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**IMPACT OF NEW BANKING PRODUCT AND SERVICE  
DEVELOPMENT PROJECTS ON ORGANIZATIONAL  
PERFORMANCE; CASE STUDY ON HIBRET BANK S.C**

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ADISS ABABA

May-2022

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**A THESIS SUBMITTED TO St. MARY'S UNIVERSITY SCHOOL OF  
GRADUATE STUDIES IN PARTIAL FULFILLMENT FOR THE  
DEGREE OF MASTER OF ARTS IN  
PROJECT MANAGEMENT**

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**SMU**

**Addis Ababa, Ethiopia**

## DECLARATION

I, the undersigned, declare that this project is my original work and that it has not been presented in any other university or institution for academic credit.

Name: Rediet Welday


Signature \_\_\_\_\_

Date \_\_\_\_\_

## ADVISOR

This project has been submitted for examination with my approval as university advisor.

Advisor: Muluadam Alemu, PhD

Signature 

Date 31/05/2022

St. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES

MA Program Department of Project Management Impact of new banking product and service development projects in organizational performance; case study on Hibret bank S.C

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## ABSTRACT

*The purpose of the study was to examine new banking product and service development projects and its impact on organizational performance in banks with reference to Hibret bank S.C. The study adopted a cross-sectional survey design approach. Explanatory research methods was employed and both qualitative and quantitative data analysis was used the population of the study comprised of (52) fifty-two managers and employees working in the research and development department, IT department, marketing department, and districts managers while 36 responded in this study. The study used both primary and secondary data. Primary data was collected with the aid of a self-administered semi-structured questionnaire. Secondary data was collected by use of desk search techniques from published reports and other relevant documents. The research had seven independent variables (price, ergonomics/ease of use, marketability, manufacturability, quality, functionality, performance of new product service) and one dependent variable that is organizational performance. The results indicated the bank introduced new product/service very often agreeing that introduction of new product/service affected the bank's performance. In the regression analysis performance of new product and service, price and marketability has high impact on organization performance. It is also found that organizational Strategy and goals, organizational culture, competition with other banks, and the need to sustain performance are factors that affect new product/service development in Hibret bank. From the study findings, it concluded that new product/service development projects affected the banks performance positively. From the findings, the study recommends that banks should consider increasing the level of new product/service development projects as it has a big effect on performance. Organization strategy and goals should always be tailored to promote new product/service development projects. The study also recommended for further research that there is need to replicate the study and to use other variables to assess the Impact of new banking product and service development projects on organizational performance.*

**Key words-** *new product/Service performance, ergonomics/ease of use, price, quality, marketability, manufacturability, functionality, and organizational performance*

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# CHAPTER ONE

## INTRODUCTION

### 1.1. BACKGROUND OF THE STUDY

New products development is the lifeblood of companies, which can be tangible or intangible. This new products should provide new value to existing or new customers, add value to society, sustain and overcome competitors or improve value to acquire new customers. The main reasons for new product development can be changing market, changing technology, increasing competition, risk diversification, reputation of goodwill, utilization of excess capacity, seasonal fluctuations, and for growth and development purposes (FHYZICS Business consultants, 2018). Banking systems and financial institutions are integral parts of an economy. Seamless functioning of these sectors is important for an economy to grow (Bizencyclopedia team, 2019). Banking is a dynamic activity consistently subject to changes; these changes around the world are caused by increased competition between financial institutions and technological improvement which the two are mutually connected (Tome Nenovski, 2012). Due to the advent of digital technology, banking and financial services have undergone a massive shift in their mode of operations; new trends are gaining momentum at a fast pace as customers find it convenient and flexible at the same time (Bizencyclopedia team, 2019).

The product life cycle in the banking industry is the number of stages that a product goes through in its time in the market; there is high level of innovation in the banking industry because of these newer and products that are more successful always outshine and push older ones out of the market (Lzraylevych, 2021). The development of banking products is crucial to its business operations. E-banking projects bring profits to the bank; technology development is progressing so that faster and easier ways to reach the necessary resources are being used. Banks need to create new projects and turn their attention to innovative products and technology ready to use (Ivana Simonovic, 2019). New product and service development projects in the banking sector have to at first add business value to the bank, reach new clients, and make profit. Like any other industry, the financial sector has experienced massive transformation over the years. This has been necessitated by the need to meet customer's real and ever changing needs. To remain relevant, financial institutions have gone through continuous re-modification, re-invention and re-introduction of product propositions to meet customers changing needs (Kamakia, Effect of Product Innovation on Performance of Commercial Banks in Kenya., 2014).

New product development plays an important role in in an organization; an effective and efficient new product development leads to overall organizational performance such as new product performance, relational performance, and customer satisfaction (Sook-Fun Fong, 2014). While the banks may offer similar products, what differentiates one bank performance from another is the product proposition, product features, target market and service delivery. It is important to recognize the importance of product and product innovations as a measure of performance in the banking sector (Kamakia, 2014).

Literatures has been reviewed and seen that studies hasn't been done that dealt with the impact that new product and service development projects have on organizational performance of commercial banks in Ethiopia although the banking systems and financial institutions are integral parts of an economy which there exists a literature gap. The study is very much in need for banks both for the new comers and the already existing commercial banks; it will guide them if they should continue producing and developing new product or focus on the existing ones, and to look over the current strategies that banks are applying for the new and existing market.

### **1.1.1. Background of Hibret Bank S.C**

Hibret Bank was incorporated as a Share Company and started operation on 10 September 1998 in accordance with the Commercial Code of Ethiopia of 1960. Over the Years the Bank built itself into an escalating and modern banking institution growing with a strong financial structure and strong management, as well as large and ever increasing customer and correspondent base. The bank provides services of conventional banking, diaspora banking, Interest free banking, Foreign exchange services, and Electronic banking services. The bank is a pioneer bank in the country to provide SMS and internet banking services to customers. The bank is among the few banks that provide card banking services through ATM & POS; allowing to send/receive money on ATMs. The bank started to render MasterCard card and VISA services and has also finalized arrangements to start offering china union pay card service soon. Thus making the bank the first to develop and apply some of the big banking products (Banks in Ethiopia , (n.d)). Although the bank has been working to develop new products it is observed that the bank is in the 6<sup>th</sup> place for the most profitable private banks in Ethiopia for the fiscal year 2020/2021 (AddisBiz, 2021)

### **1.2. Statement of the Problem**

New product and service development in the banking industry is the subject of much interest. One aspect of emphasis on product and service development is that new product development plays an important role in in an organization; an effective and efficient new product development leads to overall organizational performance such as new product performance, relational performance, and customer satisfaction (Sook-Fun Fong, 2014). Here organizational performance encompasses three specific areas of firm outcomes: (a)

financial performance (profits, return on assets, return on investment, etc); (b) product market performance (sales, market share, etc); and (c) shareholder return (total shareholder return, economic value added, etc) (Pierre J. Rechar, 2009). To achieve the general corporate level objectives and reach a higher level of organizational performance institutions must continually amend their services in a way which it could serve the financial needs of not only the existing customers but also potential once (Robert S.Kaplan, 2005). Under conditions of competition organizations that don't develop and introduce new products or services risk a lot because of the changing customer needs, tests, shortened product life cycle, increased competition and new technology (Lumen Learning, (n.a)).Technology systems and processes affect innovation and organization policies affect innovation. Innovation also comes with many challenges with the biggest problem in innovation being generation of new ideas. Not all new ideas are innovations and to sustain performance, banks need to be innovative (Kamakia, 2014).

In order to survive banks need to operate efficiently; find a way to stay operationally lean with technology and the business evolving in sync. Banks are in a unique position with their large customers with new and exciting tools and services that can take advantage of existing technology and don't take years to build (NUCORO, (n.a)).The existing economic environment affects the banking sector because it is a dynamic activity subject to change; majorly technological changes. These improvements affect the banking products and distribution channels (Tome Nenovski, 2012). Financial institutions of all types are still adjusting to the digital and data revolutions; digital agility allows a bank to respond to technological progress in a more practical manner and to focus on the bigger, bolder task of building a descriptive digital volume (Saudjana, 2015). In the competitive banking industry, so many new banks are in fray; the new bank or any bank has to identify and concentrate on strategic factors so as to remain customer focused, competitive and offer technology oriented innovative service for quality and speedy responses to the banking customers (S.Lakshmi, 2019).

Although the above studies indicate that new product and service development in the banking sector have positive impact on organizational performance, banks find launching new products and making changes to their operating systems to be painful process. As new technology is layered onto the old, the process of testing and launching is only going to get difficult making mistakes and costing the bank millions and destroying brand reputation (Fineextra, 2018). Despite the fact that developing new products or services can help breathe new life into a business it also has the potential of being the final nail in the coffin of business if the product development process is not handled correctly. Changing consumer preferences can cause a valuable product to actually be seen as worthless or product can fail unexpectedly, External sources might change procedures which can alter the product development, or product testing can result in a failed idea (Gaille, 2016).

None of the previous studies has dealt with the impact that new product and service development projects have on organizational performance of commercial banks in Ethiopia; given the major role banks play in the market. It is not clear and not known or not researched well what affects these new product and service introductions have on the performance of banks in Ethiopia, therefore exists a gap in literature to lead a research to be conducted in the financial industry. Hibret Bank is a pioneer bank in the country to provide SMS and internet banking to customers and is among the few banks that provide card banking services through ATM & POS. The bank provides money to send/receive service on ATM and currently the bank has also started rendering MASTRCARD cards and VISA services and has also finalized arrangements to start offering China Union pay card service soon (Banks in Ethiopia , (n.d)). Although the bank is a pioneer bank to have introduced new products but is not yet the top privet commercial bank in the country so this ideas guided to conduct a research on this particular commercial bank.

