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Disruption of traditional South African retail banks by modern digital technologies

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management in the field of Digital Business

Johannesburg, 2024

ABSTRACT

This research examined how traditional South African retail banks, such as ‘Bank X’, strategically responded to counter or avoid emerging threats posed by digital disruption, particularly regarding the entry of new market players like Tyme Bank, Discovery Bank, and Bank Zero.

New entrants were employing newer generation technologies such as AI, blockchain, and big data to offer affordable, agile banking services at prices that are difficult for legacy-stripped incumbents to maintain. Guided by Disruptive Innovation Theory, RBV, and Organisational Ambidexterity, the study examined two research questions:

1. What strategies have traditional retail banks adopted to improve their competitiveness in an industry vulnerable to digital disruption?
2. To what extent does adopting modern digital technologies enhance competitiveness, increase customer loyalty, and improve the performance of traditional retail banks in the South African retail banking sector?

Through qualitative thematic data analysis of executive interviews, the study established that Bank X had undertaken digital transformation via platform-based strategies, customer-focused design, and innovation-driven capital allocation. However, this was constrained by legacy technology, regulatory lag, and fragmented data infrastructures. Although digital technology had enhanced working effectiveness and behavioural segmentation, its transformational impact was incomplete due to uneven adoption and cultural lag.

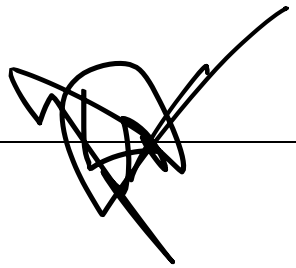
The study concluded that sustained competitiveness depended on reconfiguring internal resources, institutionalising rapid innovation, and ensuring that organisational culture aligns with a digital-first strategic mindset. The recommendations suggested updating fundamental systems, investing in data capabilities, enhancing regulatory collaboration, and transitioning to platform business models. Future research should employ comparative and longitudinal approaches to assess digital maturity in banks, as well as analyse the intersection of digital transformation with financial inclusion and organisational transformation.

KEYWORDS

Digital Disruption, Retail Banking, Organisational Ambidexterity, Digital Transformation.

DECLARATION

I, Luvuyo Ngwetsheni, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in the field of Digital Business at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Name: L Ngwetsheni Signature: 

Signed at …Johannesburg……

On the ……29…….. day of ……June…… 2025…..

DEDICATION

To my wife, Denise, and my daughters, embarking on this journey while being a husband, a father, and a full-time employee tested our resilience in ways I could never have imagined. Thank you for your patience, love and support. You believed in me in moments when my own belief had left me. I love you, this one is for all of you.

ACKNOWLEDGEMENTS

I first registered for the MMDB in 2021, midway through the year, with the encouragement and support of Dr Brian Armstrong. The plan had been to join the 2022 intake instead, and he encouraged me not to defer it to the following year, because life will always happen.

Oh boy, did life happen!

We attended all of our classes at the peak of the period when the world was learning to deal with the impact of COVID-19 on our lives. We learned new ways of forming human connections via a screen. Our lecturers needed to figure out how they could connect with their students digitally, whilst remaining passionate. I wish to acknowledge all of them and the school for their dedication, passion, and support through that period.

I also wish to thank Dr Michael Sony for his support. A true and dedicated professional, with razor-sharp focus and a passion for his work. His standards are high and unrelenting. I am better for it.

I want to thank all the participants in my study, especially the senior executives who were generous and kind with their time during interviews. I am grateful for their willingness to share their knowledge, which helps advance my understanding and that of those who will examine my work.

I want to thank my family and friends. The past three years have been some of the most challenging, both professionally and personally. Thank you for your support and belief. You have been my source of strength; your prayers and encouragement have kept me going. Thank you.

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LIST OF ACRONYMS

AI	Artificial Intelligence
API	Application Programming Interface
AMP	Advanced Management Programme
ATMs	Automated Teller Machines
BCom	Bachelor of Commerce
B.ACC	Bachelor of Accounting
BAU	Business as Usual
CA (SA)	Chartered Accountant (South Africa)
CEO	Chief Executive Officer
ETs	Enabling Technologies
FSCA	Financial Sector Conduct Authority
Gen Y	Generation Y
GPTs	General-Purpose Technologies
IMD	International Institute for Management Development
KPI	Key Performance Indicator
MBA	Master of Business Administration
RBV	Resource-Based View
ROA	Return on Assets
ROE	Return on Equity
SA-CSI	South African Customer Satisfaction Index
VRIN	Valuable, Rare, Inimitable and Non-Substitutable

CHAPTER 1. INTRODUCTION

This chapter explores the influence of digital disruption on South African retail banking, emphasising how fintech and digital banks have challenged traditional banking models.

The emergence of new-generation digital banks has intensified market competition by leveraging innovative technologies such as artificial intelligence (AI), blockchain, and big data analytics. These advancements have allowed digital banks to provide more affordable financial services, thereby disrupting the dominance of traditional banks that rely on physical infrastructure and legacy systems.

Furthermore, the chapter discusses the growing vulnerability of the financial services industry to digital disruption, as evidenced by the IMD Digital Vortex Report, which ranks financial services among the top three most disrupted industries worldwide (Wade, Shan, & Lin, 2023). It highlights that traditional banks are facing significant margin pressures as customer transactions move from physical to digital platforms, a trend partly accelerated by the COVID-19 pandemic.

In this context, the study explores how South African retail banks can strategically adapt to digital disruption while maintaining profitability, retaining existing customers, and attracting new ones.

1.1 Statement of purpose

This qualitative study aims to explore how modern digital technologies are disrupting traditional South African retail banks.

1.2 Background of the study

Innovative digital banks such as TymeBank, Discovery, and Bank Zero are introducing competition that currently disrupts mainstream banks (Mujinga, 2020).

As the Digital Vortex Report indicates, IMD's biennial survey ranks industries according to their vulnerability to digital disruption. From 2021 to 2023, the financial services sector advanced from fifth to third place, highlighting the rapid pace of digital transformation (Wade et al., 2023). Digitalisation has become a crucial element of banks' strategic plans to meet the evolving expectations of consumers and stakeholders(Louw & Nieuwenhuizen, 2020).

Disruptive technologies such as blockchain, AI, machine learning, and big data analytics have increasingly transformed the banking sector (Diamond et al., 2019). Not only did these technologies streamline operations, but they also enabled banks to create customer-centric ecosystems by integrating financial services with other industries, including healthcare, retail, and telecommunications (Diamond et al., 2019). This consolidation marked a move towards platform banking, as banks sought to leverage network economies to remain competitive.

In this regard, emerging digital technologies have put firms in various traditional industries, such as banking, retail, and manufacturing, under pressure to keep pace with the ongoing wave of digital transformation within their respective value chains (Högberg & Willermark, 2023). According to the bank, its value chain can be divided into three distinct layers:

1. Producing financial products and services,
2. Customer acquisition, which involves identifying the most suitable product for the customer's unique needs, and
3. Delivering value through the distribution layer on the customer channel.

In this context, the rise of digital banks has created new challenges for traditional banks, compelling them to adjust their business models (Cele & Mlitwa, 2024).

Digital banks offer high-quality products and services at lower costs, prompting incumbents to reduce their prices to stay competitive (Tsindeliani et al., 2022; Cele & Mlitwa, 2024).

Furthermore, digital banks have introduced branchless financial services, threatening face-to-face customer interactions, a key opportunity for incumbent banks to upsell and cross-sell to their customers (Cele & Mlitwa, 2024). The distribution and channel strategies have intrigued managers and leaders of traditional retail banks. With financial services on the brink of digital disruption, traditional retail banks have had to rethink how to restructure their physical presence, particularly branches and Automated Teller Machines (ATMs). The role of physical branches is diminishing, while the costs of maintaining them are rising (Chaisiripaibool et al., 2023).

Additionally, digital technologies have enhanced the quality of decision-making related to credit lending practices. This improved efficiency and speed of service provision, enabling digital banks to respond faster to changing customer needs. However, these improvements threatened the slower, established methods that incumbents were deploying (Alblooshi, 2022; Cele & Mlitwa, 2024).

Arguably, the most significant impact of digital banking has been its influence on reducing costs. The emergence of digital banks has put downward pressure on bank charges, challenging traditional pricing strategies (Musabegović et al., 2021). Previously, banks relied on extensive branch networks, large employee bases, and costly legacy systems to operate (Singh, 2020). However, as digital banks streamline operations by leveraging automation, AI-powered customer support software, and blockchain-enabled transactions, traditional banks have had to reassess the need for maintaining physical branch networks.

The ability to harness AI and robots for process automation, exemplified by the adoption of chatbots, demonstrates improvements in customer service and transaction processing efficiency (Singh, 2020). A study conducted in Indonesia, an emerging market economy, found that the lack of physical branches may have negatively affected the adoption of digital banks (Windasari et al., 2022). This

conclusion arose from factors such as trust, privacy, and other perceived risks among customers. In that study, the banks in Indonesia, specifically Jenius and Digibank, received support from established traditional banks. This backing was shown in qualitative research to enhance participants' willingness to use these digital banks, as they were supported by traditional banks(Windasari et al., 2022).

Nonetheless, the emergence of digital banks was expected to negatively impact the profitability of traditional banks and the entire financial services sector in South Africa (Cele & Mlitwa, 2024). The study's findings Cele and Mlitwa (2024) further indicated that these changes affected the profitability of incumbent banks within their current revenue streams. Discovery Bank, Bank Zero, and Tyme Bank emerged as competitors to traditional banks.

The Financial Sector Conduct Authority (FSCA) in South Africa has recognised these digital banks as competitors to traditional banks. These digital challengers provide a branchless, digital-only experience with minimal physical locations. When physical locations do exist, they typically operate in a self-service format, integrated into existing non-banking channels, such as partnerships with food retailers, including Tyme Bank kiosks at Boxer and Pick n Pay (Jenik, 2022).

Traditional banks have historically relied on brand loyalty to sustain their competitive advantage; however, the rise of digital banks has challenged this notion (Bisschoff & Els, 2023).

Blockchain technology presents a disruptive opportunity for banks. Its decentralised and permissionless nature facilitates secure and cost-effective transactions, challenging traditional banking norms (Guo & Liang, 2016). However, the mass adoption of blockchain depends on regulatory developments. Regulatory sandboxes and standardised enterprise requirements are increasingly crucial for integrating blockchain into South Africa's financial system. Given the regulatory complexities and challenges of decentralisation, banks must gradually adopt blockchain while ensuring compliance to realise the efficiency benefits of distributed ledger technology.

Lastly, as traditional banks faced disruption from new market entrants, digital transformation became a necessity for incumbent industry players. They needed to cut costs by leveraging technology-enabled efficiencies and strategically position themselves in platform-based ecosystems to compete (Gomber et al., 2018). Given the uncertainty in identifying the most suitable platform networks, banks required dynamic, cross-functional teams to design innovative business models aligned with evolving customer desires (Kjellman et al., 2019).

Supported by technology disruptors and advances in customer trust, legacy banks could transform into digitally integrated businesses offering tailored, seamless financial products. If they do not adapt to these changes, traditional banking models might become redundant in the face of an ever-growing competitive environment (BDO, 2019)

1.3 Research problem

The South African banking sector has experienced significant disruption due to the emergence of digital banks such as Tyme Bank, Discovery Bank, and Bank Zero. These banks utilise AI, blockchain, and big data analytics to provide cost-effective financial services (Chitamba, Mutambara, & Lourens, 2024). This development presents a challenge to traditional banks, which typically depend on branch networks and supported legacy systems and technologies.

