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*Mojca Nekrep**

SUCCESS FACTORS IN NEW FINANCIAL SERVICES DEVELOPMENT

Dejavniki uspeha pri razvoju novih finančnih storitev

Izvleček

UDK: 336.051/.055(4974):005.342

V članku proučujemo uspešnost razvoja novih finančnih storitev v odvisnosti od razvojnega procesa in vplivnih dejavnikov: trženjska sinergija, kakovost novih finančnih storitev, značilnosti trga, organizacijska kultura in znanje. Rezultati raziskave, ki smo jo izvedli na vzorcu finančnih institucij v Sloveniji, kažejo, da je uspešnost inovacijskih aktivnosti najmočneje odvisna od uvedbe novih storitev na trg in od značilnosti slovenskega finančnega trga. Za uspešnost pa so pomembni tudi dejavniki organizacijska kultura znanje in trženjska sinergija.

Ključne besede: Inovacijski model, finančne institucije, finančne storitve, Slovenija

Abstract

UDC: 336.051/.055(4974):005.342

In this paper the success of new financial services development and the relationship between success, development process and influencing factors is discussed: the marketing synergy, quality of services, market characteristics, organizational culture and knowledge. The results of the study based on a sample of financial institutions in Slovenia show that launching is the stage in development process with the most important influence on service success. The most important factor for the service success is the marketplace and its characteristics. The organizational culture, knowledge and marketing synergy are also important for the success of new financial services.

Key words: Innovation model, financial institutions, financial services, Slovenia

JEL: G20, G21, G22, G23

1. Introduction

In today's rapidly developing society, innovation has become an essential part of business success. Innovation in financial sector is thus very important for financial institutions in Slovenia, if they want to be competitive with financial institutions in developed foreign markets.

A substantial amount of research has been conducted as regards the innovation of goods, while the research into the innovation of services, especially financial ones, has been given far less attention. In Slovenia, the innovation of goods was studied by many authors (e.g. Bastič, 2004; Mulej, Ženko, Bastič and Knez-Riedl, 2002; Mulej and Ženko, 2004; Snoj and Bajt, 2005; Fatur, 2005; Likar, 2004), but the issues related to innovation of financial services have not yet been fully addressed.

Services present the core of business activities in all developed countries. For example, in the European Union they created more than 60% of GDP and over 70% of whole value added in 2006 (Eurostat Statistical books 2008, 101). In Slovenia, the share of services amounted to 55.5% of GDP in 2007 while the share of financial intermediation, real estate and business services exceeded 18.8% of GDP (Banka Slovenije 2008a, 93-II).

Stemming from a high importance of financial services as presented by the data provided, the purpose of our research was to develop an innovation model for the development of new financial services and to establish which activities of the development process and which factors incorporated in the model are crucial for the financial services success.

2. Innovativeness of financial services in the Slovenian market

In the past 20 years, the European financial market has changed quite substantially and has grown rapidly. Slovenia has followed these changes, but at a slower pace. This is also reflected in the innovation level of financial services, since all the novelties have been adopted from more developed financial markets.

A highly competitive market, as the result of technological progress which has enabled a speedy information flow and has accelerated the development of more complex financial services and new distribution channels as well as the changes in the legal regulation of the financial sector (i.e. deregulation and liberalization), has forced financial institutions in Slovenia to innovate (Košak, Prašnikar, Belavič, Kržišnik, Mehle, Mijatović, Šimnovec and Jurić 2006, 114).

The financial services innovations that have taken place in the Slovenian financial market in the last decade are the result of new market conditions of the financial services operations because the practices from the former economic and financial system had to be adjusted to the new, market-oriented one. They

* Mojca Nekrep, M.Sc. (Econ.), Employed at Zavarovalnica Maribor, d.d., Cankarjeva ul. 3, 2507 Maribor. E-mail: mojca.nekrep@zav-mb.si.

thus occurred particularly in the area of distribution (i.e. transition from traditional operations to electronic ones), promotion (i.e. new ways and increased scope of advertising), service performance (i.e. the improvement in providing financial services) and physical elements (the improvement of physical elements such as business premises and equipment).

