NEW PRODUCT DEVELOPMENT STRATEGIES AND PERFORMANCE OF MULTINATIONAL BANKS IN KENYA

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DECLARATION

I, the undersigned, hereby declare that this is my own original work, and that it has not been submitted for review to any other organization or university but the University of Nairobi.

Signed: ____________________ Date: ____24/11/2022__________________

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This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

This research project is dedicated to my daughter, Zuri Lauryn, who inspires me to be the best version of myself every day.

I also dedicate this to my sisters, Hellen, Josephine and Gurnell – There is not a doubt in my mind that without your support materially, emotionally and spiritually- I would not have completed this project.

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ABSTRACT

To survive and get a competitive advantage over their industry competitors, firms need a variety of new product development strategies which can be defined as a sequence of steps that includes the conceptualization, design, development and promotion and marketing of a new good or service. A product is created to satisfy consumer demand in a certain category. Given the dynamic nature of the operating environment, Companies must modify their strategy frequently to keep up with changing market demands and to stay ahead of the competition and attain the intended goals and align themselves with the changes being brought by new players in the sector. The adopted new product development strategy by a firm plays a role in determining its performance. The study thus sought to examine the effect of new product development strategies on performance of multinational banks operating in Kenya. The study was guided by two theories namely the Penrose's theory of firm growth and the agency theory. Data collection was performed using self-administered questionnaires. A response of 31 questionnaires were returned yielding a response of 73.8 per cent. The data was analyzed using the SPSS software. The regression analysis findings revealed a statistically significant effect of new product development strategies on performance of multinational banks as shown by significance level of 0.000 which is <0.05. This affirms that the model is statistically fit as an estimator of performance of multinational banks. The coefficient of determination (R^2) 0.689 value implied that 68.9% variation in performance of multinational banks is new product strategies. The study's recommendations include need for banks to introduce products that are tailored for the low-end markets as most are established in towns targeting customers with large transactions ignoring the many customers in other settings with multiple transactions. Additionally, there's need for banks in collaboration with each other and the regulators, to initiate capacity building programs outside the bank to sensitize the public about banking products through trade fares and exhibitions to publicize the bank's products and the consideration to use risk detection systems and applications to prevent risks. Conducting frequent system audits with the help of experienced external audits may be appropriate in timely detection and arresting on internal fraud on time which may lead to irreversible losses and consequences if action is not taken.

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ABBREVIATIONS AND ACRONYMS

BSC	: Balanced Scorecard
CBK	**:** Central Bank of Kenya
KCB	: Kenya Commercial Bank
NPD	**:** New Product Development
NSE	: Nairobi Securities Exchange
SACCO	**:** Savings and Credit Co-operatives
SASRA	: Sacco Society Regulatory Authority

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

To survive and get a competitive advantage over their industry competitors, firms need a variety of new product development strategies which can be defined as a sequence of steps that includes the conceptualization, design, development and promotion and marketing of a new good or service. A product is created to satisfy consumer demand in a certain category (Gurbuz, 2017). Given the dynamic nature of the operating environment, Companies must modify their strategy frequently to keep up with changing market demands and to stay ahead of the competition (Nzioka & Njuguna, 2017). To attain the intended goals, organizations need to detect their main strengths and position themselves in a competitive manner in that segment, this is crucial for companies since the business environment is turbulent and organizations should align themselves with the changes being brought by new players in the sector (Allen & Helms, 2006). The adopted new product development strategy by a firm plays a role in determining its performance (Calloway, 2018).

Several theories explain new product development strategies. The anchor theory is Penrose's (1959) theory of firm growth, which states that growth is principally driven by managers' judgments of possibilities to put under-leveraged resources to new uses. Penrose emphasized the diversity of resources among organizations by focusing on internal causes of growth. Jensen and Meckling's (1976) agency theory states that, as a result of divergent perspectives among agents and principals, the company may pursue numerous new product development strategies for differing reasons. It is vital to incur specific agency charges for a robust performance in those organizations in order to establish a harmonic combination of the interests of managers on the one hand and shareholders on the other. Agency theory is also pertinent to this research because it states that the impact of new product development strategies on performance is a result of a firm's management and the effectiveness of collective governance systems.

The study will focus on multinational commercial banks in Kenya. Commercial banks play a significant role in a nation’s economy and their stability is critical and relevant to the financial sector (Nuhiu, Hoti & Bektashi, 2017). In Kenya, the banking sector contributes 9.3% of the GDP and about 30% of all corporate taxes collected by the government (CBK, 2020). Despite its significance to the economy, the banking sector has faced a lot of environmental turbulence that calls for new product development strategies to survive in the market. The environmental turbulence includes intense competition, technological advancements, political instabilities and government regulations that have called for an evaluation of how firms conduct their business (Mohamed, 2018). The current study seeks to investigate how new product development strategies adopted by multinational commercial banks influence their performance.

1.1.1 New Product Development Strategies

These strategies focus on developing, launching, and supporting new product additions to the product range, as well as introducing new items into existing markets (Timmons & Spineli, 2014). New product development strategy refers to a sequence of steps that includes the conceptualization, design, development and promotion and marketing of a new good or service. A product is created to satisfy consumer demand in a certain category (Gurbuz, 2017). Conception and development of strategy is needed in new product development because it is a difficult, protracted, risky and rewarding enterprise that requires meticulous planning and attention to details (Kimamancha, 2017).

So important is strategy in new product development that nearly 50% of products introduced in the market end up as complete failures and it is estimated that up to 70% of products introduced in the market fail to achieve the targeted sales goals and 90% fail to achieve all intended objectives as the products are not introduced effectively and efficiently (Schilling, 2013). A range of long-term planning and strategies are needed before a product is launched into a market. There is need for new product development research to decipher trends in the market and establish unmet needs of consumers and ways of uncovering other opportunities and needs in a target market replete with cost-effective ways of satisfying them ahead of the competitions (Cupman, 2014).

Equally important is development of strategies to re-engineer the existing business processes to support the new product and strategies of allocating resources to the processes of new product development as the entire organization adapts to new reality of operations with the new product and its effect on the organization (Wang & Yang, 2014; Kanagal, 2015). The new product development strategies to be covered in this study will include market research strategies, internal capacity assessment strategies, stakeholders’ engagement strategies and risk assessment strategies.

1.1.2 Organization Performance

Huang (2018) describes performance as entailing attainment of goals that an organization sets out to achieve. It entails an organization’s ability of attaining its goal through efficient and effective utilization of it resources (Daft & Marcic, 2013). Bharadwaj, Chauhan and Raman (2015) believe that an organization's performance is a complex correlation with the following seven criteria: efficiency, reliability, productivity, effectiveness, quality of work, creativity and profitability. Performance is therefore closely linked to the attainment of all the seven criteria, considered as performance goals. Even though there is no commonly agreed upon meaning of performance, an organization ought to have objectives and measure all outcomes based on the set objectives.

Organizational performance is an important metric for determining a company's production, organizational efficiency, and competency. It can be thought of as a measure of how efficiently and effectively resources have been utilised to produce the output of items that customers as well as society require in the longer term (Bain, 2016). Organizational performance aids in demonstrating the firm's profitability, that is assessed by income and expense. Promoting organizational performance is a critical duty for business leaders since only a profitable company can thrive (Chakravarthy, 2016).

Organization performance cannot be measured by any single index, and this has resulted to reluctance in using both monetary as well as non-monetary performance measures of a business organization (Chakravarthy, 2016). Researchers previously frequently used the Balanced Scorecard (BSC) developed by Kaplan and Norton (1992) to assess performance. The balanced scorecard generates success measurements based on the company's goal, vision, and strategy. It's a metric for evaluating the company's overall performance. It involves the financial factor, customer factor, internal processes and learning and development (Kaplan & Norton, 1996). Because it is widely recognized as a performance measure, the balance scorecard will be utilized in this research.