### **1.3 Objectives of the Study**

#### **1.3.1. General Objectives**

The objective of the study was to examine new banking product and service development projects and its impact on organizational performance in banks with reference to Hibret bank S.C.

#### **1.3.2. Specific Objectives**

1. To provide pertinent information for policy making and planning in Hibret bank
2. To benefit banks in understanding how the lack of new product/service development affects organizational performance
3. To present recommendations and suggestions for improving performances of commercial banks

### **1.4 Research Questions**

1. What are the current strategic decisions being made in light of increased competition, environmental pressure and awareness?
2. Should banks continue producing and developing new product/services, or focus on the existing products?
3. How product innovations or lack of it affect organizations performance

## **1.5 Significance of the Study**

The banking sector is highest progressive industry in the service sector which helps all categories of people and provides to be a mass consumption service; it is evolved as high involvement industry Therefore the research work provided relevant information for policymaking and planning in the industry. Policymakers will hence, be able to make informed strategic decisions in the light of increased competition, environmental pressures and awareness. The research provides suggestions and recommendations for improving performance and what effect that the lack of new product/service has on organizations performance of Hibret bank and other commercial banks in return to the whole industry. This research also aids to improve the lack of literature on the study matter. It can also, be a source of information or material for students and future researchers that are willing to further study on the subject matter. The research also serves as a pre-request for the award of a Master's Degree in Project management.

## **1.6 Scope of the Study**

The study focused on new banking product and service development projects and its impact on company overall performance in Hibret bank S.C.

## **1.7 Limitations of the Study**

While conducting this study Time was a big constraint and there are not many studies done on this specific topic, therefore another limitation is lack of previous research studies on the topic.

## **1.8 Organization of the Thesis**

This thesis is structured in five chapters the First chapter gives insight on the background of the research the objectives to achieve the significance of the study, scope, and limitations. The second chapter covers the review of related literatures to the study topic. The third chapter gives detailed explanations on the research methodologies engaged and used to achieve the objectives of the study. The forth chapter shows the research results from the collected data and discussions of those results. Lastly, the fifth chapter summarizes the key finding of the study, give conclusions, and recommendation or suggestions of possible solutions.

## **CHAPTER TWO REVIEW OF RELATED LITRATURE**

### **2.1. Conceptual and Operational Definitions**

#### **2.1.1. Banking**

Banking is the provision of deposit and loan product; deposit products pay out money on demand or after some notice in which those deposits are liabilities for the bank that must be managed so as the bank could maximize profit at the same time managing the assets created by advancing loans. The main activity of the banking sector is to act as an intermediary between borrowers and depositors (Heffernan, 2005). Banks are very important part of the economy because they provide vital services to both the customers and businesses; as financial service providers they give a safe place to store cash and provide credit opportunities (Barone, 2021).

#### **2.1.2. Commercial Banks in Ethiopia**

The agreement that was reached in 1905 between Emperor Minilik II and Mr. MaGillivray representative of the British Owned National bank of Egypt marked the introduction of modern banking in Ethiopia. Following the agreement, the Emperor inaugurated the first bank called bank of Abyssinia in Feb.16 1906. After a long history of banking in the country the first private bank, Awash international bank was established in 1994. Then followed Dashin Bank in 1995, Abyssinia bank , Wegagen Bank, Hibret Bank, Nib International Bank, Corporative bank of Oromia, Lion international Bank, Zemen Bank, and Oromia International Bank ; In today There are 19 nineteen commercial Banks in operation (National Bank of Ethipia).

#### **2.1.3. Banking Products and Services**

According to Sowie Altha the different products in a bank can be broadly classified in to retail banking, trade finance, and treasury operations. Retail banking operations include deposits, loans, cash credit and overdraft, negotiating for loans, remittances and bookkeeping. Trade finance operations include issuing and confirming od letter of credit, drawing, accepting, discounting, buying selling, collecting of bills of exchange, promissory notes, drafts, bill of lading and other securities. Treasury operations include buying and selling of bullion, acquiring, holding and dealing in shares & debentures (Althea, 2015). The available banking products include credit cards, debit cards, automatic teller machine; electronic funds transfer (EFT), telebanking, mobile banking, and internet banking. The various banking services include advances, deposits, financial services, foreign services, money transmission, etc. (Althea, 2015).

Banking, financial products and services are an essential part of life; advancement in technology have increased the efficiency and convenience of banking but have also increased the need for banks and other

financial service providers to rapidly adapt to make sure all customers can access and conduct their banking safely and securely (Australian Banking Association, 2018).

## **2.1.4. Product Development**

Product development is a continual step that includes the conceptualization, design, development and marketing of newly created or rebranded goods or services. The main objective of new product development is to cultivate, maintain and increase a company market share by satisfying customer demand. (Tech Target, 2019). The product development system is an organizational system that manages both the product portfolio and each individual product development. The product development process is a set of activities beginning with the perception of a market opportunity aligned to the company's competitive strategy and technical capacity and ending with the production, sale and delivery of a product. (Marcus Pessoa, 2017).

Successful product development can be a struggle for many startup and established companies. It is largely dependent on development teams' ability to achieve the highly sought after product/market fit. When it comes to product market fit, seven (7) variables can fluctuate and iterate on until the optimal balance is obtained. The variables include price, performance, quality, functionality, ergonomics/ease of use, manufacturability, and marketability (Emmetcosten, 2019).

### **3.1.1 2.1.4 Stages of new product development**

Based on Srinder Singh there are seven stages of new product development (Singh, 2021):

1. Idea generation: the goal here is to generate many worthy ideas that can form the foundation for the new product development strategy, where the major focus here is to arrange brainstorming sessions where solving customer problem is given priority. In idea generation the emphasis is on customer problem; a problem well described is a problem half- solved. The ways to identify a problem the target audience is facing is first looking for personal problem which the business is facing within to come up with the ideas, then checking the feasibility of the shortened problems and solutions based on the 4U approach. One is figuring out if the problem and solutions is unworkable or find out if the brainstormed product will address some real problems. Two is checking if the problem is unavoidable to the extent to which it becomes mandatory to comply. Three is checking if the problem is urgent and if the solution is highly demanded. Four is if the problem is underserved or there are no available products that can address the existing problem.

After this process is coming up with possible solutions then narrowing down problems plus solutions. This here is creating comparison that lists all the shortened problems along with solutions then circulates the findings across the organizational structure to come up with viable problem set. Moreover, in case the stake holders are not convinced regarding the shortened idea the replicate, re-



purpose and upgrade approach is to be use. Replicating is the focus on creating similar product as a competitor but launching it in new market conditions. Where re-purposing is renewing an existing business model, and upgrading is introducing new business model that is better (improved performance, better speed, addressing problems competitor is facing or introducing added functions) than the existing solution

2. Idea Screening: Revolves around choosing the one idea that has the highest potential for success. Putting all available ideas on table for review, for new product development idea having a proof of concept should hold precedence as it helps check the feasibility of the idea.
3. Concept development and testing: Building a detailed version of the idea and the user stories should be given priority the concept development steps include; one is Quantifying Gain/Pain ratio, two is conducting a competitor analysis, three is enlisting the major product features, four is creating a value proposition chart, and lastly is testing concept.
4. Market strategy/ Business Analysis: it is all about drafting a way to reach out to the targeted audience.
5. Product Development: when the new product development idea is in place the market strategy is documented, and the business analysis is completed it is moved on to this step.
6. Market Testing: aim is to reduce the uncertainty revolving around the success of the product or it is checking viability of the new product or its marketing campaign.
7. Market Entry/Commercialization: entails valid strategies to ensure success of the new product

### **2.1.5. Project management**

A project is a temporary endeavor undertaken to create a unique product, service or result; projects end when their objectives have been reached or the projects have been terminated (Schwalbe, 2016). Project Management is the application of knowledge, skills, tools, and techniques to project activities to meet project requirements (PMI Guide, 2001). Project management is now becoming a permanent part of different corporations all around the world; regardless of the size or type of business all type of companies consider project management skill as a necessary part of the job requirement; it plays a crucial role in the finance industry (Project Vanguards, 2020)

### **2.1.6. Project Phase in new product/service development**

Projects are unique undertakings, involving some degree of uncertainty; organizations performing projects usually divide each project in to several project phases to improve management control and provide for links to the ongoing operations of the performing organizations (PMI Guide, 2001).

Building new products and services can be a process filled with uncertainty. However, following the systematic new product development process can help business gain clarity and confidence in what they are building; (Singh, 2021).

