variables (Hair, 2010). The regression model was:  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$  where Y = Sustainable Competitive Advantage,  $\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients of determination,  $\beta_0$ = Constant,  $X_1$ = Management of commitment and support,  $X_2$ = Change management,  $X_3$ = Information technology capability,  $X_4$ = Process redesign and  $\varepsilon$  = Error term.

## Research Findings

The total number of questionnaires that were administered was 142. Top level employees were targeted and out of the targeted employees, only 120 properly filled the questionnaires. This represents a response rate of 84.5%. This response rate is satisfactory given the argument by Flick (2011) that a response rate above 50% is satisfactory to be used in generalizing study findings.

## Descriptive Findings

### Management Support and Commitment

The respondents were asked to rate statements on management support and commitment on a scale of 1 to 5. The mean response and standard deviation as indicated in table 1 showed that all the respondents agreed that they follow strategic direction provided by the management (Mean = 5.00), they prefer accepting change when management leads by example (Mean = 4.32), they are motivated to engage in organizational projects which have budgetary allocations in terms of finances, time and human resources ( Mean = 4.13) and that their management need to evaluate each decision and the risk associated since it affects the employees and the organization in general ( Mean = 3.78). On average, the respondents agreed that there is management support and commitment at UAP (Average Mean = 4.19). The findings are consistent with the argument by Elmuti and Kathawala (2011) that BPR efforts requires sound management and leadership through top management commitment, support, advocacy, spearheading and effective risk management so as to realize its goal of achieving competitive advantage.

**Table 1 Descriptive Statistics on Management Support and Commitment**

<b>Statement</b>	<b>Mean</b>	<b>Standard Deviation</b>
I will follow strategic direction provided by the management.	5.00	0.00
I prefer accepting change when management leads by example.	4.32	1.13
I am motivated to engage in organizational projects which have budgetary allocations in terms of finances, time and human resources.	4.13	1.22
My management needs to evaluate each decision and the risk associated since it affects the employees and the organization in general.	3.78	1.32
<b>Average</b>	<b>4.19</b>	<b>0.92</b>

### Change Management

The respondents were asked to rate statements on change management on a scale of 1 to 5. The findings presented in Table 2 indicated that majority of the respondents agreed that there is early communication of the business process reengineering efforts and how the project affects the organization (Mean = 3.96), the respondents also agreed that they understand their role in the change process and organizational learning (Mean = 3.50) and that that continuous training and education on the business process reengineering was provided by organization (Mean = 4.04). The respondents did not however agree or disagree on the statement that every single change milestone was rewarded and compensated to motivate the employee (Mean = 3.31). On average, the findings indicated that the respondents agreed that change management practices have been implemented in the organization (Average Mean = 3.70).

The findings are in congruence with Nzewi, Nzewi and Moneme (2015) that Practices such as reward and motivation, effective communication, conducive organizational culture, stimulating receptivity to change, employee's empowerment and involvement, and training and education are good change management practices which result into a conducive environment for the organization to attain a sustainable competitive advantage.

**Table 2 Descriptive Statistics on Change Management**

<b>Statement</b>	<b>Mean</b>	<b>Standard Deviation</b>
There was early communication of the business process reengineering efforts and how the project affects the organization.	3.96	1.36
I understand my role in the change process and organizational learning.	3.50	1.51
Continuous training and education on the business process reengineering was provided by organization.	4.04	1.33
Every single change milestone was rewarded and compensated to motivate the employee.	3.31	1.40
<b>Average</b>	<b>3.70</b>	<b>1.40</b>

### **Information Technology Capability**

The respondents were asked to rate statements on change management on a scale of 1 to 5. The findings presented in Table 3 indicated that majority of the respondents agreed that the organization has sufficient hardware and software infrastructure (Mean = 3.83), the human resource has the necessary information technology expertise (Mean = 4.28), information technology duties are structured based on cross- functional orientation (Mean = 3.58) and that information technology systems provide cross-functional control (Mean = 3.66). On average it was agreed that UAP has information technology capability (Average Mean = 3.84). The findings are consistent with the argument by Tippins and Sohi (2003) that IT capability such as IT infrastructure, IT skills, knowledge and experience as well as effective IT operations utilization are essential for achievement of competitive advantage.