1.1.3 Multinational Banks in Kenya

The Central Bank of Kenya defines a bank as a business conducting or planning to carry out banking operations in Kenya. Commercial banking includes the activities of deposit acceptance, extending credit, processing financial transactions in addition to offering financial services in other areas. Specifically, the industry contributes significantly to the financial sector, with a special focus on the mobilization of saving and the provision of loans to businesses and consumers. The CBK is the regulating authority in the Kenyan banking industry. The banking sector has 1 mortgage finance company, 38 commercial banks, and 13 microfinance companies in the industry. There are 11 of the 38 listed at the NSE (CBK, 2021). Out of the 38 commercial banks, 14 have multinational presence and they will be the focus of the current research (Appendix II).

The banking industry in Kenya has been very competitive characterized by entry of many foreign banks and mergers and acquisitions among local banks. The banks are also facing competition from microfinance banks and Savings and Credit Cooperatives (SACCOs) which have been on the rise in Kenya. The macro-economic environment has also been turbulent as exhibited by a depreciating currency, government controls such as the 2016 interest rate cap, high unemployment levels in the county and recently the Covid-19 pandemic. To survive in such an industry, the commercial banks have focused increasingly on new products as a strategic instrument to achieve organization goal of reducing costs and maximizing revenues. KCB has been promoting KCB MPESA and adopted fuliza in 2019, Equity has been using Equitel and Eazzy banking app, NCBA bank has been offering Mshwari and recently Fuliza. These banks have been at the forefront of new product development strategies. Other banks also have some aspect of new product development through their digital platforms (CBK, 2020). The big question is whether the new product development strategies have resulted in enhanced performance among multinational commercial banks in Kenya.

Commercial banks have performed variably, with some recording an increase in performance while others have recorded a decline. Over the last 5 years, we have witnessed certain banks, like Chase bank, fall due to lackluster performance, while others such as National bank have also been acquired by KCB (CBK, 2020). Other banks such as Equity, Cooperative, KCB and Standard Chartered bank have reported an improvement in performance over the same period of time. This demonstrates the need to investigate whether new product development strategies can explain the performance among the multinational banks in Kenya.

1.2 Research Problem

Firm performance is crucial in the domain of management. The requirement to explain why two organizations operating in the same environment perform differently is a worry, and various financial research works have been dedicated to solving this puzzle. As a result, research focusing on various internal and external elements assumed to be the cause of varying firm performance have been conducted. To solve the obstacles that organizations confront in terms of performance, a variety of solutions can be used. Nevertheless, it is unclear which strategy has the most impact on performance improvement. According to Ondari, Awino, and Machuki (2016), new product development strategy has a positive and substantial impact on firm performance.

Performance of multinational banks in Kenya continue to be plagued by a number of factors most importantly the intense competition from other local commercial banks and micro-finance institutions and loss of members because of limited product offerings that are not as attractive as others offered by other financial institutions (Sum & Memba, 2016). As such multinational banks need to pursue innovative product development strategies to survive. The current study aims to investigate how new product development strategies adopted by multinational banks in Kenya influences performance.

Several studies have been done internationally as well as locally on new product development strategy and performance, but the research focused on diverse contexts and therefore results cannot be generalized among multinational banks. In Nigeria, Udegbe (2014) studied the new product development process and its influence on corporate performance. According to the conclusions of the data study, culture, strategy, and the ability of the employees have an impact on not only the NPD business plan though too the business performance. Karlsson and Tavassoli (2015) investigate the impact of different company innovation strategies on future performance as measured by labor productivity in Sweden. According to the result of the research, organizations that choose and can afford a sophisticated innovation strategy are better off in terms of future productivity than firms that decide not to innovate or those choosing basic innovation strategies. Because these studies were done in a diverse setting, their conclusions cannot be applied to Kenyan multinational banks.

Locally Koks and Kilika (2016) investigated the impact of new product development on organizational performance in their home country. Four categories of new product development criteria, including firm image, brand strength, product innovativeness, and product quality, were discovered to be positively associated to new product performance in the research. The research defines four criteria in product development: firm image, brand strength, product innovativeness, and product quality, all of which are characteristics that surround present product development. NPD strategy aspects, on the other hand, were not considered in this study. Makena (2014) investigated the impact of rebranding on SACCO performance in Meru County, Kenya. This research poses a contextual gap as it was carried out among SACCOs and therefore findings cannot be generalized in the banking sector due to operational differences. The goal of Onyango's (2016) research was to investigate the amount of digital marketing adoption and its impact on the performance of Kenyan cut flower exporting companies. The research did not address new product development strategies.

From the foregoing, although there are previous studies in this area, there exist conceptual, contextual and methodological gaps. Conceptually, there is no consensus on the effect of new product development strategies on firm performance. Further, the previous studies have measured new product development strategies differently and the findings reflect the proxies used. Contextually, previous studies conducted in Kenya have concentrated on industries other than banking. Methodologically, most of the previous studies have been case studies utilizing qualitative data and therefore need for a quantitative study to compliment the findings. It is against this background, that the study seeks to examine the issue of organizational performance of multinational banks from new product development strategies point of view. This research, thus, seeks to answer the research question; Do new product development strategies have any effect on the performance of Multinational banks in Kenya?

1.3 Research Objective

The objective of the study was to establish the effect of new product development strategies on performance of multinational banks in Kenya

1.4 Value of the Study

This study's results will have implications for growth of the firm theory as well as agency theory, either endorsing or challenging them. This research brought a better new product development strategy understanding and its influence on organization performance. The research may also serve as a starting point for potential research into the link between new product development strategy and organization performance.

Multinational banks can gain from the study and enforce best practices in new product development strategies as well as in understanding factors influencing organizational performance. Findings will avail opportunities for the multinational banks' leaders to assess their new product development strategies with industry competitors within Kenya, which will be useful in identifying the limitations and strengths of their new product development strategies.

Further, policy makers could focus on policy decisions aimed at facilitating and sustaining good new product development strategies which will aid performance of multinational banks in Kenya. The research will aid in the improvement of policy deliberations in this area. The policy changes may be important in terms of strengthening guidance on how to maximize organization performance and the efficacy of new product development strategies actions in order to increase their performance for the economy's benefit.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter deals with theoretically and empirically literature review on new product development strategy, company performance and correlation. The chapter begun with an examination of the theories behind these ideas, an examination of empirical studies on similarities and discrepancies and research gaps and a summary of the review of the literature that shows the hypothesized connection between research variables.

2.2 Theoretical Foundation

A literature review finds and evaluates previous research and scholarship on the studied variables. This review offered a thorough understanding of what was being accomplished and served as a foundation for interpreting research results and overcoming the limitations of prior investigations. The research was based on the growth of the firm theory as well as the agency theory. These theories are used to explain the study constructs and how they relate.

2.2.1 Growth of the Firm Theory

The theory of the growth of the firm was developed by Penrose (1959) and it is the anchor theory for the current study. According to this theory, the firm's capability to produce depends on the managers' resources. Further, it alleges that the productive services that a firm can render depend on the experience of the management (Kor, 2016). As they put the resource to use, a dynamic interaction process occurs, that inspires growth though limiting that growth rate. In this regard, managers can effectively carry out the expansion of the company using its resources. How well the managers utilize the resources that are at their disposal determines the firm’s success. The impact of internal resource endowment is beyond the external factors on the environment (Dagnino, King & Tienari, 2017). The differences that arise between resources owned by firms lead to poor performance, and hence there is a need for firms to ensure that they concentrate on the internal determinants of growth.