Financial institutions globally are integrating digital ecosystems across industries to remain competitive (Gomber et al., 2018; Diamond et al., 2019). Furthermore, the IMD Digital Vortex Report ranked financial services among the most vulnerable industries (Wade et al., 2023). Despite increasing awareness, some South African banks continue to adhere to traditional models, jeopardising their market share and exposing themselves to disintermediation (Coetzee, 2018; Cele & Mlitwa, 2024).

Nonetheless, persistent challenges such as regulatory compliance, security threats, and customer trust in digital banking continue to pose significant barriers to adoption. Windasari et al. (2022) Research has found that the lack of physical

banking branches negatively impacts customer adoption of digital banks in emerging markets due to concerns about security, privacy, and trust. Similarly, research Garane (2024) demonstrates that issues related to digital literacy among South African bank customers also hinder the transition to fully digital banking channels.

Given these challenges, a noticeable gap exists in how effectively retail banks in South Africa can cope with digital disruption while staying profitable and retaining their customer base. Current research has focused significantly on the technological capabilities of digital banks, but there is limited emphasis on the strategies that incumbent banks employ to navigate this emerging digital landscape.

This study seeks to address this gap by examining how South African retail banks can utilise digital transformation to improve financial performance, enhance operational efficiency, and retain customers as the world grows increasingly digital.

1.4 Research questions

The research questions of the study were as follows:

1. What strategies have traditional retail banks adopted to improve their competitiveness in an industry vulnerable to digital disruption?
2. To what extent does adopting modern digital technologies enhance competitiveness, increase customer loyalty, and improve the performance of traditional retail banks in the South African retail banking sector?

1.5 Rationale

The study seeks to add to the body of knowledge by offering managers and bank leaders a strategic framework to guide decision-making in an industry experiencing digital disruption.

The research examines the dynamics of digital banking adoption and its financial impact to discover how retail banks can maximise their digital transformation strategies, increase operational efficiency, and leverage technological innovations to remain competitive.

It will also determine how retail banks can maximise the benefits of their technology investments while maintaining financial stability and ensuring sustained customer satisfaction. Drawing on extensive analysis of economic trends, competition, and technology, this research aims to provide practical recommendations to help banks navigate the evolving financial landscape with resilience and dynamism.

Crane et al. (2016) argue that a theoretical contribution, as a minimum requirement, fills the smaller gaps in the literature to achieve the objective of incrementally extending knowledge. The study evaluates whether frameworks such as the Resource-Based View (RBV) and organisational ambidexterity are meaningfully applied by banks confronted with the challenge of their traditional businesses being disrupted. It also examines whether the context in which South African retail banks operate enables the use of these frameworks to achieve the desired outcomes.

Moreover, it aims to assist academics, researchers, and other stakeholders in understanding the disruptive digital technologies affecting the retail banking sector in South Africa. The paper aims to contribute to incremental advancements in our understanding of the subject.

1.6 Delimitations of the study

The study's delimitations were established to ensure a focused and feasible research approach. It utilised a case study methodology, concentrating on a class of retail banks, specifically a single traditional retail bank located in Johannesburg, South Africa. It did not conduct a comprehensive analysis of all retail banks in the country.

Numerous exogenous factors confronted the research subject, emphasising the need to consider adopting modern technology to improve organisational performance. Furthermore, the study did not use a longitudinal approach due to constraints related to resources and time availability.

1.7 Assumptions

The technology infrastructure of new digital entrants was assumed to inherently enable these banks to integrate modern technologies more rapidly than incumbent traditional banks, which often faced structural and operational constraints due to legacy systems and technologies.

1.8 Chapter Outline

The chapters in the study shall be organised as follows:

Chapter 1 introduces the research study and discusses how modern digital technologies disrupt traditional banking. The chapter provides a background for the study by presenting the research problem and questions that it seeks to examine.

Chapter 2 presented the study's literature review, which examined the strategic disposition of incumbent banks to digital disruption, the resource-based view, and the analytical framework.

Chapter 3 outlines the study's research methodology, including the research paradigm, approach, design, data collection methods, population, and study sampling.

Chapter 4 presents the findings of the thematic data analysis process, drawing on existing literature to generate an in-depth understanding of the research results.

Chapter 5 discusses the interpretation of the data analysis results.

Chapter 6 will draw conclusions from the study, address academic contributions, and make recommendations.

Summary

This chapter highlights the profound impact of digital transformation on the South African retail banking industry. The increasing shift of customer transactions to digital platforms has put downward pressure on bank charges, compelling traditional banks to reassess their pricing models and service offerings. Digital banks have utilised technology to streamline operations, reduce overhead costs, and enhance customer engagement, posing a significant challenge to incumbent banks.

The discussion also highlighted the role of disruptive technologies such as AI and blockchain in transforming banking operations and facilitating more efficient financial transactions.

Furthermore, the chapter examined the broader implications of digital disruption, including the potential reduction in physical banking branches, shifts in customer acquisition strategies, and the necessity for traditional banks to embrace

platform-based banking models. While digital banks have shown agility in adopting contemporary technologies, traditional banks encounter significant limitations owing to their dependence on legacy systems and extensive branch networks. Regulatory concerns, cybersecurity threats, and customer trust also surfaced as crucial factors affecting the rate of digital adoption in South Africa.

The study highlights a substantial research gap in comprehending how traditional retail banks can strategically react to digital disruption while maintaining profitability and competitiveness.

Existing research has primarily focused on the technological capabilities of digital banks, while providing limited attention to how incumbent banks can adapt to the evolving digital landscape. Moreover, by exploring strategies for digital transformation, this study aims to offer insights into how traditional banks can enhance financial performance, improve operational efficiency, and leverage technological advancements to both retain and attract customers in an increasingly digitalised banking environment. The next chapter discusses the literature review of the study.

CHAPTER 2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

Integrating modern digital technologies within banking institutions has become a critical determinant of organisational performance, particularly in industries highly susceptible to digital disruption. In the South African retail banking sector, the adoption of digital technologies presents a multifaceted impact that influences operational efficiency, customer interaction, and the overall agility of banking institutions. As digital transformation accelerates, traditional banks must reassess their business models to remain competitive in an evolving financial landscape driven by fintech innovations and disruptive technologies (Tao et al., 2018; Autio et al., 2024).

This chapter examines the existing body of knowledge on the relationship between modern digital technologies and organisational performance, with a specific focus on South African retail banks. Modern digital technologies are characterised by their ability to transform traditional banking operations into intelligent, data-driven processes that enhance customer experience and increase efficiency (Tao et al., 2018). While such technologies enable business model innovation by redefining value creation and service delivery, they also play a crucial role in optimising existing models in larger, more established institutions such as banks (Autio et al., 2024).

Furthermore, the chapter delves into conceptualising organisational performance in the banking sector and evaluating financial and non-financial performance metrics. Financial indicators such as Return on Assets (ROA) and Return on Equity (ROE) provide insights into a bank's ability to generate earnings from its assets and manage its equity efficiently (Amala & Anil, 2021; Wau, Fau, & Mendrofa, 2023). Operational performance is assessed based on efficiency gains enabled by digital transformation, particularly through streamlining processes, reducing costs, and enhancing distribution channels (Khudolii & Hlushko, 2023).

Risk management remains another critical dimension, as banks must balance profitability with risk exposure, a balance that digital technologies can mitigate through improved compliance and data-driven decision-making (Barra & Zotti, 2019). Additionally, governance mechanisms influence financial performance by ensuring accountability and transparency, which is particularly important for banks operating in volatile environments (Aziza & Aviola, 2024).

Beyond financial and governance considerations, adopting digital technologies significantly impacts banks' market performance. Factors such as market concentration, competition, and regulatory frameworks shape strategic decisions that influence a bank's ability to remain competitive (Barra & Zotti, 2019). The rapid evolution of digital banking solutions has further intensified competitive pressures, making it essential for banks to innovate continually and align their business models with emerging industry trends. This chapter synthesises existing literature and critically analyses how modern digital technologies enable banks to optimise business models, enhance service delivery, and sustain competitive advantages.

The literature review also identifies the challenges and opportunities associated with digital adoption in traditional banking institutions, including regulatory compliance, market competition, and technological readiness. Besides, through analysing the interplay between digital transformation and organisational performance, this chapter sets the foundation for understanding how South African retail banks can effectively leverage technology to drive sustainable growth and resilience in an increasingly digitalised financial environment.

2.2 Definitions and Background discussion

Modern Digital Technologies

Modern digital technologies are defined by their transformative impact on society. Modern digital technologies can also be described as a suite of innovations that facilitate the transformation of society and the economy from traditional analogue systems to advanced digital frameworks. Digital technologies enable companies to transform their current product or service model into an intelligent model and to adopt data-driven strategies to become more competitive (Tao et al., 2018)

Modern Digital Technologies, for the purposes of this study, will be defined as technologies that enable businesses to improve their strategies and remain sustainably competitive while adapting to the changing needs of all their stakeholders. Autio et al. (2024) argue that the most essential characteristic of digital technology is its ability to enable business model innovation. This is the organisation's ability to completely reimagine how the company creates value for customers and ultimately capture this value creation in business profits. The counterargument is that in larger, more established businesses, such as traditional South African retail banks, digital technology can also be used to optimise existing business models (Autio et al., 2024). This definition requires managers to fully leverage the potential of modern digital technology, rather than merely optimising what already exists.

Traditional Banks

Traditional banks are characterised by relationship-based lending practices, an emphasis on core deposit collection, traditional revenue streams, and a tangible presence through physical branches (Chiorazzo et al., 2018). For this study, these will be adopted as the key characteristics of traditional banks. The branch-based operational model represents a core characteristic of traditional banking systems.

Undertaking digital transformation has become a key priority for banks aiming to remain competitive and meet customers' ever-evolving needs (Omarini, A., 2024). Furthermore, new technologies that fundamentally alter banks' business models and operations present both threats and opportunities in the digital vortex (Omarini, A., 2024). Omarini further argues that banking is transitioning from a pipelined vertical paradigm to an open banking model. Thus, traditional banking

is ripe for a reimagining of the status quo. For banks, especially traditional ones, this relationship between modern digital technologies and banking will be defined by their strategic approach to the inevitable disruption.

2.2.1 Strategic disposition of incumbent banks to digital disruption

The banking sector is among the most vulnerable to digital disruption, ranked third by the IMD Digital Vortex Report as the most vulnerable to technological transformation (Wade et al., 2023). The rapid adoption of AI, blockchain, cloud computing, and big data analytics is rebuilding traditional banking models and compelling traditional banks to challenge their business models.

This study investigates whether these technologies constitute disruptive innovations and examines their impact on business model innovation, operational efficiency, and firm productivity. Most critical is the question of whether digital transformation can create a durable competitive advantage for incumbent banks or only short-term efficiencies. With fintech disruptors offering low-cost, technology-enabled solutions, incumbent banks must determine whether adopting platform-based ecosystems, omnichannel banking, and AI-driven interactions will enable them to remain competitive. Through an investigation of the dynamics among business model innovation, firm productivity, and digital transformation, this research aims to provide strategic implications for banks amid the evolving financial landscape.

2.2.1 *Digital disruption*

Digital disruption is a paradigm shift in the banking industry that alters competitive forces and reorders conventional banking models as digital technologies spread. Researchers conceptualise digital disruption as a change in industry value resulting from developments in information and communication technologies such as AI, blockchain, cloud computing, and data analytics (Thakur, AlSaleh, &

Hale, 2023). Yet still, it is crucial to differentiate between merely technological innovation and the disruptive promise of these technologies.

As posited in disruptive innovation theory, disruption results when less-capable firms successfully turn established players upside down, typically by first attacking overlooked segments with simpler, cheaper solutions.