Project management is mapped into process groups and knowledge areas by the project management institute. The five key process groups are: (PMI Guide, 2020)

1. **Initiation Phase:** This process helps in the visualization of what is to be accomplished. This is where the sponsor/client, initial scope defined, and stakeholders identified, formally approves the project. This process is performed so that projects and programs are not only approved by sponsoring body, but also so that projects are aligned not with the strategic objectives of the organization. Where this is performed, projects may be started and carried out haphazardly, with no real stated goal or objective.
2. **Planning Phase:** This is a crucial process in project management, it is at the heart of the project activity cycle and gives guidance to stakeholders on where and how to undertake the project. It involves creating a set of plans to help guide your team through the implementation and closure phase of the project. The plans created during this phase will help the project team manage time, cost, quality, changes, risk and related issues.
3. **Implementation (Execution) Phase:** The plan designed in the previous phase of the project activity cycle is put in to action. The intent here to bring about the projects expected results. This is normally the longest phase where most resources are applied. During the project execution, the execution team utilizes all the schedules, procedures and templates that were prepared and anticipated during the prior phases. Unexpected events and situations will inevitably be encountered, and the project manager and the project team will have to deal with them as they arise.
4. **Monitoring and control phase:** This process oversees all the tasks and matrixes needed to guarantee that the agreed and approved project that is undertaken is within scope, on time, and within budget so that the project proceeds with minimum risk. This process involves comparing actual performances with planned performances and taking corrective actions to yield the desired outcome when significant differences exist.
5. **Closing Phase:** This is considered to be the last process of the project activity cycle. In this stage, the project is formally closed and then a report is produced to the project sponsor/client on the overall level of success of the completed project. The closing process involves handing over the deliverables to the sponsor/client, handing over documentations to the owner, canceling supplier contracts, realizing staff and equipment, and informing stakeholders of the closure of the project.

### **2.1.7. Innovative Projects in the Banking Sector**

Finance has always been conservative but has not missed technological progress; now banks are separating from their customers due to technological progress. Transactions are rapidly moving onto web as more and more financial services provided online; digital channels are already dominating and bank innovation is the only way to survive (Linda, 2018). Technological innovation is crucial for banks to improve profitability and provide competitive advantage; investment in innovative products has positive impact on banks performance (Zouhour EL Abiad, 2018).

Determining where to innovate begins with an assessment of internal needs for technology versus business model evolution. There are four types of innovation (Antonia Skrypnyk, 2019).

- ✓ Incremental- The Most common type of innovation which uses technology to increase customer value within an existing business model like installing self-service kiosks in branches so customers could help themselves.
- ✓ Disruptive- This involves applying the latest technologies and processes to a bank within an existing business model like mobile banking.
- ✓ Architectural- This type of innovation is used to apply learned lessons, skills, and processes to different business model by combining technological and business model disruptions.
- ✓ Radical- The most disruptive type of innovation is the radical innovation; creating trends via revolutionary technology.

Innovation should be approached with clear plan and structure to manage ideas from the outset; banks must envision the future state and create a comprehensive but flexible plan to achieve this end in which the plan includes stakeholders, resources, and contingency protocols (Antonia Skrypnyk, 2019). Bank innovation is a must because customers want banks to deliver a best-user experience matching the kind offered by leading startups and IT companies (Linda, 2018).

### **2.1.8. Organizational Performance and its Measures**

Organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc); and (c) shareholder return (total shareholder return, economic value added, etc) (Pierre J. Rechar, 2009). Organizational performance can be measured in an economical aspect that looks at the profits, sales, return on investment for shareholders, and other financial metrics where the operational performance focus on observable indications like customer satisfaction and loyalty, the firm's social capital, and competitive edge derived from capabilities and resources (Tahir, 2020). An organizational performance depends on many

factors such as the efficiency of business processes, Employee productivity, How effectively organizations meet their objectives, the alignment among business functions, as well as those functions alignment with the organization's strategy, organizational culture and climate; all this factors contribute to how effectively an organization performs in the marketplace (Smith, 2019).

## **2.2. Theoretical Framework of the study**

The creation of new product is crucially important for the development of a company in today's market situation therefore attracting customers. The development of banking products is crucial to its business operations. E-banking projects bring profits to the bank; technology development is progressing so that faster and easier ways to reach the necessary resources are being used. Banks need to create new projects and turn their attention to innovative products and technology ready to use (Ivana Simonovic, 2019). Original and unique products are rare; feature development of new products is time consuming and requires large financial, technological and research resources with high risk as well; If all the development steps are done correctly then the banks will gain essential competitive advantage (Stols, 2015). In the competitive banking industry, so many new banks are in fray; the new bank or any bank has to identify and concentrate on strategic factors to remain customer focused, competitive and offer technology oriented innovative service for quality and speedy responses to the banking customers (S.Lakshmi, 2019). New product plays an important role in an organization. Effective and efficient new product development leads to overall organizational performance such as new product performance, relational performance and customer satisfaction (Sook-Fun Fong, 2014).

When developing new products the main challenges include adjustment of bank's software to qualitative usage of the new product, education of sales team, ensuring compliance with normative documents as well as keeping confidentiality (Stols, 2015). Successful management teams and board of directors typically identify and mitigate risks before considering and introducing new product and services. When risk is not identified and mitigated in advance, the unintended consequences can be costly to resolve (Curran, 2013).

## **2.3. Empirical Framework of the study**

A study conducted on product innovation as a predictor of performance among microfinance banks in Mombasa Kenya shows that that product innovation had a major impact on microfinance bank success. The study also discovered that market innovation has a favorable and significant impact on microfinance bank performance. As a result, the conclusion was that market innovation had a major impact on microfinance bank success (Mwachofi Abednego Mwarenge, 2022). A research project done in Kenya to see the effects of product innovation on performance of commercial banks in Kenya also showed that the product range would influence customer's decision on a commercial bank. The reputation in the market makes the bank stand out, and a competitive Bank is one that undertakes rapid innovations as to command a higher market share,

commercial banks need innovative ideas. It is also notable that organization strategy and goals influences innovation. The study also found out that innovation is determined by organization culture and there is a relationship that exists between innovation and finance (Kamakia, 2014). Researchers also conducted a study on new product development and performance in the banking industry and their study concluded that new product development plays an important role in an organization; the study also offered empirical evidence of the relationship between new product development and performance measurements (Sook-Fun Fong, 2014). However, a study done in Nigeria shows that new financial products struggle to perform well because of poor product development practice. Although the financial service sector has grown with an improved regulatory environment, product development practice that seeks to guarantee new product successes are poorly implemented (Nkemdilim Iheanachor, 2020).

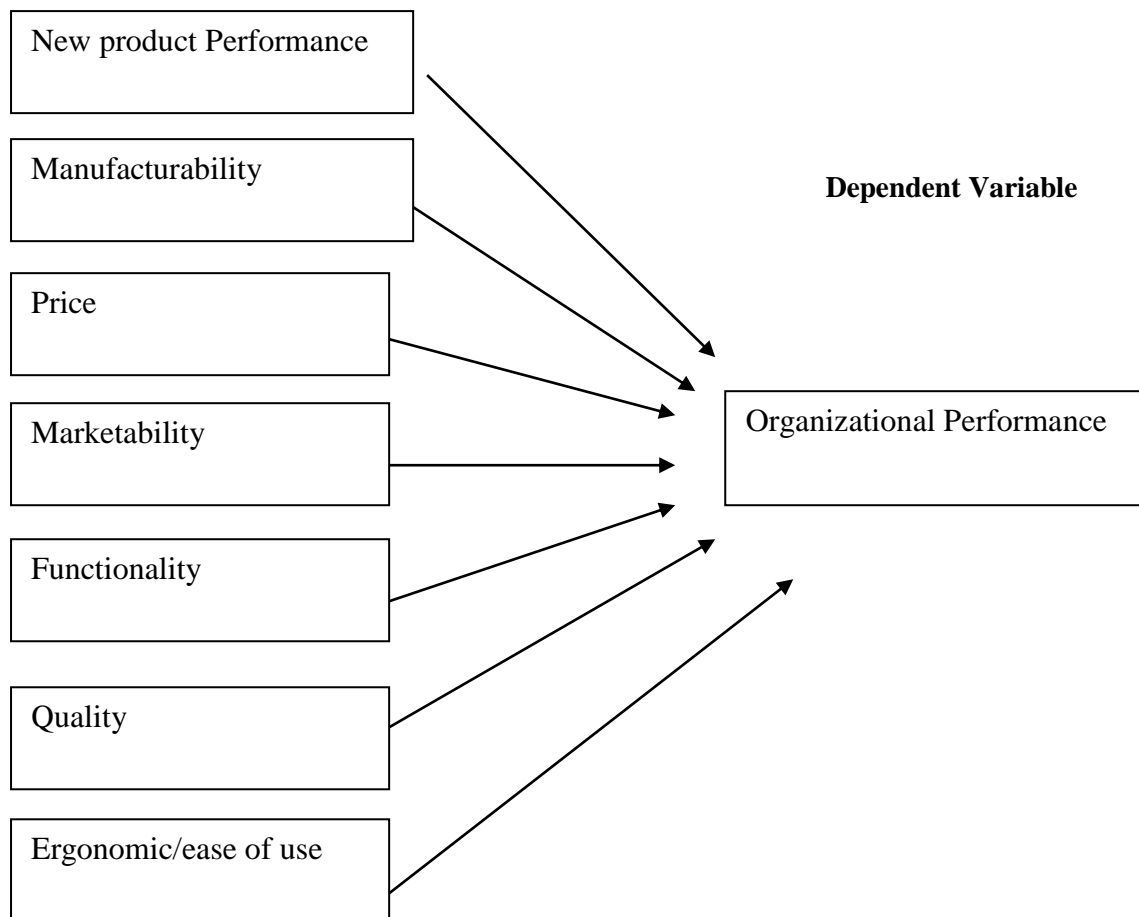
## **2.4. Knowledge Gap**

As observed from the above literatures there is need to replicate the studies using many other sectors and find out the effect of new product/service development projects and innovations on organization performance. There is need to conduct similar studies which will attempt to find out the effect of effective processes on product development and technology evolution. Studies indicate that new product and service development in the banking sector have positive impact on organizational performance, but other studies also show that banks find launching new products and making changes to their operating systems to be painful process. Moreover, none of the previous studies has dealt with the impact that new product and service development projects have on organizational performance of commercial banks in Ethiopia; given the major role banks play in the market.