In future, financial institutions in the Slovenian market will have to introduce new technology, focus on new organizational requirements as well as initiate new ways of financing economic structures.

3. Previous research

The research on financial services in more developed financial markets presented the foundation for the development of the innovation model. Namely, the factors influencing the financial services success have been discussed in literature from different points of view. The study by Cooper and de Brentani (1991, 75-78) on the success factors of financial services in Canada was based on the assumption that the success of new financial services depends on factors which define a new financial services development process, on the characteristics of the product, and on the characteristics specific for financial services products. De Brentani (1993, 15-22) formed a model which focuses on the new financial services development process and the factors supporting it. The emphasis of the model is on the creation of supporting atmosphere and the investigation of factors which have their impact on the new financial services development process. Easingwood and Storey (1995, 36-39) investigated the influence of factors which support or hinder activities in the new financial services development process while the activities in the process were not researched. A comparison between the innovation activities of services and of goods in Australia was made by Atuahene-Gima (1996, 35-52). The author looked into the factors which were identified as the prerequisite for a successful process of developing new services and goods. The purpose of individual activities in the new financial services development process as regards different services innovation dimensions was investigated by Gounaris, Papastathopoulou and Avlonitis (2003, 266-279). The research included a detailed analysis of the new financial services development model. Furthermore, by taking into account various levels of innovation, the authors studied which activities lead to greater success.

In her research into the Canadian financial market, de Brentani established positive correlation between different stages in the new financial services development process and success. One of the crucial factors for success that she indicated was in fact the new financial services development process. This factor comprises many activities; namely, idea screening, performing market studies, service testing, extensive training of personnel before market launch, internal marketing, formal promotion activities and market launch of the service (de Brentani 1991, 47-48; 2001, 177).

Market launching was the most important stage of the new financial services development process in many studies (Cooper and de Brentani 1991, 81-82; Gounaris, Papastathopoulou and Avlonitis 2003, 274). According to this study, efficient services were launched far better than the inefficient ones.

In addition, internal and external factors which affect the new financial services development process have proven significant for new financial services success. According to de Brentani, the synergy of the development process (which takes into account the compatibility with several company's skills and resources), market characteristics (which incorporate market competitiveness, product-market fit and response to demand), and the quality of services were those factors which positively correlated with the new services success (de Brentani 1991, 44-45). Among the factors which influence the new financial services development, synergy was the one which distinguished between successful and unsuccessful services the most (Cooper and de Brentani 1991, 81-82; Easingwood and Storey 1995, 37-38).

Organizational culture was not discussed in the majority of the above mentioned researches on the new financial services success models, although it stimulates creativity and innovation. Only de Brentani (1993, 15-22) studied organizational culture as the support environment within which a new financial services development process is performed. Martins and Terblanche investigated organizational culture in great detail as well. Their research was focused on the role and several determinants of organizational culture and how they are stimulated and promoted within organizations. They established that organizational culture is a crucial success factor of each organization as it represents a centre of innovation, thus strongly influencing all stages in the new financial services development process (Martins and Terblanche 2003, 64-74). A number of Slovenian authors also researched organizational culture, its components and its influence on the innovation process (e.g. Černetič 1997, 263; Kavčič 1991, 132-136; Uršič 1996, 329-333).

Jantunen (2005, 336-349) investigated the process of new knowledge development, which requires the acquisition of useful information, the dissemination of the acquired knowledge and its effective utilization in firms' innovation activities. It is well-known that knowledge and learning capability are becoming a potential source of firms' competitive advantage and are one of the crucial success factors. He established that the ability of knowledge acquisition and utilization is decisive for innovation activities and success of financial institutions. Moreover, Jantunen noted a positive and significant correlation of knowledge acquisition, dissemination and utilization with the R&D intensity and innovative performance (Jantunen 2005, 337, 341-345).