In this regard, the banking industry has undergone a tremendous transformation due to digital disruption, as new entrants leverage digital channels to avoid conventional barriers to entry. This is in accordance with Christensen's (1997) theory of sustaining innovation, in which incumbent firms respond to incremental innovations for existing customers rather than aggressively pursue disruptive innovations. In this case, the banks have at all times made enormous investments in physical infrastructure, such as branches and ATMs, which are now liabilities rather than assets (Danneels, 2004). Internet banking, led by fintech operators, has gained momentum to the extent that traditional institutions face lower margins and competitive pressures (Padhy, 2023).

Additionally, empirical research suggests that digital disruption has a profound impact on bank competition and financial inclusion. For instance, Jiang, Yu and Zhang (2024) demonstrated that the growth of digital infrastructure, such as 3G and mobile banking, led to branch network contractions while simultaneously benefiting younger, digitally literate consumers. That said, the shift also had the implication of increasing financial exclusion for older and lower-income consumers, who remain reliant on physical banking infrastructure. This supports earlier findings by Kenney, Rouvinen and Zysman (2015)those who argued that digital disruption brings opportunities along with imbalances that force banks to transform without disenfranchising traditional customer bases.

The response to digital disruption varies significantly across banking institutions. Vives (2019) noted that while certain banks have embraced digital transformation through the adoption of fintech innovations in their service provision, others are yet to do so due to regulatory concerns and the high costs of switching from traditional legacy systems. Regulation is a primary driver of the extent of digital

disruption, and policymakers must balance fostering innovation with ensuring financial stability (Vives, 2019). This is especially relevant in South Africa's banking industry, where digital banks such as Tyme Bank, Discovery Bank, and Bank Zero have emerged as challengers offering lower-cost alternatives to incumbent banks (Cele & Mlitwa, 2024).

At a strategic level, digital disruption compels banks to reconfigure their competitive position. Bughin and Van Zeebroeck's (2017) research discovered that firms that navigated disruption through bold digital strategies were likelier to become industry leaders. These findings are consistent with the work of McQuivey (2013)those who claim that digital disruptors thrive by targeting customer needs rather than optimising established business models. For incumbent banks, this implies a shift towards platform-based business models that combine digital services with financial products, as evident in the emergence of open banking and API-driven ecosystems (Vagadia, 2020). However, it is worth noting that the economic stakes of digital disruption are substantial.

Banks that fail to evolve risk losing market share and profitability as digital entrants continue to reduce transaction costs and deliver better customer experiences. El Khatib et al. (2022) emphasised that digital disruption is not merely about cost reduction but also about the ability to leverage data analytics and AI to enhance decision-making processes. This is particularly evident in credit risk assessment, where machine learning models have outperformed traditional credit scoring mechanisms in predicting defaults (El Khatib et al., 2022).

In addition, the use of big data in financial services has been a key driver of digital disruption. According to Padhy (2023), banks can now use vast amounts of transactional data to personalise financial products and improve customer experience. However, this also poses additional challenges, particularly regarding data privacy and cybersecurity threats.

Skog, Wimelius and Sandberg (2018) argued that digital disruption should not be confused with digital transformation since the former suggests a radical

reconfiguration of industry dynamics. In contrast, the latter means the ongoing implementation of new technologies.

Nonetheless, banking disruption through digitalisation is still ongoing. Opportunities abound for both fintech and digital banks to break into the realm of traditional financial institutions, thereby presenting several challenges for incumbents to address, including embracing new technologies, meeting regulatory obligations, and building customer confidence.

The tactical approach to digital disruption will shape the future direction of the banking industry as firms leverage platform-based ecosystems and data-driven decision-making to achieve sustained success. However, the effects of digital disruption are not evenly distributed, varying across market segments and geographical locations. Additional research is warranted to investigate how traditional banks can harness digital transformation to maintain a competitive edge without undermining financial inclusion.

2.2.2 *Organisational ambidexterity*

Ambidexterity in organisations has emerged as a critical strategic capability, enabling firms to balance efficiency in current business operations with the exploration of innovative opportunities. The duality of exploitation versus exploration lies at the core of this theoretical approach to ambidexterity. Organisations refine and optimise existing business processes while seeking new knowledge and disruptive innovations to gain a competitive advantage (Raisch & Birkinshaw, 2008; Clauss et al., 2021).

The banking industry, particularly existing retail banks, faces significant pressure to manage this ambidextrous trade-off as they contend with emerging digital banking entrants and revolutionary financial technologies. Digital transformation has heightened banks' need to maintain efficiency through incremental innovation while being agile enough to explore new technological paradigms.

Exploitation, as one dimension of ambidexterity, refers to maximising ongoing business operations by enhancing efficiency, lowering costs, and achieving maximum profitability (March, 1991; Clauss et al., 2021). Exploitation activities enhance firms' operational competence by optimising internal capabilities and leveraging economies of scale(Liu, Liao, & Li, 2018). This is evident in banking through the automation of legacy services, digital customer support, and improvements to the legacy system with a comprehensive focus on enhancing efficiency and customer-friendliness. Traditional banks maintain their leading position through a well-established market environment, strong brand loyalty, and extensive financial resources, which are crucial for sustaining operational efficiency. Empirical studies emphasise that exploitative strategies directly enhance financial performance, enabling companies to offer high-quality services at competitive prices while utilising data analytics for targeted customer engagement.

However, insufficient emphasis on exploration, compared to an overemphasis on exploitation, can lead to competency traps, in which companies become overly reliant on existing capabilities and fail to adapt to emerging disruptions(Gupta, Smith, & Shalley, 2006). This imbalance may result in organisational inertia, limiting the firm’s ability to respond effectively to future uncertainties.

On the other hand, exploration encourages innovation and flexibility and empowers companies to remain up to date with shifting market forces and new technological developments (March, 1991; O'Reilly III & Tushman, 2013). This dimension of ambidexterity involves investments in disruptive technology, experimenting with product and service propositions, and organisational culture to test and learn. Exploration banks invest in new ones such as AI-based risk assessment, blockchain-based transactions, and online banking (Benitez et al., 2018). Even though exploration is associated with greater uncertainty and financial cost, it is crucial for long-term competitiveness. In light of this, banks that do not venture into new business models risk becoming obsolete.

In contrast, digital banks continue to erode traditional banking revenues with low-cost, highly scalable fintech solutions (Ho et al., 2020; Sarmento, Simões, &

Lages, 2024). As such, ambidexterity requires companies to integrate exploitative and exploratory abilities, balancing the inherent tensions between them. Researchers have proposed various organisational ambidexterity strategies, including structural, contextual, and sequential ambidexterity (Gibson & Birkinshaw, 2004; Raisch & Birkinshaw, 2008).

Firstly, structural ambidexterity requires creating separate units within a company, where one unit exploits while the other explores, without conflict between the two units (O'Reilly III & Tushman, 2013).

Secondly, contextual ambidexterity allows employees to engage in both exploitation and exploration, fostering a responsive culture and maintaining a balance in innovation(Birkinshaw, Zimmermann, & Raisch, 2016).

Lastly, sequential ambidexterity describes the practice of alternating between exploitative and exploratory actions over time, enabling companies to focus on incremental efficiency improvements during stable periods and shift towards innovation amid market uncertainty(Boumgarden, Nickerson, & Zenger, 2012).

Additionally, the banking industry exemplifies a strategic dilemma of ambidexterity, where traditional banks must leverage their existing infrastructure while integrating new technological paradigms to remain competitive. Retail banking businesses face the strategic challenge of allocating resources for both exploitation and exploration. Ongoing investment in legacy technology infrastructure, including physical branches and ATM networks, represents an exploitative approach aimed at sustaining operational efficiency.

However, as digital banks gain popularity, banks must simultaneously pursue new business models that employ AI, big data analytics, and decentralised finance solutions to maintain competitiveness(Trieu et al., 2023). Moreover, academic studies suggest that companies that effectively balance exploitation and exploration are likely to outperform those overly focused on either aspect (He & Wong, 2004; Junni et al., 2013). This is particularly relevant in the banking sector, which must continually adapt to digital disruptions.

Banks prioritising short-term operational expediency over long-term innovation may become vulnerable to market fluctuations, while those excessively investing in exploratory projects without sustainable financial practices risk liquidity crises. Research indicates that ambidextrous firms experience greater economic stability, higher profitability, and sustained market value under volatile conditions (Uotila et al., 2009; Batra, Preethi, & Dhir, 2022).

South African retail banks will ultimately succeed or fail based on the practical implementation of ambidextrous strategies to enhance their competitive positioning in an increasingly dynamic financial landscape. A perfect blend of leveraging cutting-edge digital capabilities to optimise exploitative efficiency will necessitate a judicious investment in innovation-driven exploration. This requires a commitment from leadership, cross-functional collaboration, and an organisational culture that thrives in a dynamic, changing environment while retaining essential operational capabilities (Chen & Liu, 2018).

In the rapidly evolving digital landscape of the banking industry, only those organisations that successfully balance exploitation and exploration can remain profitable in the short term while positioning themselves for long-term success and technological leadership.

2.2.3 *Proposition 1*

Elevated levels of organisational ambidexterity in response to digital disruption will enable traditional banks to attain superior performance outcomes.

2.3 Resource-based view of modern digital technology

The Resource-Based View (RBV) of modern digital technology provides a firm basis for analysing the competitive forces shaping South Africa's retail banking

sector amid digital disruption. Digital banks such as Tyme Bank, Discovery Bank, and Bank Zero have leveraged modern technologies to challenge traditional financial institutions, disrupting the traditional oligopolistic market structure (Chitamba et al., 2024).

The increasing competition from digital banks has compelled incumbent banks to reassess business models, enhance customer experience initiatives, and invest in digital technologies to remain competitive (Nel & Boshoff, 2021). However, despite the disruptive technologies introduced by digital banks, their success is not guaranteed, as financial sustainability and customer acquisition remain key challenges. Given that it took Tyme Bank until December 2023, five years after it was founded, to turn a profit, this underscores the complexity of success in a competitive, rapidly evolving digital space (Tyme Bank, 2024).

The discussion immediately impacts this study's research problem: the threat that digital banks pose to incumbent players, who are anchored in physical branch networks and legacy systems.

The study aims to analyse how traditional retail banks can integrate digital technologies into their service delivery without alienating their existing customer base or compromising financial stability. The objective pertains to the research questions, particularly in assessing the methods employed by traditional retail banks to improve competitiveness and investigating the impact of digital adoption on financial performance, customer loyalty, and competitive positioning.

The RBV model provides perspectives on banks' strategic resources that they may rely on for sustainable competitive advantage. Furthermore, the RBV, as its proponents argue, suggests that a company's capacity to outcompete rivals can be explained by its resources, which must be valuable, rare, inimitable, and non-substitutable (VRIN) (Barney, 1991; Karim, Nahar, & Demirbag, 2022).

While digital banking technologies are widely available, their strategic value depends on how they are adopted and integrated within organisations. For instance, incumbents that leverage their established customer trust, regulatory

expertise, and extensive data repositories, combined with cutting-edge technology, have the potential to create differentiated value propositions that digital banks will struggle to replicate (Gerhart & Feng, 2021).

The classification of General-Purpose Technologies (GPTs) and Enabling Technologies (ETs) further contextualises the role of technology within the RBV framework. GPTs, such as internet infrastructure and mobile devices, serve as foundational tools for all market players, while ETs, such as AI-driven analytics and big data, meet the VRIN criteria and thus provide firms with unique competitive advantages (Teece, 2018; Karim et al., 2022).

