



VAASAN AMMATTIKORKEAKOULU
VASA YRKESHÖGSKOLA
UNIVERSITY OF APPLIED SCIENCES

Odotei Reuben

INNOVATIONS IN COMMERCIAL BANKING

(Case: Barclays Bank Ghana Limited and Nordea Bank-Finland)

Business Economics and Tourism

2012

TIIVISTELMÄ

Tekijä	Odotei Reuben
Opinnäytetyön nimi	Innovaatiot liikepankkeja
Vuosi	2012
Kieli	Englanti
Sivumäärä	52+ 3 liitettä
Ohjaaja	Nahan-Suomela Rosemeriany

Tämän opinnäytetyön tarkoituksena on identifioida sellaisia sekä rahatalouden että teknologian innovaatioita, jotka ovat auttaneet kehittämään pankkitoimintaa ja siten myötävaikuttaneet asiakkaiden tarpeiden kohtaamiseen ja asiakastytyväisyyteen. Opinnäytetyö identifioi kahden pankin, Barclay Bank Ghana ja Suomen Nordea-pankin, innovaatioita ja selvittää, kuinka ne ovat edistäneet pankkitoimintaa ja asiakastytyväisyyttä. Tämä tutkimus on tehty Vaasan ammattikorkeakoulun kansainvälisen liiketalouden koulutusohjelman lopputyönä. Opinnäytetyön johdannossa kuvataan innovaatioita palvelutarjonnan kontekstissa, sekä selvitetään, kuinka merkityksellisiä kyseiset innovaatiot ovat niin asiakkaan kuin organisaation näkökulmasta.

Opinnäytetyön teoria-osassa kuvataan yksityiskohtaisesti innovaatio-käsitettä sekä tarkastellaan innovaatioiden merkitystä. Teoria-osa kuvaa myös yksityiskohtaisesti innovaatioiden eri dimensioita samoin kuin innovaatioprosessiakin. Lisäksi identifioidaan niitä innovaatioita, jotka ovat luonteeltaan niin teknologiaan kuin rahatalouteen kuuluvia, sekä tarkastellaan tekijöitä, joita organisaatioiden tulee huomioida innovaatioiden suhteen. Opinnäytetyön empiirisessä osassa keskitytään edellämainittujen pankkien innovaatioiden identifioimiseen, sekä siihen, miten kyseiset innovaatiot ovat edesauttaneet pankkitoimintaa ja asiakkaiden tarpeiden kohtaamista. Empiirinen osa keskittyy erityisesti Barclay Bank Ghana-pankin asiakkaisiin tunnistuen sellaisia innovaatioita, jotka ovat myötävaikuttaneet asiakkaiden tarpeiden kohtaamiseen. Empiirisessä osassa käsitellään myös joitain asiakkaiden kohtaamia ongelmia, sekä esitellään suositeltavia ongelmaratkaisumalleja Barclay Bank Ghana-pankille.

Tutkimustuloksina identifioidaan tiettyjä innovaatioita ja selvitetään, kuinka nämä ovat myötävaikuttaneet niin pankkitoiminnan kehittymiseen kuin asiakastytyväisyyteen. Jotkut näistä innovaatioista ovat edesauttaneet pankeja tarjoamaan laadukkaita tuotteita ja palveluja asiakkailleen, sekä auttaneet lisäämään tuottavuutta. Innovaatioiden tuloksena on pankkitoiminnasta tullut asiakkaille nopeaa, edullista ja tarkoituksenmukaista.

ABSTRACT

Author	Odotei Reuben
Title	Innovations in Commercial Banking
Year	2012
Language	English
Pages	52+ 3 Appendices
Name of Supervisor	Nahan-Suomela Rosemeriany

The purpose of this thesis is to identify certain innovations which are both technological and financial in nature which have helped improved banking and hence contributing to meeting customer needs and customer satisfaction. This thesis will also identify innovations in two major banks: Barclays Bank Ghana and Nordea Bank Finland and how these innovations have contributed to improving banking and customer satisfaction.

As an introduction, the thesis describes innovation in context to the provision of services and how important these innovations are to both the customers and the organizations. In the theoretical part of the thesis, the concept of innovation is described into details and some importance of innovations is also stated. The theoretical part of the thesis also describes into details dimensions of innovation and also describes the process of innovation into details. In addition the theoretical part of the thesis identifies certain innovations which are both financial and technological in nature and also some factors organizations have to consider as far as innovations are concern. The theoretical part of the thesis describes service quality as part of the thesis process.

The empirical part focuses on identifying certain innovations in both banks and how these have contributed to improving banking and meeting customer needs. Also the empirical part focuses on the customers of Barclays Bank Ghana identifying certain innovations and the quality of these innovations and how these have contributed to meeting their needs. The empirical part of the thesis identifies some problems customers face and how these problems would be tackled as recommendations to Barclays Bank Ghana. The innovations identifies how the banks make changes in the products and services delivered, changes in the ways in which these products and services are delivered and finally changes in the context in which the products and services are delivered.

The results of the research identify certain innovations and how these have contributed to improving banking and customer satisfaction. Some of these innovations have helped banks provide quality products and services to customers and also increase profitability. On the part of the customers innovations have resulted in making banking affordable, fast, cheap and convenient to all customers.

ACKNOWLEDGEMENT

I would not have gotten this far without the divine support of the almighty God the creator of the universe. I will also like to thank my parents Mr. and Mrs. Odoi for being there each anytime I needed them. I will also like to thank my supervisor Nahan-Suomela Rosemeriany for her constructive criticism and advice during my thesis process.

My appreciation also goes to Stefan Gronholm of Nordea Bank, Vaasa and Cyril Nai, Emmanuel Mensah, Millicent Quainoo and Gifty Effeh Nyarko all of the Corporate Affairs Branch of Barclays Bank Ghana Limited who were interviewed for the empirical part.

Finally my appreciation goes to Dr. Adebayor Agbejule of Vaasa University of Applied Sciences for being my counselor throughout my studies.

CONTENTS

TIIVISTELMÄ

ABSTRACT

1	INTRODUCTION	1
1.1	Background of the Study	1
1.2	Research Problem and Objectives	6
1.3	Theoretical and Empirical Framework	7
1.3.1	Limitations of the study	8
1.3.2	Structure of the thesis.....	9
2	REVIEW OF RELATED LITERATURE.....	10
2.1	Concept of innovation.....	10
2.1.1	Dimensions of Innovation Space	12
2.2	Service Delivery and service quality in innovation	16
2.3	The principles of innovation in service industry.....	19
2.3.1	Factors that influence innovation in Banking Service	21
3	INNOVATIONS IN BANKING	25
3.1	History of Innovations in Banking in Ghana	25
3.2	Technological Innovation in Banking.....	26
3.3	Financial innovation in Banking.....	27
3.3.1	Forms of Innovations in Banking.....	28
4	RESEARCH METHODS	31
4.1	Qualitative and Quantitative Research.....	31
4.2	The research design.....	32
4.3	Validity and Reliability	33
4.3.1	Collection of Data	33
5	EMPIRICAL FINDINGS AND RESULTS	35
5.1	Findings from Staff	35
5.2	Findings from Customers.....	43
6	CONCLUSIONS AND SUGGESTION	47
6.1	Summarizing the main issues.....	47
6.2	Recommendation	49
6.3	Suggestions for future research.....	50

REFERENCES

APPENDICES

FIGURE INDEX

Figure 1. The four dimensions of innovation space	p.12
Figure 2. Dimensions of innovation	p.12
Figure 3. Knowledge of bank`s new product	p.43
Figure 4. Type of service	p.44
Figure 5. Waiting in long queues	p.45
Figure 6. Internet access	p.46

LIST OF APPENDICES

APPENDIX 1. Questionnaire for Customers of Barclays Bank Ghana Limited

APPENDIX 2. Interview Questions for Barclays Bank Ghana Staff

APPENDIX 3. Interview questions for Nordea Bank Staff

1 INTRODUCTION

1.1 Background of the Study

In the delivery of service, banks need to innovate in order to meet the demands of numerous customers being both corporate and private customers. The main focus of the thesis will be innovations and how these innovations have helped improved banking and hence customer satisfaction. This thesis will identify major innovations which are both financial and technological in nature and how these innovations have improved banking and customer satisfaction. The thesis will also identify the benefits of innovation from the customers' perspective and also that of the firm's perspective.

In the theoretical framework, the thesis will identify certain dimensions of innovation and also quality as part of the innovation process. The four main dimensions of innovation space used to explore innovation opportunities include: product, process, position and paradigm of which the thesis will focus on three being product, process and position. Product involves the changes the bank makes in the delivery of products and services, Position also involves banks focusing on changes in the context in which these products and services are delivered. Finally, process involves changes in the ways in which the products and services are delivered to customers. For example banks introducing banking products and services targeting key segments such as students and retired people can be seen as position in the dimension of innovation space. Also improved range of banking services delivered at a branch is an example of process in the innovation space.

In addition the theoretical study of the thesis focuses on the fact that innovation being a continuous process and how innovation is perceived. The process being incremental where the impact of the new and highly differentiated product is perceived. Also transformation involves redefining the ways customers think and ar-

chitectural being reconfiguring the existing components of the new differentiated product.

In addition the theoretical part of the thesis will also focus on quality as part of the innovation process. As the firm innovates there is therefore the need for the firm to perceive quality as part of the innovation process. Quality must be seen from the customer's point of view not the company's point of view. The firm can reap the benefits such as: customer satisfaction, customer attraction and retention, service guarantee, higher profitability and competitive capabilities of innovation when quality is considered in the innovation process. The empirical study of the thesis will also focus on quality of these innovations from the customers' perspective since quality is based on the customers' perspective and not that of the banks.

In the empirical study of the thesis, certain innovations of both Nordea Bank and Barclays Bank Ghana are identified. The innovations identified will help identify the how the banks take the main dimensions discussed in the empirical part into consideration. Some of these innovations identified include Automated Teller Machines which can be seen as changes in the ways in which services such as cash withdrawal, account balance and other services are delivered to the customers. Customers do not have to go to the bank to make such enquiries but can do these through any Automated Teller Machine across the countries these banks are located. Customers can also perform these transactions and other similar ones through the Telephone Banking at their own convenient time. All these innovations are seen to be changes the banks make in the ways in which the products and services are offered to customers.