4. New financial services development model

Previous research (Atuahene-Gima 199635-52; Cooper and de Brentani 1991, 75-90; de Brentani 1991, 33-59; 1993, 15-22; 2001, 169-187; Easingwood and Storey 1995, 35-40; Gounaris, Papastathopoulou and Avlonitis 2003, 266-279; Jantunen 2005, 336-349; Martins and Terblanche 2003, 64-74) established that the most important factors in the new services development were market characteristics, business synergy of the firm, planning and implementation of new services development process, services quality, organizational culture and its characteristics as well as knowledge management.

When creating the model which incorporates a new financial services development process and the success factors for new financial services in the Slovenian financial market, the emphasis was laid on the influence of those factors which proved crucial for the success and were not included in previous studies in this field but whose contribution to the financial services success has been on the increase (Cooper and de Brentani 1991, 75-90; de Brentani 1991, 33-59; 1993, 15-22; 2001, 169-187; Easingwood and Storey 1995, 35-40; Gounaris, Papastathopoulou and Avlonitis 2003, 266-279; Martins and Terblanche 2003, 64-74; Jantunen 2005, 336-349).

The model shows the interrelatedness between the new financial service development process and four internal factors and one external factor that influence the process implementation.

4.1 The research survey

A survey was conducted based on the literature and the innovation model for the new financial services development. The managers from marketing and development departments of financial institutions in Slovenia were asked to answer a questionnaire concerning successful and unsuccessful new financial services. We analyzed which activities of the development process and which factors included in the innovation model are crucial for the innovation activity of financial institutions.

This research on the success of new financial services was performed in the Slovenian financial market, which is, from a global perspective, characterized as rather less developed or developing one. The main characteristic of developing financial markets is their instability, which is closely followed by low liquidity and outflow of capital from firms (Sjekloča 2004, 22). The limitations of the research stem mainly from market size. Namely, the Slovenian financial market comprises less financial institutions in comparison with financial markets of other, larger countries (e.g. the most developed countries in the European Union, the USA, Canada and Japan).

The formulation of hypotheses was based on the findings of the studies performed in developed financial markets. These hypotheses were used to examine the importance of the connection between the discussed factors and the stages of the new financial services development process for financial institutions in the Slovenian financial market.

The new financial services development process consists of four stages, which comprise several activities. The stages of the new financial services development process are: idea generation and screening, business analysis and marketing planning, services development and testing, services launching.

- **H_1**: There is a positive correlation between the stages of the development process and success indeces.
- **H_2**: Market launching is the most important stage for the new financial services success.

The new financial services development process, which is directly influenced by marketing synergy and financial service quality, represents the core of the model. Marketing synergy of a service means that the new service fits well with the existing image of the financial institution, provides a superior advantage to competing financial services in terms of meeting customer's known needs, and receives strong support from the financial institution and its personnel during and after the launch. It represents a strong match between the needs of the financial service and the institution's sales personnel, distribution, advertising and promotion, and marketing skills. In order to efficiently develop and market the services, it is more important for a financial institution to build on existing firm's strengths, skills, knowledge and other resources rather than seek new opportunities away from its resources and experiences (Bastič 2004, 66; Cooper and de Brentani 1991, 76). Marketing synergy includes the experiences and the available knowledge of managers and other personnel for the new financial service development and marketing, and the adaptation of the new financial service to the existing distribution system in the financial institution. The quality of financial services is the foundation for the differentiation between competitive services. The main differentiation criteria are reliability, responsiveness, competence, courtesy, credibility, security, access, understanding customer's needs, tangibility and other dimensions established. Unique, high quality and reliable financial services are thus more successful (Cooper and de Brentani 1991, 78-79; de Brentani 2001, 187).

Apart from the influence of marketing synergy and services quality on the development process, they have a significant influence on each other, too. The quality of the new financial service depends upon marketing synergy and, at the same time, marketing synergy depends upon service quality.

Market characteristics present an external factor, which has the impact on the whole development process of a new service in the financial institution, and, at the same time, on the new service success. In addition, it influences marketing synergy, quality and knowledge management.

- **H_3**: There is a positive correlation between internal factors (marketing synergy and financial service quality) and external factors (market characteristics) and success indeces.