The theory is criticized for emphasizing the ideal managerial choices. In reality, the level at which the managers attempt to optimize resources is slower than the one that leads to the best results. It is also hard to establish value maximization through the support of the managers. Generous salaries and stock options are not the best incentives for attracting and retaining managers that enable firms to lead in the competition. Thirdly, the best options proposed by the model, including turning down risky options, do not necessarily lead to optimal results in terms of revenue and value maximization (Gavetti et al., 2012).

Despite its limitations, the theory of the firms is fundamental for explaining multinational banks behaviours in this research. Notably, the theory can explain how resource ownership and managerial decisions influence the decision-making process and the overall impact on firm performance. The influence of each new product development strategy on the performance of the firm can be evaluated using this theory.

2.2.2 Agency Theory

Jensen and Meckling (1976) created the agency theory as a complete description of a corporation operating under agency arrangements. This theory stipulates that where we have two or more parties entering a contractual agreement, there will be one party as the principal and another, agent (Mursalim, 2009). A conflict of interest arises where the agent prefers to work for his own personal interests rather than those of the principal and therefore this in turn affects company performance. As per Abdullah and Valentine (2009) interaction between the principles, such as members and agents, is explained by agency theory. Members who are the owners or principals of the Sacco hire the management board as their agent, according to this theory (Mitnick, 2013; Bruton et al., 2000). The management board, in turn, hires and assign authority to the managers, who are delegated by the principals (Clarke, 2004).

In multinational banks and in banking sector in general there exists several types of agency relation scenarios for example, Board of directors and the chief officers, financiers who provide credit facilities and the management boards of banks, various government agencies like Kenya Revenue Authority who collect taxes on behalf of government and the management board of banks among other agency relationships. Since capital owners (principals) do not possess necessary skills and time to efficiently run their businesses, they delegate management and daily operations to agents (managers), resulting in the ownership and control separation.

This theory is pertinent to this research as it assumes that managers and bank owners have divergent objectives, necessitating the need to assess whether managers' new product development strategies are in the best interests of owners and would optimize performance. The theory has also been criticized for its capacity as a theory. According to Perrow (1986), agency theory lacks a specific problem for which it provides a solution, and it is difficult to empirically evaluate because it attempts to explain or anticipate current events. The public sector and non-profit applications of the theory have also received criticism. As an economic theory developed in a private sector environment, agency theory is unfit for public sector and non-profit settings (Broadben et al., 1996).

2.3 New Product Development Strategies and Organization Performance

There is evidence on the link between new product development strategies and the performance of an organization. Generally, firms develop new products to realize production and marketing objectives which include improvement of product quality, reduction of production costs, enhancement of marketing share, new market outreach, flexibility in production and enhancement of managerial performance (Iorgulescu & Sidonia, 2017). An integration of both strategy and new products can lead to firm competitiveness and therefore achievement of performance goals. Gunday et al. (2016) held that, new product development leads to the growth of an organization and profitability.

New product development strategy result into enhanced commodities/services which could result into an expanded market share and therefore better returns to investment in form of profits. The disruptive theory of innovation proposed by Rogers (1995) argue that new markets and value proposition emanates from new product development. The theory implies that organizations employing offensive strategies in the introduction of new products are likely to realize high performance levels. New product development can enhance organization performance by improving the market position and therefore, a competitive advantage.

Literature opines that firms would be very competitive if they engage in new product development or offer exemplary services than those offered by their competitors (Kaplan & Warren, 2017). The current competitive market requires great ideas behind production and hence, it is very difficult to find a player in any industry who does not innovate new products. Majority of the studies which have paid attention on the link existing between new product development and performance have found positive linkage (Gunday et al., 2016). Kenyoru (2015) in their study on effect of stakeholder engagement on organizational performance, found that stakeholder engagement has a positive and significant impact on firm performance in Kenya power and lighting company Eldoret branch hence it is important to involve stakeholders such as customers and employees in the decision-making process.

2.4 Empirical Studies and Knowledge Gaps

Numerous studies have been conducted to establish how new product development strategies are linked to performance among firms. Koks and Kilika (2016) sought to determine if new product development had an impact on organizational performance. The study was a review of literature that was based on both theories and empirical studies. Four categories of new product development criteria, including firm image, brand strength, product innovativeness, and product quality, were found to be positively associated to new product performance in the research. The study identified four criteria in product development: firm image, brand strength, product innovativeness, and product quality, all of which are aspects of current product development. This research, nevertheless, did not incorporate components of NPD strategy.

In Nigeria, Udegbe (2014) studied the new product development process and its influence on firm performance. A total of 180 Nigerian manufacturing industries were included in the study. The convenience sampling approach was used to create the sample for this research, and two copies of the questionnaire were distributed in each of the 180 manufacturing firms serving as the sample. A total of 230 valid questionnaires were returned out of a total sample of 360, reflecting a response rate of 63.89 percent. Statistical approaches such as factor analysis, correlation analysis, and reliability analysis were used to analyze the data. All variables were found to be valid and reliable after a validity and reliability test. Based on the conclusions of the data analysis, it was discovered that culture, strategy, and staff capacity influence not only the NPD business plan but also business performance.

Yahaya et al., (2015) examined the correlation between risk management and organizational performance of deposit money banks in Nigeria. Panel data of between 2005 to 2014, a ten-year time frame was used in the study. The study used two proxies namely return on assets and return on equity to measure performance. The investigation explored different explanatory variables such as standard deviation, quick ratio, equity over total assets debt over equity and debt over total assets to test the correlation between the constructs. The results on the hypothesis tests performed reveal that overall, risk management strategies and liquidity policies have a positive impact on organizational performance hence banks should put in place sound risk management strategies to guide their operations and subsequently attain higher organizational performance. Among the strategies proposed were utilizing earnings rather than seeking external financing, investing more in current assets as opposed to non-current assets, and strictly adhere to liquidity management practices.

Kimamancha (2017) sought to investigate the factors that influence new product development in commercial banks in Kenya. This study provides results of whether the variables such as strategy, research, and resource availability have significant effect on new product development by commercial banks in Kenya. The researcher used descriptive research. The research focused on a population of 79 product development officers in tier 1 banks where a census was conducted. The study findings revealed that strategy is positively and statistically significant to new product development in commercial banks in Kenya. The study findings revealed that research is positively and statistically significant to new product development in commercial banks in Kenya and that resource availability has a positive and statistically significant relationship with new product development.

Fong, Lo and Ramayah (2014) hypothesize the impact of new product development on organization performance in the banking industry. Two hundred and fifty banks' customers voluntarily participated in this study. Partial least squares was applied to test the hypotheses that comprised of firm image, brand strength, market sensing capability, product innovativeness and new product quality on new product performance, and subsequently bootstrapping was conducted to investigate the standard error of the estimate and t-values. The findings revealed that four types of new product development factors, namely, firm image, brand strength, product innovativeness and new product quality were found to be positively related to new product performance.

Kariuki (2012) sought to determine the effect of product development on the financial performance of commercial banks in Kenya. This study categorized determinants of commercial banks financial performance into two categories, namely internal and external factors. This study used a descriptive survey. The population of this study consisted of all 43 commercial banks in Kenya and therefore carried out a census survey. The study used both primary and secondary data. The primary data was collected using semi-structured questionnaires. The inferential statistic regression and correlation was done to establish the effect of product development on the financial performance of commercial banks in Kenya. The study concluded that new product development impacted positively on financial performance of commercial banks in Kenya; however, the same was not statistically significant.

Kafigi (2015) investigated Tanzania-based savings and credit cooperative societies' intense expansion methods and outreach performance. The research looked into the impact of both product development and market development on outreach performance. The research used a cross-sectional survey design and a multistage random sampling technique to include 167 key SACCO managers (loan officers) from three Tanzanian zones, whose opinions were obtained via questionnaires. According to the result of the research, both product and market development had a substantial impact on outreach performance. Based on the findings, the study recommends that SACCOs develop growth strategies that are tailored to their consumers' requirements and features.