However, the effectiveness of ETs in banking depends on complementary capabilities such as advanced IT skills, robust cybersecurity frameworks, and data-driven customer engagement strategies (Zahra, 2021). This aligns with the first research question, demonstrating that successful digital transformation in traditional banks extends beyond merely adopting technology to encompass human capital development and strategic resource management.

Customer loyalty and trust are also central concerns for traditional and digital banks. The South African Customer Satisfaction Index (SA-CSI) for Retail Banks revealed that traditional banks are experiencing declining customer satisfaction scores amid rising expectations (Bizcomunity, 2022). Some incumbent banks performed below industry standards in perceived quality, customer expectations, and Net Promoter Scores, signalling a growing urgency to enhance customer experiences through digital transformation (Taoana, Quaye, & Abratt, 2022).

This analysis addresses the second research question, which examines the role of digital technology in increasing customer loyalty. While digital banking improves accessibility and service convenience, research suggests that digital banks must work harder to establish customer trust, particularly in emerging markets where physical presence remains an important determinant of consumer confidence (Windasari et al., 2022; Garane, 2024).

Similarly, younger banking clients, particularly millennials and Generation Y (Gen Y), exhibit a pronounced preference for digital banking platforms. Yet, they also appreciate tailored financial guidance, suggesting that conventional banks can incorporate digital advancements while still maintaining physical locations (Deventer & Redda, 2023). Research conducted in Malaysia revealed that although Gen Y customers frequently utilised digital banking platforms, significant transactions continued to take place through conventional banking services (Al Tarawneh et al., 2023). This implies that a fusion approach that blends online and offline banking strategies can create a competitive advantage for offline banks.

Financial Sector Conduct Authority (2023) has insight that financial inclusion in South Africa remains a priority concern, with “access,” “usage,” and “quality” as key components of inclusion. This implies that traditional banks must balance their digital transformation strategy to avoid driving customers away from traditional banking products.

In the wake of digital disruption and evolving customer habits, channel integration has become one of the primary strategies for banks seeking to improve service delivery. The transformation from multichannel to omnichannel banking systems ensures a seamless customer experience across both physical and digital touchpoints (Vale, Collin-Lachaud, & Lecocq, 2022).

Omnichannel banking fosters consumer engagement by providing a unified platform for bank services, enabling customers to seamlessly switch between online, mobile, and in-person interactions (Cuesta-Valiño et al., 2024). Nevertheless, experts highlight significant challenges to omnichannel implementation, including technological integration issues, information management challenges, and cost constraints (Cuesta-Valiño et al., 2024). To successfully implement an omnichannel strategy, banks must develop AI-powered analytics, big-data solutions, and IoT technologies to enhance customer interactions and customise financial services (Rigby et al., 2012).

In light of this, the research results are directly relevant to the second research question, which seeks to determine the extent to which digital technologies

enhance competitiveness and foster customer loyalty. Conventional banks must strike a balance between exploitation (enhancing current services to improve efficiency) and exploration (focusing on groundbreaking innovations) to remain competitive (Yamakawa, Yang, & Lin, 2011; Clauss et al., 2021).

Exploitation guarantees immediate profit by improving operational effectiveness and lowering expenses, whereas exploration promotes enduring resilience by creating innovative business models and financial strategies (Sarmento et al., 2024).

This balance highlights the necessity for a dual strategy that enables banks to enhance their existing resources while preparing for upcoming market changes. On the other hand, the RBV framework offers a systematic approach to understanding how banks navigate digital transformation amid heightened competition. Conventional banks, utilising their existing resources such as customer confidence, regulatory expertise, and financial systems, while embracing contemporary technologies, can secure lasting competitive edges. Nonetheless, accomplishing this necessitates more than just acquiring technology; it requires strategic alignment, workforce adjustments, and customer-focused innovation.

In light of this, the study's results will provide insights into how South African retail banks can enhance financial performance and customer engagement by integrating digital technologies into their strategic approaches. This study contributes to current discussions on the convergence of digital transformation, financial outcomes, and customer loyalty within the banking sector by addressing the research questions.

2.3.3 Proposition 2

Traditional retail banks can secure a sustainable competitive advantage during digital disruption by strategically utilising their unique resource configurations, as

described in the Resource-Based View, to create an integrated omnichannel distribution strategy that fosters customer loyalty and trust.

2.4 ANALYTICAL FRAMEWORK

This section outlines the study's analytical framework, which comprises both conceptual and theoretical components. The frameworks provide a scientific approach to understanding how digitally disruptive innovations reshape the strategic direction, business performance, and customer engagement strategies of traditional retail banks.

The theoretical framework is grounded in Christensen's Disruptive Innovation Theory, which explains how digital banks, utilising AI, blockchain, cloud computing, and big data analytics, displace incumbents by providing low-cost, customer-centric financial services (Christensen, 1997; Cele & Mlitwa, 2024). The theory accounts for the responses of established banks to technological disruption, detailing their adoption of sustaining innovations that enhance existing digital products or radical transformations that reshape business models (Markides, 2006; Christensen et al., 2018).

The conceptual framework accompanies this and captures the interaction of organisational strategy, performance, customer loyalty, and digital disruption. It illustrates how digital transformation compels banks to adopt platform-based ecosystems, AI-driven personalisation, and omnichannel strategies to stay competitive (Bughin & Van Zeebroeck, 2017; Vagadia, 2020).

According to the RBV, traditional banks can leverage their brand reputation, regulatory expertise, and customer loyalty as strategic resources to differentiate themselves from online challengers (Gerhart & Feng, 2021; Karim et al., 2022). The dynamic interaction of disruptive innovation, business model reconfiguration, and strategic resource redeployment forms the central analytical framework of this research, offering a comprehensive lens through which to examine how South African retail banks can navigate digital disruption while maintaining financial sustainability and customer loyalty.

2.4.1 *Theoretical Framework*

Clayton Christensen's theory of disruptive innovation offers a structured approach to analysing the digital disruption reshaping the South African banking sector. Originally applied to downward-looking technological innovations that ultimately dominate markets, the theory has been adapted to highlight the importance of shifts in business models over technological features (Christensen, 1997; Christensen, 2016).

The emergence of purely digital banks is a classic example of this phenomenon. These banks leverage AI, blockchain, and big data analytics to provide low-cost, highly personalised financial services (Cele & Mlitwa, 2024). The increasing presence of these digital challengers threatens the traditional banking model, which has long relied on high-branch networks, legacy IT systems, and high-fee models (Musabegović et al., 2021). The challenge facing incumbent banks is integrating digital innovations without undermining their existing revenue streams and alienating a customer base that still believes in conventional banking structures (Windasari et al., 2022).

The relevance of Christensen's framework becomes apparent when addressing the research problem, which investigates how South African banks can navigate digital disruption while maintaining financial stability and customer engagement. The IMD Digital Vortex Report identifies financial services as one of the industries most vulnerable to digital disruption, underscoring the urgency of traditional banks' adaptation (Wade et al., 2023).

The research problem highlights that digital disruptors exert downward pressure on bank charges and alter consumer expectations, compelling incumbents to rethink their operational models. Although some banks have embraced digital channels, many remain committed to traditional business practices, increasing their exposure to disintermediation and competitive displacement (Coetzee, 2018).

While existing literature acknowledges the necessity of digital transformation in the banking sector, it has largely focused on technological capabilities rather than the strategic responses of incumbent banks to maintain competitiveness. This study aims to fill that gap by examining how South African retail banks can leverage digital transformation to enhance financial performance, improve operational efficiency, and retain customer loyalty in an evolving digital financial landscape (Gomber et al., 2018; Diamond et al., 2019).

The theory of disruptive innovation is especially relevant to the research questions, which highlight how traditional banks have attempted to compete and to what extent digital transformation enhances performance and customer retention. Christensen's model describes why incumbents resist, transform, or embrace disruption. It explains how traditional banks will not be able to adequately respond to digital disruptors because they do not wish to abandon proven business models with high-margin customers (Christensen et al., 2018).

This is evident in the South African banking sector, where legacy banks must balance digital innovation with regulatory hurdles, customer security, and bridging digital literacy among certain customer bases (Garane, 2024). Moreover, the theory clarifies the distinction between sustaining and disruptive innovations, which allows this study to determine whether South African banks are merely enhancing existing digital products or fundamentally transforming business models to compete with digital-native entrants (Markides, 2006).

Aside from offering an explanatory framework, Christensen's theory is justified as the appropriate theoretical framework for this research because it aligns with the competitive dynamics of the South African banking industry, provides insight into the responses of incumbent banks, and underscores the importance of business model innovation.

Digital banking entrants are introducing new technologies and revolutionising the banking experience by overcoming traditional limitations such as high transaction costs and reliance on physical branches(Myerson, 2019). The traditional banking

industry is undergoing a paradigm shift that necessitates strategic adaptation, rather than merely incremental technological upgrades. This aligns with Christensen's thesis that disruptive innovation does not arise from technology itself but from reconfiguring business processes to cater to previously underserved customer segments (Antonio & Kanbach, 2023). South African banks can either embrace disruptive models or risk becoming irrelevant in an increasingly digital financial environment (Piazza, 2021).

The innovator's dilemma, the central concept of disruptive innovation theory, clearly applies to the strategic conservatism of incumbents. Traditional banks, which have historically benefited from in-branch experiences and high-margin banking services, may hesitate to shift to sophisticated digital models due to concerns about profitability, customer trust in digital platforms, and regulatory complexities (Bower & Christensen, 1995). This hesitation is compounded by research showing that physical banking outlets continue to play a significant role in customer acquisition and trust-building, especially in emerging economies (Windasari et al., 2022).

However, as demonstrated by global case studies, waiting too long to digitalise results in lost market share, as new entrants capitalise on the growing consumer demand for convenient and technology-driven banking solutions (Musabegović et al., 2021). This study will evaluate whether South African retail banks are responding with sustaining innovations, such as enhancing existing digital channels, or pursuing more radical strategies aligned with disruptive innovation principles.

A further rationale for using disruptive innovation theory in this study is its emphasis on business model innovation as a long-term driver of competitiveness. While some studies have examined the productivity gains from digital transformation, Christensen's theory highlights that true disruption occurs when firms redesign their core business models rather than merely acquiring technology (Christensen & Raynor, 2003). This is supported by Markides' business model innovation theory, which distinguishes between incremental improvement and radical shifts in value creation (Markides & Oyon, 2011).

With the rapid adoption of mobile banking, digital payments, and platform-based financial services, South African banks must consider whether their competitive strategies align with innovations that extend current frameworks or with disruptive innovations that redesign industry norms. Based on this theoretical context, the study aims to determine whether South African banking digitalisation efforts lead to true market differentiation or merely reinforce existing competitive hierarchies.

Considering the broader implications of digital disruption, the study will investigate whether incumbent banks employ financial technology to integrate with digital ecosystems beyond traditional banking services. Research indicates that successful digital banking business models increasingly intersect with other industries, such as retail, telecommunications, and healthcare, to create multi-service platforms that enhance customer engagement (Gomber et al., 2018).

The extent to which South African banks can adopt this trend will indicate whether their digital transformation initiatives are disruptive or remain constrained within conventional banking paradigms (Kerse, Newbury, & Staschen, 2024). Christensen's theory provides a framework for assessing how far traditional banks can shift from archaic business models to dynamic, technology-based ecosystems that accommodate evolving consumer demands.

To conclude the discussion above, the application of disruptive innovation theory enables an effective assessment of the challenges and opportunities for South African retail banks in the post-digitalisation era. The study will determine whether banks are proactively reconfiguring their business models or passively responding to competitive forces (Coetzee, 2018). Moreover, by highlighting how digital disruption is revolutionising the banking sector, the study will contribute to the body of knowledge on how financial institutions can evolve to meet technological changes without compromising profitability and customer satisfaction. Given the rapid acceleration of digital finance services, Christensen's theory serves as a cornerstone framework for assessing the strategic imperatives that will define banking in South Africa moving forward.