## **2.5. Conceptual/Analytical Framework of the study**

The focus is on new banking product and service development projects and its impact on company overall performance in Hibret bank S.C. One aspect of emphasis on product and service development is that new product development plays an important role in in an organization; an effective and efficient new product development leads to overall organizational performance such as new product performance, relational performance, and customer satisfaction (Sook-Fun Fong, 2014). Organizational performance encompassing three specific areas of firm outcomes; the financial performance (profits, return on assets, return on investment, etc), product market performance (sales, market share, etc), and shareholder return (total shareholder return, economic value added, etc) (Pierre J. Rechar, 2009). Successful product development can be a struggle for many startup and established companies. It is largely dependent on development teams' ability to achieve the highly sought-after product/market fit. When it comes to product market fit, seven (7) variables can fluctuate and iterate on until the optimal balance is obtained. The variables include price, performance, quality, functionality, ergonomics/ease of use, manufacturability, and marketability

(Emmetcosten, 2019). From the above literatures, I have come up with the independent and dependent variables for the study. The output of the study is to see the relationship and advice if banks if they should continue producing and developing new product/services, or focus on the existing once.



## **CHAPTER THREE RESEARCH METHODOLOGY**

### **3.1. Research Approach and Design**

Both qualitative and quantitative research approach was used in this study. The mixed approach was used in order to respond to the research questions; to confirm and develop generalization on the impact of new product/service development on organizational performance. The research adopted a cross-sectional survey design to enable achieve the objective of the study. This was considered the most suitable method since it involves getting views on impact of new product/service development on organization performance; helping to identify interrelationships among variables.

### **3.2. Research Variables**

The independent variable in this study is price, performance, quality, functionality, ergonomics/ease of use, manufacturability, and marketability of new banking product and service, and the dependent variable is organizational performance.

### **3.3. Data Sources and Data Collection Methods**

The study used both primary and secondary data. Primary data was collected with the aid of a semi-structured questionnaire. The use of self-administered questionnaires affords privacy of response and therefore records high response rate. The questionnaires were administered through drop; pick method to managers and employees of the research and development department, IT department, marketing department, and district managers. Secondary data was collected by use of desk search techniques from published reports and other relevant documents.

### **3.4. Population and Sampling**

The target populations are employees of the bank who work in the research and development department, IT department, marketing department and district managers that are responsible for the new product and service development in the bank; from the initiation stage to the implementation of those products.

The sampling strategy employed for the purpose of this study is a non-probabilistic judgmental (purposive) sampling technique. This sampling design is going to be used because the respondents chosen are those with the qualification and tittle to initiate and implement the new products and service projects in the bank; therefore this sampling design is appropriate to select those with the qualification and because they are of not a large number.

### 3.5. Methods of Data Analysis

Descriptive statistics such as means, standard deviations and frequency distribution were used to analyze the data. Data presentation was done by the use of percentages and frequency tables. Data in the first part of the questionnaire was analyzed using frequency distributions and percentages to determine the profile of respondents. The data collected was analyzed using correct statistical instruments like descriptive statistics, inferential statistics, correlation and regression analysis to see the relationship of the variable and reach concrete conclusion.

### 3.6. Validity and Reliability of the Instruments

Statistical validity is used to measure the validity of the research using correct statistical procedure and instruments Neuman, (2007). This comprehensive approach helps to ensure face and content validity of the survey instrument. Literatures were reviewed to develop questions for the survey.

Reliability is an indication of how consistent the findings are based on the method of data collection and analysis. The most common method for testing the internal consistency of a scale for reliability is the Cronbach alpha coefficient (Hair, 1998). This also supported by Zikmund (2010) scales with coefficient alpha between 0.6 and 0.7 indicate fair reliability. The consistency of major dimensions namely; price, ergonomics/ease of use, marketability, manufacturability, quality, functionality, performance, and organizational performance was tested. The result of the Cronbach's alpha laid in the acceptance range which is greater than 0.69

Table 3.1: validity and reliability

<b>Variables</b>	<b>Cronbachs Alpha Coefficient</b>	<b>Number of Items</b>
<b>Performance of new product/ service</b>	<b>.758</b>	<b>3</b>
<b>Ergonomic/ease of use</b>	<b>.898</b>	<b>4</b>
<b>marketability</b>	<b>.804</b>	<b>3</b>
<b>manufacturability</b>	<b>.900</b>	<b>3</b>
<b>Functionality</b>	<b>.788</b>	<b>3</b>
<b>price</b>	<b>.987</b>	<b>3</b>
<b>Quality</b>	<b>.816</b>	<b>3</b>
<b>Organization performance</b>	<b>.960</b>	<b>6</b>

Source: own survey 2022



## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSIONS**

#### **4.1. Introduction**

This chapter presents discussion of the research findings trying to achieve the research objective. The objective of the study was to examine new banking product and service development projects and its impact on organizational performance in banks with reference to Hibret bank S.C.

#### **4.2. Response Rate**

The population of the study comprised of (52) Fifty-Two which encompass of employees working in the research and development department, IT department, marketing department, districts managers, and branch managers. 52 questionnaires were distributed however; only 36 were completed and returned, representing a 69.23% response rate, which is good considering time limitations.

#### **4.3. Background Information of Respondents**

##### **4.3.1. Position in the Organization**

The respondents targeted by the study were those managers and employees with the qualification and title to initiate and implement the new products and service projects in the bank. All the respondents in the study were knowledgeable in the bank's operations as regards to new product/service development and performance.

##### **4.3.2. Age of Respondents**

The study obtained the age brackets of the respondents, which it captured in Table 4.1.

Table 4.1: Age of Respondents

	<b>Frequency</b>	<b>Percent (%)</b>
31-40	17	47.2
41-50	11	30.5
51-60	8	22.2
<b>Total</b>	<b>36</b>	<b>100</b>

Source: own survey 2022

From the Table 4.1, it shows that most of the respondents (47.2%) were aged between 31 and 41 years. 30.5% of the respondents were aged between 41 and 50 years, while the remaining 22.2% were aged between 51-60 years.

### 4.3.3. Educational Qualification of Respondents

The study sought to find out the respondent's education qualifications, which it captured in Table 4.2

Table 4.2: Educational Background of Respondents

	<b>Frequency</b>	<b>Percent (%)</b>
Undergraduate Degree	9	25
Postgraduate Degree	27	75
<b>Total</b>	<b>36</b>	<b>100</b>

Source: own survey 2022

From the Table 4.2 it is clear that most of the respondents held postgraduate degree. 75% of the respondents held postgraduate degree while the rest, 25% had undergraduate degree. The level of qualification was important in this study. The responses indicate that the respondents had the necessary education qualifications to understand the topic under study.

### 4.3.4. Period of Working at the Bank

The study sought to find out the respondent's period of working in the bank, which it captured in Table 4.3

Table 4.3: Period of working at the bank

	<b>Frequency</b>	<b>Percent (%)</b>
4-8 Years	9	25
9-12 Years	14	38.9
Above 12 years	13	36.1
<b>Total</b>	<b>36</b>	<b>100</b>

Source: own survey 2022

From the Table 4.3 it is clear that most of the respondents (38.9%), had worked for the bank for 9 to 12 years. 36.1% of the respondents had worked for the bank for above 12 years, while 25% had worked for the bank for 4 to 8 years.

### 4.3.5. Respondent's Department

The study sought to find out the department in which the respondent worked in at the bank, which it captured in Table 4.4

Table 4.4: Respondent's Department

	<b>Frequency</b>	<b>Percent (%)</b>
R&D Department	13	36.1
Marketing Department	11	30.5
IT Department	8	22.2
District	4	11.1
<b>Total</b>	<b>36</b>	<b>100</b>

Source: own survey 2022

From the Table 4.4 it is clear that most of the respondents were from the bank's research and development division, which included the strategy department and strategy and transformation officers. 36.1% of the respondents were in R&D department, 30.5% worked in marketing department, and 22.2% were in IT functions; which included electronic payment operations department and core banking & office automation department. While the rest, 11.1% were District managers. The findings indicate that the study included and collected responses from the bank's departments, which were important to get responses across the departments.

### 4.4. The Bank's Performance

The respondents were then asked to rate their banks' financial and operational performance. The response is captured in Table 4.5

Table 4.5: Banks' Performance

	<b>Frequency</b>	<b>Percent (%)</b>
Good	2	5.56
Very Good	15	41.67
Excellent	19	52.78
<b>Total</b>	<b>36</b>	<b>100</b>

Source: own survey 2022

From the Table 4.5 it is evident that most of the respondents believed that the bank's performance was excellent. 52.78% of the respondents indicated that it was excellent, 41.67% indicated that it was very good,

while 5.56% indicated it was good. The response is in line with the expectations as the bank has posted positive results and increase in profitability.