- **H**$_4$: Among the investigated factors (i.e. marketing synergy with existing sources in a financial institution, market characteristics and new service quality), marketing synergy has the greatest influence on success.
- **H**$_5$: There is a positive correlation between marketing synergy and new financial services development process, between service quality and new financial services development process, and between market characteristics and new financial services development process.

Organizational culture and knowledge management are factors with a direct influence on the development process, marketing synergy and service quality. For those two factors, a mutual effect is significant: organizational culture has the impact on knowledge in the organization and, at the same time, knowledge influences organizational culture. Both factors do not only affect the success of a single financial service, they also have the impact on the success of all services in the institution and on the success and innovativeness of the entire organization.

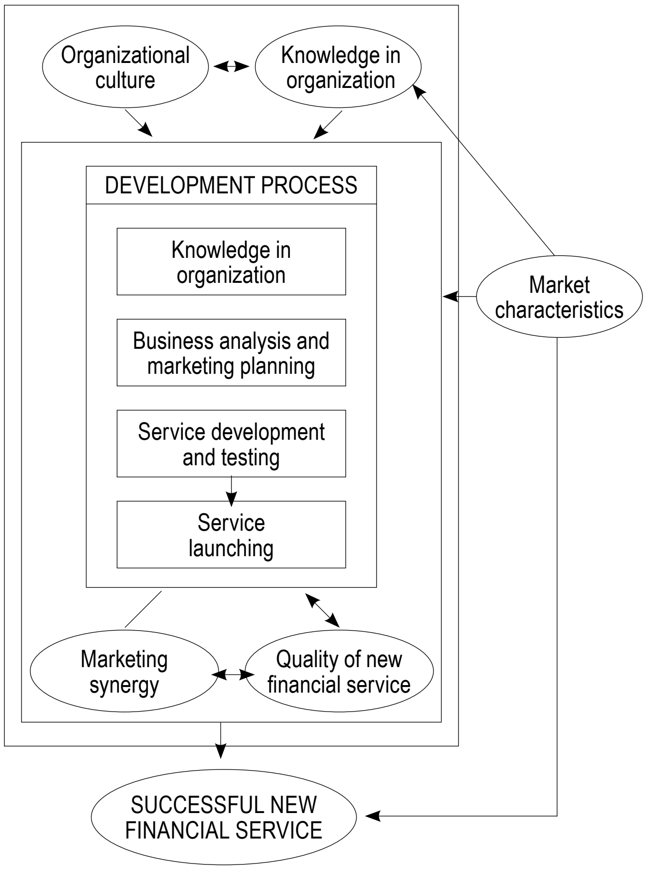
- **H**$_6$: There is a positive correlation between organizational culture and the stages in the new financial services development process. The correlation is the most significant in the stage of service development and testing. The correlation between organizational culture and marketing synergy, and organizational culture and service quality is also significant.
- **H**$_7$: There is a positive correlation between knowledge and the stages in the new financial services development process. The correlation is the most significant in the stage of service development and testing. There is also a positive correlation between knowledge and service quality, and knowledge and market characteristics.

4.1.1 The research methodology

The data for the hypotheses testing were collected using a questionnaire. The questionnaire comprised all the activities and factors indicated in the model which have the influence on the success of new financial services.

The questionnaires were forwarded to selected managers in marketing and development departments in 67 financial institutions, taking into account that the questionnaires to banks, insurance companies and brokers were sent to their different organizational units. 35 questionnaires for the evaluation of the successful and unsuccessful new financial service were sent to banks and savings banks, 30 questionnaires to insurance and reinsurance companies, 4 questionnaires to pension funds and 24 to brokers. Because the number of financial institutions in the Slovenian financial market is small, it was not possible to collect and analyse such a sample as it would we possible in countries with a well developed financial market in which there is a large number of financial institutions (e.g. the USA, Canada, Japan, Germany, the UK, etc.).

Figure 1: *New financial service development model including internal and external factors which influence the success*



From 186 questionnaires (i.e. 93 for successful and 93 for unsuccessful services) sent to financial institutions, 60 completed questionnaires were collected, 38 of which for successful and 22 for unsuccessful or less successful new financial services, representing the response rate of 32.26%. Compared to other investigations in more developed financial markets, this response rate is low.