In addition the introduction of some accounts such as: Olympic account, Bank insurance and Hajj account by Barclays Bank Ghana are all seen to be changes in the context in which savings accounts and current accounts are delivered to the customers. These accounts are targeted at a particular group of customers which will help meet their needs.

Furthermore other innovations which were identified in the empirical part include: internet banking, mobile banking, electronic statement, SMS alert all focusing on the three main dimensions of innovation treated in the theoretical part of the thesis. All these innovation enable customers to perform major banking transactions such as payments, withdrawals, account balance and other enquiries at any convenient time which makes banking services fast, safe, convenient and affordable to all customers. These innovations help the banks to deliver banking services effectively and efficiently to the customers.

Organizations in the service industry dominate many major economies of the world and continue to expand operations through innovation. Service organizations are continually changing in response to the challenges and opportunities presented by globalization, technology and competition. The management and improvement of quality of service is therefore a major factor of success in service organizations. (Alison M. 2002)

Innovation is to exploit new ideas which lead to create new products, services or process. In innovation, it is not only the creating of new products or delivery of new services but also bringing these products and services into the market and exploiting them in ways that lead to offering new products, services or systems that add value and also improve quality. Innovation in the service industry also involves a change in the services provided which will help improve the benefit to the customer. Innovation in the provision of services will contribute to adding value and hence to improve quality of products and services that will ensure the safety, convenience and contributing to the needs of customers.

As a firm in the service industry, gaining a competitive edge lies in the ability to acquire, absorb and apply new changes in customers' frustrations, priorities, services offered by competitors and the technologies available to support service delivery. The change involves the service or product itself which involves redesigning the service or product to meet customer needs more effectively and efficiently. This will help the firm to create, increase and maintain market share which will lead to higher profitability and growth.

In addition to the above, research suggests that there is a stronger correlation between market performance and new and improved products. Firms in the service industry who innovate help capture and retain market shares and this contributes to higher profits in these markets. Also, innovation is very important due to the fact that customer needs and preferences are subject to change and therefore the need for firms to redesign their products and services to meet the needs of all customers. Moreover, competitors may introduce new products which can be a major threat to the position of the firm a certain market which leads to the need to act as quickly as possible through innovation. As a result Innovation is seen as the most important characteristic which is associated with success of all organizations.

Similarly, being able to offer better products or services which are faster, cheaper and of high quality have been seen as a major source of a firm to gain competitive advantage. For example, the introduction of Automated Teller Machines by most commercial banks has helped developed a strong market position. (Tidd & Besant, 2009).

Financial institutions and the services they offer to both private and corporate customers are concerned with their finances. Financial services are said to be services which are specifically directed to the intangible fixed assets of both individuals and organizations. These services include: insurance, stock trading, asset management, credit cards, foreign exchange, trade finance, savings and venture capital. All these services are designed in order to meet customer needs. For this to be achieved there is the need for financial institutions to invest in innovation. (Ennew T and Waite N, 2007).

Development of financial institutions is inextricably linked to economic growth. A country's banking industry has to grow in as the level of growth of these institutions also contributes to the economic growth. The role of the banking industry as one of the major service providers is to facilitate production, employment and consumption (Cecchetti, 2008).

Innovations in information processing, telecommunications and related technologies known also known collectively as information technology (IT), are normally seen in most economics and contribute to strong economic growth. It is obvious that innovation affects not just banking and financial services but also play a significant role in the direction of every economy and its capacity for continued growth. (www.jstor.org/pss)

For the financial sector to make contributions into the economy, it depends on the quality and quantity of products and services it provides to customers. Banks looking to restore customer confidence will need to focus on products most relevant to current customer needs. However, in a time of increased regulatory reform and mounting cost pressures, banks are being challenged to innovate in creative, yet cost-effective ways. The key for banks is not only to spend money on developing new products, they should also spend time on redesigning tools and existing products to address consumers' most basic financial needs.

Most commercial banks in Ghana have contributed to the development of the economy through innovations in the industry. Earlier, the Banking industry was characterized by poor products and services to customers. Some of these shortcomings include: queuing system at the banking premises, inefficiency of some Automated Teller Machines (ATMs), poor network and others. Although these problems have been reduced, there is still more room for improvement. Most branches of banks are choked with customers in queues who wait for several hours before they are served.

This study is on behalf of and in cooperation with Barclays Bank Ghana Limited, which is a major leader in the banking industry in Ghana and Nordea Bank Finland, which is also a leader in the same industry in Finland. These banks offer banking products and services such as: cash management, investment management, stock markets, treasury services, insurance and other services to numerous customers. The study will focus on major innovations in banking services that have helped improve banking and customer satisfaction. The innovations identified will focus on how the banks have made changes in the products and services,

changes in the ways in which these products and services are delivered and also the context in which these products and services are delivered. All these focusing on the dimensions of innovation space. In addition, the innovations identified will be seen as a continuous process which is focused on how the customers perceive the extent of change. The innovations identified will focus on the impact the new and highly differentiated products and services have on customers, redefining the ways customers think and reconfiguring existing products and services all aiming at meeting the needs of customers.

The study will also identify some major banking innovations of Nordea Bank Finland, which, when adopted by Barclays Bank Ghana, will help improve banking and hence contribute to better banking service and customer satisfaction.

This thesis focuses on how certain innovations, new products and improvement of already existing products and services help develop commercial banking in Ghana. The Research topic is “How innovations can help develop commercial banking in Ghana, and a case study of Barclays Bank Ghana Limited”.

1.2 Research Problem and Objectives

The study will focus on two banks in the different countries, Nordea Bank Finland and Barclays Bank, Ghana and identify certain innovative products, which have helped developed banking and customer satisfaction.

The main problem of the research is how innovations can help develop commercial banking in Ghana. In this research, certain innovative products will be identified and how these have contributed to the development of banking and customer satisfaction will be studied. In this research the contributions existing innovative products have made to the banking industry in Ghana will be examined.

By identifying these innovative products which are both financial and technological in both banks some recommendations and suggestions will be given to Barclays Bank Ghana on certain innovations of Nordea Bank Finland that, when revised and implemented, will help improve banking and hence customer satisfac-

tion. Suggestions will also be made on how to improve upon already existing innovation all aiming at contributing to improving commercial banking and customer satisfaction.

1.3 Theoretical and Empirical Framework

The theoretical study of the thesis will discuss certain innovations in banking. These innovations which are both financial and technological have helped improved upon the banking products and services offered to customers. The theoretical framework of the thesis will focus on innovations in especially in the banking industry and the significances of these innovations and how they can help contribute to improvement in banking products and services.

The theoretical framework will also name certain major principles to be considered before a service industry can innovate of which some include: knowledge of customers and others. In addition, the theoretical framework will give readers information on some internal and external factors that influence innovation in the banking industry. The concept of innovation, especially in the banking industry, will also be considered in the theoretical part of the study and finally the dimensions of innovation are discussed.

These theories and concepts were chosen in order to connect and to investigate their outcomes in the theoretical part of the study. The empirical study will be connected to the theoretical framework and also some main concepts covered in the theoretical study will be examined in the empirical part of the whole study. For the connection of both the empirical and theoretical framework to be achieved, the concepts and theories in the theoretical study will then be investigated through the empirical study where quantitative and qualitative methods of data gathering will be used in studying. The empirical part of the study focuses on certain existing innovations in the banking industry and how these innovations have helped developed banking hence increasing customer satisfaction.

The main aim of this part is to know how the innovations implemented have helped developed banking and how improvements can be made to help develop banking mainly in Ghana.

The two main research methods which would be used to gather information include: quantitative and qualitative.

Quantitative research methodology seeks to quantify the data, and typically applies a form of statistical analysis. (Malhotra, 2007). Quantitative research looks to obtain a statistically reliable sampling of respondent. In this thesis, a set of questionnaires will be given to customers of Barclays Bank Ghana Limited which will aim at finding out some innovations customers are aware of and how these have helped improve customers' service and satisfaction.

In the qualitative research of this thesis, the background information that has been collected and investigated is from secondary sources. The secondary sources are from the internet, journals, articles and books. Also, information will be gathered from staff of both Barclays Bank Ghana and Nordea Bank Finland through in-depth interviews.

1.3.1 Limitations of the study

This thesis does not provide exact quantitative measurements. The outcome of the study does not represent the views of the entire customers of Barclays Bank Ghana since the respondents were selected from the Accra High Street Branch of the Bank. The fact that the study is concentrated on only customers from one branch of the bank limits the scope of the entire results.

Another major and an unavoidable limitation with the present study is its method of research. The in-depth comprehensive approach to information gathering of qualitative research limits the scope. The analyses made are mostly based on the individual perspective and judgment taking into consideration the information collected in the qualitative research.

1.3.2 Structure of the thesis

The thesis is divided into six chapters. Chapter one of the theses is about the general introduction to the study. This chapter is subdivided into: background of the study, research problem and objectives, theoretical and empirical framework and limitations of the study.

Chapter two discusses the review of related literature used for the thesis which will also give in-depth explanations of certain subjects such as: service delivery and service quality in innovation, the concept of innovation and the dimensions of innovation space, principles of innovation in the service industry and major factors that influence innovations in banking.

Chapter three of this thesis talks about innovations in banking which is subdivided into: history of innovations in banking in Ghana, technological and financial innovation and forms of innovation in banking.

Chapter four talks about research methodology and methods used which is subdivided into: research methods giving details of both qualitative and quantitative methods and reasons for the choice of the methods and reliability and validity of the methods.

Chapter five also talks about the empirical findings and results giving details of findings from staff of both Nordea Bank Finland and Barclays Bank Ghana.

The final chapter of the thesis discusses findings, analysis, recommendations and suggestions for future research.

2 REVIEW OF RELATED LITERATURE

2.1 Concept of innovation

Innovation in services can be defined as to exploit new ideas which lead to the creation of new product, process or service. (www.paggu.com). It is not just the creation of a new idea that is important, but it is actually “bringing it to market”, putting into practice and exploiting it in a manner that leads to new products, services or systems that add value or improve quality. It possibly involves technological transformation and management restructuring. Innovation also means exploiting new technology and employing out-of-the-box thinking to generate new value and to bring about significant changes in society.