Kamaamia (2015) evaluated marketing strategies impact on organizational performance at Mediamax Network Limited. The population of the study was middle and senior level managers at Mediamax. Regression analysis was performed to establish the correlation among the study variables. Marketing strategies possess an impact on organizational performance, according to the research. The marketing mix has been adopted by media companies to assist them enhance their efficiency, and these companies must implement the correct marketing mix techniques in their operations. According to the findings, the media-max network limited has to modify marketing strategies in accordance with the current marketing mix model in order to improve organizational performance.

Onyango's (2016) research investigated amount of digital marketing adoption and its influence on the performance of Kenyan cut flower exporting firms. The research used semi structured interviews to undertake qualitative and quantitative research on 30 cut flower exporting companies in Kenya. The data show that digital marketing has a significant impact on all aspects of a company's performance. Digital marketing, in particularly, increased revenue, market share, and profitability dramatically. Cut flower companies should adopt digital marketing strategies to be competitive and maintain their market position, according to the research.

Makena (2014) carried out research on rebranding strategy impact on performance of SACCOs in Meru County, Kenya. A descriptive research design was utilized while regression analysis was conducted to determine the link. As per the findings, SACCOs rebrand for a variety of reasons, such as increased competitiveness, diversity, and relevance. SASRA regulations requiring all deposit-taking SACCOs to have a core capital of not less than 10 million shillings forced SACCOs to look for other mechanism of broadening the common bond, rebranded SACCOs in Meru county recognized that rebranding was precipitated by SASRA regulations, that also compelled SACCOs to find other means of expanding the common bond, people surveyed from rebranded SACCOs felt that branding can have a significant impact on brand equity by enhancing brand loyalty, client attitude as well as perception of quality and brand awareness.

Karlsson and Tavassoli (2015) investigate the impact of various company innovation strategies on future performance as measured by labor productivity in Sweden. The study focused on listed manufacturing firms in Sweden and collected both secondary and primary data. Quantitative analysis was conducted. Process, product, marketing, and organizational innovation strategies were the focus of the research. According to the research conclusions, firms that choose and can afford a sophisticated innovation strategy will be better off in relation to future productivity than firms that choose not to innovate or those that choose basic innovation strategies. Furthermore, not all forms of advanced innovation methods have a major impact on future production; rather, just a handful do. This necessitates a firm's deliberate selection of an innovation strategy.

Mandungu (2016) researched growth strategies adopted by North Kinangop Catholic hospital. The study findings indicated that to a significant extent, growth strategies such as market penetration, product development, and diversification, among others, had been implemented and have been significantly fruitful in enhancing the institution's competitiveness. Ideally, this research is conducted on a mission hospital, and the results affirm the enhancement of performance through sustainable growth strategies.

From the reviewed empirical studies, it is evident that despite existence of a growing body of research on the effect of new product development and strategies on performance of financial institutions around the world, there is limited research on the same in Africa and Kenya. The bulk of existing studies investigated the effect of new product development and other innovations on performance of commercial banks. The studies that have been conducted on new product development strategies and performance have focused on other contexts and therefore their findings cannot be generalized to multinational banks in Kenya. Further, they have also not operationalized new product development strategies using the strategies adopted in the current research.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter comprises the study design, instruments used to gather data and how to perform the data analysis. The methodology showed the way the study is conducted, the organization of research, how information is collected, and from whom information is ultimately obtained in order to evaluate the information, in view of the final objective of creating findings of the study.

3.2 Research Design

This research issue was studied using a descriptive survey design. This research is conducted to discover what, where, and how a phenomenon takes place (Cooper & Schindler, 2014). This design was suitable for the researcher, since it enabled the investigator to use quantitative data in order to investigate how new product development strategies affected performance of multinational banks in Kenya. The study was cross-sectional cut across the multinational banks in Kenya.

3.3 Population of the Study

Yin (2018) regards a population as a definite set of units or individuals with homogenous characteristics under observation. The target population for the current study was the 14 multinational banks in Kenya that are licensed by Central Bank of Kenya as of December 2021. The unit of analysis was the heads of strategy, heads of operations and heads of marketing in each bank giving a total of 42 respondents.

3.4 Data Collection

This research collected primary data by aid of a questionnaire. According to Khan (2008), questionnaires are the most appropriate for the collection data in a survey of a dispersed population. The structured questionnaire was chosen because the study adopted a quantitative approach. The target respondents were the heads of strategy, heads of operations and heads of marketing in each bank giving a total of 42 respondents.

A structured questionnaire comprising of closed-ended questions was used in obtaining categorical data that has a numerical nature. Additionally, the data subjects were on a 5-point Likert scale and was precise and explicit to lower probable ambiguity to the respondents. The questionnaire had five-point Likert scores ranging from one (the least point) to five (the highest point). The questionnaire was divided into three sections, namely demographic information, new product development strategies and organization performance. The questionnaire was administered online via Google form.

3.5 Pilot Test

As indicated by Cooper and Schindler (2014), the reliability of the gathered data is increased through pretesting the research instrument. Five randomly selected respondents were issued with the questionnaire to pretest it. The respondents were 5 sales managers of multinational banks in Kenya. As indicated by Yin (2018) when piloting, a 10% sample size is adequate and therefore the 5 respondents were sufficient.

3.5.1 Validity

Cooper and Schindler (2014) define validity as the degree to which the test measures what it purports to measure. The question of validity is posed in the light of the three points: the nature of the test, its intent and the purpose for which it is intended. Face validity was used for this analysis to assess the validity of the instrument established. Khan (2008) opined that face validity refers as the extent to which a test measures what it is required. This property was determined by experts in strategic management. They assessed all the statements in the questionnaires to determine their validity and eliminated all invalid questions.

3.5.2 Reliability

Reliability is a measure which is used to describe the overall consistency of an instrument. A measure is reliable if it produces the same findings under consistent conditions (Yin, 2018). The Cronbach alpha analysis helped to assess the reliability of the research instruments by demonstrating the internal accuracy of the data collection instrument. Cronbach's Alpha is a metric of reliability that displays a true 'base' score. Even if the questions are interchanged with similar ones, Cronbach's Alpha is important to a scholar in ensuring accuracy and reliability of the questionnaire (Khan, 2008). Reliability of 0.7 range is generally considered acceptable and over 0.8 is excellent. This thresh-hold was applied to the study.

3.6 Data Analysis

Data analysis encompassed exploration of descriptive and inferential statistics. The former constituted measures of distribution such as mean and standard deviation. Pearson's correlation was utilized to establish the link between the study variables, while regression analyses was employed to establish independent factors impact on the dependent variable. Tables were used to present the findings of the studies, which were supported with relevant interpretations as well as discussions.

The regression model below was applied in the study:

$Y= \beta_0 + \beta_1X_1+ \beta_2X_2+ \beta_3X_3 + \beta_4X_4+\varepsilon.$

Where;

Y= Organization performance

β_0 = Constant Term

β_i = Beta Coefficient of variable i which measures the change Y to change in i

X_1 = Market research strategy

X_2= Capacity assessment strategy

X_3= Stakeholders' engagement strategy

X_4= Risk assessment strategy

ε =Error term

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.0 Introduction

The section presents results arising from the inquiry on the research objective which was to examine the effect of new product development strategies on performance of multinational banks in Kenya. The first section of the analysis presents the demographic characteristics of the respondents, followed by descriptive statistics on the product development strategies studies, then inferential statistics and finally the discussion of the findings in relation to existing literature.

4.1 Response Rate

The unit of analysis constituted 42 participants where three were drawn from each of the 14 multinational banks operating in Kenya. Out of the 42 questionnaires issued for the purposes of the study, 31 were returned translating to a response rate of 73.8% which was deemed appropriate basing on the recommendations of Mugenda and Mugenda (2010) who reported that a response rate of 70% and above is excellent for analysis and therefore the study was fit for drawing inferences and conclusions about the population.