2.4.2 *Conceptual Framework*

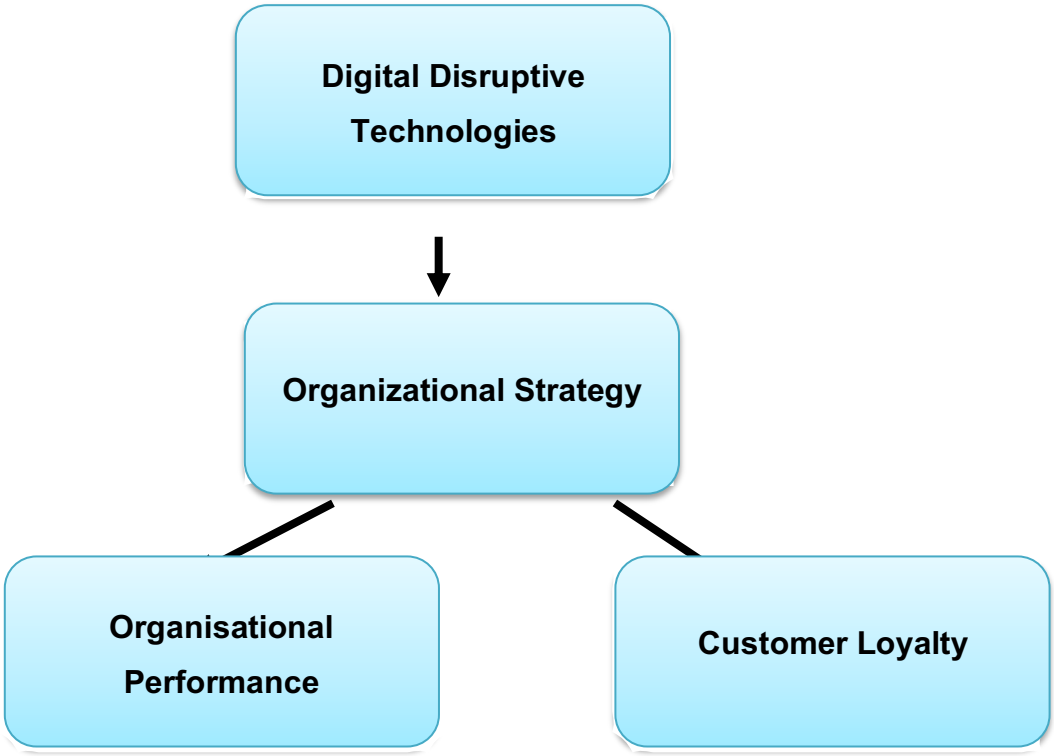


Figure 1: Conceptual framework

Disruptive technology has transformed the strategic landscape of the retail banking industry, forcing mainstream banks to reconsider their business models, organisational structures, and customer engagement strategies. These disruptions, driven by innovation, challenge traditional banking paradigms by offering low-cost, technology-driven solutions that emphasise efficiency, accessibility, and customisation (Thakur et al., 2023). Consequently, banks must adjust their organisations to align digital capabilities with banking stability and regulations (Vives, 2019). This transition significantly influences organisational performance, impacting profitability, operational efficiency, and market competitiveness, as well as customer loyalty, due to the growing consumer demand for convenient omnichannel banking services(Bughin & Van Zeebroeck, 2017).

This relationship is illustrated in Figure 1, which presents a conceptual framework of the study that demonstrates how digital disruptive technologies influence organisational strategy, thereby affecting organisational performance and customer loyalty. At the heart of digital disruption in retail banking is the transformation of traditional value chains. Historically, banks relied on physical infrastructure, such as branch networks and ATMs, to foster customer relationships and facilitate financial transactions.

However, entities like Tyme Bank, Discovery Bank, and Bank Zero have utilised technology to circumvent conventional frameworks, creating cost-effective, technology-driven banking solutions that challenge industry norms (Chitamba et al., 2024).

This has prompted existing banks to reassess their strategic positioning, whether to double down on existing models, add digital services to the business, or redesign entirely to challenge fintech startups (Cele & Mlitwa, 2024). The disruptive innovation model suggests that incumbent firms are likely to respond to market threats by defending existing business models rather than embracing radically new ones (Christensen, 1997). This is perhaps why some traditional banks have been slow to shift to fully digital models (Padhy, 2023).

The impact of digital disruption on organisational strategy is evident in several significant areas, including business model innovation, technology adoption, and customer engagement strategies. A prominent strategic shift is toward platform-based ecosystems, where banks provide bundled financial services alongside traditional banking products. Open banking ecosystems and API-driven platforms enable banks to collaborate with fintech providers, allowing customers to utilise third-party apps for customised financial solutions (Vagadia, 2020). This transformation is redefining competitive positioning, and banks that do not embrace digital ecosystems risk losing market share to more agile competitors capable of offering real-time, data-driven financial solutions (Bughin & Van Zeebroeck, 2017).

These strategic reforms have a significant impact on organisational performance, particularly in terms of profitability, operational effectiveness, and risk management. Digital transformation enhances cost-effectiveness by automating processes, reducing reliance on manual tasks, and optimising the overhead costs associated with physical infrastructure (El Khatib et al., 2022).

AI-driven analytics and machine learning algorithms support more efficient credit risk assessment and fraud detection, enabling banks to make lending decisions based on data while mitigating financial exposure (Skog et al., 2018). Furthermore, cloud banking platforms streamline internal operations, helping to lower IT infrastructure costs while improving scalability and flexibility (Barra & Zotti, 2019). Nevertheless, the success of such digital initiatives relies on the bank's ability to balance short-term efficiency gains with long-term sustainability. Overreliance on digital automation without adequate customer interaction can lead to service commoditisation and customer loss (Autio et al., 2024).

Furthermore, customer loyalty is also a critical dimension affected by digital disruption since banking customers increasingly expect seamless, personalised, and omnichannel experiences. The South African Customer Satisfaction Index (SA-CSI) indicates a decline in the satisfaction ratings of traditional banks, which mirrors that customers are becoming more demanding regarding digital service quality, accessibility, and responsiveness (Bizcomunity, 2022).

While digital banking enhances convenience, it also elevates customers' expectations, prompting banks to adopt AI-driven chatbots, transactional monitoring in real-time, and predictive analysis to enhance the delivery of services (Deventer & Redda, 2023).

According to research, while digital banking platforms are favoured by younger generations such as Millennials and Gen Y, these same generations expect financial advisory services, hence implying the necessity for traditional banks to blend digital efficiency with human-interaction banking relations (Windasari et al., 2022).

Besides, financial inclusion remains a concern in emerging economies, as some bank consumers still rely on brick-and-mortar outlets for transactional banking and advisory services (Garane, 2024). Based on the Resource-Based View (RBV) framework, legacy banks possess unique strategic assets, including reputable brands, regulatory expertise, and consumer trust, which digital banks cannot easily replicate (Karim et al., 2022).

Although fintech firms are resilient in technological innovation, legacy banks can leverage their data warehouses, risk management skills, and market reach to maintain a competitive edge (Gerhart & Feng, 2021).

To fully realise these strengths, banks must develop an integrated omnichannel distribution model that aligns digital banking with physical channels. This approach enables digital transformation efforts to enhance value without compromising customer trust and loyalty (Zahra, 2021). The challenge for incumbents is to build digital capabilities that complement their existing strengths rather than simply replicate the strategies of digital-native banks.

Banks' strategic choices during digital disruptions are directly correlated with their ability to retain customers and achieve a long-term competitive edge. Banks that effectively execute digital transformation through organisational ambidexterity-balancing exploration (innovation) and exploitation (efficiency improvements)-are more likely to outperform their competitors in financial strength, customer acquisition, and market share (He & Wong, 2004; Clauss et al., 2021).

An exploitative approach that relies solely on cost-cutting and incremental process optimisation may enhance short-term profitability, but it also exposes the bank to the risk of technological obsolescence. Conversely, a broad exploratory strategy that emphasises disruptive innovation without a solid integration plan can result in resource mismanagement and increased financial vulnerability(Sarmento et al., 2024). The most effective strategy for banks seeks to strike a balance where new technologies enhance efficiency while innovative business models promote differentiation and engage customers.

Lastly, the relationship between strategic positioning, organisational performance, and customer loyalty will determine how effectively traditional banks can compete in the evolving retail banking landscape. Digital disruption compels banks to redefine their business models, optimise operational efficiencies, and prioritise customer experience to remain viable in the long term (McQuivey, 2013). Moreover, by leveraging modern digital technology alongside strategic resource competence, traditional banks can mitigate disruption threats to their markets while generating adaptive, customer-centric, and tech-savvy banking platforms (Teece, 2018).

2.5 Conclusion of Literature Review

The chapter illustrated how digital technologies, including AI, blockchain, cloud computing, and big data analytics, have transformed banking business models, enhanced operational efficiency, and improved customer engagement strategies. The literature review of Christensen's Disruptive Innovation Theory demonstrated how low-cost, technology-driven alternatives offered by fully digital banks such as TymeBank, Discovery Bank, and Bank Zero have disrupted traditional, infrastructure-dependent incumbents.

The analysis highlighted the strategic dilemma faced by incumbent banks in balancing exploration (innovation) and exploitation (efficiency), as outlined in the ambidexterity framework, which is crucial for maintaining a competitive advantage. Additionally, the RBV perspective was evaluated to demonstrate that, despite having access to advanced technologies, the strategic strength of traditional banks lies in their ability to integrate innovations with unique resources such as brand reputation, regulatory expertise, and enduring customer trust.

The chapter highlights the market implications of digital disruption, where increased competition and evolving customer expectations have led to

omnichannel banking options that enable seamless integration of online and offline banking services. Moreover, empirical studies show that while digital transformation has improved efficiency and financial performance, its impact on customer loyalty remains complex, with trust, personalisation, and the human touch continuing to be crucial in fostering consumer loyalty.

The literature review provided a systematic foundation for the study's analytical framework and, through comprehensive analysis, illustrated how digital disruption, strategic positioning, and technological adaptation have affected the sustainability and competitiveness of traditional banks in a rapidly evolving financial landscape. The next chapter outlines the study's research methodology.

CHAPTER 3. RESEARCH METHODOLOGY

This chapter outlines the research methodology employed to answer the research questions. The research aimed to identify the internal processes and strategic decisions made by the bank to remain competitive, enhance operational efficiency, and maintain customer loyalty in the face of growing digital banking technologies.

Given the complexity of the banking sector and the necessity to understand executive-level attitudes and decision-making, a qualitative exploratory case study design was considered the most appropriate. This chapter details the research design, approach, population, sampling strategy, data collection instruments, data analysis techniques, limitations, and ethical considerations.

3.1 Research approach

The research was grounded in the paradigm of epistemological critical realism, which posits that while a reality exists independently of human cognition, our understanding of that reality is shaped by socially and contextually mediated interpretations (Wynn & Williams, 2012; Volkoff & Strong, 2013).

This paradigm was appropriate given the complex and layered nature of organisational responses to digital disruption. It enabled the researcher to recognise the existence of objective structures such as institutional mechanisms, digital infrastructures and strategic frameworks; while also appreciating the subjective interpretations of these by executive decision-makers within, in this context, Bank X, the case study.