#### 4.5. Introduction of new Product/service

The study sought to find out the frequency to which new product/service been introduced in the bank. Their response is captured in Table 4.6.

Table 4.6: Frequency of new product/service development

	<b>Frequency</b>	<b>Percent (%)</b>
Very Frequently	27	75
Occasionally	9	25
<b>Total</b>	<b>36</b>	<b>100</b>

Source: own survey 2022

Table 4.6 shows that most of the respondents (75%) indicated that new products/services is introduced very frequently in Hibret bank, While 25% indicated that new products/services is introduced occasionally. The results indicate new products/services is introduced often.

#### 4.6. Descriptive Analysis of Independent Variable

In order to see the general perception of the respondents regarding new banking product and service and organizational; performance, the researcher has summarized the measures with the respective means and standard deviations. Means for the factors was established in order to provide a generalized feeling of all the respondents. The lower the mean, the more the respondents disagree with the statements. The higher the mean, the more the respondents agree with the statement. On the other hand, standard deviation shows the variability of an observed response from a single sample (Marczyk, Dematteo and Festinger2005). The mean values are presented below, together with standard deviation values for each variable. Mean scores from 1 to 1.80 represents (Do not agree at all), From 1.81 to 2.60 represents (agree to a little extent), From 2.61 to 3.40 represents (agree to an average extent), From 3.41 to 4.20 represents (agree to a large extent), and from 4.21 to 5.00 represents (agree to a very large extent)

#### 4.6.1. Descriptive Statistics of new product /service Performance

Table 4.7: Descriptive Statistics of new product/service performance

New product Performance	N	Mean	Std. Deviation
New Product/service of Hibret bank meet customer expectations	36	4.8611	.35074
New Product/service development project of the bank keeps cost in line with what customers are willing to pay	36	4.4722	.50631
New Product/service development project of the bank Provide strong solutions to customers' needs.	36	4.3611	.48714
Valid N (list wise)	36		

Source, own survey 2022

**Performance of New Product/Service:-** Respondents agreed to a very large extent that new Product/service of Hibret bank meet customer expectations with mean score of 4.86 and .35074 (standard deviation). They also agreed to a very large extent that New Product/service development project of the bank keeps cost in line with what customers are willing to pay with mean score 4.47 and standard deviation .5063. Respondents agreed to a very large extent that new Product/service development project of the bank Provide strong solutions to customers' needs with mean score of 4.36 and standard deviation of .487. According to this analysis, new products/services of Hibret bank perform well with high mean values.

#### 4.6.2. Descriptive Statistics of marketability

Table 4.8: descriptive Statistics of marketability

Marketability	N	Mean	Std. Deviation
The bank adds exciting features to help new products/services take off successfully	36	4.3611	.48714
The bank designs marketable features to secure market opportunities	36	4.7778	.42164
The bank strives for its new products/services to earn word of mouth	36	4.7778	.42164
Valid N (listwise)	36		

Source, own survey 2022

**Marketability:-** Respondents agreed to a very large extent that the bank adds exciting features to help new products/services take off successfully with mean score of 4.36 and standard deviation of .487. Respondents

also agreed to a very large extent that the bank designs marketable features to secure market opportunities the observed standard deviation of .4216 and mean of 4.77. They agreed to a very large extent The bank strives for its new products/services to earn word of mouth with mean score of 4.77 and standard deviation of .4216. According to this analysis, new products/services of Hibret bank are marketable products/services.

### 4.6.3. Descriptive Statistics of quality

Table 4.9: descriptive Statistics of quality

Quality	N	Mean	Std. Deviation
New Product/service development project of the bank minimizes cost of developing new solutions while delivering quality products/services	36	4.7778	.42164
New Product/service development project of the bank attain perceived quality of products/services	36	4.5278	.50631
The new products/services of Hibret bank meet customers perceived quality expectation.	36	4.8333	.37796
Valid N (list wise)	36		

Source, own survey,2022

**Quality-** Respondents agree to a very large extent that new Product/service development project of the bank minimizes cost of developing new solutions while delivering quality products/services with a mean score of 4.778.and standard deviation of .42164. Respondents also agree to a very large extent that new Product/service development project of the bank attain perceived quality of products/services with mean value of 4.52 and standard deviation 0.506. Respondents also agree to a very large extent that new products/services of Hibret bank meet customers perceived quality expectation with mean score of 4.833 and standard deviation of 0.344. According to this analysis, new products/services of Hibret bank are of good quality.

#### 4.6.4. Descriptive Statistics of functionality

Table 4.10: descriptive Statistics of functionality

functionality	N	Mean	Std. Deviation
New Product/services of the bank allows more functionality.	36	4.8889	.31873
New Product/service developments projects of the bank consider customers opinion on functions to add and to consider curtail	36	4.7222	.45426
Every feature that is added to a new product by the bank is heavily defended as being absolutely necessary by customers	36	4.1944	.66845
	36		

Source: own survey 2022

**Functionality:-** Respondents agree to a very large extent that new Product/services of the bank allows more functionality with mean score of 4.88 and standard deviation of .3187. They also agree to a very large extent that new Product/service development projects of the bank consider customers opinion on functions to add and to consider curtail with mean score of 4.77 and standard deviation is .4542. Respondents agreed to a large extent that every feature that is added to a new product by the bank is heavily defended as being necessary by customers with mean score of 4.19 and 0.668 standard deviation. According to this analysis, new products/services of Hibret bank have good functionality.

#### 4.6.5. Descriptive Summary of ergonomics/Ease of Use

Table 4.11: Descriptive ergonomics/ease of use

Ergonomics/Ease of Use	N	Mean	Std. Deviation
New Product/services of the bank are comfortable and easy to use by customers	36	4.2500	.55420
The bank considers target market's interactions with new products and the ways to use them.	36	4.4722	.50631
The bank strives to deliver an exceptional customer experience while developing new products.	36	4.6389	.48714
The bank delivers superior comfort through ease of use	36	3.6389	.72320
Valid N (listwise)	36		

Source: own survey 2022

**Ergonomics/Ease of Use-** Respondents agree to a very large extent that new Product/services of the bank are comfortable and easy to use by customers with mean score of 4.25 and .554 standard deviation. They also agree to a very large extent that the bank considers target market's interactions with new products and the

ways to use those with a mean score of 4.47 and .506 standard deviation. Respondents also agree to a very large extent that the bank strives to deliver an exceptional customer experience while developing new products and that the bank delivers superior comfort through ease of use with mean scores of 4.63 and 3.63 respectively. According to this analysis, new products/services of Hibret bank have good Ergonomics/Ease of Use.

#### 4.6.6. Descriptive statics of manufacturability

Table 4.12: Descriptive statics of manufacturability

<b>Manufacturability</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The bank considers cost and affordability while undertaking projects to develop new Product/services.	36	4.2222	.68080
The bank considers available resource and technology while undertaking projects to develop new Product/services.	36	4.5556	.50395
The bank uses the right type of development process while undertaking projects to develop new Product/services	36	4.5000	.50709
Valid N (listwise)	36		

Source: own survey 2022

**Manufacturability:-** Respondents agree to a very large extent that the bank considers cost and affordability while undertaking projects to develop new Product/services with mean score of 4.22 and standard deviation of .680, and The bank considers available resource and technology while undertaking projects to develop new Product/services with mean score of 4.55 and standard deviation of .5039. Respondents also agree to a very large extent the bank uses the right type of development process while undertaking projects to develop new Product/services with mean score of 4.5 and standard deviation of .507. According to this analysis, new products/services of Hibret bank have good manufacturability.

#### 4.6.7. Descriptive statics of price

Table 4.13: Descriptive statics of price

<b>Price</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The bank considers majority customers income while setting service charges for the new products/services	36	4.6389	.48714
The bank considers pricing limitations while considering developing new products/services.	36	4.5556	.50395



The bank strives to minimize cost while developing new products/services to set service charges at an acceptable rate.	36	4.41667	.500000
Valid N (listwise)	36		

Source: own survey 2022

**Price:-** Respondents agree to a very large extent that the bank considers majority customers income while setting service charges for the new products/services with mean score of 4.63 and 0.487 standard deviation. They agree to a very large extent that the bank considers pricing limitations while considering developing new products/services with mean score of 4.55 and standard deviation of .503. Respondents also agree to a very large extent that the bank strives to minimize cost while developing new products/services to set service charges at an acceptable rate with recorded mean score of 4.416 and .50 standard deviation. According to this analysis, new products/services development of Hibret bank put price in to consideration.

#### 4.6.8. Descriptive summary of independent variables

Table 4.14: Descriptive statics of price

Independent variables	N	Mean	Std. Deviation
New product service performance	36	3.8583	.58937
Marketability	36	4.6389	.37691
Quality	36	4.2315	.86857
Functionality	36	4.2315	.46339
Ergonomic/Ease of Use	36	3.8583	.58937
Manufacturability	36	3.8815	.73478
Price	36	4.4167	.34157
Valid N (list wise)	36		

Source: own survey 2022

The grand mean and grand standard deviation for new product service performance, Marketability, Quality, Functionality, Ergonomics/Ease of Use, manufacturability, and Price is shown in the above table respectively according to the above table marketability, quality functionality, and price has high mean value and also standard deviation variable dispersion. This is in line with the literature that successful product development is largely dependent on development teams' ability to achieve the highly sought after product/market fit. When it comes to product market fit, seven variables can fluctuate and iterate on until the optimal balance is obtained (Emmetcosten, 2019). The mean scores of the variables indicate that the bank considered the seven variables to develop new products that are market fit.