Innovation in banking focuses on mainly technology which will help improve banking and the offer of better banking products and services to which will improve customer satisfaction.

In the current day economic scenario, innovativeness has become a major factor in influencing strategic planning. Banks looking to restore consumer confidence will need to focus on products most relevant to current customer needs. However, in a time of increased regulatory reform and mounting cost pressures, banks are being challenged to innovate in creative, yet cost-effective ways. The key for banks is not only to spend money on developing new products, rather spend time on redesigning tools and existing products to address consumers’ most basic financial needs.

Banks achieve competitive advantage through acts of innovation. They approach innovation in its broadest sense, including both new technologies and new ways of doing things. Innovation is driven by the ability to see connections, to spot opportunities and to take advantage of them. Innovation is not just about offering new products or services but can also be offering new ways of serving established and mature ones. (Tidd & Bessant, 2009).

Most financial institutions today and other companies in the service industry focus on new and improved products focused on the needs of customers. Companies

who provide services to their numerous customers are to offer new and improved ways of providing services to their customers. Most products of banking industries should be focused on key factors such as: safety, quicker and affordability to all customers.

Banks looking to restore consumer confidence will have to focus on products and services which are most relevant to current customer needs. However, in time of increased regulatory reform and mounting cost pressures, banks are being challenged to innovate in creative but cost effective ways. The key for banks is not only to spend money on developing new products but also spend time on redesigning tools and existing products and services to address consumers' most basic financial needs.

Innovation in the banking industry involves changes the company makes in the products and services offered to customers, changes the bank makes in the ways in which these products and services are delivered to customers and finally changes in the context in which these products and services are delivered. Innovation in banking can also be seen as a continuous process which involves reconfiguring existing products and services to meet customers' needs. All these may intend affects the ways customers think about the product or services delivered.

The next sub topic will give readers details of how innovation should be tackled in service organizations in order to reap the full benefits of innovation. This involves the dimensions innovation of innovation and educates readers on the changes and how these changes contribute to the improvement in banking services. The changes also contributes to meeting customer needs and customer satisfaction.

2.1.1 Dimensions of Innovation Space

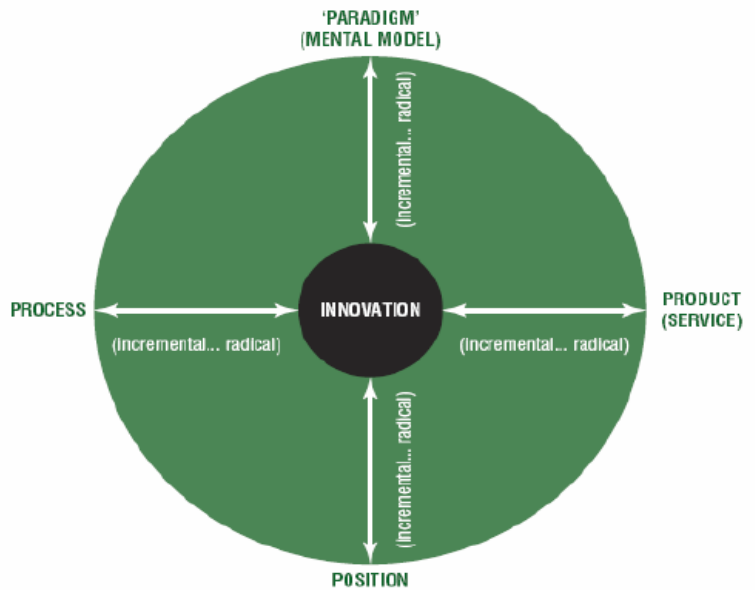


Figure 1. The four dimensions of innovation space. (Tidd and Bessant, 2009).

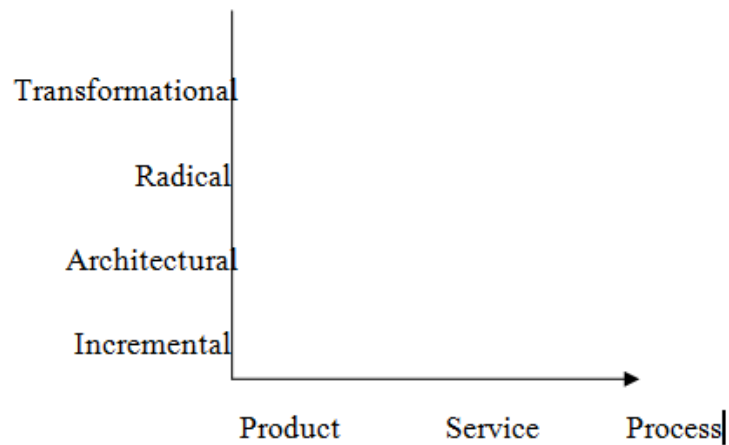


Figure 2. Dimensions of innovation. (Alison M.2002).

In *figure 1*, the concept was developed by Finnegan's Fish Bar and it focused on how the product, position, process and paradigm innovation. This shows how this approach can be used to explore opportunities for innovation in business.

Product innovation talks about changes in the products and services that organizations offer to customers.

Process also talks about changes in the ways in which these products and services are created and delivered to all customers.

In addition, position also highlights on the changes in the context in which the products and services are introduced.

Finally, paradigm focuses on the changes in the underlying mental models which frame what the organization does.

In *figure 2*, the vertical axis, the perceived or scope of change in the offering of products and services to customers as a result of innovation can be positioned on a continuum running from small step continuous innovation of which are normally associated with the process through to transformational innovations which talk about the change innovation brings to customers. Architectural is also talks about novel reconfigurations of existing components and radical innovations redefines the way customers think and use the product. Incremental is usually about the changes or impact a new product or highly differentiated product has on customers.

On the horizontal axis, the continuum relates to whether the change impacts on the products and services the organization offers or the way in which these products and services are created and delivered to customers. Alison M.2002

Innovation is said to be a process, hence organizations focus should be on output of the whole process involved in innovation. It is appropriate for Banks to know the ways to create something different and capture value from bringing those ideas to the customers and potential customers. Also organizations in the service industry have to focus on ways of spotting where and how new products can be created and offered to customers. Also these organizations have to identify new ways of serving established and matured products (Tidd and Bessant, 2009).The products offered should focus on affordability, safety, convenience, fast and reliability

to both customers and potential customers. In the service industry, innovation should be focused on three major dimensions which include: product, process and position. All these innovations should be focused on improving upon banking and hence customer satisfaction. For these to be achieved, banks need to focus on two major factors: Incremental and Radical. Radical factors involve the banks doing something different from what customers are used to. Banks need to offer new products to customers who will make banking convenient, safe and very quick. Incremental factors involve the bank offering already existing services to customers in better ways.

Product involves changes in the products and services these organizations offer to all customers. For banks to improve on the products and services to customers there is the need for them to make changes to these for them to focus on two major factors. That is to focus on incremental factors that is to do what they offer better and also radical is to offer something different from what they offer to customers.

Also process involves changes in the ways in which these products and services are created. As part of offering better what financial institutions offer to numerous customers, they can improve the range of banking services they offer to numerous customers at a particular branch. For example banks can offer higher interest on savings account on all customers who operate savings account with the bank. Also, banks can offer free charges on customers who withdraw money through the Automated Teller Machines (ATMs). Most financial institutions today have adopted this style of free ATM service to all customers. Also the introduction of mobile phone banking has really made banking fast to all customers. Customers can access their account anytime and sometimes get free messages on their mobile phones on all transitions. All these are part of the changes financial institutions have made in the ways in which their products and services are delivered to customers.

In addition, position involves changes financial institutions make in context to how products and services are introduced to the customers. Also these should be

focused on both radical and incremental factors. Most banks now offer services targeted at students, retired people, groups and others. As part of doing something new, banks have introduced microfinance which gives credit to small and medium scale enterprises.

The key to building a competitive advantage in the financial sector is for companies in the financial industry to deliver high quality services that meets the needs and expectations of both private and corporate customers. Central to any approach to building and maintaining good customer relationships is for management to make quality service available to customers in order to minimize the risks of service failure. Moreover, because it is difficult for financial service providers to gain sustainable competitive edge just by offering new products or new products features but these new products and product features must increasingly be focused on quality so that these products will be difficult to copy by other organizations providing similar service. Research suggests that high level of product quality will lead to high level of customer satisfaction and hence increase loyalty. (Ennew T & Waite N, 311).

New and improved products that meet the needs and expectations of customers are to be delivered to them. These can only achieved through innovation and creativity. Financial service providers need to invest into research and development which will help contribute to creativity and hence delivery of quality products to customers.

Before financial institutions consider the idea of innovations, there is the need to consider certain basic and important factors. In the provision of banking service, the approach should be focused on the product, position and process which will be useful to explore opportunities for innovation in the bank. The extent of innovation should be continuous and should be focused on the needs of customers. Innovation should be focused on the ways customers think and should be different from existing products and services. Banks also need to reconfigure the existing components all focusing on meeting the needs of customers and customer satisfaction.

In addition, the changes should be focused on the three main issues: the product that is changes in the products and services, the process in which the products and services are offered and position focused on changes in the context in which these products and services are delivered.

Also, as the organization goes through this approach, there is the need to consider some major principles that will enhance the innovation process. The basic one is since innovation is focused on the needs of customers, it will then be appropriate for the organization to know the customers. This can be done through information and personal feedback from customers. Any new and improved product the organization offers should be based on the perspective of customers as a result of the information gathered. Also the product or service should be focused on which needs of customers to be satisfied. For example the introduction of Automated Teller Machine focused on cash availability at any convenient time of the customer.

Furthermore, innovation should be based on a strategy that will help the organization to gain competitive advantage. The innovation should be unique from that of competitors of which this will help the organization gain competitive advantage.

In the delivery of products and services by banks to customers, there is the need for the banks to consider the idea of quality in the innovation process. The full benefits of innovation cannot be achieved without quality of innovative product; the next sub-topic will educate readers on the idea of service quality in the innovation process.