**Table 3 Descriptive Statistics on Information Technology Capability**

<b>Statement</b>	<b>Mean</b>	<b>Standard Deviation</b>
The organization has sufficient hardware and software infrastructure.	3.83	1.32
The human resource has the necessary information technology expertise.	4.28	1.07
Information technology duties are structured based on cross- functional orientation.	3.58	1.17
Information technology systems provide cross-functional control	3.66	1.33
<b>Average</b>	<b>3.84</b>	<b>1.22</b>

## Process Redesign

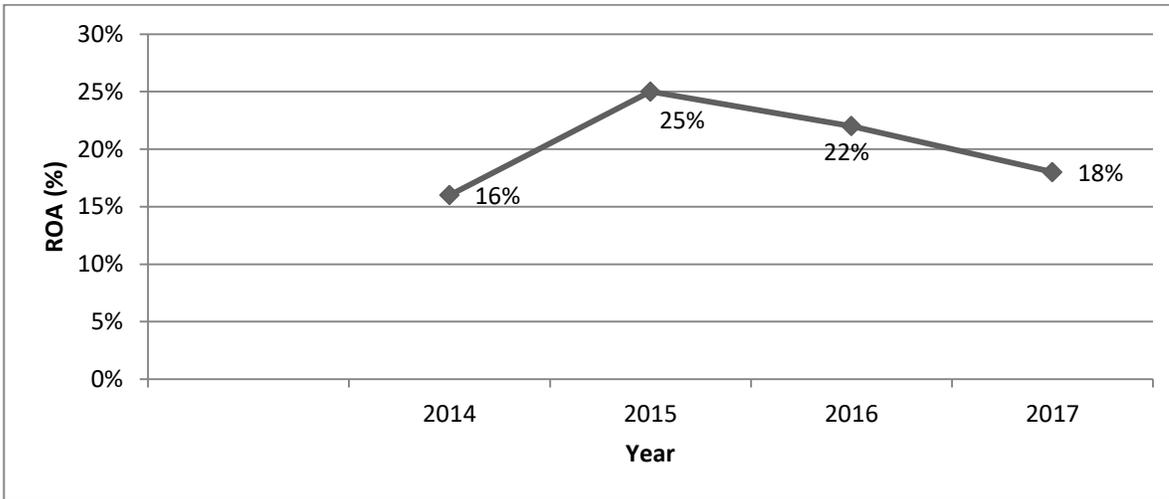
The respondents were asked to rate statements on process redesign on a scale of 1 to 5. The findings presented in Table 4 indicated that majority of the respondents agreed that all organizational processes are well documented, and all documentations are available upon request (Mean = 4.62), they know what are the core processes which are key to the organizational service delivery (Mean = 4.78), cross-functional units understand which business processes they are responsible for (Mean = 4.57) and that cross-functional teams are involved in new process design and prototyping (Mean = 4.35). On average, it was agreed that there is process redesign at UAP (Average Mean = 4.58). The findings are consistent with Osano and Okwena (2015) who argued that process redesign which entails the documentation of existing processes, selection of core processes, identification of gaps, and evaluation of effectiveness of current processes is a key determinant of competitive advantage of an organization.

**Table 4 Descriptive Statistics on Process Redesign**

<b>Statement</b>	<b>Mean</b>	<b>Standard Deviation</b>
All organizational processes are well documented, and all documentations are available upon request.	4.62	0.79
I know what are the core processes which are key to the organizational service delivery.	4.78	0.41
Cross-functional units understand which business processes they are responsible for.	4.57	0.50
Cross-functional teams are involved in new process design and prototyping.	4.35	0.82
<b>Average</b>	<b>4.58</b>	<b>0.63</b>