## 4.7. Descriptive Analysis of Dependent Variable

Table 4.15 Descriptive statistics of price:

Organization Performance	N	Mean	Std. Deviation
Customer loyalty enhanced with new products/services development projects and their introduction	36	4.5278	.50631
The banks' Ability to satisfy customers increased with new products/services development projects and their introduction	36	4.0833	.76997
New products/services development projects can create enhanced competitive edge for the bank	36	4.5556	.50395
The bank gains higher market share, as the bank introduces new and innovative products/services	36	4.5000	.50709
Profitability of the bank Enhanced as new products/services are introduced	36	4.5556	.50395
Total shareholders return enhanced with new product/service projects and their introduction	36	3.6389	.72320
Valid N (listwise)	36		

Source own survey 2022

**Organization Performance:-** accordingly the above table shows that Respondents agree to a very large extent that customer loyalty enhanced with new products/services development projects and their introduction with mean score of 4.527 and .50631 standard deviation. It further shows that respondents agree to a very large extent that the banks' Ability to satisfy customers increased with new products/services development projects and their introduction with mean score 4.0833 and standard deviation .76997. They also agree to a very large extent that new products/services development projects could create enhanced competitive edge for the bank with mean value of 4.5556 and .50395 standard deviation. Respondents agree to a very large extent that the bank gains higher market share, as the bank introduces new and innovative products/services and Profitability of the bank Enhanced as new products/services are introduced. Respondents agree to a large extent that total shareholders return enhanced with new product/service projects and their introduction with mean scores of 4.5, 4.55, and 3.63 respectively. The results are inconformity with previous studies that new product development plays an important role in in an organizational performance.

## 4.8. Factors Affecting New Product/Service Development

The study sought to find out the factors that affect new product/service development. It captured the responses of the respondents, which is shown in Table 4.16.

Table 4.16: Factors Affecting New Product/Service development

	To a Very Large Extent		To a Large Extent		To an Average Extent		To a Little Extent	
	Fr.	%	Fr.	%	Fr.	%	Fr.	%
Organizational Strategy and Goals impact new product/service development	14	38.89	14	38.89	7	19.44	1	2.78
New Product/Service Development is Determined by Organizational Culture	20	55.55	10	27.78	5	13.89	1	2.78
Competition With Other banks Derivers New Product/Service Development	25	69.45	8	22.22	3	8.33	0	0
To Sustain Performance Banks need to Create New Product/Services	18	50	9	25	9	25	0	0

Source: own survey 2022

From the Table 4.16, we see that majority of the respondents (38.89%) agreed to a very large extent and to a large extent that Organizational Strategy and Goals impact new product/service development, while 19.44% agree to an average extent and 2.78% agree to a little extent that Organizational Strategy and Goals impact new product/service development. Table 4.16 further shows that majority of the respondents 55.55% and 27.78% agreed to a very large extent and to a large extent respectively that new product/service development is Determined by Organizational Culture while 13.89% and 2.78% agreed to an average extent and to a little extent respectively that new product/service development is determined by organizational culture. 69.45% agreed and 22.22% agreed to a very large extent and a large extent respectively that Competition with Other banks Derivers New Product/Service Development, while 8.33% agreed to an average extent. 50% agree to a very large extent that to sustain performance banks need to create new product/services, while 25% agreed to a large extent and to a little extent.

## 4.9. Inferential Analysis

### 4.9.1. Correlation Analysis

In order to determine the significance level of the correlation and to evaluate and measure the strength of this Relationship, a Pearson Product Movement Correlation Coefficient was conducted with the result shown in the matrix below.

Table 4.17: Interpretation of R

Interpretation of R	Description
0.80 or higher	Very High
0.6 to 0.8	Strong
0.4 to 0.6	Moderate
0.2 to 0.4	Low
0.2 or lower	Very Low

As per Bartz (2009), a correlation coefficient enables to quantify the strength of the linear relationship between variables. This coefficient is usually represented by 'r' and can take only the value from -1 to +1. If  $r = +1$  there is perfect positive relationship between variable

Table 4.18: Correlation Analysis Matrix

	Organizational performance
Organization Performance	1
Pearson Correlation	
Sig. (2-tailed)	
N	36
New product performance	.551**
Pearson Correlation	
Sig. (2-tailed)	.000
N	36
Marketability	.776**
Pearson Correlation	
Sig. (2-tailed)	.000
N	36
Quality	.751**
Pearson Correlation	
Sig. (2-tailed)	.000
N	36
Functional	.627**
Pearson Correlation	
Sig. (2-tailed)	.000
N	36
Ergonomics/ease of use	.551**
Pearson Correlation	
Sig. (2-tailed)	.001
Ease of Use	N
	36

Manufacturability	Pearson Correlation	.701**
	Sig. (2-tailed)	.000
	N	36
Price	Pearson Correlation	.877**
	Sig. (2-tailed)	.000
	N	36

Source: Own Survey, 2022

From the Pearson correlation analysis; organizational performance was found to have a very high positive correlation with the price ( $r=0.877$ ;  $p < 0.01$ ). Moreover, there is positive relationship between price and organizational performance which is statistically significant at 99% confidence level. This implies that price of new product/services plays a significant role in organizational performance of Hibret bank. Organizational performance was found to have a positive correlation with manufacturability ( $r=0.701$ ,  $p < 0.01$ ), marketability ( $r=0.776$ ;  $p < 0.01$ ), functionality( $r=0.627$ ;  $p < 0.01$ ), New product Performance ( $r=0.5516$ ;  $p < 0.01$ ), quality ( $r=0.751$ ;  $p < 0.01$ ), and ergonomics/ease of use ( $r=0.551$ ;  $p < 0.01$ ). This also implies that all variables new product service performance, marketability, quality, functionality, ergonomic/ease of use, manufacturability, and price, are positively correlated with organizational performance. From this correlation, it can be concluded a positive relationship of all variables with organizational performance.

## 4.9.2. Regression Analysis

Regression analysis is a systematic method that can be used to investigate the impact of one or more predictor variables on dependent variable. That allows us to make statements about how well one or more independent variables predict the value of a dependent variable. Specifically this multiple regression was conducted in order to investigate the Impact of new banking product and service development projects in organizational performance; case study on Hibret bank

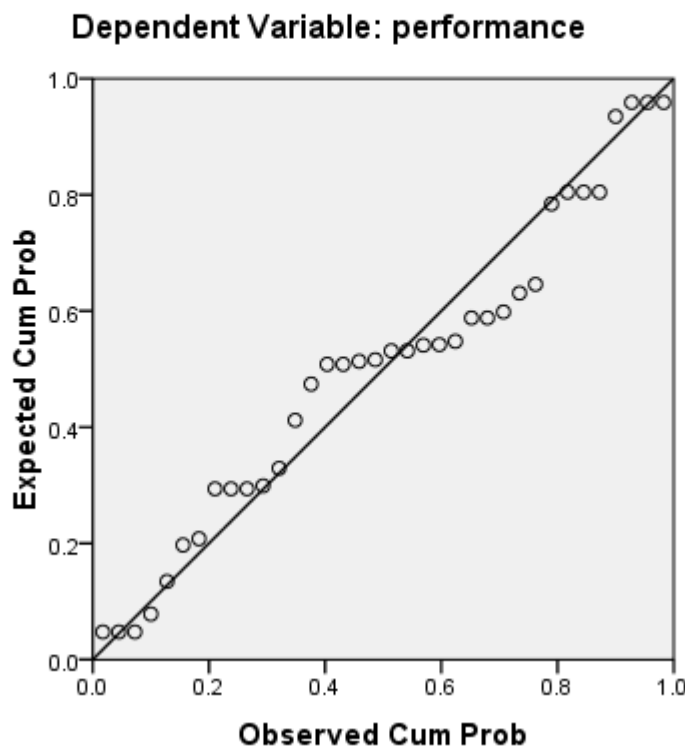
### 4.9.2.1. Assumptions Test

According to Field (2005), multiple linear regression uses to estimate the effect of more than one independent variables over dependent variable or it estimates the coefficient of determination on the predicted one explained by the predictors. In order to have valid multiple regressions analysis, several key assumptions should be satisfied. The key assumptions of Multiple Regression that are identified as primary concern in the research include linearity, independence of errors (Autocorrelation), normality, and multicollinearity. For this study; each assumption were defined and assumptions were tested and the results of these assumptions was briefly summarized and presented below.

**Assumption 1: The relationship between the IVs and the DV is linear.**

Some researchers argue that this assumption is the most important as it directly relates to the bias of the results of the whole analysis (Keith, 2006). Multiple regressions assume a linear relationship between the independent and dependent variables. The bivariate plot of the predicted value against residuals can help us infer whether the relationship of the predictors to the outcome is linear. Hence; using visual inspection of the scatter plot, it can be suggested about the linearity. Looking at the scatter plot of each independent variables, it appears that the relationship of standardized predicted to residuals is roughly linear around zero. Hence, we can conclude that the relationship between the response or outcome variable and predictors is around zero suggesting that the relationship between these variables is linear.