Critical realism was particularly well-aligned with the qualitative research approach adopted in this study, as both emphasised the exploration of underlying mechanisms, contextual influences and actor perceptions rather than merely observable regularities. The paradigm supported the study's interpretive orientation by allowing the researcher to explore how executives constructed meaning around digital disruption, technological change and strategic adaptation.

It also justified the use of open-ended and exploratory data collection methods, particularly semi-structured interviews, by recognising that knowledge about strategic responses and organisational change could be best uncovered through dialogic and reflective engagement with participants (Lukenchuk, 2017).

The qualitative approach further aligned with the research problem, which was to understand how traditional banks, specifically Bank X, responded to digital disruption in the South African retail banking context.

Given that the research sought to examine not only observable actions but also managerial rationales, perceptions and intentions, a qualitative design enabled the elicitation of rich, context-specific insights into strategic behaviour. The research design also allowed for the research objectives, which were,

1. To examine the strategic response of traditional banks to digital disruption and
2. To assess the impact of digital change on organisational performance and customer loyalty.

Such objectives required a methodological approach that could unearth depth and nuance, aspects that are easily enabled by qualitative, critical realist research (O'Reilly, 2022).

3.2 Research design

A single-case study design was adopted to enable a comprehensive and contextual investigation of Bank X's strategic response to digital disruption. Case study methodology is particularly suitable when exploring contemporary phenomena within real-life settings, especially when the boundaries between the phenomenon and context are not clearly defined (Crowe et al., 2011; Yin, 2014).

Given that Bank X operates in a complex, highly regulated and rapidly evolving environment, the case study design enabled the researcher to examine internal dynamics, managerial decision-making and the influence of external pressures. The focus on a single bank allowed for in-depth, multi-layered analysis while

recognising the limitation that findings may not be generalisable beyond the case site. Nonetheless, the design provided transferability of insights to similar institutional settings facing comparable disruption (Treharne & Riggs, 2015).

3.3 Data collection methods

Data were collected using semi-structured interviews as the primary method, supplemented by secondary document analysis. Semi-structured interviews allowed participants to express their views on strategic priorities, technology take-up, and organisational matters, and permitted questioning for depth and clarity (Queirós, Faria, & Almeida, 2017).

The comparative flexibility of this methodology was suitable for the exploratory nature of the research and aligned with the qualitative, interpretive approach. Secondary data, when used, was collected from publicly available sources such as annual reports, analyst presentations and board strategy reports. These were used to triangulate findings, thereby enhancing credibility and validity (Lawlor, Tilling, & Davey Smith, 2016). Utilising multiple data sources combined assisted the critical realist aim of uncovering underlying mechanisms and confirming empirical findings.

3.4 Population and sample

This section discusses the population and sample of the study and is divided into two subsections that discuss these two items in more detail. As such, the first sub-section discusses the study population, highlighting the target population from which the survey sample shall be drawn. The second sub-section shall discuss the sample and the sampling technique employed to select the participants for the study.

3.4.1 *Population*

The study population comprised senior executives within the Retail Banking Division, which has been withheld for confidentiality reasons but shall from

henceforth be referred to as Bank X. The bank was selected because of its extensive legacy infrastructure, public digital transformation efforts and its representative position in the traditional retail banking sector.

3.4.2 *Sample and Sampling Method*

A purposive sampling technique was employed, targeting executives with direct involvement in strategic planning, digital initiatives and operational oversight. The sampling technique was further stratified by functional role (i.e., strategy, technology, customer experience, data and business management) to ensure a diverse set of perspectives (Mthuli, Ruffin, & Singh, 2021). Additionally, snowball sampling was used to identify further participants recommended by initial interviewees, which enhanced access to high-value respondents with relevant experience (Naderifar, Goli, & Ghaljaie, 2017). A total of eight executives were interviewed, including the Chief Executive Officer (CEO) of the retail bank, the Chief Digital and Data Officers, the Strategy Executives and senior IT managers. The sample size was considered sufficient for thematic saturation given the specificity and depth of the interview content.

3.5 The research instrument

The primary research instrument was a semi-structured interview guide developed to elicit strategic insights and experiences related to digital disruption, innovation processes, and organisational performance (See Appendix I).

The interview guide included open-ended questions to promote reflective responses and allowed the researcher to adapt follow-up questions to the context of each interview (Queirós et al., 2017).

This ensured consistency in themes while providing flexibility in engagement. The use of a semi-structured format was justified by the need to explore sensitive and strategic topics in a non-restrictive manner, in alignment with critical realism's recognition of context and reflexivity (Wynn & Williams, 2012).

3.6 Procedure for data collection

Data collection was conducted in accordance with both institutional and ethical protocols. Formal approval was secured from the Executive Head of Compliance. Each participant received the interview guide one week in advance and was asked to sign an informed consent form before the interview commenced. Interviews were scheduled for 60 minutes and conducted via Microsoft Teams.

Each session was audio recorded with consent and supplemented with manual notes. Audio recordings were transcribed, and transcripts were verified for accuracy. Secondary documents were retrieved through internal databases and public sources, with sensitive or confidential data excluded in compliance with ethical requirements (Korstjens & Moser, 2018).

3.7 Data analysis strategies and interpretation

An inductive thematic analysis was used to interpret the data, following procedures adapted from Lester, Cho and Lochmiller (2020). The process began with data familiarisation and transcription, followed by open coding to identify recurring patterns and concepts. These were grouped into themes that addressed the research questions and aligned with theoretical expectations.

The analysis allowed the researcher to move from raw data to higher-order abstractions, uncovering mechanisms and strategic logics underpinning the bank's responses. This method was suitable for critical realist inquiry, which emphasises theory building and explanation over description (Azungah, 2018). Furthermore, Atlas. ti version 7, which is a qualitative data analysis software, was used to assist the researcher in the thematic data analysis process.

3.8 Possible limitations and challenges of the study

Several limitations were acknowledged.

Firstly, the single-case design limited the generalisability of findings to other institutions. Secondly, the researcher's insider status posed potential bias risks, though these were mitigated through reflexive journaling, peer debriefing and data triangulation (Crowe et al., 2011). Thirdly, executive availability and scheduling constraints may have limited broader participation. Lastly, although semi-structured interviews allowed for flexibility, they also introduced variability in responses, which required careful thematic coding to ensure comparability.

3.9 Quality Assurance

To ensure credibility, the study employed triangulation of data sources, member checking and transparent documentation of the analytical process (Korstjens & Moser, 2018). Transferability was supported by rich, contextual descriptions of the case setting and participants' roles (Treharne & Riggs, 2015). Dependability was enhanced by using consistent interview protocols and maintaining detailed audit trails of methodological decisions. Grounding interpretations in direct participant quotations and triangulated documents established confirmability.

3.10 Ethical considerations

Ethical clearance was obtained from the relevant university committee (See Appendix III). Participants were informed of the study's purpose, the voluntary nature of their participation and their right to withdraw at any time. All participants signed informed consent forms and were assured of confidentiality (See Appendix II). Anonymity was preserved by assigning participant codes (e.g., Participant 1 (P1), Participant 2 (P2) and so on) and the institution from which the study sample was taken was referred to using the pseudonym "Bank X".

Moreover, it is important to note that a plagiarism declaration was submitted, along with a Turnitin report to ensure originality and academic integrity (Korstjens & Moser, 2018).

3.11 Chapter Summary

This chapter outlined the philosophical and methodological foundations of the study. The research was anchored in a critical realist paradigm and employed a qualitative case-study approach to explore strategic responses to digital disruption within a South African retail bank. Justification was provided for the use of semi-structured interviews, purposive sampling, thematic analysis and quality assurance techniques. Ethical protocols were rigorously followed. The next chapter presents the findings derived from the empirical data.

CHAPTER 4. PRESENTATION OF RESULTS / FINDINGS

4.1 Introduction

This chapter presents key findings from executive interviews at Bank X, highlighting seven themes that reflect strategic responses to digital disruption. These are discussed in detail in the following section below.

4.2 Themes of the study

Table 1: Themes and codes aligned to the research questions of the study

Theme	Codes	Research question(s)
Digital transformation strategy	Digital-first, digital strategy, digitisation, modernisation, hybrid bank, digital mindset	Research Question 1 and Research Question 2
Legacy system challenges	Legacy technology, infrastructure, integration, middleware, technical debt	Research Question 1
Customer-centric strategy	Customer behaviour, customer experience, customer loyalty, segmentation, personalisation, self-service	Research Question 2
Innovation and agility	AI, machine learning, automation, chatbots, alternative data, innovation, agile	Research Question 2
Strategic choices and capital allocation	Run the bank, build the bank, capital allocation, resource allocation, investment, returns	Research Question 1

External influences	Regulation, market trends, competition, fintech, neo banks, macroeconomics	Research Question 1
Data utilisation	Data analytics, data commercialisation, data-driven, micro-segmentation, data science	Research Question 2

The findings of the thematic data analysis process produced seven themes, namely,

1. Digital transformation strategy
2. Legacy system challenges,
3. Customer-centric strategy,
4. Innovation and agility,
5. Strategic choices and capital allocation,
6. External influences and
7. Data utilisation.

These are summarised in Table 1, together with their associated codes and are linked to the two research questions of the study. The following subsections shall discuss each of these themes in more detail.

4.2.1 *Digital transformation strategy*

Digital transformation strategy emerged as a pervasive and multi-layered theme across all eight executive interviews, reflecting its centrality to the strategic discourse within traditional South African retail banks. This is a subject that occurs at the nexus of both research questions and underscores the extent to which established banks are reinventing their business models in the face of sector disruption caused by digital innovation.

Participants contextualised digital transformation not merely as a technological imperative but as a broader strategic recasting of the bank's identity, mindset, and long-term competitiveness.

The findings demonstrated that traditional banks were actively pursuing the modernisation and digitalisation of their platforms as part of a deliberate transformation journey. Participant 7 explained that, *"the journey we are on is that modernising and digitising our platforms to be able to engage with our customers from origination to payment collection… This modernisation journey also means that over time, you start to free up your capital in order to fund more growth in order to compete with these neobanks and fintechs."* This articulation reflects an understanding of digital transformation as a means to reduce cost structures, enhance operational flexibility, and create capacity for innovation-driven growth. Therefore, the strategic intent extended beyond immediate operational improvements toward sustained competitive positioning.

Participants also positioned digital transformation as a source of strategic differentiation. Despite operating within legacy-bound environments, there was a strong emphasis on cultivating a digital-first mindset among leadership. Participant 8 articulated this duality by noting, *"I do think, though, that there are pockets of immense transformation or disruption that, as an organisation, we are bringing about… So, we have absolutely the mindset, the willingness and the desire to do it. But you know, we do have legacy systems that we have to overcome first"*. This statement reflects sensitivity to both the potential and the constraints that shape digital strategic intent. The tension between ambition and institutional capacity was a leitmotif, highlighting the leadership role in brokering innovation and business continuity.

A notable observation was an identity shift among the respondents, several of whom described their banks as hybrid organisations that embody both traditional and digital paradigms. Participant 8 remarked, *"I would certainly say we are a hybrid organisation with characteristics of a digital organisation. We still have a physical network, but that doesn't mean that we are not digital*." This hybrid self-characterisation suggests an ongoing process of strategic and cultural transformation, rather than a binary shift from analogue to digital. The hybrid posture was perceived as a strategic necessity, given customer expectations, regulatory complexity, and infrastructural realities.

In support of this shift, participants emphasised the importance of fostering a digital mindset within the organisation. Strategic leadership was framed as the linchpin of digital transformation, particularly in enabling experimentation, agility, and long-term planning. Participant 7 reflected on this cultural dimension by stating, *"there is a mindset shift that is required from senior executives to create that space for testing, learning and failing whilst driving the innovation in the teams rather than being comfortable to do things the way they have always been done"*. This recognition of the need for cultural change aligns with literature suggesting that successful digital transformation is as much about organisational behaviour and leadership disposition as it is about technology.