The degree of innovativeness was discussed from the financial institution's and customers' viewpoint. Four dimensions of innovativeness were identified:

- improvement of existing financial services,
- new financial services for the financial institution,
- new financial services for the financial institution and the customers in the Slovenian market,
- completely new, unique financial services in world's markets.

The new financial services development process was divided into four stages as presented by the innovation model. Each stage in the development process was described with the activities required for new service development. Each activity represents an independent variable for further analysis. Degrees of agreement concerning the performan-

Table 1: *Factors for the new financial services development process, internal and external factors*

Factor	*Variables*	*Cronbach's α*
Idea generation and screening	Collecting ideas Screening of the idea to the management of the financial institution Evaluating new service with marketing criteria Evaluating new service with financial criteria Exploring positive and negative implications of the new service performance to other financial services	0.851
Business analysis and marketing planning	Investigating the size about target markets for the new financial service Investigating target markets characteristics Analyzing competitors Analyzing customers Preparing a draft of the marketing plan for the service Developing a program for “service positioning” Setting performance objectives of the new service	0.872
Service development and testing	Deciding about the final service specifications Determining the delivery process procedures for the service support Building a service “prototype” Executing operating tests of the service “prototype” and conducting necessary adjustments to systems and procedures Executing service tests within company’s personnel Executing service tests within potential customers Evaluating results of service testing	0.850
Service launching	Finalizing the whole marketing plan of the service Launching the new service in the marketplace – with the whole marketing mix support Systematically receiving feedback from customers regarding the service Taking corrective actions regarding service launching	0.874
Marketing synergy	Experiences and disposable knowledge of managers required for the new financial service development Experiences and disposable knowledge of other personnel required for the new financial service development Experiences and ability of personnel required for the new financial service marketing New financial service adjustment to the existing delivery system in the financial institution	0.690
Market characteristics	Expanse of the purchasing power in target markets for the new financial service Degree of market growth for the new financial service Aggressive competition for the new financial service Very similar competitive offerings Informed potential customers about changes of the new financial service New financial services satisfy clearly expressed customer’s needs	0.702
Quality of new financial service	Reliability of the new financial service in comparison to reliability of the similar service of the most important competitor Responsiveness of employees regarding customers advices Assurance – knowledge and courtesy of employees and their ability to convey trust and confidence Empathy – caring, individualized attention the employees provide their customers Tangibles – adjustment of physical facilities and equipment with the nature of the new financial service	0.536
Organizational culture	Vision and mission support/do not support creativity and innovation in the financial institution Strategic goals in the financial institution permit/do not permit employees a lot of freedom Organizational structure of the financial institution enables information flow without hindrances/with hindrances Defined/undefined definition of individual’s tasks in the organization Performing more pretentious projects and tasks in a frame of expert teams with appropriate knowledge and experiences Dealing with employees as important part of the organization Good/bad relationships between managers and other personnel Good/bad communication between individuals, teams and departments in the financial institution Convenient rewarding of employees for their ideas Low/high share of ideas transformed into the concept of the entire service Tolerance of errors from individual’s creative and innovative ambitiousness and handling with those errors as a learning opportunity Successful/unsuccessful conflicts handling in financial institution	0.952

Factor	Variables	Cronbach's α
Knowledge	Observing and adopting the best practices of competitors in the financial institution Customer's needs as the base for development activities in the financial institution Documentation of information about development and marketing of own successful and unsuccessful financial services in the financial institution Investigation of successful and unsuccessful financial services Ability to take unexpected opportunities Quickly/slowly changing working methods and practices in the financial institution	0.888

ce of the activities were measured on the 9-point Likert scale. The factors affecting the financial services success for successful and unsuccessful new financial services were also measured on the 9-point Likert scale. The factors organizational culture and knowledge were measured only for the whole financial institution. Namely, both factors affect the success of all services in the financial institution. The success level of the discussed new financial service was measured with different indeces for financial (sales profit) and market success (market share, customer satisfaction, personnel satisfaction, new market opportunities) on the 11-point Likert scale.