**Normal P-P Plot of Regression Standardized Residual**



**Assumption 2: Multicollinearity**

Multicollinearity occurs when several independent variables correlate at high levels with One another, or when one independent variable is a near linear combination of other independent Variables. If a correlation matrix demonstrates correlations of more than 0.8 among the independent variables, there may be a problem with multicollinearity. The other method is by computing tolerance values, which measures the influence of one independent variable on all other independent variables and Variance Inflation Factor (VIF) for each

independent variable. Multicollinearity exists when Tolerance is below 0.1, and the average variance inflation factor (VIF) is greater than 10

Table 4.19: Multicollinearity test

Model	Colinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Marketability	.415	2.408
Quality	.254	3.938
Functionality	.226	4.431
Ergonomics/Ease of Use	.273	3.667
New product service performance	.264	2.183
Manufacturability	.315	3.177
Price	.327	3.060

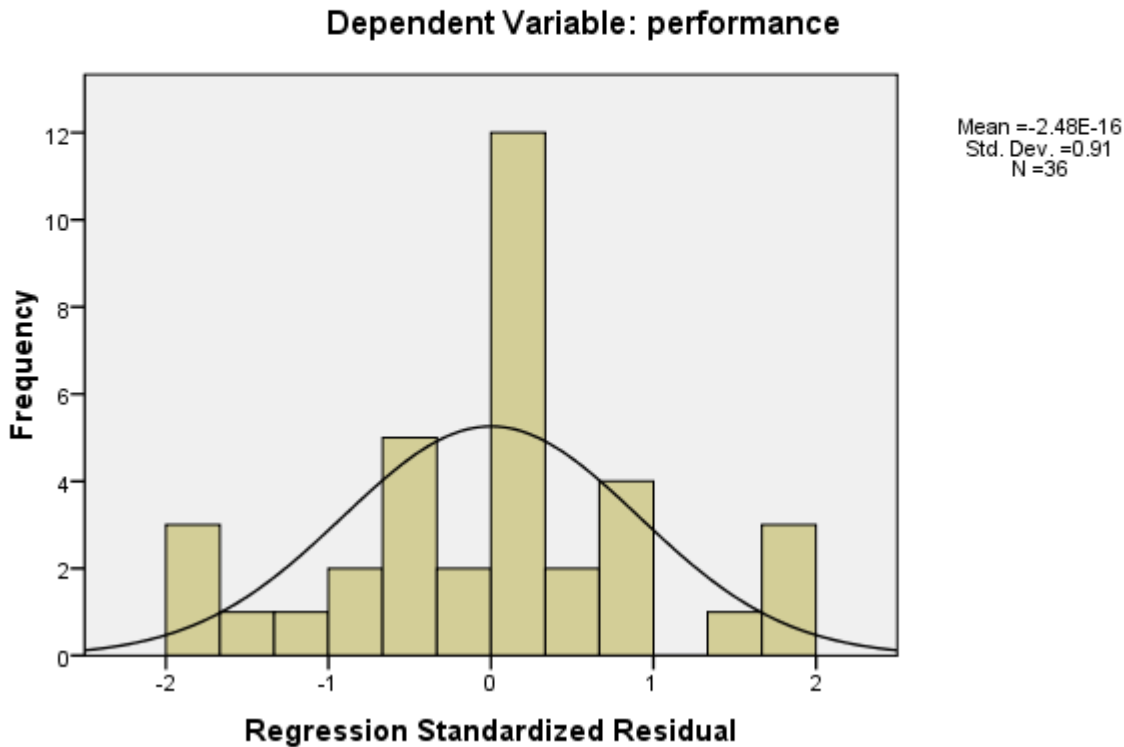
Source: Own Survey, 2022

The above displays that the multicollinearity tests by computing tolerance values and Variance Inflation Factor (VIF) for each independent variables. In this case, all the tolerance values are greater than 0.10 and VIF is less than 10. Hence, the researcher assumed Multicollinearity was not a problem.

### **Assumption 3: Normality**

This assumption can be tested through histograms of the standardized residuals (Stevens, 2009). Histograms are bar graphs of the residuals with a superimposed normal curve that showed distribution. curves are left skewed distribution, this implies that the respondents response fall under agree and strongly agree category, whereas, the graph showed relatively equal distribution on both sides. Therefore, the residuals are normally distributed and the assumption was satisfied.

## Histogram



### Assumption 4: Independent of Residuals (Autocorrelation)

This is basically the same as saying that the observations (individual data points) to be independent from one another (uncorrelated). The Durbin-Watson statistic is used to test for independence of residuals. The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson value is approximately closer to 2, and values below 1 and above 3 are causes for concern and may render the analysis invalid. In this case the Durbin Watson statistics showed (Durbin Watson=0.934). Hence, the result falls between 0 and 4, the researcher assumed independence of residuals is satisfied

Table 4.20: Model Summary

Model	R	R Square	Adjusted R Square	Durbin-Watson
1	.938 <sup>a</sup>	.880	.855	.934

Source: Own Survey, 2022



### 4.9.2.2. Analysis of Variance (ANOVA)

The key purpose of ANOVA test is to show whether the model is significantly better at predicting the dependent variable or using the means. Accordingly, Table indicates that the ANOVA is significant (F 35.377df (regression) =7 df (residuals) = 29, Sig<0.05). Hence, it can conclude dthat at least one of the seven independent variables can be used to model organizational performance in this study.

Table 4.21: Overall Model Fit of the Regression Model (ANOVA)

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.135	6	1.356	35.377	.000 <sup>a</sup>
	Residual	1.111	29	.038		
	Total	9.247	35			

a. Predictors: (Constant), price, ergonomics, market, Manufacturability, quality, functionality, and new product service performance.

b. Dependent Variable: performance

### 4.9.2.3. Coefficient of Determination

Table 4.22: Coefficient of Determination

Model	R	R Square	Adjusted R Square
1	.938 <sup>a</sup>	.880	.855

Source: own Survey Data, 2022

As the output from SPSS showed that, the R Square describes the amount of variance explained by a set of predictor variables. In this study, the value is .880 which indicates that 88.8% of the variance in the dependent variable is explained by the independent variables in the model. Thus, the value of  $R^2=88.8$  shows that 88.8% of organizational performance , attributed to due to price, ergonomic, market, Manufacturability, quality, functionality and performance of new product service the remaining 11.2% of the variance is explained by variables which are not included in the model.

#### 4.9.2.4. Multiple regression analysis

Multiple linear regressions is the most common form of the regression analysis. As a predictive analysis, multiple linear regression is used to describe data and to when observing the sum effects of the predictors (price, ergonomics/Ease of use, marketability, Manufacturability, quality, functionality, and performance of new product service) on organizational performance of Hibret bank. The relative contribution of each of the different variables can easily be compared by taking the beta value under the standardized coefficients. The higher the beta value, the strongest its contribution becomes. From the table below, a two-tail test at 95% confidence level ( $\alpha=0.05$ ) showed that the positive beta values suggesting a positive influence of the independent variables on the dependent variable

Table 4.23: Multiple Regression Coefficient

		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	<b>(Constant)</b>	-1.684	.531	
	<b>Marketability</b>	.380	.136	.279
	<b>Quality</b>	.096	.076	.162
	<b>Functionality</b>	.050	.150	.045
	<b>Ergonomics/Ease of use</b>	.158	.108	.181
	<b>Manufacturability</b>	.051	.080	.074
	<b>New product performance</b>	.613	.723	.551
	<b>Price</b>	.720	.169	.478

Dependent Variable: organizational performance

Source: own survey, 2022

Accordingly, the regression constant value showed that when the independent are constant at zero, organizational performance would be at beta value of 1.684. While considering the degree to which the independent variables affect the dependent variable. The standardized coefficient results of price, ergonomics/Ease of use, marketability, Manufacturability, quality, functionality, and performance of new product service 478, .181, .162, .55, .45, .45, .279 with standardized beta coefficient respectively. This making the strongest unique contribution to explain the dependent variable in which the results revealed that, a one unit increase or positive change price and New product performance has high impact on organizational performance of hibret bank. This may indicate that level of the Impact of new banking product and service development projects in organizational performance is highly influenced by price and performance of new product service with strong contribution to the organization performance.

#### 4.9.2.5. Regression Mathematical Model

The equation of multiple regressions on this study is generally built on around two sets of variables, namely dependent variable (organization performance) and independent variables (price, ergonomics/Ease of use, marketability, Manufacturability, quality, functionality, and performance of new product service). The basic objective of using regression equation on this study is to make the researcher more effective at describing, understanding, predicting, and controlling the stated variables. Therefore, the model for the study was formulated. Organizational performance, which is the dependent variable is the function of the independent variables. It was therefore, the Regression Model used in the study was mathematically expressed as follows

Based on the multiple regression analysis, the following model summary was extracted to

Conclude the variation between the variables as follows.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

$$CI = 0.838 + .478(\text{price}) + .1811(\text{functionality}) + 0.74(\text{ergonomics/Ease of use}) + .45(\text{quality}) + .279(\text{new product performance}) + 0.55(\text{manufacturability}) + .162(\text{marketability}) - 1.22$$

#### Where

OP= organizational performance.