4.2 Demographic Factors

The study assessed the demographic characteristics of the respondents in order to obtain an overview of the banks and measure their ability to respond to the study. Aspects such as duration worked in the organization, gender, highest level of education and age bracket were investigated.

4.2.1 Duration Worked

The study sought to examine the timeframe in which the respondents have been working for the multinational banks and the results were as presented in Table 4.1 below.

Table 4.1 Duration in the organization

	Frequency	Percent
Less than 3 years	6	19.3
3-5 years	7	22.5
6-10 years	11	35.5
Above 10 years	9	29.03
Total	**31**	**100.0**

Source: Researcher (2022)

The findings reveal that majority have worked for their organizations for between 6-10 years (35.5%), followed by above 10 years (29.03%), then between 3-5 years (22.5%) while only 19.3% have served for less than 3 years. It can be said from the analysis that majority of the respondents have been employees of multinational banks for a reasonable period hence have adequate knowledge on new product development strategies advanced by the banks.

4.2.2 Gender

The study sought to analyze the gender of the respondents. The findings were as shown in Table 4.2 below

Table 4.2 Gender of the Respondents

	Frequency	Percent
Male	18	58
Female	13	42
Total	**31**	**100.0**

Source: Researcher (2022)

The results above show that there are more male employees 58% than female employees 42% at multinational banks operating in Kenya. However, the variance is acceptable as per the Kenyan Constitution.

4.2.3 Level of education

The study examined the highest level of education obtained by the respondents. The results were as depicted in Table 4.3 below

Table 4.3: Highest level of education

	Frequency	Percentage
PHD	4	12.9
Bachelors	14	45.1
Diploma	5	16.1
Masters	8	25.8
Total	31	100.0

Source: Researcher (2022)

From the findings, majority of the respondents have bachelors degrees (45.1%) followed by 25.8 with masters qualifications, then 16.1% with diploma certificates while 12.9% had acquired PHDs. It can be said from the findings that the respondents were well educated and understood the issues under investigation.

4.2.4 Age bracket

The study investigated the age of the respondents. The participants were asked to tick the age bracket in which they fall, and the findings were as indicated in Table 4.4 below.

Table 4.4: Age Bracket

	Frequency	**Percentage**
Less than 30 years	5	16.1%
31-35 years	4	12.9%
36-40 years	5	16.1%
41-45 years	7	22.5%
45-50 years	4	12.9%
Above 50 years	6	19.3%
Total	**31**	**100.0**

Source: Researcher (2022)

The results in Table 4.4 above shows that the employee distribution is uniform across the different age categories. However, those aged between 41-45 years were the majority (22.5), followed by those above 50 years (19.3%) while those less than 30 and between 33-41 had an equal percentage of 16.1%. This shows that multinational banks have a balanced workforce with elderly employees to provide leadership and young innovative minds to constantly develop new products that drive performance.

4.3 New Product Development Strategies

The study examined the degree to which new product development strategies have been implemented by multinational banks in Kenya. Market research strategy, capacity assessment strategy, stakeholder engagement strategy and risk assessment strategy were evaluated. The findings emanating from the investigation are displayed in the section below.

4.3.1 Market Research Strategy

The study sought to examine the extent to which market research strategy had been employed by the multinational banks. The respondents were presented with various statements related to the market research strategy and asked to rate in a Five –Point Likert Scale of 1- Strong Disagree, 2- Disagree, 3- Neutral, 4- Agree and 5- Strongly Agree. The results were as shown in Table 4.5 below

Table 4.5: Market Research Strategy

	N	Mean	Std. Deviation
The bank products are offered after a thorough market research to establish customers' needs.	31	4.25	.93
The bank regularly evaluates its current products and systematically studies potential new products	31	4.22	.67
The bank does a lot of research to be able to develop our products	31	4.19	.70
The bank conducts regular meetings to discuss new business opportunities	31	4.00	.97
Technology adoption has enabled the bank conduct research on new products with accuracy	31	3.90	.79
The bank continually conducts research on new products to expand	31	3.87	.72
Our bank uses technology to increase efficiency and improve quality of service offered to customers.	31	3.58	.99
Reports produced by the bank's information system are analyzed to identify new opportunities	31	3.53	.89
Our bank offers services that match the taste of members' changing lifestyles	31	3.16	1.26
Average	**31**	**3.86**	**0.88**

Source: Researcher (2022)

The results in Table 4.5 above shows that majority of the respondents agree that bank products are offered after a thorough market research to establish customers' needs (M-4.25, SD-0.93). The participants agree that the bank regularly evaluates its current products and systematically studies potential new products (M-4.22, SD-0.67) which has seen the bank to a large extent do extensive research to develop new products (M-4.19, SD-0.70). Similarly, the respondents concur that the bank conducts regular meetings to discuss new business opportunities (M-4.00, SD-0.97). The respondents also agree that technology adoption has enabled the bank conduct research on new products with accuracy (M-3.90. SD-0.79) which has to some extent allowed the bank to improve the quality of services offered to the customers (M-3.58, SD-0.99). Additionally, there was a consensus that the bank continually undertakes research on new products to expand (m-3.87, SD-0.72). However, the participants were uncertain as to whether reports produced by the bank's information system are analyzed to identify new opportunities (M-3.53, SD-0.89) and on whether the bank's services match the taste of members' changing lifestyles (M-3.86, SD-0.88). Overall, it can be said that market research strategy has been adopted by multinational banks operating in Kenya as evidenced by an average mean of 3.86.

4.3.2 Capacity Assessment Strategy

The study sought to examine the extent to which capacity assessment strategy has been implemented by the multinational banks. The respondents were presented with various statements related to the capacity assessment and requested to rate in a Five –Point Likert Scale of 1- Strong Disagree, 2- Disagree, 3- Neutral, 4- Agree and 5- Strongly Agree. The results were as shown in Table 4.6 below

Table 4.6: Capacity Assessment Strategy

	N	Mean	Std. Deviation
Employees in the bank are qualified	31	4.00	.89
Employees in the bank are subjected to periodic trainings with aim of staff development	31	3.97	.91
There is real time automatic evaluation of the borrower.	31	3.70	.86
Loan systems have been integrated with members' mobile phones to facilitate money transfer.	31	3.67	1.28
Customer loans are processed within set time frames	31	3.43	.93
The bank is adequately staffed	31	3.40	1.39
Employees in the bank do meet the expectations of customers	31	3.38	1.28
Average	**31**	**3.65**	**1.08**

Source: Researcher (2022)

The findings outlined in Table 4.6 above shows that the bank's employees are qualified (M-4.00, SD-0.89). The respondents also confirmed that the bank's employees are subjected to periodic trainings with aim of staff development (M-3.97, SD-0.91). Additionally, the respondents agreed that there is real time automatic evaluation of the borrower (M-3.70, SD-0.86). Similarly, the respondents affirm that loan systems have been integrated with members' mobile phones to facilitate money transfer (M-3.67, SD-1.28). On the other hand, the respondents agree to a moderate extent that customer loans are processed within set time frames (M-3.43, 0.93), that the bank is adequately staffed (M-3.40, SD-1.39) and that bank employees meet the expectations of the customers (M-3.38, SD-1.28). The overall standard deviation of 1.08 shows that the responses were clustered around the mean.