Variables describing the activities in the new financial services development process, internal and external factors and success indeces were combined into factors under the following criteria: Cronbach's $\alpha \geq 0.6$, Kaiser-Meyer-Olkin measure of sampling adequacy – KMO as high as possible and Barlett's test of sphericity ≤ 0.05.

Cronbach's α values for descriptive factors are presented in Table 1.

The correlation and discriminant analysis was applied to establish how particular factors, i.e. the stages of the new financial service development process and the internal and external factors affect the success indeces and what kind of interacting effects exist between different stages of the development process and the internal and external factors.

4.1.2 Data analysis and results

Correlation analysis between the factors of the development process and the success indeces indicated that the individual stages of the development process have different influence on success indeces. The highest correlation with success indeces is significant for service launching activities.

These results, including the correlation coefficients and significance, are presented in Table 2.

As it can be seen in Table 2, the success of new financial services depends predominantly on the activities in the services launching stage.

We applied the discriminant analysis to find out which factors distinguish between successful and unsuccessful new financial services the most. Among the factors of new financial services development process, service launching is the most important for service success as this is the stage in which the differences between success and unsuccessful financial services are the greatest. Discriminant function coefficients are shown in Table 3.

Table 3: *Structure matrix with discriminant function coefficients for stages of new financial services development process*

Factor	*Value of discriminant coefficient*
Service launching	0.804
Idea generation and screening	0.446
Business analysis and marketing planning	0.341
Service development and testing	0.160

In terms of their significance, the service launching stage is followed by the development and presentation of ideas stage. The stage in which new financial services are

Table 2: *Correlation coefficients between the stages in the new financial service development process and success indeces*

Factor	Market share	Profit	Customer satisfaction	Employee satisfaction	New opportunities
Ideas (Sig.)	**0.286*** (0.035)	**0.327*** (0.015)	0.206 (0.128)	0.220 (0.095)	**0.380**** (0.003)
Analysis (Sig.)	**0.374**** (0.005)	**0.340*** (0.011)	**0.285*** (0.033)	**0.327*** (0.012)	**0.373**** (0.004)
Develop. testing (Sig.)	0.111 (0.421)	0.146 (0.288)	0.150 (0.270)	0.138 (0.296)	0.222 (0.091)
Launching (Sig.)	**0.472**** (0.000)	**0.487**** (0.000)	**0.393**** (0.003)	**0.463**** (0.000)	**0.516**** (0.000)

N.B.: ** $p < 0.01$

* $p < 0.05$

Table 4: *Correlation coefficients between internal and external factors, and success indeces*

Factor	Market share	Profit	Customer satisfaction	Employee satisfaction	New opportunities
Synergy (risk)	**0.266*** (0.049)	**0.431**** (0.001)	**0.310*** (0.020)	**0.370**** (0.004)	**0.268*** (0.042)
Market (risk)	**0.481**** (0.000)	**0.532**** (0.000)	**0.458**** (0.000)	**0.587**** (0.000)	**0.514**** (0.000)
Quality (risk)	**0.269*** (0.049)	**0.341*** (0.012)	**0.398**** (0.003)	**0.447**** (0.000)	**0.412**** (0.001)
Culture (risk)	-0.093 (0.599)	0.146 (0.411)	0.042 (0.812)	0.245 (0.143)	0.041 (0.811)
Knowledge (risk)	0.058 (0.744)	0.043 (0.810)	0.097 (0.580)	**0.333*** (0.044)	0.205 (0.222)

N.B.: ** $p < 0.01$

* $p < 0.05$

developed and tested is the least important. This is rather surprising, as one would expect that this stage is more important than business analysis and market planning.

Based on the results obtained, hypotheses $\mathbf{H_1}$ and $\mathbf{H_2}$ can both be confirmed. Namely, it was established that the correlation between the stages of development process and success indeces is positive, and that the most important stage for the new financial services success is service launching. A comparable research by Gounaris, Papastathopoulou and Avlonitis (2003, 270-272) also indicated a high importance of service launching irrespective of the service innovation dimension.