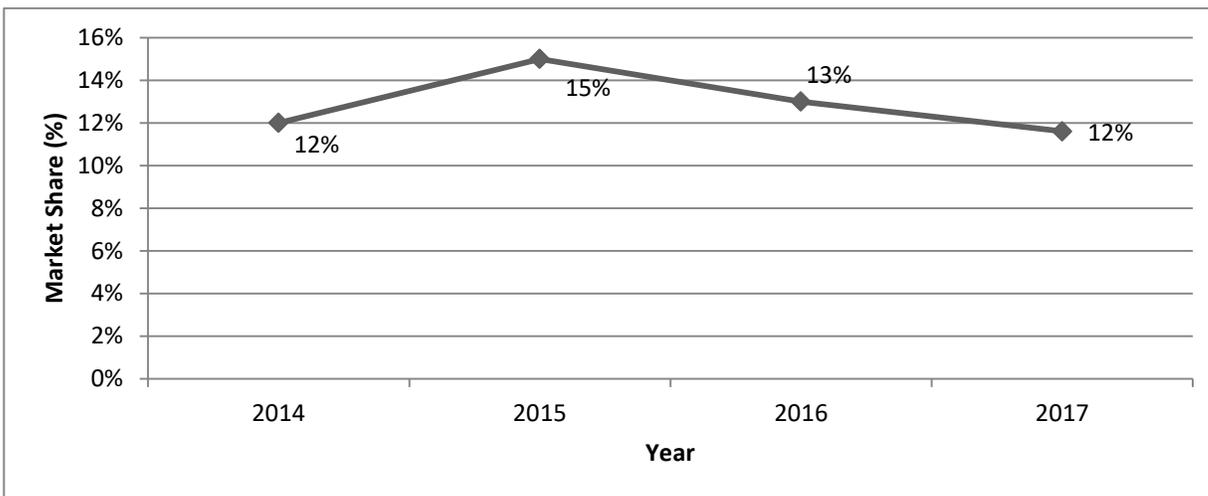
## Sustainable Competitive Advantage

The study established the sustainable competitive advantage in terms of returns on assets and market share. The returns on assets were captured in terms of percentage as shown in the trends in Figure 2. The findings indicated that the return on assets of the organization increased steadily between 2014 and 2015. However after the year 2016, the returns on assets have been decreasing to a low of 18% in the year 2017. The findings imply that implementation of business process re-engineering can enhance the returns on assets of organizations.



**Figure 2 Returns on Assets**

The study also established the market share of the company measured as the company's sales measured as a percentage of an industry's total revenues. The findings indicated that the market share similarly indicates the returns on assets trends where the total sales out of the company against the industry total shares have been decreasing. This reflects the challenges facing the organization in maintaining a competitive advantage in the insurance industry.



**Figure 3 Market Share**

### Correlation Analysis

It was established that management support and commitment has a positive and significant influence on sustainable competitive advantage ( $r = 0.106$ ,  $\text{sig} = 0.024 < 0.05$ ). These findings imply that an increase in management support and commitment leads to a significant increase in sustainable competitive advantage of the organization. The findings are consistent with Hin (2005) who investigated the status of business process reengineering (BPR) and established that management support improved performance of organizations.

The findings also showed that change management has a positive and significant influence on sustainable competitive advantage ( $r = 0.257$ ,  $\text{sig} = 0.005 < 0.05$ ). These findings imply that an increase in change management leads to a significant increase in sustainable competitive advantage of the organization. The findings agreed with Nzewi, Nzewi and Moneme (2015) that change management was critical for the success of the organizational processes. It was also established that IT capability has a positive and significant influence on sustainable competitive advantage ( $r = 0.356$ ,  $\text{sig} = 0.000 < 0.05$ ). These findings imply that an increase in IT capability leads to a significant increase in sustainable competitive advantage of the organization. The findings are consistent with the argument by Thyagarajan and Khatibi (2004) that IT capability is essential ingredients of BPR which helps organizations to come up with new ideas and ways of doing things that will be beneficial to the organization thus improving its competitive advantage. Lastly, the study revealed that process redesign has a positive and significant influence on sustainable competitive advantage ( $r = 0.371$ ,  $\text{sig} = 0.000 < 0.05$ ). These findings imply that an increase in process redesign leads to a significant increase in sustainable competitive advantage of the organization. The findings are consistent with the findings of Osano and Okwena, (2015) who argued that processes and systems management were critical to the organizational competitive advantage.

**Table 5 Correlation Analysis**

		Management Support and commitment	Change Management	IT Capability	Process Redesign	Sustainable Competitive Advantage
Management Support and commitment	Pearson Correlation	1	-.297**			
Change Management	Pearson Correlation	-.297**	1			
IT Capability	Pearson Correlation	-.356**	-.257**	1		
Process Redesign	Pearson Correlation	0.04	-0.058	.240**	1	
Sustainable Competitive Advantage	Pearson Correlation	0.106*	.257**	.356**	.371**	1
	Sig. (2-tailed)	0.024	0.005	0.000	0.000	
	N	120	120	120	120	120

**\*\* Correlation is significant at the 0.01 level (2-tailed).**  
**\*\*Correlation is significant at the 0.05 level (2-tailed).**

### Regression Analysis

#### Coefficient of Determination

The coefficient of determination also called the R-square shows the percentage of the change in the dependent variable (sustainable competitive advantage) attributed to the independent variable (business process re-engineering). The findings in Table 6 indicate that the R-square was 0.508. This shows that 50.8% of any variation in sustainable competitive advantage of the organization is attributed to business process re-engineering in terms of Process redesign, Management Support and Commitment, Change Management as well as IT Capability.