4.3.3 Stakeholder Engagement

The inquiry sought to explore the extent to which stakeholder engagement strategy had been deployed by the multinational banks in Kenya. The Different aspects of the stakeholder engagement were presented to the respondents and asked to rate in a Five –Point Likert Scale of 1- Strong Disagree, 2- Disagree, 3- Neutral, 4- Agree and 5-Strongly Agree. The results were as shown in Table 4.7 below

Table 4.7: Stakeholder engagement

	N	Mean	Std. Deviation
Customers have a huge role in new product offering	31	3.67	1.17
The customers ideas and contributions are considered and incorporated when developing new products	31	3.63	1.09
The suppliers ideas and contributions are considered and incorporated when developing new products	31	3.45	.72
The general public ideas and contributions are considered and incorporated when developing new products	31	3.41	1.23
The suppliers are involved in identification and prioritization of their needs	31	3.40	1.16

General public has a huge role in new product offering	31	3.35	1.17
The customers are involved in identification and prioritization of their needs	31	3.22	1.11
The general public are involved in identification and prioritization of their needs	31	3.10	.82
Suppliers have a huge role in new product offering	31	3.09	.70
Average	**31**	**3.37**	**1.02**

Source: Researcher (2022)

Upon the evaluation of the various aspects of stakeholder engagement, the findings show that the respondents were uncertain whether the general public is involved in the identification and prioritization of their needs (M-3.10, SD-0.82). Majority of the respondents indicated that suppliers to a moderate extent play a huge role in new product offering (M-3.09, SD-0.70). Additionally, majority of those polled agree to a moderate extent that the suppliers are involved in identification and prioritization of their needs (M-3.40, SD-1.16). The respondents attest that customers have a huge role in new product offering (M-3.67, SD-1.17) which has seen the customer's ideas and contributions are considered and incorporated when developing new products (M-3.63, SD-1.19). Those polled somewhat concurred that the general public ideas and contributions are considered and incorporated when developing new products (3.41, SD-1.23). The respondents commented hesitantly as to whether the suppliers' ideas and contributions are considered and incorporated when developing new products (M-3.45, SD-0.72) while most were unsure as to whether the general public has a huge role in new product offering (3.35, SD-1.17). On average, multinational firms engage in stakeholder engagement but to a moderate extent as demonstrated by a grand mean of 3.37.

3.3.4 Risk assessment Strategy

The research investigated the extent to which the risk assessment strategy had been applied by the multinational banks operating in Kenya. The respondents were presented with various statements related to risk assessments and asked to rate in a Five –Point Likert Scale of 1- Strong Disagree, 2- Disagree, 3- Neutral, 4- Agree and 5- Strongly Agree. The results were as shown in Table 4.8 below

Table 4.8: Risk assessment Strategy

	N	Mean	Std. Deviation
Mobile banking services in our bank are reliable and secure	31	4.52	.68
In our bank, ATM terminals are continuously monitored to prevent down time	31	4.45	.51
There is real time automatic evaluation of the borrower.	31	4.19	.75
The bank has a system of monitoring adequacy of provisions for loan performance on monthly basis	31	4.10	.79
The bank reviews its liquidity on a continuous basis	31	3.94	.77
The bank caps external debt	31	3.90	1.11
The bank updates loan loss provisions on a regular basis	31	3.90	1.11
The bank observes liquidity at minimum statutory ratio	31	3.12	1.38
Average	**31**	**4.02**	**0.89**

Source: Researcher (2022)

From the findings, the respondents unanimously agree that mobile banking services in the bank are reliable and secure (M-4.52, SD-0.68). It was also evident that all the banks' ATM terminals are continuously monitored to prevent down time (M-4.45, SD-0.51). Additionally, the participants agree that there is real time automatic evaluation of the borrower (M-4.19, SD-0.75). The respondents also agree that the bank has a system of monitoring adequacy of provisions for loan performance on monthly basis (4.10, SD-0.79). It further emerged that the banks review their liquidity on a continuous basis (M-3.94, SD-0.77). The respondents also concurred that the bank caps external debt (M-3.90, SD-1.11) while most opine that their bank updates loan loss provisions on a regular basis (M-3.90, SD-1.11). Majority of the respondents were however uncertain as to whether the bank observes liquidity at minimum statutory ratio (M-3.12, SD-1.38). The overall mean of 4.02 confirms that the banks have robust risk assessment strategies in place.

4.4 Performance

Various performance metrics were evaluated in the study to gauge the excellence of multinational banks in the Kenyan market. Various parameters of performance measurement were presented to the respondents and asked to rate in a five-point Likert scale of 1- Strong Disagree, 2- Disagree, 3- Neutral, 4- Agree and 5- Strongly Agree. The findings were as shown below

Table 4.9 Performance

	N	Mean	Std. Deviation
There is reduced customer complaints in the bank	31	4.06	.51
There is increased number of referrals in the bank.	31	3.80	.94
The bank profitability has been increasing over the years	31	3.78	1.26
There is increased customer retention in the bank	31	3.77	1.38
The personnel are friendly and provide good customer service.	31	3.48	.76
Over time, there has been a rise in the number of new customers.	31	3.38	.76
Average	**31**	**3.71**	**0.94**

Source: Researcher (2022)

When various measures of performance were put to test, it emerged that multinational banks operating in Kenya have been somehow able to register good performance as shown by a grand mean of 3.71 on all the performance parameters tested. While some score highly such as reduced customer complaints in the bank (4.06, 0.51), increased number of referrals in the bank (M-3.80, SD-0.94), improvement of bank's profitability over time (M-3.78, SD-1.26) and increased customer retention in the bank (3.77, SD-1.38). Others such as the personnel are friendly and provide good customer service (M-3.48, SD-0.76) and over time, there has been a rise in the number of new customers (M-3.38, SD-0.76) attracted moderate responses.

4.5 Regression Analysis

A multiple linear regression analysis was performed to measure the relationship between new product development strategies and performance of multinational banks in Kenya. The outputs of the model summary, ANOVA and coefficients are outlined below.

Table 4.10 :Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.830[a]	.689	.642	.48873

a. Predictors: (Constant), market research strategy, capacity assessment strategy, stakeholders engagement strategy, risk assessment strategy

The model summary output above shows that new product development strategies have a strong relationship with performance (r=0.830). The coefficient of determination (R^2) 0.0.689 measures the degree to which new product development strategies explain the performance of multinational banks operating in Kenya. This can be translated to mean that 68.9 % of performance of multinational banks in Kenya is attributed to the new product development strategies precisely the four considered for this study. The remaining 31.1% variation in performance of the multinational banks is caused by other factors not considered in this study.

Table 4.11:ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.790	4	3.447	14.433	.000[b]
	Residual	6.210	26	.239		
	Total	20.000	30			

a. Dependent Variable: Organizational performance
b. Predictors: (Constant), market research strategy, capacity assessment strategy, stakeholders engagement strategy, risk assessment strategy

The ANOVA output shows the fitness of the model to statistically test the relationship between the dependent and independent variables. The output illustrated in Table … above show an F calculated value of 14.43 at a significance level of 0.000 which is <0.05. This shows that the model is statistically significant. The F Critical value 2.66 was lesser than the F calculated value confirming the significance of the model. This affirms that the model is statistically fit as an estimator of performance of multinational banks.

Table 4.12: Coefficients[a]

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.213	.568		2.134	.042
Market Research Strategy	.284	.072	.485	3.954	.001

Capacity assessment strategy	.412	.093	.589	4.421	.000
Stakeholder engagement strategy	.285	.108	.610	2.642	.014
Risk assessment strategy	.336	.093	.456	3.615	.001

a. Dependent Variable: Organizational performance

From the coefficients Table, the regression equation becomes;

$$\mathbf{Y = 1.213 + 0.284X_1 + 0.412X_2 + 0.285X_3 + 0.336\ X_4 + \varepsilon}$$

The equation is interpreted to mean that unit change in market research strategy cause 0.284 positive and statistically significant change in performance of multinational banks operating in Kenya (B=0.284, P=0.001). Additionally, a unit variation in capacity assessment strategy initiates a 0.412 positive and statistically significant change in performance multinational banks (B=0.412, P=0.000). On the other hand, a unit shift in stakeholder engagement strategy causes a 0.285 positive and statistically significant change in the performance of multinational banks while a unit change in risk assessment strategy drives a 0.336 positive and statistically significant impact the performance of multinational banks operating in Kenya

According to the findings, capacity assessment strategy causes the strongest effect on performance with a unit change in the capacity assessment strategy translating to 0.412 improvement in performance. The same variable also recorded the lowest p-value (0.000) meaning that it was the most statistically significant of all the other four variables. This was followed by the risk assessment strategy, with the findings indicating that a unit change in risk assessment causes a 0.336 improvement in performance, then stakeholder engagement where the findings indicate that a unit variation in stakeholder engagement strategy triggers a 0.285 improvement in performance while the market research strategy was found to cause the least effect on organizational performance contributing to 0.284 for every unit change.