2.2 Service Delivery and service quality in innovation

In the provision of service, the quality of service is the integrating factor between the organization and both internal and external customers. Delivery of quality service is a measure of how an organization manages processes and whether these processes and service delivery meet the needs of customers. In every service organization both employee attitudes and organizational antecedents affect the delivery of service and hence service quality has been seen as a factor that leads to

customer responses and future outcomes of the organization such as profitability and accountability. (Alison M.2002)

Innovation and quality are connected in the provision of financial services. Organizations which provide banking service must always consider quality as part of the innovation process.

In the provision of financial service, service quality is an important factor which must be consider due to its significant relationship to cost. Some benefits of providing quality service include: customer retention, higher profitability, customer satisfaction, service guarantee and competitive capabilities. Also provision of quality service has also been recognized as a major driver of corporate markets as well as financial performance. Service quality has been recognized as having a potential to deliver strategic benefits such as an improvement in customer retention rates. Service quality also enhances operational efficiency and profitability. (Nassar M.2008).

In the delivery of service, the quality of service affects customer satisfaction. Service quality is defined in conformance to customer specifications and requirements. It is the customers' definition of quality that matters not that of management. Another recent study shows that service quality inputs in customer satisfaction which in turn affects the financial performance of banks.

The quality of service delivered in financial service is very important. Every new and improved product must meet customers' perception of the quality of service to be provided. Quality in the provision of service is a major source of competitive edge hence innovation cannot be fully beneficial to the provision of service without considering the quality of the new or improved product or service.

Quality contributes to higher level of profitability since this increases customer satisfaction and loyalty. Organizations must therefore pay particular attention to how they manage delivery of service and also ensure that customers experience high quality of service.

In the delivery of service, quality is based on the perception of the customer on what is delivered. The quality of every new and improved product can only be determined by the customer, which means that when these services meet customer needs and satisfaction, the service can be classified of good quality. Basically the customer compares the service that is expected to be delivered and the actual service delivered to measure the quality of service provided to them. (Ennew T & Waite N, 311).

Organizations that provide service must always consider the idea of customers' quality of the product before its introduction and implementation. Before a new product or service is offered, there is the need for the organization to consider how customers define quality as far as that product is concerned. Quality in financial service is based on convenience, affordability and safety of every product. For example in the case of Automated Teller Machines, institutions should mount the machines at vantage points with enough cash for customers to withdraw. All these are the ways customers' measure the quality of every innovative product delivered.

In the delivery of service, as the bank makes changes in the products and services offered to customers, there is the need for the banks to consider the idea of service quality to the customers. The new products and services offered to the numerous customers should be of higher quality with added value than already existing products. When the bank makes changes to the products and services offered to customers, there should be added benefits that come with the products and services, with these customers will consider these products and services as quality.

Furthermore as the bank makes changes in the ways in which products and services are being delivered, there is also the need for the bank to consider the idea of quality in the delivery process. For example with the introduction of Automated Teller Machines which enable customers to withdraw cash on any visa branded ATM, there is the need for the bank to put enough cash into the machines. Also the machines should work effectively without faults which will create problems to all

customers; all these and other important factors are what customers consider as delivery of quality service in the banking industry.

The thesis will use will use the dimensions in innovation and also the four dimensions of innovation space in the empirical part of the study. The empirical study identifies certain innovations in Barclays Bank Ghana and also Nordea Bank Finland focusing on changes in the products and services, changes in the ways in which these products and services are delivered and the context in which the products and services are introduced. The empirical study will also focus on the quality of these products and services based on some responses from the customers. The empirical part will also show these innovations as a continuous process which redefines the ways customers think and the impact innovation has on customers. These two main theories will be used in the empirical part of the thesis.

2.3 The principles of innovation in service industry

For financial industries to cultivate the full benefits of innovation which include: customer value, retention of customers, higher profitability and others which will help in the success process of the organization, there are certain basic principles these companies need to follow. Some of these benefits include:

Know your customers: The most important principle as far as innovation is concern is for organizations in the service industry to know their customers and their needs. Before the introduction of any new product or improving upon an already existing product, there is the need to know what customers need and be sure that the impending product or service will meet the needs of customers. However in the provision of banking services, innovation does not necessarily require one to know customers but also focus on the aims of the organization.

Determine which need of customers will be satisfied: Also before innovation, bankers need to know which needs of customers that particular innovation will solve. For example the provision of mobile banking and sms alert makes customers aware of major transactions in their account without going to the banking hall for such enquiries. However, it must be clear that in the provision of banking ser-

vices, organizations cannot meet all the needs of all its customers': therefore innovation must aim at focusing on few needs of customers' which will help make reasonable profits.

Develop a strategy and position it for competitive advantage: One of the major reasons why organizations which provide services innovative are competitive advantage. Before innovation, organizations must consider how they can differentiate their services from that of their competitors and on the basis of benefits such: speed, personalized service, convenience, accessibility, prestige and long lasting effects in such a way that they can give value to all customers. The service should be positioned in order to give a unique place in customers' minds relative to that of competitors.

Innovative the service process from the customers' perspective: In the innovation process, once the right innovation is chosen, another important aspect is the development of the process. Because services are basically process. The design of the process must be given a particular attention. Since customers are the recipient of the service, in innovation, the process design must be from the perspective of the customers.

Design back room operations to support front room operations: Most services in commercial banking are conducted in the main banking hall; therefore there is the need to consider backups during the innovation process. In the banking hall where the customers are served, that is where the opinions of customers are formed. However, in innovation, everything done in the back rooms have an adverse effect on the front room where customers are served and hence the satisfaction of customers. Organizations that provide services must therefore designed products and services to support front room operations where customers' are served.

Determine the extent of participation and contact of customers: Customers involvement in the delivery of products and services create challenges to the organization. In the provision of service, the extent of customer contact and participation depends on the nature of service. When organizations want less customer involvement in the service delivery process, there is the need to consider automation

of most aspects of the service. Also in the automation process, customers are not to spend several minutes or time before being serve. (Haksever C.*et al* 190).

2.3.1 Factors that influence innovation in Banking Service

There are several factors that have both negative and positive influence on innovations in firms. Before a firm comes out with any innovation, the firm gathers ideas from both internal and external which may have an adverse effect on the quality of innovation in the company. Some major internal factors include:

Organizational size, strategy and structure: This is one of the major influences of innovation within the organization. The size of the organization of the organization is positively related to innovation within the organization. The larger the organization the greater the level of innovation. However, the size of the organization, and the stage of adoption normally moderates this relationship. Also the size of the organization is associated with both technical and administrative innovativeness. Furthermore, large service firms are normally involved in both technical and innovative alliances than small firms hence the greater the innovation in large firms. However both large and small firms have different types of privileges and hence do not therefore matter with the size as far as innovation is concern.

Also the strategy of every business defines how the company and its business units can compete successfully within the industry of operations. Effective management of an organizations strategy can increase the competitive advantage of the firm. Strategic management involves a set of decisions and actions that determines both the short- term and long -term performance of the organization. The general strategy of the firm which includes new product development, new technology and innovation has a major influence on the success of the firm. Continuous improvement in the strategy of the firm contributes to quality productivity and customer satisfaction.

The structure of the organization which describes the formal setup of the business unit in terms of work flow, communication channels and hierarchy also have an influence on innovation within the organization.

Slack resources: Availability of slack resources within the organization also has influence on innovation. These are referred to as both human and financial resources of an organization which go beyond what the organization needs to maintain its operations. The allocation of resources to maintain formal support systems such as: job rotation, training, remuneration, communication, promotion are some of the best indicators of innovativeness in organizations. When there are slack resources; the organization can channel them into ventures that can help increase innovation.

Communication: Both internal and external communication is related to innovation within the organization. External communication involves getting information and knowledge from interaction with customers and suppliers and involving employees with external professional activities and networks. Internal communication on the other hand involves a communication of the new product development of the firm, sustainable strategies and development which are all contributory factors to innovation within the organization.

Also gathering information from customers can be done through direct and indirect communication which will aid the firm in getting the needs of customers inculcated in the innovation process.

People and Human Resource Management: Innovation within every organization is as a result of the combination of personal attributes such as: knowledge, skills and experience of personnel. Innovation occurs when the enabling environment that will motivate individuals is provided. Some of the practices that have influence on the quality of innovation include: skills, leadership, knowledge, teams, incentives and rewards.

Leadership and management have greater influence on whatever is done within the organization and hence have influence on the quality of innovation. It is hence important to understand and define the relationship that exists between the various aspects of management and leadership behavior and innovation within the organization. The support and passion of management for all the teams have a greater influence on the quality of innovation. Management is to provide a conducive atmosphere where staff can contribute positively to innovation.

Also the knowledge, skills and experience of personnel have influence on the quality of innovation within the service industry. When the organization acquires people with technical skills and professional knowledge in the industry of operations innovation is also positively affected.

In addition, the use of teams within the organization yields positive results such as: enhancing organizational performance which contributes to effective and efficient productivity and also innovation. Setting-up teams within organization which address specific needs of different customers helps the organization to acquire adequate knowledge on the needs of customers and hence to improve on them through innovation.

Furthermore, availability of rewards and other incentives have influence on the quality of innovation within service organizations. Incentives and rewards are used to motivate employees to channel efforts towards the achievement of the goals of the organization. Managements is to provide incentives such as promotions, increase in wages and salaries and other fringe benefits to staff who contribute to innovation and the development of new products.

On the other hand some external factors also have influence on the quality of innovation within service organizations. Some of these include:

Customers and Competition: Customers and competitors are part of the external factors that have influence on innovations in most service organizations. Customers who are technologically sophisticated may expect for more innovative products from the organization. Customers also expect that the organization make changes in the way their needs and expectations are met hence expect new and improved ways of how products and services are offered.

Also competitors who are geographically close to customers may be able to identify the needs of customers than those isolated from the customers. Knowledge of customer needs and expectations also requires for more innovation. As a result of these factors competitors and customers may influence the innovation capability of within the organization.

Government regulation: Regulations made by the government or authorities where the firm operates can provide opportunities or constraints to the organization as far as innovation is concern. Regulatory factors that have influence on innovation within the organization include: copyright, patent laws and other intellectual property rights. (Terziovsia M.2007).