**Table 6 Model Summary**

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
.713	0.508	0.491	0.2961

Predictors: (Constant), Process redesign, Management Support and Commitment, Change Management, IT Capability

**ANOVA**

The ANOVA results are used to establish the model fitness or significance. A significant F value shows that the model was significant and that any other random sample from the same target population would still significantly predict sustainable competitive advantage. The findings in Table 7 indicates that the model linking business process re-engineering to sustainable competitive advantage was significant at 5% level of significance (Sig = 0.000, < 0.05). This implies that Business process reengineering significantly affects sustainable competitive advantage and this supports the argument by Ringim, Razalli and Hasnan (2012).

**Table 7 ANOVA**

	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	10.415	4	2.604	29.705	.000
Residual	10.08	115	0.088		
Total	20.495	119			

Dependent Variable: Sustainable Competitive Advantage

Predictors: (Constant), Process redesign, Management Support and Commitment, Change Management, IT Capability

**Regression Model Coefficients**

The study also established the regression model coefficients which show the relationship between the study variables. The findings in Table 8 indicates that management support and commitment has positive (Beta = 0.266) and significant (Sig = 0.000, < 0.05) influence on sustainable competitive advantage of UAP Old Mutual. These findings imply that a unit increase in management support and commitment leads to a 0.266 units increase in sustainable competitive advantage of UAP Old Mutual. The findings provide congruence with that of Osano and Okwena, (2015) who indicated that management commitment was a significant determinant of successful business process reengineering and also performance of an organization. It was established that change management has positive (Beta = 0.203) and significant (Sig = 0.000, < 0.05) influence on sustainable competitive advantage of UAP Old Mutual. These findings imply that a unit increase in change management leads to a 0.203 units increase in sustainable competitive advantage of UAP Old Mutual. The findings are consistent with Ringim, Razalli and Hasnan (2012) who established that BPR practices improved organizational performance significantly.

The findings also established that IT capability has positive (Beta = 0.256) and significant (Sig = 0.000, < 0.05) influence on sustainable competitive advantage of UAP Old Mutual. These findings imply that a unit increase in IT capability leads to a 0.256 units increase in sustainable competitive advantage of UAP Old Mutual. The findings are consistent with Nzewi, Nzewi and Moneme (2015) who indicated that IT infrastructure had a positive significant influence on performance of organizations. The findings lastly showed that process redesign has positive (Beta = 0.259) and significant (Sig = 0.001, < 0.05) influence on sustainable competitive advantage of UAP Old Mutual. These findings imply that a unit increase in process redesign leads to a 0.259 units increase in sustainable competitive advantage of UAP Old Mutual. The findings provide congruence with the findings of a study by Onchana (2012) which indicated that business process reengineering had a positive effect on the

performance of the organization.

**Table 8 Model Coefficients**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.464	0.409		1.135	0.259
Management Support and Commitment	0.266	0.043	0.489	6.230	0.000
Change Management	0.203	0.027	0.576	7.660	0.000
IT Capability	0.256	0.033	0.621	7.793	0.000
Process Redesign	0.259	0.075	0.236	3.454	0.001

**Dependent Variable: Sustainable Competitive Advantage**

## Conclusion

The section presents the conclusion of the study based on the study findings. The conclusions are presented per objective of the study. This section guides the recommendations of the study which follows. The study concludes that an improvement in management support and commitment in terms of enhanced strategic direction, change championing, resource allocation and risk management leads to a significant improvement in sustainable competitive advantage of UAP Old Mutual. The study also concludes that improvement in change management in terms of effective communication, change roles, training and education and reward and motivation leads to a significant improvement in sustainable competitive advantage of UAP Old Mutual. It was also concluded that an improvement in information technology capability in terms of information technology infrastructure, information technology skills and knowledge, information technology operations and information technology control leads to a significant improvement in sustainable competitive advantage of UAP Old Mutual. The study lastly concluded that an improvement in process redesign in terms of documenting existing process, selection of core processes, identification of process owners and redesigning of new process leads to a significant improvement in sustainable competitive advantage of UAP Old Mutual.

## Recommendations

Based on the findings that change management has a positive and significant influence on sustainable competitive advantage, the study recommends that the management of UAP Old mutual should further improve change management practices through establishing effective communication, change roles, training and education and reward and motivation. Since the study findings showed that information technology capability has a positive and significant influence on sustainable competitive advantage, the study recommends that the management of UAP Old mutual should aim to improve their information technology capability by investing more in information technology infrastructure, information technology skills and knowledge, information technology operations and information technology control. The study lastly recommends that since it was established that process redesign has a positive and significant influence on sustainable competitive advantage, the study recommends that the management of UAP Old mutual should aim to improve their process redesign practices. They can achieve that by documenting existing process, selection of core processes, identification of process owners and redesigning of new process.

## Conflict of Interest

No potential conflict of interest was reported by the authors

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