4.6: Discussion of the Findings

The findings revealed that market research strategy has been largely deployed by the multinational banks in Kenya hence the banks engaged in market research to understand the customers' needs and participated in constant evaluation of the present products in cognizance of the changing customer and technological dynamics to develop new products and services. Such deliberations were arrived at through constant meetings and through analysis of the reports emanating from the bank's information systems to identify new market opportunities. The coefficient analysis showed that a change on market research strategy causes a positive and statistically significant impact on performance. These findings agree with Kimamancha (2017) who found that market research strategy is positively and statistically significant to new product development in commercial banks in Kenya in a study on the influence new market strategy on performance of commercial banks in Kenya and Kafigi (2015) who concluded in his study that research, both product and market development had a substantial impact on outreach performance.

The results on capacity assessment showed that measures have been put in place to strengthen the capacity of the bank through practices and procedures such as employing qualified staff and conducting frequent trainings and other staff development programs. Part of the capacity development procedures are ensuring real time evaluation of the borrower to mitigate risks and processing loans within the set time frames as well as integrating loan systems with mobile phones to facilitate loan transfer. The regression analysis findings showed that capacity assessment strategy has a positive and statistically significant effect on performance which concur with Wanyama and Mututso (2010) who documented that capacity assessment has a positive effect on organizational performance which is realized through increased employee productivity, satisfaction and motivation.

Stakeholder engagement findings show that the multinational banks engage various stakeholders through various arrangements and to different extents. First and foremost, the respondents appreciate that the customers play a huge role in new product offering. As such, customer ideas and contributions are considered and incorporated when developing new products. Other stakeholders such as the public and suppliers were considered to a moderate extent in decision making since their thoughts, opinions and interactions influence the performance of the bank. The findings also revealed that stakeholder engagement has a positive and statistically significant effect on performance which align with Kenyoru (2015) who in a study on effect of stakeholder engagement on organizational performance, found that stakeholder engagement has a positive and significant impact on firm performance in Kenya power and lighting company Eldoret branch hence it is important to involve stakeholders such as customers and employees in the decision-making process. The findings are also supported by the agency theory which states that multinational banks and in the banking industry in general, there exists several types of agency relation scenarios for example, Board of directors and the chief officers, financiers who provide credit facilities and the management boards of banks, various government agencies like Kenya Revenue Authority who collect taxes on behalf of government and the management board of banks among other agency relationships

Finally, the findings revealed that the banks have employed various strategies to secure the operations of the bank which include ensuring that the services are reliable and secure, continuously monitoring ATM terminals and undertaking real time evaluation of the borrower not forgetting the regular updating of bad loan provision. The positive and statistically significant relationship between risk assessment strategy and performance concur with Yahaya et al., (2015) who stated that risk assessment strategies have a positive impact on organizational performance hence banks should put in place sound risk management strategies to guide their operations and subsequently attain higher organizational performance

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter outlines a summary of findings, conclusions, recommendations and suggestion for further studies. The conclusions and recommendations are made based on the objectives of the study.

5.2 Summary of the Findings

The findings show that market research strategy has a positive and significant relationship on performance of multinational banks operating in Kenya (B=0.284, Sig-0.001). The respondents agreed that the banks do a lot of research to be able to develop their products, conducts regular meetings to discuss new business opportunities and that technology adoption has enabled the banks conduct research on new products with accuracy. To a moderate extent, the respondents confirmed that the banks offer services that match the taste of members' changing lifestyles meaning the banks should align the services more with customer needs for more uptake. Similarly, capacity assessment strategy was found to have a positive and statistically significant effect on performance of multinational banks in Kenya (B=0.412, Sig-0.000).

Additionally, stakeholder engagement causes a positive and statistically significant impact on the performance of multinational banks in Kenya (B=0.285, P=0.000). The findings showed that the respondents were uncertain whether the general public is involved in the identification and prioritization of their needs. Majority of the respondents indicated that suppliers to a moderate extent play a huge role in new product offering. Additionally, majority of those polled agreed to a moderate extent that the suppliers are involved in identification and prioritization of their needs The respondents attested that customers have a huge role in new product offering which has seen the customer’s ideas and contributions considered and incorporated when developing new products. The participants somewhat concurred that the general public ideas and contributions are considered and incorporated when developing new products.

Finally, the results indicated a positive but statistically significant relationship between risk assessment strategy and performance of multinational banks in Kenya (B=0.058, P=0.552). The respondents unanimously agree that mobile banking services in the bank are reliable and secure. It was also evident that all the bank’s, ATM terminals are continuously monitored to prevent down time. Additionally, the participants agreed that there is real time automatic evaluation of the borrower. The respondents also agreed that the banks have a system of monitoring adequacy of provisions for loan performance on monthly basis. It further emerged that the banks review their liquidity on a continuous basis. The respondents also concurred that the bank caps external debt while most opine that the bank updates loan loss provisions on a regular basis

The coefficient of determination (R^2) which measures the degree to which product development strategies explain the performance of multinational banks showed that 68.9 % of performance of multinational banks in Kenya are attributed to new development strategies. The findings further reveal that new product development strategies is statistically significant in predicting performance of multinational banks as demonstrated by the p value of 0.000 which is less than 0.05. The equation is interpreted to mean that unit change in market research strategy cause 0.284 positive and statistically significant change in performance of multinational banks operating in Kenya. Additionally, a unit variation in capacity assessment strategy initiates a 0.412 positive and statistically significant change in performance of multinational banks. On the other hand, a unit shift in stakeholder engagement strategy causes a 0.285 positive and statistically significant change in the performance of multinational banks while a unit change in risk assessment strategy drives a 0.336 positive and statistically significant impact the performance of multinational banks operating in Kenya.

5.3 Conclusions

The study concludes that multinational banks operating in Kenya consider the market research strategy as crucial in realization of performance. Through effective market research, the banks are able to establish new customer needs and develop new products that meet such needs. Such demands have been met through efficient deployment of new technologies and effective use of data to identify new opportunities and improve the quality of service delivery. The study however noted that the banks' services and products are yet to fully match the changing preferences of the customers.

On capacity assessment, the research concludes that the bank's employees are highly qualified and are constantly subjected to trainings to enhance their capacity to deliver although they remain inadequately staffed. This may have contributed to failure to fully meet the customer expectations. The banks are however making good efforts to process loans within the set time through measures such as integrating loan systems with the customer's mobile phones to facilitate money transfer.

The study further concludes that multinational banks have involved various stakeholders in its undertakings although gaps still exist. In as much as customers have a huge role in new product offering, the banks have not fully involved the customers in the identification and prioritization needs in new product development, although some notable efforts have been made. Uncertainty also ensued on whether the general public and suppliers are involved in new product development and prioritization which is not a good indicator of posterity.