3 INNOVATIONS IN BANKING

3.1 History of Innovations in Banking in Ghana

Over the years innovations have increased in financial institutions in Ghana. Financial institutions have sought for the best media through which customers will be served more cost-effectively and also improve upon the quality of services delivered to the customers.

The main concern of financial institutions is to serve customers conveniently, and also increase profits and competitiveness. Electronic and communications technologies have been used extensively in banking for many years to advance agenda of banks.

The earliest forms of electronic and communication technologies which were mainly use were mainly office automation devices. Telephone, telex and facsimile were employed to speed up and make more efficient, the process of serving customers at most financial institutions. These innovative products which were introduced help improve upon service delivery in most banks. For many years these devices have remained the main information and communication technologies used for the delivery of services in most banks.

Later in the 1990s, as competition intensified most financial institutions begun to use personal computer (PC). These were use in back-office operations and later tellers used them to serve bank customers. As computer technology advances, most banks began networking their branches and operations thereby making one-branch philosophy a reality. Bank networking gave customers the opportunity to perform bank transactions irrespective of their branches. This particular innovation changed the banking landscape in Ghana and made banking products and services more attractive to customers. Most customers across the country can be provided with almost the same services provided by their respective branches. Before the introduction of this service, most customers had to travel to their respective branches to be served, especially when the transaction involved the movement of

huge sum of money from one or into one account to the other. This has made banking services to be faster, safer, more convenient and reliable.

Arguably, the most revolutionary electronic innovation in Ghana and the world over has been the Automated Teller Machines (ATM). In Ghana, banks with ATM offerings have them networked and this has increased their utility to customers. Customers can make cash withdrawal at any ATM stand of their respective banks and also that of other banks at affordable charges. Barclays bank Ghana introduced the ATM service in Ghana in the year 2001. The first bank to introduce this service to its numerous customers is The Trust Bank in the year 1995 only in the capital and the headquarter branch.

Barclays Bank Ghana today have over fifty branches across the country and have over one hundred ATM machines installed across Ghana. Customers can withdraw cash at various ATM stands across the country. The ATM has been the most successful delivery medium for consumer banking in Ghana.

Another major innovation in that has brought major changes in the banking industry is the use of electronic cards. Customers of Barclays bank and other major banks can now use both debit and credit cards within the country. Some of these cards can be used to pay for various transactions. Barclay's customers also have access to visa debit card which can be used for cash withdrawals from over fourteen million visa-branded ATMs worldwide, also including Ghana.

Due to the high rate of technological increase most banks have introduced various products which make it possible for them to provide better bank products and services to the numerous customers. All these innovations have made banking more reliable, convenient and safe.

3.2 Technological Innovation in Banking

Most banks in the world, in order to provide quality products and services to all customers, have focused on technology and have forced banks to make huge investments in this area. The investments are made to upgrade and maintain infra-

structure in order to provide new and improved products and services to all customers. This is also done to manage risks positions and pricing.

Innovation in information processing, telecommunications and other related technologies are also known as information technology (IT). These innovations are often credited with helping fuel strong growth in most economies in the world (Coobs et al, 1987). It is obvious that, technological innovation affects not just banking and financial services but also the direction of growth or continued growth in economies of countries.

Technology is defined as the modern handling of information by electronic means, which involves its access, storage, processing, transportation or transfer and delivery (Ige, 1995). According to Alu (2002), technology affects financial institutions by easing enquiry, saving time, and improving service delivery. In recent decades, investment technology by commercial banks has served to streamline operations, improve competitiveness, and increase the variety and quality of services provided. According to Yasuharu (2003), implementation of information technology and communication networking has brought revolution in the functioning of the banks and the financial institutions. It is argued that dramatic structural changes are in store for financial services industry as a result of the Internet revolution; others see a continuation of trends already under way.

Customers of most financial institutions today are provided with better services due the banks investing in technology. Some technological innovations of banks have helped improve banking services and products offered to all customers.

3.3 Financial innovation in Banking

Financial innovation can be defined as the act of creating and then popularizing new financial instruments as well as new financial technologies, institutions and market. (<http://lexicon.ft.com/Term?term=financial-innovation>)

Financial innovation in the banking industry is referred to as the creation of technological advances in the financial markets. One major financial innovation in this

sector is the introduction of online banking services to all customers. Customers can transfer money instantly from their account to the other through this innovation.

3.3.1 Forms of Innovations in Banking

This section describes the various forms of innovations and other delivery channels in the delivery of banking products and services. Technological innovations have been identified to contribute to the distribution channels of Banks. Some of these innovations and delivery channels include:

Automated Teller Machines (ATMs): Automated Teller Machine is said to be a computer terminal which keeps record of cash and cash vault in one particular unit, which permits customers to have access to their accounts on the screen. Customers use plastic card with a personal identification number (PIN) or by punching a special code number into the computer terminal which is linked to the computerized system of the bank. Customers can have access to their account for 24 hours.

Automated Teller Machines are mostly located outside of banks, and are also found at vantage points such as: shopping malls, airports, malls, and places far away from the home bank of customers. They were introduced first to function as cash dispensing machines. However, due to advancements in technology, ATMs are able to provide a wide range of services such as printing mini statement, account balance and other enquiries. Banks tend to utilize this electronic banking device, as all others for competitive advantage.

The combined services of both the automated and human tellers imply more productivity for the bank during banking hours. Also, as it saves customers time in service delivery as alternative to queuing in bank halls, customers can invest such time saved into other productive activities. ATMs are a cost-efficient way of yielding higher productivity as they achieve higher productivity per period of time than human tellers. Furthermore, as the ATMs continue when human tellers stop, there is continual productivity for the banks even after banking hours. The ATM

is a kind of machine that provides financial services to customers at their own convenient time.

Telephone Banking is also known as telebanking and it is a form of virtual or remote banking. This is referred to as a type of banking in which financial services are delivered to customers over any telecommunication device. Customers can perform retail banking transactions by dialing a touch-tone or a mobile communication unit, which is connected to an automated system of the bank by utilizing Automated Voice Response (AVR) technology. (Balachandher *et al*, 2001). Telephone banking has numerous benefits to customers which include: increased convenience, expanded access and time saving. On the banks perspective, the cost of delivering telephone-based services is lower than those of branch based services.

Personal Computer Banking also known as PC banking is a service which allows customers of a bank to have access to information on their account through a network. This is normally through software installed on the computer of customer. The customer can perform retail banking functions once access is gained on the personal computer.

The increasing awareness of the importance of computer literacy has resulted in increasing the use of personal computers. This certainly supports the growth of PC banking which virtually establishes a branch in the customers' home or office, and offers 24-hour service, seven days a week. It also has the benefits of Telephone Banking and ATMs.

Internet banking is an innovative product which allows customers access to their bank accounts through the website of the bank. This enables customers to perform certain transactions on their account.

Internet banking can also be described as the provision of banking services over the internet. Internet banking offers more convenience and flexibility to all customers coupled with a virtually absolute control over their account.

As an alternative delivery conduit for retail banking, it has all the impact on productivity imputed to Telebanking and PC-Banking. Aside that it is the most cost-efficient technological means of yielding higher productivity. Furthermore, it eliminates the barriers of distance and time and provides continual productivity for the bank to unimaginable distant customer.

Mobile Banking is also known as M Banking or SMS Banking. This is a system which is used by customers of a bank to check balance on accounts, make payment and other applications through a mobile device. Customers are normally given an alert on their phone whenever any major transaction takes place in their account. Customers can also use this system to check account balances and other enquires on their account.

Networking of branches in banking is the computerization and inter-connecting of geographically scattered stand-alone bank branches, into one unified system in the form of a Wide Area Network (WAN) or Enterprise Network (EN); for the creating and sharing of consolidated customer information or records. This means that customers can have access to their account irrespective of the branch in which they are. Customers can perform banking transactions such as deposit, withdrawal, statement request and other enquiries in a different branch. Before the introduction of this innovative product, customers do most of their bank transactions in their own branch which created inconveniences and insecurity in the provision of banking service.

This service offers quicker rate of inter-branch transactions as the consequence of distance and time are eliminated. Hence, there is more productivity per time period. Also, with the several networked branches serving the customer populace as one system, there is simulated division of labor among bank branches with its associated positive impact on productivity among the branches. Furthermore, as it curtails customer travel distance to bank branches it offers more time for customers' productive activities.

4 RESEARCH METHODS

4.1 Qualitative and Quantitative Research

The research method which will be used in this thesis will be both qualitative and quantitative research.

Every qualitative research seeks out the why not the how through analysis of unstructured information. Information can be gathered through interview transcripts, both open and ended questionnaires, open-ended survey responses, electronic mails, notes, feedback forms, photos and videos. This form of research does not rely on statistics and numbers which are found in quantitative research.

Qualitative research is normally used to gain into people`s attitudes, character, behavior, systems, concerns, motivations, aspirations, goals, culture or lifestyles. This kind of research is used to inform decisions made during business, policy formation, communication and research. Some of the formal approaches that are used include focus groups, in-depth-interviews, content analysis, ethnography, evaluation and semiotics. This type of research also involves the analysis of any unstructured material, including customer feedback forms, reports or media clips. (<http://www.qsrinternational.com/what-is-qualitative-research.aspx>).

Interpretation of qualitative research depends on the combination of personality, experience and theoretical training of the researcher. It also depends on broader context of knowledge that already exists. The process of interpretation qualitative research is made meaningful in the context of the information which already exists. Although qualitative research is subjective and dynamic it is not undisciplined but it involves a great deal of time and hard work. In addition to the continuous development and refinement of the hypothesis which evolves as the project proceeds, the researcher needs to re-immense and conduct qualitative interviews which will then be organized or structure in a form which will be relevant to solving the problems and main objectives of the study. (Gordon W. & Langmaid R.132-134).

Quantitative research on the other hand, generates numerical data or data that can be converted into numbers for a statistical review. Quantitative research looks to obtain a statistically reliable sampling of respondent. Quantitative research is about asking people for their opinions in a structured way so that you can produce hard facts and statistics to guide you. To get reliable statistical results, it's important to survey people in fairly large numbers and to make sure they are a representative sample of your target market. <http://www.marketingdonut.co.uk/marketing/market-research/what-is-quantitative-research->

The differences between the qualitative and quantitative research are that: the qualitative part of the research is mostly based on the meanings which are expressed in the research but the quantitative data is based on meanings which are constructed from the numerical results gathered.