$\beta_0$  =Regression constant,

$\beta_1, \beta_2, \beta_3, \beta_4$  = coefficients of elasticity displaying degrees of explanation power of organizational performance and

$\epsilon$ = model's error term.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1. Introduction**

This chapter discusses the results gathered from the analysis of the data, as well as the conclusions reached. Summarizing findings alongside the objectives of the study, conclusions have been drawn from the study and the recommendations for action are given

#### **5.2. Summary of major finding**

The main objective of this study was to investigate the Impact of new banking product and service development projects in organizational performance; case study on Hibret bank. the study attempted to examine the impact of new banking product and service development projects in organizational performance. The results show that bank introduced new product/service very often agreeing that introduction of new product/service affected the bank's performance. Variables of new banking product and service included price, ergonomics/ease of use, marketability, manufacturability, quality, functionality, and new product/service performance). The findings derived from the data were analyzed by using descriptive statistics, correlation and regression. The results from the Pearson correlation analysis show that organizational performance was found to have a very high positive correlation with the price of new product/services of the bank ( $r=0.87.7$ ;  $p < 0.01$ ). Moreover, there is positive relationship between price and organizational performance, which is statistically significant at 99% confidence level. This implies that price consideration while developing new product/services of the bank plays a significant role in organizational performance of Hibret bank. The results from the Pearson correlation analysis also show that manufacturability ( $r=0.701$ ,  $p < 0.01$ ), marketability ( $r=0.776$ ;  $p < 0.01$ ), functionality( $r=0.627$ ;  $p < 0.01$ ), new product/service performance ( $r=0.5516$ ;  $p < 0.01$ ), quality ( $r=0.751$ ;  $p < 0.01$ ), and ergonomics/ease of use ( $r=0.551$ ;  $p < 0.01$ ) are positively correlated with organizational performance. .From this correlation, it can be concluded that there is positive relationship of all variables with organizational performance. Accordingly, the regression constant value showed that when the independent variables are constant at zero, organizational performance .would be at beta value of 1.684. While considering the degree to which the independent variables affect the dependent variable, the standardized coefficient results of price, ergonomics/ease of use, marketability, manufacturability, quality, functionality, and performance of new product service is 0.478, 0.181, 1.62, 0.55, 0.45, 0.45, 0.279 with standardized beta coefficient respectively. The strongest unique contribution to explain the dependent variable in which the results revealed is that, a one unit increase or positive change of price and performance of new product service has high impact on organizational performance of Hibret bank. Results also show the factors that affect new product/service development in Hibret bank include organizational Strategy and goals, organizational culture, competition

with other banks, and that to sustain performance banks need to create new product/services; agreeing to a very large extent.

### **5.3. Conclusions**

The main purpose of the study was to explain the Impact of new banking product and service development projects in organizational performance. From the study findings, the study concludes that the performance of the bank is enhancing by new product/services development. New and innovative ideas are in need to command higher market share, to create competitive edge, and to attract customers.

From the findings, it is concluded that new product/service development and organizational performance are directly related. New product performance and ergonomics/ease of use has linear relationship between these two variables such that determines organizational performance more. In addition, the other variables marketability, quality, functionality, manufacturability, price have also have strong positive correlation .From this correlation, it can be concluded that due to positive relationship of all variables with organizational performance new product/service development projects and introduction have positive impact on organizational performance.

From regression analysis the finding is followed by new product service (B.279 , Sig.001 and  $P < 0.05$ ), which indicates that a one unit change in the dependent variable will bring a 27.9,unit increase organizational performance. This may indicate that their level of the Impact of new banking product and service development projects in organizational performance; case study on Hibret bank price and new product service is high impact or strong contribution to the organization performance.

Another conclusion from the finding is that organizational Strategy and goals, organizational culture, competition, and the need to sustain performance are factors that affect new product/service development projects of the bank.

### **5.4. Recommendations**

From the findings, the study recommends, Banks' new product/service development projects should enhance performance and Banks should consider increasing the level of new product/service development projects as it has a big effect on performance. Therefore, commercial banks should aim at strengthening new product/service development projects to enhance customer satisfaction, competitiveness, profitability, to have a strong reputation in the market, and in turn increasing market share.

Organizational strategy and goals should always be tailored to promote new product/service development projects. People should be considered and encouraged to bring new ideas so that the organization may remain competitive and be a market leader.

### **5.5. Further Research Direction**

These studies dealt with the impact of new product/service development projects on organizational performance in banks with reference to Hibret bank S.C. these variables predict 88.8 % of variance the remaining 11.2% of the variance is explained by variables, which are not included in this study. Therefore, as far as the researcher is concerned, further research could target other variables to assess the Impact of new banking product and service development projects on organizational performance.

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## APPENDICES

### Appendix i: questionnaire

This questionnaire is designed to collect primary data for a research on, “the impact of new product/service development projects on organizational performance in case of Hibret Bank.” for pre-request for the award of a Master’s Degree in Project management at St. Mary’s University. In this regard you are kindly requested to provide reliable information that is to the best of your knowledge so that the findings from the study would meet the intended purpose. The information obtained will only be used for academic purpose and confidentiality of details will be maintained. We appreciate your objective and genuine response. In order to validate the response, you are graciously requested to answer all questions. You don’t need to put in your name on the questionnaire. This questionnaire has two parts. Part I is designed to assess the general profile of respondents and Part II is designed to assess impact of new product/service development projects on organizational performance. Thank you in advance for your time and cooperation.

Sincerely; Rediet Welday Belay

#### PART I: Background Information

1. Position in the Organization \_\_\_\_\_

2. The age bracket in which you fall?

18 - 30 [ ]      31 – 40 [ ]

41 – 50 [ ]      51 – 60 [ ]      above 60 years [ ]

3. Highest education level?

Certificate [ ]    Diploma [ ]    Undergraduate [ ]    Postgraduate [ ]

Other \_\_\_\_\_

4. How long have you worked within the bank?

Below 3 years [ ]    4 - 8 years [ ]

9 – 12 years [ ]    above 12 years [ ]

5. Which department do you work in?

R&D department [ ]    marketing Department [ ]

IT department [ ]    District [ ]    Branch [ ]

6. How do you rate the financial and operational performance of the bank?

Poor [ ]      Good [ ]

Very good [ ]    Excellent [ ]

#### PART II: New Product/Service Development Projects on Organizational Performance

7. How frequent does the bank introduce new product/service and integrate to the bank’s operations?

Very frequently [ ]      occasionally [ ]      Never [ ]

8. To what extent does new product/service development and introduction affect the bank’s performance?

Very great Extent [ ]    Great Extent [ ]    Moderate Extent [ ]

Little Extent [ ]      No Extent [ ]

9. To what extent do you agree the following questions in relation to Hibret bank?

Rate on a scale of 1 to 5; (Where: 5.To a Very Large Extent, 4.To a Large Extent, 3.To an average Extent, 2.To a Little Extent 1.Not At All)

	5	4	3	2	1
<b>New product /service Performance</b>					
New Product/service of Hibret bank meet customer expectations					
New Product/service development project of the bank keeps cost in line with what customers are willing to pay.					
New Product/service development project of the bank Provide strong solutions to customers' needs.					
<b>Marketability of new product /service</b>					
The bank adds exciting features to help new products/services take off successfully					
The bank designs marketable features to secure market opportunities					
The bank strives for its new products/services to earn word of mouth					
<b>Quality of new product /service</b>					
New Product/service development project of the bank minimizes cost of developing new solutions while delivering quality products/services.					
New Product/service development project of the bank attain perceived quality of products/services					
The new products/services of Hibret bank meet customers perceived quality expectation.					
<b>Functionality of new product /service</b>					
New Product/services of the bank allows more functionality.					
New Product/service developments projects of the bank consider customers opinion on functions to add and to consider curtail.					
Every feature that is added to a new product by the bank is heavily defended as being absolutely necessary by customers					
<b>Ergonomics/Ease of use</b>					
New Product/services of the bank are comfortable and easy to use by customers					
The bank considers target market's interactions with new products and the ways to use them.					
The bank strives to deliver an exceptional customer experience while developing new products.					
The bank delivers superior comfort through ease of use.					
<b>Manufacturability</b>					

The bank considers cost and affordability while undertaking projects to develop new Product/services.					
The bank considers available resource and technology while undertaking projects to develop new Product/services.					
The bank uses the right type of development process while undertaking projects to develop new Product/services.					
<b>Price</b>					
The bank considers majority customers income while setting service charges for the new products/services					
The bank considers pricing limitations while considering developing new products/services.					
The bank strives to minimize cost while developing new products/services to set service charges at an acceptable rate.					

**10.** To what extent do you agree the following enhanced with new products/services development projects and their introduction in Hibret bank?

Rate on a scale of 1 to 5; (Where: 5.To a Very Large Extent, 4.To a Large Extent, 3.To an average Extent, 2.To a Little Extent 1.Not At All)

	5	4	3	2	1
<b>Performance</b>					
Customer loyalty enhanced with new products/services development projects and their introduction					
The banks' Ability to satisfy customers increased with new products/services development projects and their introduction					
New products/services development projects can create enhanced competitive edge for the bank					
The bank gains higher market share, as the bank introduces new and innovative products/services					
Profitability of the bank Enhanced as new products/services are introduced					
Total shareholder Return enhanced with new product/service projects and their introduction					

11. To what extent do you agree to the following questions?

	To a very large extent	To a large extent	To an average extent	To a little extent	Not at all
Organizational strategy and goals impact new product/service development					
New product/service development is determined by organizational culture					
Competition with other banks derives new product/service development					
To sustain performance banks need to create new product/services.					

14. Any other comment \_\_\_\_\_

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**Thank you for your diligence and time in completing the above questionnaire.  
RedietWelday Belay.**