The influence of internal and external factors on the new financial services success was measured with correlation coefficients among those factors, which influence the new financial service success and the success indeces.

The results, including correlation coefficients and significance, are presented in Table 4.

There is the highest correlation between market characteristics and success indeces. Market and its characteristics affect the achieved employee satisfaction the most.

Once more, discriminant analysis was used to determine which factor distinguishes between successful and unsuccessful new financial services the most. Only marketing synergy, market characteristics and services quality were examined because organizational culture and knowledge were assessed for the whole financial institution as their characteristics do not differ between successful and unsuccessful services.

Table 5: *Structural matrix with discriminant coefficients for synergy, market and market characteristics and new financial services success*

Factor	Value of discriminant coefficient
Market and its characteristics	0.985
Marketing synergy	0.528
Quality of new financial service	0.390

As it can be seen, the most important factor is market with its characteristics, followed by marketing synergy, while the quality of new financial services is the least important one.

Regarding hypotheses $\mathbf{H_3}$ and $\mathbf{H_4}$, we confirm $\mathbf{H_3}$ only because we established a positive and significant correlation between internal and external factors (i.e. marketing synergy and services quality, and market characteristics respectively) and success indeces. $\mathbf{H_4}$ was rejected because the most important factor for the success of new financial services is market with its characteristics and not marketing synergy as it was presumed. In previous studies (de Brentani 1991, 52-56; Cooper and de Brentani 1991 80-90; Easingwood and Storey 1995, 36-39), marketing synergy was a crucial success factor of new business and financial services.

New financial services development process can be also analysed from the perspective of internal factors (i.e. marketing synergy, new services quality, organizational culture and knowledge) and external factors (i.e. market characteristics) which affect the development process.

The results of this analysis are given in Table 6.

All five factors affect the activities of the idea generation and screening; the correlation with marketing synergy is the highest. Positive correlation is significant between all five factors and the stage of business analysis and marketing planning, the highest being with organizational culture. Positive correlation exists also between all five factors and the stage of service development and testing, the highest being the correlation with knowledge. All the factors, apart from organizational culture, affect activities of service launching, the highest being the correlation with market characteristics.

The results obtained show that each factor except quality has the strongest influence only on one stage of the new financial services development process. Surprisingly, the new financial services quality does not show the highest correlation with any of the development process stages.

The reciprocal influence of internal and external factors is shown in Table 7.

Table 6: *Correlation coefficients between the new financial services development stages and internal and external factors*

Factor	Ideas	Analyses	Development/testing	Launching
Synergy (risk)	**0.515**** (0.000)	**0.513**** (0.000)	**0.324*** (0.012)	**0.559**** (0.000)
Market (risk)	**0.459**** (0.000)	**0.425**** (0.001)	**0.345**** (0.009)	**0.603**** (0.000)
Quality (risk)	**0.279*** (0.035)	**0.388**** (0.003)	**0.397**** (0.002)	**0.488**** (0.000)
Culture (risk)	**0.469**** (0.003)	**0.560**** (0.000)	**0.525**** (0.001)	0.313 (0.063)
Knowledge (risk)	**0.432**** (0.008)	**0.468**** (0.003)	**0.594**** (0.000)	**0.333*** (0.044)

N.B.: ** $p < 0.01$
* $p < 0.05$

Market with its characteristics presents the external factor with the highest influence on marketing synergy. The correlation between market and services quality is less strong while the correlation between market and knowledge is the weakest. It is interesting that market with its characteristics exerts no significant influence on organizational culture. A high correlation between marketing synergy and new services quality as well as between organizational culture and knowledge is significant.