The qualitative data is also to be put into different categories because the data is non-standardized but the quantitative results are always given in numerical and standardized data.

In this thesis employees of both banks would be interviewed for the gathering of information. Information will also be gathered through observations at both banks. Both opened and closed ended questionnaires will be sent to customers of Barclays Bank Ghana Limited to know certain innovations they are aware of and how these innovations have improved upon the services the bank provides to them.

Based on the findings, conclusions and recommendations will then be given which will help improve banking and hence customer satisfaction.

4.2 The research design

The main aim of the research questions in this thesis is to answer basic questions such as: who, how, what and when. The questions asked in this prove that there is qualitative research design in this thesis. Also, in this thesis, the researcher's own thoughts and ideas remain part of the research. In addition, all the secondary data collected for the research are from reliable sources.

4.3 Validity and Reliability

Validity can be defined as the extent to which a study accurately reflects or assesses the specific concept that the researcher is attempting to measure in every research.

Reliability in every research is defined as the extent to which an experiment, test, or any measuring procedure yields the same result on repeated trials. The researcher would be unable to draw satisfactorily conclusion, formulate theories or make generalized claims without the agreement of independent observers' ability to replicate research procedures, or the ability to use research tools and procedures that yield consistent measurements.

(<http://writing.colostate.edu/guides/research/relval/pop2a.cfm>)

One can prove the validity of every research, if the research design fully addresses the research questions and objectives that the researcher wants to answer.

Reliability of the research can also be proven if another researcher finds the same answers if another research is conducted using the same design. This research can therefore be said to be valid because the words: who, how, what and when and also the method that answers the questions are said to be qualitative.

4.3.1 Collection of Data

The theoretical part of this thesis is mainly from secondary sources such as: webpages, books and academic articles. Also, the researcher applied the knowledge and experience gained from having studied in both degree and diploma programs for both the empirical and theoretical framework.

The empirical part of this thesis is the results of the findings from primary data where questionnaires were sent to customers of Barclays Bank Ghana and also personal interview with an employee of the respective banks involved in the research process. Mr. Stefan Gronholm, who heads operations at Vaasa branch of Nordea bank, was interviewed for data concerning Nordea Bank on Monday 6th February 2012 at Vaasa. Also some staff members, namely: Gifty Nyarko, Cyril

Nai, Emmanuel Mensa and Millicent Quainoo all of corporate office of the Accra High Street Branch of Barclays Bank Ghana, were interviewed to answer some questions concerning Barclays Bank Ghana Limited. This interview was granted on 21st March 2012 in Accra, Ghana. On the same date, ten customers from the Accra High street were selected randomly as respondents to answer some questions concerning quality of services and innovations of the bank.

The secondary data used for the research were collected from reliable sources. The questions asked for the primary data collection are attached to this thesis as appendices.

5 EMPIRICAL FINDINGS AND RESULTS

5.1 Findings from Staff

About Nordea bank Finland, products and services.

The vision of Nordea Bank is to be a great European Bank, acknowledged for its people, creating superior value for customers and shareholders. The bank makes it possible for both corporate and personal customers to achieve their goals by providing range of banking products, services and solutions within banking, asset management and insurance. The bank has been in operation in Finland for one hundred and fifty years providing products and services such as international network and services, bank-bank business, cash and asset management, corporate banking, private banking, trade finance, insurance, investment funds and securities services.

The bank has over eleven million customers with approximately 1400 branches across Europe. Nordea Bank is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea Share is listed in NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

What are some of the innovations of this bank?

The most important and major innovation of this bank is internet banking. As most customers have access to the internet, the bank has then introduced Net bank. At the moment about 98 percent of customers perform transactions online. Some of these transactions include: cash transfers and other payments which can be both domestic and international, buying shares, investment in stock market and other securities, application for loans and other advice both to corporate and private customers. At the moment only two percent of customers come to the bank for advisory services, cash deposits and withdrawals and other enquiries. Customers are given user identities and access codes which can be used to login the accounts to perform daily transaction at any convenient time. The introduction of this innovation reflects the idea of process in the dimensions of innovation space.

The bank has made changes in the ways in which some bank transactions such as deposits, withdrawals and other payments are delivered to the customers. Customers can make cash payments and other enquiries without going to the banking hall at any convenient time. The bank has also reconfigured existing components to meet customer needs and demands.

Another innovation of this bank is telephone banking where both corporate and private customers can call the bank for certain transactions to be performed via the telephone. This service is available for twenty four hours and seven days a week. Customers who have access codes with the help of an employee of the bank can login the account of the customer for basis transactions such as account balance, payments and transfers and other enquiries. The bank has made changes in the ways in which certain basic banking services such as withdrawals and other enquiries are offered to the customers. This also shows the changes the bank has made in the context in which banking services are introduced and delivered to the customers of the bank.

In addition, the availability of both debit and credit cards have given customers the opportunity to perform bank transactions via any Automated Teller Machine worldwide. Customers of the bank have access to the account around the world which can help them perform transactions such as cash withdrawals, payments, statement and balance request and other enquiries concerning accounts. Customers can withdraw cash from account with or without money with these cards. The availability of credit cards will enable customers without money in their account make purchases and other payments with the credit cards. This product introduced is aimed at customers who need loans for instant payments and other purchases. This is a change the bank made in the bank loans which is one of the major products of the bank. Although customers who still apply for loans are still not ignored, this card is available for customers who need instant loans for fewer payments and other purchases.

Furthermore, Nordea bank has a special bank service to customers called private banking. This type of a service is provided to customers to help them manage their

assets. Private banking also gives customers variety of investment opportunities such as: shares, funds, bonds, unit-linked insurance, alternative investments and also private placements. Customers are entitled to a financial plan which will help them know when and how to invest money for greater returns. Private banking as an innovative product shows how the bank has reconfigured existing components to meet the demands of all customers who need advisory services as to how to invest their money.

Another important innovation major innovation which can be categorized under the dimensions of innovation space is the introduction of transactional account. The bank makes changes in the context in which normal current and savings accounts are created and delivered to the customers. This is an account targeted at customers who are employed. The customers can allow their companies to pay their salaries into this account. This account can also be used to pay bills and other standing others such as utility bills. This innovative product is aimed at salary workers with added benefits such as salary advance, loan schemes and others. The introduction of this product shows how the bank has made changes in the way in which normal savings and current accounts are delivered to the customers. The bank has reconfigured existing components in to meet customer needs and demands. The introduction of this product shows how the bank has made changes in both savings and current account offered to customers. This has also improved upon the quality of service delivered to the customers.

In addition, the bank has also introduced a product called funds account which is targeted at customers who are interested in investment market and other securities. Customers who apply for this service can invest into companies through purchases of shares using their account. The customers can also invest in the stock market. Customers with this account are entitled to free advisory service about the stock market and when and where to invest their cash for greater returns on them. Customers can also study the stock market online to determine whether to invest or not to invest. The introduction of this product by the bank reflects the idea of

how the bank has made changes in the context in which investment products are offered to customers.

How have these innovations improved banking and customer services?

The introduction of internet banking has made banking very convenient, fast and cheaper to both the bank and customers. The bank is no longer using cheques since customers can perform the exact transaction via the internet. Innovation has helped improve upon the quality of products and services offered to customers. This has helped the bank attract more customers and retained already existing customers. Through this the bank has increase profitability and growth in the industry.

The introduction of Automated Teller Machines, internet banking and telephone banking have reduced queues in the banking hall since most customers now perform these transaction on their own. Customers can login accounts online at any convenient time to perform almost all bank transactions. This has also helped reduce stress on employees and improved upon the efficiency of employees of the bank. These have also helped increase the quality of service delivered to both private and corporate customers. Innovations have helped the bank to gain competitive advantage over firms who offer similar products and services to customers in the banking industry. These have also contributed to the quality of products and services offered to both corporate and private customers.

Innovations have contributed to the delivering of fast, reliable, affordable and convenient banking services to all customers. Provision of banking services has become less expensive to both the customers and the bank. Most bank transactions are being performed by the customers which makes banking services less expensive to the bank and also to customers. Customers will save the resources of coming to the banking halls to perform bank services.

What are some of the future products the bank wants to introduce to improve banking?

One product the bank wants to introduce is mobile banking. This will enable customers to have access to their account through the phone. The bank will make software of the bank available to all customers which can be installed on phones and which will help the customers perform certain basic banking transactions on their phone with or without the availability of a computer with internet access. This reflects changes the bank wants to make in the way and context in which bank transactions such as: account balance, payments and other enquiries are delivered to the customers. Customers can perform these transactions on mobile phones at any convenient time without the use of the computer. This service will be available to all customers with internet access on their mobile phones.

About Barclays Bank Ghana, products and services

Barclays Bank Ghana has been in operations for ninety five years. It is a wholly owned subsidiary of Barclays Bank PLC. Its vision is to become the best bank in Ghana, making lives much easier for its customers, employees and all stakeholders. Barclays bank has extensive retail and corporate banking network in Ghana, fifty nine branches, seven agencies, ten premier life centers, two premier suites and eight local business centers. Barclays bank has one hundred and thirty five Automated Teller Machines across ninety locations in Ghana. The bank offers a wide range of corporate, retail and treasury products and services targeted at corporate customers while extending personal products and services to retail customers. Barclays bank also offers local business banking products and services to small and medium scale enterprises.

What are some of the innovations of this bank?

Some of the innovations of this bank include: internet banking where customers have access to their account via the internet. This helps customers to request for statement and account balance. This shows the changes Barclays Bank Ghana has made in the ways in which basic transactions such as statement request and ac-

count balance. Before the introduction of this new service, customers have to come to the bank for this service to be delivered to them. The bank has also made changes in the context in which bank transactions such as: a statement request and an account balance are delivered to customers of the bank.

Another innovation of the bank Short Messages Service (SMS) alert via mobile banking. The bank gives customers free SMS on their phones when certain major transaction such as a cash deposit or a withdrawal is done. Customers who operate both current and savings accounts at the bank are entitled to these services without extra bank charges. This shows how the bank has made changes in the ways and context in which bank transactions are delivered to customers. The bank has re-configured the way mobile banking is delivered to customers by adding SMS services to mobile banking.