Despite these positive dispositions, participants acknowledged structural and executional challenges that constrained the full realisation of their digital strategies. The inertia embedded in legacy systems and the pressure to deliver short-term financial performance were highlighted as persistent barriers. As Participant 7 noted, *"I think we really need to start being deliberate and spend more time in building towards the bank of the future, rather than the focus on running the bank today… The poor quality of execution will keep us in the cycle of focusing on the business as usual."* This view was echoed by Participant 8, who stated, *"Yes, absolutely. I think there are two things. Firstly, the skills that are required to maintain these legacy systems are running out, or scarce… your ability to bring about meaningful change, in an agile and rapid way, is also challenged by these legacy systems."*

Nonetheless, the theme of the digital transformation strategy reflects an adaptive and evolving scale of commitment by established banks toward embracing a digitally driven banking reality. While there is a very clear strategic aspiration from management to pursue digitalisation as a foundation for improved competitiveness and customer value, this is often counterbalanced by institutional path dependencies and structural obstacles. The findings suggest that for digital transformation to be effective, it must be complemented by deeper changes in organisational culture, capital investment, and technology architecture. This aligns with both research questions, as it reiterates the

significance of digital strategy in shaping competitive responses and influencing performance outcomes for incumbent South African retail banks.

4.2.2 *Legacy system challenges*

The theme of legacy system challenges emerged as a persistent and deeply embedded obstacle to strategic transformation within traditional South African retail banks. Across the interviews, participants consistently characterised legacy systems as a structural limitation that hampers the realisation of digital strategies, diminishes organisational agility, and increases the complexity of responding to a dynamic competitive environment. Rather than viewing these systems merely as technical liabilities, participants framed them as strategic liabilities that impose both infrastructural and operational constraints.

Participant 3 described how legacy architecture inhibits the bank's ability to respond with agility to market demands, explaining that *"A customer still has to find a call centre to solve a problem or to obtain a service. I still have to send an email. I can't use my banking app to solve my problems… If you start on an electronic platform, you should finish there as well. But you know your journey should never break out and then be completed manually or with human intervention."* This articulation highlights the temporal disadvantage introduced by ageing infrastructure, which directly impairs the bank's responsiveness to change and erodes its capacity for innovation. The lag induced by system rigidity thus positions traditional banks at a structural disadvantage compared to more agile fintech competitors.

Additionally, Participant 5 noted that the architecture of legacy systems fosters excessive interdependence across units, stating, *"Because we're sitting with legacy stack, it's very difficult... We did a bit of work with McKinsey... That maturity index looked at... the use of technology. IT and Data are the areas where we are lagging... The point is that technology alone is not enough... Technology on its own will not shift the dial. They by themselves are not a silver bullet*." This illustrates how outdated systems not only stifle innovation but also escalate the

cost of implementing even incremental service enhancements. The inability to be modular and flexible in main systems results in delays, increased costs, and lost market opportunities, all of which undermine strategic competitiveness.

Moreover, the limitations of legacy systems were not solely technological but also procedural, as one executive highlighted how these systems constrained the customer experience. Participant 3 explained, *"The back office enablement that still needs to happen is also manual; it's not digital. If you start on an electronic platform, you should finish on an electronic platform"*. This points to a fundamental misalignment between digital front-ends and outdated back-end structures, where customer-centric interfaces are disconnected from operational logic. The implication is that transformation at the surface level often masks a deeper systemic misfit, one that fails to deliver the seamless customer experience now demanded in competitive banking environments.

Furthermore, legacy platforms were described as obstructing efforts to integrate modern analytics and decision tools. Participant 5 observed that *"Our Data is siloed, we use these technologies in siloed pockets across retail bank, and we have not found the model that can help us integrate meaningfully across the bank"*. This lack of interoperability stems from legacy systems failing to deliver a real-time, data-driven strategy, which is a requirement in digitally advanced ecosystems. Without the ability to consolidate and act on information across customer touchpoints, traditional banks are limited in their personalisation, segmentation, and anticipatory service delivery, which are key drivers of performance and customer loyalty.

In addition to these functional limitations, legacy systems were also linked to strategic inertia. Participant 4 commented that *"I think there is a general fear of disrupting ourselves. In many traditional banks, numerous innovations have been conceived. Some of these innovations leave our shores and are implemented out there in the market due to a lack of conviction or appetite in traditional banks."* This insight reveals a risk-averse culture surrounding legacy system reform, where the perceived instability of replacement leads to a pattern of

incrementalism. The tendency to ‘layer’ rather than overhaul results in complexity inflation and obscures opportunities for strategic renewal.

In conclusion, legacy system issues emerged as an underlying impediment that erodes the strategic agility and competitiveness of traditional banks. Members recognised that while digital transformation is typically characterised at the strategic level, its deployment is significantly hindered by outdated infrastructure, siloed data environments, and rigid system architectures. These remarks suggest that any serious effort to build competitiveness must address and overcome the legacy challenge, not necessarily by accelerating technological development, but by redesigning systems and processes and shifting the bank's risk tolerance culture. Therefore, these are not merely supporting challenges but central to traditional banks’ long-term viability in digitally dislocated markets.

4.2.3 *Customer-centric strategy*

Customer-driven strategy emerged as a hallmark of traditional retail banks' strategic response to digital disruption. It aligned closely with Research Question 2, which enquired how far digital technologies extend competitiveness, customer loyalty, and performance. In all the executive interviews, customer-centricity was described not only as a strategic need but also as an organisational necessity for survival and relevance in a more platformed and experience-focused financial services ecosystem.

Participants emphasised the need to shift from product-centric operating models to customer experience-, convenience-, and personalisation-centred ones. This transition involved not just front-end service enhancements but a comprehensive reorientation of strategy, data utilisation, and delivery infrastructure. Participant 6 indicated that every bank must provide value to the customer, which is reflected in the following statement: *“Everyone’s got to do that now. What creates the differentiation is the real feeling of the customer, how do they feel when they walk away? And I think that’s why for me, anchoring and the very propositions, branding and positioning and ultimately proposition design around empathy, care*

and the relationship piece is so important, because that's where you have the ability to differentiate." This insight reflects a strategic shift towards proactive engagement, where customer data is leveraged to inform hyper-personalised product offerings and predictive servicing models, increasingly enabled by digital tools.

Moreover, Participant 3 emphasised the importance of responsiveness and seamlessness in service design, stating that *"Self-service technology and capabilities, where customers can serve themselves 24 hours a day, to solve their own problems, those technologies are gaining a lot of momentum and are experienced very positively… consumers want to help themselves at their own time at their own price..."*. This articulation reveals the extent to which consumer behaviour has evolved and the pressure it places on traditional banks to adopt frictionless, ubiquitous, and always-available digital channels. In this context, customer-centricity is no longer a value-add but a core strategic differentiator in a digitally saturated market.

Despite these strategic efforts, participants acknowledged that execution remains uneven. While some gains had been made in digitalising onboarding and improving response times, the full potential of customer-centric strategies had not yet been realised.

Participant 1 summed up this tension by observing that *"You know, there are really a few things we can do differently. For example, if somebody's taken their time to call us for a certain inquiry. How do we truly translate that into a meaningful, quality conversation? You're not really on the right account because we can see by the fees you pay. The customer didn't ask for that, but how do we add that level of value?"*. This recognition reinforces the argument that customer-centricity demands more than tech enablement; it requires a systemic shift in thinking, structure, and incentive alignment.

Nevertheless, the evidence validates that a customer-oriented strategy is a pillar of competitive repositioning for traditional banks during the era of digitalisation. While digital technologies such as data analytics, mobile banking, and

behavioural modelling provide powerful enablers, their strategic value is only unlocked when deployed within a coherent customer-focused framework. As traditional banks recalibrate their value propositions, those that can integrate digital innovation with genuine customer empathy are likely to gain sustained performance advantages and loyalty in a highly contested banking landscape.

4.2.4 *Innovation and agility*

The theme of innovation and agility emerged as a critical response mechanism for traditional retail banks confronting the accelerating pace of digital disruption, aligning explicitly with Research Question 2, which examines the role of modern digital technologies in enhancing competitiveness, performance, and customer loyalty.

The insights gained from the interviews demonstrate a strategic awareness among bank executives that innovation must become embedded not only in technology acquisition but also in organisational culture, leadership style, and operational delivery models. In this context, innovation was not seen as a discrete function but as a transversal capability that determines how effectively a bank can adapt, learn, and respond to emerging market expectations.

Participants consistently emphasised the need for banks to become more agile in both their internal processes and external responses. Participant 4 stated that "*We are spending more time trying to stretch what we have already invested in. In fact, if I look at where I am today as an executive, we spend less than 5%, or far less, on innovation initiatives... Where we have already made big investments, there is an expectation to continue extracting value from those capabilities…"*. This commentary highlights both the aspiration and the structural challenge of embedding agility at scale. Agile methodologies, which were drawn from the tech sector, were being experimented with in strategy, operations and product development, but traditional hierarchical structures and legacy governance models hindered systemic implementation.

In several interviews, innovation was framed as a discipline that requires deliberate resource allocation and a cultural permission to experiment and fail. Participant 7 explained that *"We simply do not create the time and capacity to focus on the future in a meaningful way. For example, I know that I don't create the space within my team to experiment, test and learn before we take things into the development cycle."* This distinction between efficiency and innovation signals a strategic rethinking of how value is created in the digital age. The acknowledgement that business-as-usual metrics can constrain transformational thinking suggests a broader concern that legacy performance systems may be misaligned with the demands of a rapidly evolving banking landscape.

Moreover, there was widespread recognition of the need to integrate emerging technologies such as artificial intelligence, machine learning, and data-driven automation into customer experience and operational processes. Participant 5 illustrated this by stating*, "They [neobanks and fintechs] have created scoring models to include alternative data sources... They are supplementing that data to ensure that they can get to the right outcome... I think that's the journey that we as a traditional bank we need to undertake, to start bringing that innovation in our underwriting strategies…"*. This indicates a heightened understanding of innovation, where the focus is not merely on adoption but rather on rapid deployment, feedback loops, and continuous evolution.

Rapidity and responsiveness, key traits of agility, are viewed as strategic levers for delivering value through digital capabilities. Consequently, the research highlights that innovation and agility are increasingly recognised as essential strategic competencies within a digitally disrupted banking industry. Although there is evidence of progress in piloting agile ways of working and adopting cutting-edge technologies, the change remains unbalanced and hindered by legacy culture and structural constraints.

To enable genuine competitiveness and customer benefits, traditional banks must institutionalise agility through cultural transformation, investing in people, processes, and governance systems, along with restructuring to facilitate rapid learning, experimentation, and adaptation. Naturally, it involves investing in

technology, as well as people, processes, and systems of governance, to learn rapidly, experiment, and adapt. Innovation, thus, is not an insider activity but an integral part of digital strategic renewal.

4.2.5 *Strategic choices and capital allocation*

The theme of strategic choices and capital allocation emerged prominently in the interviews as a determinant of how traditional retail banks manage the trade-offs between sustaining legacy operations and investing in future-oriented digital transformation. This theme was closely aligned with Research Question 1, which aimed to understand the strategic responses traditional banks employ to remain competitive amid digital disruption. The findings revealed that bank executives are acutely aware of the strategic bifurcation required to "run the bank" efficiently while simultaneously "building the bank" of the future. However, this dual mandate was often fraught with tension, resource limitations, and organisational inertia.