Hypothesis **H**$_5$ can hence be confirmed because of the positive and significant correlation between marketing synergy, services quality, market characteristics and new financial services development process. Hypothesis **H**$_6$ can be only partly confirmed since the correlation between the organizational culture and development process is positive and mostly significant; however, the correlation with the stage of the service development and testing is not the strongest, but it is the strongest with the stage of business analysis and marketing planning. As a consequence, the second part of hypothesis **H**$_6$ has to be rejected. The correlation between organizational culture and marketing synergy and services quality is significant, so the third part of hypothesis **H**$_6$ can be confirmed. Concerning hypothesis **H**$_7$, it was established that the correlation between knowledge and the stages of the development process is positive; the intensity of the correlation is the strongest with the stage of service development and testing, as it was hypothesized. The correlation between knowledge and services quality and between knowledge and market characteristics is positive, so **H**$_7$ is entirely acceptable.

As regards the innovation activities of financial institutions in the Slovenian financial market, it was established that they are developed but to a far lesser degree than those in more developed financial markets. New financial services launching appeared to be the most important stage of the development process in Slovenian and foreign markets, while the stage of business analysis and marketing planning showed much greater importance in more developed markets in comparison to the Slovenian one (Gounaris, Papastathopoulou and Avlonitis 2003, 270-272). Marketing synergy proved to be more important than market characteristics in more developed foreign financial market (de Brentani 1991, 47-51; Cooper and de Brentani 1991, 80-90), but in Slovenia the consideration of customer needs and the adjustment of new services to these needs is more important.

In Slovenia, the financial services innovation is limited only to copying the competitors from foreign or domestic markets. For that reason, it is impossible to talk about highly innovative financial services.

Table 7: *Correlation coefficients between internal and external factors*

Factor	Synergy	Market	Quality	Culture	Knowledge
Synergy (risk)	1	**0.580**** (0.000)	**0.529**** (0.000)	**0.481**** (0.003)	**0.362*** (0.028)
Market (risk)	**0.580**** (0.000)	1	**0.390**** (0.003)	0.280 (0.103)	**0.365*** (0.031)
Quality (risk)	**0.529**** (0.000)	**0.390**** (0.003)	1	**0.424**** (0.010)	**0.422**** (0.009)
Culture (risk)	**0.481**** (0.003)	0.280 (0.103)	**0.424**** (0.010)	1	**0.823**** (0,.000)
Knowledge (risk)	**0.362*** (0.028)	**0.365*** (0.031)	**0.422**** (0.009)	**0.823**** (0.000)	1

N.B.: ** $p < 0.01$
* $p < 0.05$

4.2 Application in practice

The developed model presents a good theoretical framework for the assessment of the weaknesses in the innovation process in Slovenian financial institutions. The results of our study are useful for establishing the activities and support factors which financial institutions in the Slovenian financial market have not been able to develop. These activities and factors, namely, weaken their innovation activities and the success of new financial services.

5. Conclusion

The contribution discussed the influence of the new financial service development process and the internal and external factors of the success of new financial services.

In the group of internal and external factors, market characteristics have the highest influence on the success of new financial services. An individual financial institution actually has no influence on them but it can take advantage of the opportunities that occur in the market.

The correlation between individual internal and external factors is significant almost for all factors. Market with its characteristics, as the only external factor included in the model, has the highest influence on marketing synergy, its influence on new financial services quality and knowledge is average, while the correlation with the organizational culture is not significant. The reciprocity is significant for marketing synergy and new financial services quality, i.e. synergy influences quality and vice versa. A well performed financial service strongly depends on the experiences and the acquired knowledge of personnel in the new services development process. The employees selling new services have to be experienced and qualified especially when customers of new financial services need advice, which consequently improves customer trust towards the employees.

Organizational culture and knowledge in the financial institution have an influence on marketing synergy and new financial services quality. The correlation between organizational culture and knowledge is very high. It is of principal importance that vision and mission in a financial institution support creativity and innovation, which enables a faster change of working methods and processes. This, in return, facilitates more effective and more efficient operations of the financial institution.

All five factors (marketing synergy, market characteristics, new service quality, organizational culture and knowledge) have a significant influence on the new financial services development process, the only not-significant correlation between individual factors and development process is the correlation between organizational culture and services launching. The influence of the market and its characteristics in the stage of services launching stage is particularly distinctive.

To conclude, financial institutions in Slovenia should consider particular activities in the new financial services development process and should devote special attention particularly to the services launching stage since this is stage which contributes to the services success the most.

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