In addition, the bank introduced an all-in-one account which is a form which has an insurance policy embedded in it. Customers who operate this account have a funeral insurance policy which covers the customer, parents or spouse. The funeral insurance cover embedded in this account provides cash benefit payable on the death of the accountholder, spouse or parents. This is a new product which was introduced to increase and to improve the range of banking products delivered to customers. This a new product the bank introduced targeted at specific group of customers. The introduction of this new product indicates the idea of product in the dimensions of innovation. The bank will later add other insurance policies such as: education, vehicle and fire to attract more customers to patronize this new product. Through this most customers can insure their assets against all possible risk.

Furthermore, the bank has introduced an insurance policy for both corporate and private customers called bank assurance. This is a package of financial services which is aimed at fulfilling the insurance needs of customers of the bank. A benefit for customers includes: prompt claims settlement to customers, this reduces costs in terms of premiums on insurance products and guaranteed financial security. The introduction of this new product by the bank to both corporate and private

customers shows the changes the bank has made in the products and services delivered to customers.

Also, another innovation of this bank is the introduction of prestige banking. Barclay's prestige banking is one of the products of the bank that offers basic features of daily banking facilities with added benefits and world class customer service. Some benefits of this product to customers include: longer banking hours, free standing orders, free money transfers with reduced tariffs and also Barclay's payment card. Customers receive dedicated banking service from their own appointed banker who will and then introduce a wide range of services such as insurance and investment services. This shows changes the bank has made in the context in which banking is delivered to the customers of the bank. Prestige banking is targeted at the loyal customers of the bank for preferential treatment for extra banking charges.

In addition to the above mentioned innovations, Barclays has introduced the cash passport. This is USD branded prepaid card that can be used on any Visa ATM worldwide. This prepaid card is specially designed for travellers and allows them to easily access to funds loaded on the card from anywhere in the world without the inconvenience of carrying travellers cheques and cash. This is a new product introduced by the bank targeted at Barclay's prestige customers who travel outside the country for business purposes.

How have these innovations improved banking and customer services?

The introduction of new products, making changes in the context in which these products and services are being delivered to customers, reconfiguring already existing products and also making changes in the ways in which all these products and services are being delivered to customers has brought greater improvement in banking services.

The introduction of Automated Teller Machines has reduced long queues at the banking halls. Customers who want to withdraw cash and other banking service such as statement request and account balance can do them through the ATM

without coming to the banking hall. The reduction of queues at the banking services has reduced stress on staff and has contributed to the provision of quality services to all customers. In addition ATM has contributed to fast, convenient and more reliable banking services delivered to all customers.

Moreover, the introduction of both internet and telephone banking has also contributed to fast and convenient banking services. Customers can perform transactions such as: statement request, account balance and other enquiries through the telephone and the internet at any convenient time. These have contributed to the provision of quality services to both corporate and private customers.

In addition, the introduction of Barclays Cash Passport has reduced the burden of customers on business trip carrying money on them. This has made banking service more convenient and fast. Customers also do not have to necessarily open foreign account but with the cash passport can perform all transactions on any visa branded ATM worldwide at any convenient time. These products have helped the bank attract and retain customers hence contributing to profitability.

What are some of the future products the bank wants to introduce to improve banking?

The bank wants to make changes in its mobile banking system where customers will be offered new and improved products through their cell phones.

Also, the bank wants to introduce new current accounts targeted at specific group of customers. These accounts are Olympic account and also Hajj account. The Hajj account is a current account for Moslem customers who embark on annual pilgrimage to Mecca whiles the Olympic account will be targeted at customers who travel for most Olympic Games. Also, the bank wants to make some modifications in mobile banking where customers of the bank can have access to their account with special installed software on mobile devices.

5.2 Findings from Customers

What type of product or service do you operate with the bank?

Some of the product and services delivered to customers include: savings account, current account, foreign exchange trading and personal loans. Customers of the bank are interested in new products of the bank. Most of these products the customers mentioned are financial innovations.

Are you aware of the Bank's new products or services?

All the customers are aware of the bank's new products and services as shown in figure 3. The bank creates awareness for the new products and service to be delivered to customers. Knowledge of the products and services shows that customers are interested in the products and know all the benefits that come with these products and are likely to patronize the products.

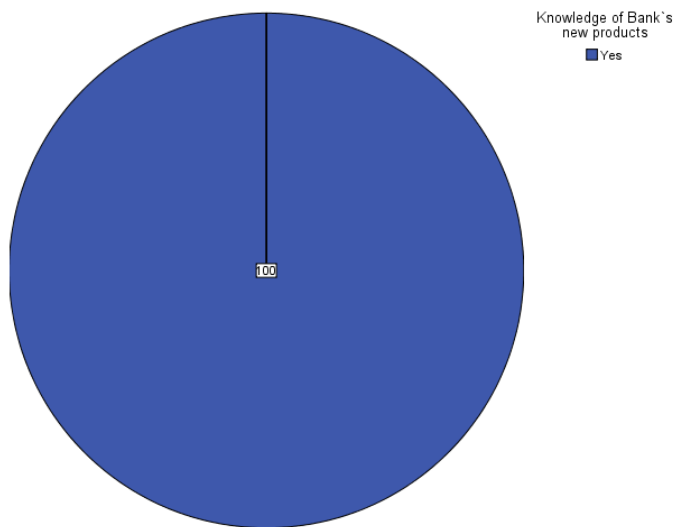


Figure 3.knowledge of bank's new products

The customers are aware of the innovations of the bank of which they include: bank assurance, electronic banking, international debit card, SMS banking via the mobile banking, Automated Teller Machine Services, treasury services, transactional accounts, internet banking and electronic statement. Customers of the bank

are able to list most innovations of the bank which means the bank creates awareness for the new products and services offered to the customers.

What type of service do you normally come to the bank for?

As seen in figure 4, the research shows that, 40 percent of the customers come to the bank for cash withdrawal, 50 percent for both cash deposit and withdrawal while 10 percent for others such as statement requests and ATM withdrawals as shown in figure 4. Since most of the customers of the bank come for cash withdrawal, this shows that although the bank has made changes in the way in which transactions such as cash withdrawal through the ATM service, the customers may not be satisfied by the quality of service delivery by the ATM service.

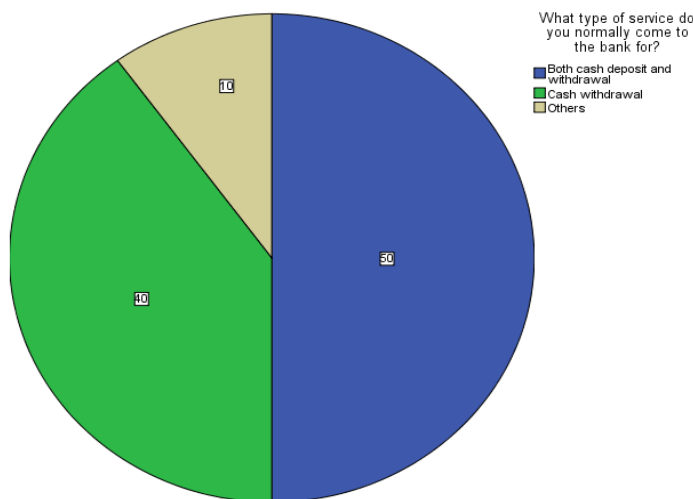


Figure 4. Type of service

70 percent of the customers do not wait in queues for a long time before being served. The rest 30 percent of them wait for a long time in queues before being served. From this it can be concluded that the introduction of most innovations such as: telephone banking, internet banking, Automated Teller Machine banking have helped reduce queues at the banking premises, although there might still be more room for improvement. The introduction of these innovative products has contributed to meeting customer needs. Customers do not have to wait in queues and stress before being served at the banking halls. From this the introduction of

these products and services have improved upon the quality of products and services delivered to all the customers.

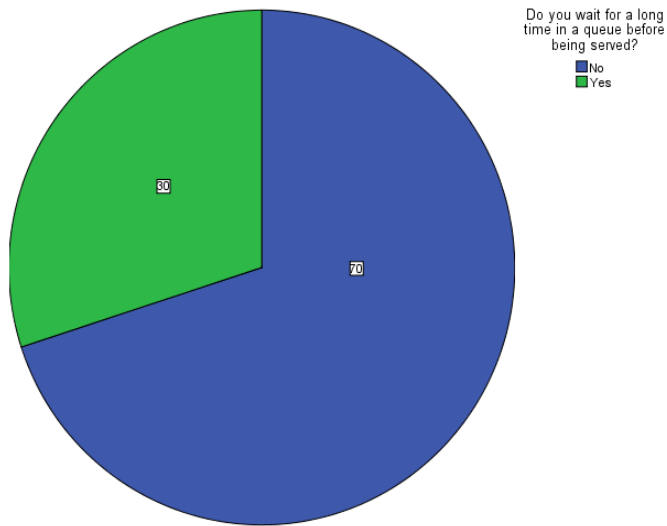


Figure 5. Waiting in long queues

As shown in figure 6, 20 percent of the customers do not have access to the internet but the rest 80 percent have access to the internet. Since most customers of the bank have internet access, improvements in the ways in which some bank transactions are offered to customers will help improve the quality of service delivered. The bank can make changes in the ways in which telephone and internet banking is delivered to customers.

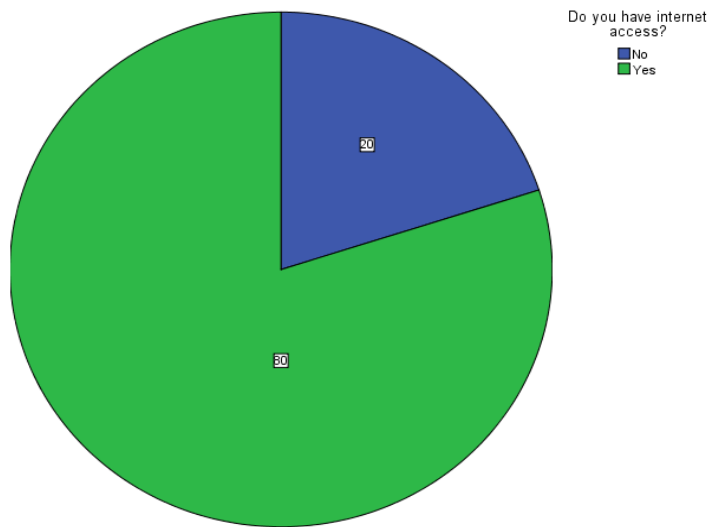


Figure 6.Internet access

In your own opinion what do you think are some of the problems of the bank?