The study noted that various risk assessment strategies are applied by multinational banks to mitigate the effect of risks and shocks. As part of the efforts to make sure that the bank's products are reliable and secure, the bank constantly monitors ATM terminals to prevent downtime and conducts real time evaluation of the borrower to avoid lending to borrowers with a bad credit reputation. Among other safeguards are capping external debt and reviewing liquidity on a continuous basis although liquidity is yet to be fully maintained at the minimum statutory ratio.

5.4 Recommendations

The study noted that the products of international banks do not fully match the needs and preferences of the market. Multinational companies should consider introducing products that are tailored for the low-end markets as most of the banks are established in towns hence targeting few customers with large transactions ignoring the many customers in other settings with multiple transactions. Expanding to the rural, unbanked areas may increase their revenues and enhance their impact on the society. Penetrating the market may include the use of CSR initiatives at the initial stages to market the banks products and promote the brand.

Multinational banks operating in the country should invest and hire more staff to ensure that the customers are attended to seamlessly and that operations such as loan processing are fast tracked. Some of the practical solutions include hiring more staff especially of Kenyan nationalities who understand the needs of the customers better and have the patience of Kenyan customers to ensure the uptake of the bank's products and hence sustainability. Capacity building programs may be taken outside the bank to sensitize the public about the bank's products through trade fares and exhibitions to publicize the bank's products.

Multinational banks should ensure more stakeholder engagement to ensure that their product offering aligns with the market demands. Engaging more stakeholders especially customers to a large extent, attracts some goodwill by itself as it creates a feeling of ownership and association with the brand which is key for success especially in the highly competitive and dynamic banking business.

The study recommends the use of risk detection systems and applications to prevent risks. Conducting frequent system audits with the help of experienced external audits may be appropriate in timely detection and arresting of risks since internal audit staff may sometimes conceal fraud leading to irreversible losses and consequences.

5.5 Limitations of the Study

This research employed the use of primary data and as a way of minimizing the possible outliers, the research used a structured questionnaire. This however posed a risk of biased data since the respondents were constrained on the information they would give. In this regard, the researcher made sure that the data collection tool permits full data gathering that readily fits study objectives.

Additionally, a number of respondents were unsure on whether to be part of this research. The researcher resolved this by getting permits and authorizations from the relevant authorities such as the university. More so, the researcher conducted the research with highest regard of the ethical consideration and lastly the research offered to issues the participants with the results of the study.

5.6 Suggestions for Further Studies

A similar study should be conducted incorporating all commercial banks in Kenya. Furthermore, in-depth research on new product development strategies should be undertaken adding more variables since 31.1% in the variation of performance of multinational banks remained unexplained. A similar study should be considered in other contexts such as the insurance sector, dairy sector, textile sector and pharmaceutical sectors to validate the findings. Future studies should also consider secondary data or other techniques of analysis such as factor analysis, content analysis or data envelopment analysis.

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APPENDICES

Appendix I: Research Questionnaire

This questionnaire has been structured to collect information on the effect of new product development strategies on performance of multinational banks in Kenya. Please read the questions carefully and respond to the best of your understanding. The facts gathered will purely be used for academic purposes

Instructions

Do not indicate your name on the questionnaire.

Tick only one answer (box) for each question.

<u>Section A: Demographic Information</u>

1. How long have you worked in your current position in this organization?

(a) Less than 5years ( )

(b) 6 to 10years ( )

(c) 11 to 15years ( )

(d) Over 15years ( )

2. Please indicate your gender:

(a) Male ( ) (b) Female ( )

3. What is your highest level of education?

(a) Diploma ( ) (c) Bachelor's degree ( )

(b) Master's degree ( ) (c) PhD ( )

5. Please indicate your age bracket:

(a) Less than 30years ( ) (b) 31 - 35years ( )

(c) 36 – 40years ( ) (d) 41-45 years ( )

(e) 46-50 years ( ) (f) Above 50 years ( )

<u>Section B: New Product Development Strategies</u>

Market Research Strategies

Indicate your level of agreement with the following statements by ticking at the appropriate box. Use the rating criteria: *1. Strongly Disagree (SD), 2. Disagree (D), 3. Neutral (N), 4. Agree (A), 5. Strongly Agree (SA)*

Statements	**1**	**2**	**3**	**4**	**5**
The bank does a lot of research to be able to develop our products					
The bank regularly evaluates its current products and systematically studies potential new products					
Technology adoption has enabled the bank conduct research on new products with accuracy					
The bank products are offered after a thorough market research to establish customers' needs.					
Our bank offers services that match the taste of members' changing lifestyles					
Our bank uses technology to increase efficiency and improve quality of service offered to customers.					
Reports produced by the bank's information system are analyzed to identify new opportunities					
The bank continually conducts research on new products to expand to					
The bank conducts regular meetings to discuss new business opportunities					

Capacity Assessment Strategies

Indicate your level of agreement with the following statements by ticking at the appropriate box. Use the rating criteria: *1. Strongly Disagree (SD), 2. Disagree (D), 3. Neutral (N), 4. Agree (A), 5. Strongly Agree (SA)*

Statements	1	2	3	4	5
The bank is adequately staffed					
Employees in the bank are qualified					
Employees in the bank are subjected to periodic trainings with aim of staff development					
Employees in the bank do meet the expectations of customers					
Customer loans are processed within set time frames					
Loan systems have been integrated with members' mobile phones to facilitate money transfer.					
There is real time automatic evaluation of the borrower.					

Stakeholders' Engagement Strategies

Indicate your level of agreement with the following statements by ticking at the appropriate box. Use the rating criteria: *1. Strongly Disagree (SD), 2. Disagree (D), 3. Neutral (N), 4. Agree (A), 5. Strongly Agree (SA)*

Statements	1	2	3	4	5
The customers are involved in identification and prioritization of their needs					
The customers ideas and contributions are considered and incorporated when developing new products					
Customers have a huge role in new product offering					
The suppliers are involved in identification and prioritization of their needs					
The suppliers ideas and contributions are considered and incorporated when developing new products					

Suppliers have a huge role in new product offering					
The general public are involved in identification and prioritization of their needs					
The general public ideas and contributions are considered and incorporated when developing new products					
General public has a huge role in new product offering					

Risk Assessment Strategies

Indicate your level of agreement with the following statements by ticking at the appropriate box. Use the rating criteria: *1. Strongly Disagree (SD), 2. Disagree (D), 3. Neutral (N), 4. Agree (A), 5. Strongly Agree (SA)*

Statements	**1**	**2**	**3**	**4**	**5**
The bank observes liquidity at minimum statutory ratio					
The bank caps external debt					
The bank reviews its liquidity on a continuous basis					
Mobile banking services in our bank are reliable and secure					
In our bank, ATM terminals are continuously monitored to prevent down time					
The bank has a system of monitoring adequacy of provisions for loan performance on monthly basis					
There is real time automatic evaluation of the borrower.					
The bank updates loan loss provisions on a regular basis					

Section C: Organization Performance

Tick the suitable box to signify your level of agreement with the following assertions. Use the rating criteria: *1. Strongly Disagree (SD), 2. Disagree (D), 3. Uncertain (U), 4. Agree (A), 5. Strongly Agree (SA)*

Statements	**1**	**2**	**3**	**4**	**5**
Over time, there has been a rise in the number of new customers.					
There is increased customer retention in the bank					
The bank profitability has been increasing over the years					
There is reduced customer complaints in the bank					
There is increased number of referrals in the bank.					
Workers are given opportunities for personal and professional development.					
The personnel are friendly and provide good customer service.					

THANK YOU VERY MUCH

Appendix II: Multinational Banks in Kenya

1. ABSA Bank
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Citibank
6. Dubai Islamic Bank
7. Ecobank
8. Guaranty Trust Bank
9. Habib Bank AG Zurich
10. HDFC Bank
11. Stanbic Holdings Plc
12. Standard Chartered Bank
13. State Bank of Mauritius
14. United Bank of Africa

Source: CBK (2022)