Some of the problems were long queues and crowded banking halls,the process one goes through before opening a new account is bureaucratic,unprofessional staff,delay on resolving customer greivances and complains,inadequate staff strenght to deliver services to customers which makes service quality poor,faulty Automated Teller Machines and also inadequate cash at ATMs.Most of the innovations the bank have introduced have help improve upon the quality of products offered to customers,however there is still room for improvement.

6 CONCLUSIONS AND SUGGESTION

6.1 Summarizing the main issues

Innovation is said to be the exploiting of new ideas which leads to the creating of new products, process or service. Innovation is not only about the creating of new products, but also bringing it into the market and exploiting it in a way that leads to the offer of new products, services or systems that add value and also improve quality. Innovation in the service industry also involves a change in the services provided which will help improve the benefit to the customer. Innovation in the provision of services will contribute to adding value and, hence, to improving quality of products and services that will ensure the safety, convenience and contributing to the needs of customers.

As a firm in the service industry, to gain a competitive edge lies in the ability to acquire, absorb and apply new changes in customers' frustrations, priorities, services offered by competitors and the technologies available to support this service delivery. The changes involve in the service or product itself which involves redesigning the service or product to meet customer needs more effectively and efficiently. This will help the firm to create, increase and maintain market share that will lead to higher profitability and growth.

Innovations in the provision of service can either be technological or financial. Innovation should be focused on three main dimensions which include: changes in the products and services the bank offers to customers, changes in which these products and services are created and delivered and finally the context in which they are introduced. Some major financial innovations that were identified include all-in-one account, bank insurance, prestige banking, current and savings account for both private and corporate customers and others. Technological innovations also include mobile banking, internet banking, telephone banking, Automated

Teller Machine services, debit and credit cards and others all focus on product, position and process.

In addition to the above, innovation in the provision of banking products and services should be a continuous process. The process should bring changes some changes in customers' service process. Innovation should also redefine the ways customers think this will be achieved through reconfiguring the existing components of products and services. Furthermore, innovation should bring a positive impact on customers in the banking industry.

In addition, innovation and quality are said to be connected to each other. Delivery of quality service is a measure of how an organization manages processes and whether these processes and service delivery meet the needs of customers and banks must, therefore, consider quality as part of the innovation process. Quality should be defined based on the perception of customers not the organization.

Innovation in the provision of banking will contribute to the delivery of quality service to all customers. Innovation will help a bank to gain competitive advantage which results in higher sales and profitability. Through innovation the bank can attract and retain market share. Innovation also leads to the effective and efficient use of resources which contributes to higher profitability.

In addition innovation contributes to the quality of service and hence customer satisfaction. Innovation contributes to the provision of convenient, reliable and quick banking services to all customers. For example, The introduction of Internet banking and access codes have contributed to convenient, reliable and fast banking services to all customers of Nordea Bank. Customers can perform major bank transactions which include cash payments, both domestic and international transfers which are less expensive to both the bank and the customers. This has also reduced queues at the banking premises and helps improve the quality of service provided by all the employees of the bank.

In conclusion, innovation in banking involves banks making changes in the products and services delivered, changes in the context in which these products and services are delivered and finally making changes in the ways in which these

products and services are delivered all focusing on meeting customer needs and satisfaction. Innovation cannot be fully beneficial to both the bank and the customers without quality improvement. Hence innovation is connected to quality and through this the full benefits of innovation can be achieved. This is also a continuous process which aims at achieving goals such as redefining the ways customers think, reconfiguring the existing components and the positive impact new and highly differentiated products have on customers.

6.2 Recommendation

From the research it can be concluded that most customers of Barclays Bank Ghana Limited have access to the internet but these customers also come into the banking premises for cash deposit and withdrawals. The introduction of Net bank with the aid of access codes will help customers perform these transactions on their own. Since most banks in Ghana are now networked, it would be easy for Barclays to introduce a net bank to the internet which will help reduce queues at the banking halls. Through this staff can also deliver quality service to customers who come to the bank for interactive transactions.

In addition, some of the customers who come to the bank for withdrawal say most Automated Teller Machines are faulty and sometimes run-out of cash due to limited ATMs across the nation. Automated Teller Machines must, therefore, be filled with adequate cash and regular maintenance should be made on these machines for 24hour services to be provided to customers. Barclays Ghana Limited also has to install more ATMs since the ones available are not enough for the customers to use. Moreover, there is the need for Barclays Bank Ghana to make appropriate changes to telephone banking. Most customers do not use this service due to the fact that calls to these lines are not answered by any staff of the bank. It is recommended that Barclays Bank Ghana improve upon technological base for products like the Automated Teller Machines and telephone banking.

6.3 Suggestions for future research

During the research process, it was found that customers do not patronize some innovations of that bank such as telephone banking and bank assurance. There will be the need for further research into why there is low patronage of some of these products especially bank assurance.

Finally comparing two banks in Ghana would have given more information into whether innovations have really addressed the needs of customers; there will also the need for further research into comparing two major banks in Ghana to identify how innovations have met customer needs and satisfaction.

REFERENCES

Printed books

- Stewart K.2002.Online Banking. International Journal of Marketing.
- Hardy C. & Tieman F.2008.Innovation in Banking and Excessive Loan Growth. International Monetary Fund Working Papers.
- Shaikh, Nassar M. Online Information Review 32. 1 (2008): 58-72.
- Gordon W& Langmaid R.2000.Qualitative Research Methods. A practitioner's and buyer's guide.
- Tidd J & Bessant J.2009. Management Innovation: Integrating Technological Market and Organizational Change.
- Ennew T & Waite N.2007 Financial Service Marketing: An international guide to principles and practice.
- Dean, Alison M.2002.Innovation and Quality improvement in service organizations
- Zikmund W.2000.Business Research Methods.
- Cecchetti G.2008.Money, Banking and Financial Markets
- Bordens S & Abbott B.2011.Research Design and methods: A process Approach.
- Harry L.2001.Payment and financial innovation, reserved demand and implementation of monetary policy.
- Czinkota R & Ronkainen A.2007.International Marketing
- Haksever C, Render B, Russell R&Murdick R.2000.Service Management and Operations.
- Stamm V. & Trifilova A.2009 .Future of Innovation.
- Randall R.2005.Innovation.
- Tidd J & Frank M.2003.Service Innovation: Organizational Responses to Technological Opportunities and Imperatives.
- Van Riel A.2005.Service Innovation Management.
- Curtis R.& William W.2006.Innovation:the five disciplines of creating what customers want.

Bob J, Roger N & Myfanwy T. 1998. Managing new product innovation.

Dundon E. 2002. Seeds of innovation: Cultivating the synergy that fosters new ideas.

Printed articles

Yun Chang, Chan J. & Leng L. 1997. Management of market quality for correspondent banking products. The international journal of Bank Marketing 15:1, 35-50.

Electronic publications

Oke A. 2007. Innovation types and innovation management practices in service companies. International Journal of Operations and Production Management, 564-587.

http://www.barclays.com/africa/ghana/pers_bank.htm

www.cfc.edge.exbdblogs.com

www.qsrinternational.com

www.nordea.com

<http://writing.colostate.edu/guides/research/relval/pop2a.cfm>

<http://lexicon.ft.com/Term?term=financial-innovation>

<http://www.servicegrowth.org/documents/Service%20Innovation%20Q&As.org>

<http://www.marketingdonut.co.uk/marketing/market-research/what-is-quantitative-research>.

Interviews

Mr. Gronhom S. Head of operations. Nordea Bank. Vaasa. 6th February, 2012.

Mrs. Nyarko. Corporate office. Barclays Bank Accra. 21st March 2012.

Mrs. Nai C. Corporate office. Barclays Bank. Accra. 21st March 2012.

Mr. Mensa E. Corporate office. Barclays Bank. Accra. 21st March 2012.

Mrs. Quainoo M. Corporate office. Barclays Bank. Accra. 21st March 2012.

APPENDIXES

Appendix 1

QUESTIONNAIRE FOR CUSTOMERS OF BARCLAYS BANK GHANA LIMITED

Dear respondent,

Along with this letter is a short questionnaire that asks a variety of questions about a project of which the results of this will help improve banking.

I guarantee that your responses will not be identified with you personally and also not to share any information that will identify you.

Thank you for your time and have a happy new year.

Best regards

Odotei Reuben.

1. Sex

Male Female

2 What type of services do you operate with the bank?

.....

3 What are some of services you know the bank provides to its customers?

.....

4 Do you know of the Bank's new product(s)?

Yes No

5 If YES what is or are these product(s)?

.....

6 What type of service do you normally come to the bank for?

Cash deposit

Cash withdrawal

Others. Please specify.....

7 Do you wait in the queue for a long time before being served?

Yes No

8 In your own opinion what do you think are some of the problems of this bank?

.....
.....
.....
.....

9. What measures do you suggest to the bank?

.....
.....
.....
.....

10 Do you have internet access?

Yes No

11 What are some of the problems you face as a customer?

.....
.....
.....
.....

12 In your own opinion, what measures do you suggest to the bank to control these problems?

.....
.....
.....
.....

Appendix 2

INTERVIEW QUESTIONS FOR BARCLAYS BANK STAFF

1. What are some of the products Barclays Bank offers to customers?
2. What is the history of this bank as far as innovation is concern?
3. What are some of the innovations of this bank?
4. How have these innovations improved banking and customer service?
5. What are some future products the bank wants to introduce to improve banking?

Appendix 3

INTERVIEW QUESTIONS FOR NORDEA BANK STAFF

1. What are some of the products Nordea Bank offers to customers?
2. What is the history of this bank as far as innovation is concern?
3. What are some of the innovations of this bank?
4. How have these innovations improved banking and customer service?
5. What are some future products the bank wants to introduce to improve banking?