Several participants articulated the need for a disciplined capital allocation framework that prioritises innovation without compromising operational stability. For example, Participant 7 described the dilemma as follows: *"It starts with capital allocation to fund these strategic initiatives. If I look at the business unit I lead, the expected contribution versus the investment made to fund innovation in the business and building future capabilities, there is little room to play with. There is no room to invest into the future at the levels required to fully compete with the fintech and neobanks"*. This insight highlights the structural constraints faced by traditional banks where compliance, regulation and infrastructure maintenance consume the majority of available resources.

The opportunity cost of this allocation model is the undercapitalisation of strategic initiatives aimed at future growth. In addition, strategic prioritisation was also influenced by the nature of return expectations. Participant 6 noted that *"There is the pressure, from the investor side, to deliver short-term results. Internally, the internal remuneration also drives that behaviour in the sense that it creates a*

super cycle of short-termism". This comment reflects a broader governance challenge in which legacy performance metrics and risk-aversion bias capital flows toward incremental improvements rather than transformative shifts. In such an environment, strategic foresight is often subordinated to immediate financial imperatives, limiting the bank's ability to reposition itself for long-term competitiveness.

Besides, the tension between legacy and future investments was further complicated by the structure of cost centres. Participant 7 explained, *"Senior executives should spend a greater portion of their time thinking about the bank of the future... But in reality, [they] are bogged down by the day-to-day focus in meeting short-term plans for the next 12 months... I don't think we are set up in such a way, to start thinking around what the future of the bank should look like... we really need to start being deliberate and spend more time in building towards the bank of the future, rather than the focus on running the bank today"*. This reveals a disconnect in how digital investments are framed within strategic planning processes. Rather than being treated as integral enablers of long-term efficiency and relevance, they are often marginalised or positioned as discretionary expenditures.

Participants also discussed the implications of capital allocation on talent and organisational capability. Participant 6 commented, "*People. Without a doubt. I'd put the brand there as well, as a close second. [...] I believe that if you have the right people, the necessary skills, and a brand that the market recognises, you can build it up from scratch. [...] a world where you have core skills threatened by technology, the ability to manage talent is so critical. That's what can create the advantage"*. In light of this, strategic investment is viewed not only in terms of technology and infrastructure but also of human capital. Failing to allocate sufficient resources to build internal competencies weakens the organisation's ability to own and scale innovation, thereby diluting strategic autonomy.

Nonetheless, the evidence suggests that strategic decision-making and capital allocation are at the core of how incumbent banks respond to digital disruption. The ability to reallocate resources from risk-averse, maintenance-hungry

activities to innovative, agile, and customer-oriented investments is key to long-term competitiveness. Deep-seated governance arrangements, legacy risk cultures, and short-termism remain as constraints on successful strategic renewal. To be a driver of transformation rather than a constraint, banks must rebalance the way they define value, measure risk and conceptualise investment horizons. In so doing, they can better align their strategic intent with the demands of an ever more rapidly evolving digital economy.

4.2.6 *External influences*

The theme of external forces emerged as a pivotal contextual variable shaping the strategic responses of traditional retail banks in South Africa, particularly regarding their competitiveness in the face of digital disruption. Directly associated with Research Question 1, which examines the strategies undertaken by banks to remain competitive, this theme elucidates how regulatory pressures, competitive forces, fintech incursion, and macroeconomic uncertainty collectively constrain or catalyse strategic choice. The findings reveal that while banks possess internal agency in shaping their digital trajectories, their strategic latitude is often moderated by forces external to the organisation.

One of the most dominant external factors cited by participants was the evolving regulatory environment. While regulation was generally regarded as essential to financial system stability, several executives expressed frustration at the slow pace of regulatory innovation relative to market change.

Participant 6 noted, *"The one additional point I will make, though, is that what blockchain is doing is starting to erode the regulatory barriers to entry as well, which is something that technology hasn't done before... That's always been a lot more pronounced in banking, and blockchain is now chipping away at that. That's definitely something to look out for and think about how we deal with it".* This insight reflects a broader tension in which regulatory lag acts as a brake on digital innovation.

Banks are therefore compelled to navigate a dual pressure of complying with legacy regulatory standards while also attempting to compete with fintechs that operate with greater latitude and less institutional oversight.

The fintech and neobanks' competitive threat was another lingering concern that came up. Executives acknowledged that fintech and neobanks' customer orientation and nimbleness had dramatically changed what they knew as consumer expectations. Participant 7 explained, *"We have seen neobanks and fintechs starting to come to the fore… they've got capital, they've got a customer base, they've got the infrastructure, they don't have legacy… The proliferation of mobile technology allows them to take advantage by building out end-to-end around the technology, whereas the traditional banks are still largely dependent on brick and mortar channels…"*. This shift in the competitive landscape necessitates a recalibration of traditional banks' strategic benchmarks. No longer measured solely against peers within the industry, traditional banks are being judged against the seamlessness, speed and convenience of platform-based challengers.

Furthermore, global technology trends and international competition were seen to exert subtle but increasing pressure on domestic strategic choices. Some participants acknowledged the influence of global best practices and emerging technologies in shaping internal innovation agendas. Participant 2 observed, *"These sorts of heightened customer expectations are coming out of other industries using, you know, certain digital capabilities, and they're beginning to expect that of their banks as well. And rightfully so. I'm using e-commerce as a proxy for how those expectations have shifted and how those shifting expectations are now for institutions that are yet to transform..."*. This remark illustrates how globalisation and digitisation have collapsed the boundaries of competition, compelling local incumbents to benchmark against global service standards, irrespective of contextual differences.

Despite the constraints, some participants viewed external influences as potential enablers of strategic innovation. For instance, one executive highlighted a shift in how organisations approach innovation, noting a strategic move away from

building everything in-house towards a more blended mode. As Participant 6 put it, *"The conventional approach is to build everything in-house... However, there are also other approaches to partnering with external parties and investing in venture funds... I do think that's one of the important strategic choices that organisations have to make, is how do we deal with the exploration parts, and what's the mix between building in-house, partnering, investing externally and strategic partnerships"*. This response illustrates an evolving strategic orientation in which organisations embrace a broader innovation ecosystem which leverages both internal and external capabilities to unlock new forms of value.

In conclusion, it is essential to note that the evidence suggests external forces are shaping, constraining, and, in some cases, compelling strategic choices in traditional retail banking. Regulatory inertia, fintech competition, macroeconomic volatility, and global innovation trends converge to create a complex strategic environment that banks must continually interpret and navigate. While these influences are largely beyond organisational control, they significantly define the scope, urgency, and trajectory of strategic responses to digital disruption. Banks that develop adaptive strategies—those that not only react to but also anticipate and capitalise on external developments—are more likely to maintain relevance and competitiveness in a rapidly evolving financial environment.

4.2.7 *Data utilisation*

Data utilisation was identified as a fundamental yet under-inked element of digital change in traditional retail banks, closely related to Research Question 2, investigating how digital technologies drive competitiveness, customer loyalty and performance.

During the executive interviews, there was a common consensus that strategic use of data (i.e., specifically customer intelligence, predictive analytics and customised services) is a critical bank capability for wanting to differentiate themselves in an increasingly digital and customer-oriented market environment.

However, the study also found that there were substantial structural and cultural hindrances towards the full realisation of data-driven banking.

Executives frequently described data as a “strategic asset” but lamented the fragmentation and underutilisation of that asset across the organisation. Participant 5 observed that *“Our Data is siloed, we use these technologies in siloed pockets across retail bank, and we have not found the model that can help us integrate meaningfully across the bank”*. This comment reflects a recurring theme: while data is abundant, the absence of integration and infrastructure to enable real-time insights limits its strategic potential.

Additionally, several participants highlighted the role of data in enabling customer-centric strategies. Participant 3 noted, *“I do believe that if we utilise everything we know about the customer and put the right propositions in front of the customer, they will be loyal to us”*. This statement underscores the competitive imperative of moving beyond traditional demographic-based models towards behavioural and predictive analytics. In this framing, data utilisation is not merely about reporting or risk compliance but about enabling nuanced and dynamic engagement with customers at scale. The goal is to deliver tailored experiences that increase loyalty, drive cross-selling and deepen lifetime value.

Nevertheless, the findings suggest that while data is widely recognised as a critical enabler of digital competitiveness, its utilisation within traditional banks remains suboptimal due to infrastructural fragmentation, talent misalignment and legacy thinking.

Bridging the gap between data availability and data value will require investments not only in technology but also in skills, governance and cross-functional collaboration. In this sense, data-driven banking is not simply a matter of analytics capability; it is a strategic shift towards evidence-led, customer-centric and innovation-enabled performance. For traditional banks to harness the full potential of their data assets, they must build the technological, human and cultural conditions under which data can be transformed from raw input into strategic insight.

4.3 Summary of the results/findings

This chapter discussed Bank X's strategic responses to digital disruption by thematically interpreting executive interview data. The findings revealed that digital transformation is a central strategic imperative, characterised by an organisational shift toward digitisation, hybrid service models and a digital-first mindset. However, legacy system challenges continue to hamper agility, scalability and execution speed, reflecting structural limitations and path dependency.

Customer-first approaches became levers for creating loyalty, as banks had to shift from product-focused to experience-based frameworks supported by behavioural analytics and lifecycle journey mapping. Innovation and agility were also identified as key cross-functional capabilities for addressing evolving market expectations at speed. However, organisational inertia, KPI misalignment and budget constraints limited the extent and speed of innovation.

Capital allocation and strategic decision-making became a point of conflict between near-term risk reduction and long-term investment in digital capabilities. External influences such as regulation, fintech competition, and economic constraints were found to shape strategic flexibility and digital execution significantly.

Data utilisation, while widely acknowledged as a strategic asset, remained under-leveraged due to infrastructural fragmentation and limited organisational data literacy. Collectively, the themes affirm that while Bank X is aggressively embracing digital transformation, its journey is moderated by systemic legacies, cultural rigidity and external uncertainty.

The next chapter discusses the study's findings.

CHAPTER 5. DISCUSSION OF THE RESULTS OR FINDINGS

5.1 Introduction

This chapter discusses the findings from executive interviews at Bank X, highlighting seven themes that reflect strategic responses to digital disruption. Using thematic analysis, the data were interpreted through Disruptive Innovation Theory, RBV, and Organisational Ambidexterity, aligning with the study's research questions on competitiveness, digital adoption, and performance. Given this, the chapter is divided into two main sections: the demographics of the research respondents and the discussion of findings, which shall be consolidated in a chapter summary.

5.2 Demographic profile of respondents

Table 2: Summary of the demographic profile of the participants

Participant ID	Role	Age	Experience	Education
Participant 1	Managing executive: Retail transactional banking	51 years	15 years	BCom (Economics), Executive management programmes
Participant 2	Executive card issuing (retail)	48 years	16 years	BCom, Global executive programmes
Participant 3	Managing executive – Vehicle and asset finance, retail banking	53 years	21 years	Bcom (Tax)

Participant 4	Chief technology officer	50 years	10 years	MBA, BCom (IT & Management)
Participant 5	Manage executive, Home loans	48 years	11 years	BCom
Participant 6	Managing executive – Active & investments	44 years	12 years	MBA, BBusSci (Actuarial science)
Participant 7	Executive: Retail personal lending	50 years	8 years	MBA, BCom
Participant 8	Chief executive – Product cluster in retail SA	54 years	15 years	BCom, BAcc, CA(SA), AMP(INSEAD)

The demographic profile of the study participants, as shown in Table 2, reflects a cohort of seasoned senior executives with extensive experience across various domains of South African retail banking. The eight participants hold high-level strategic and operational roles across functional areas, including transactional banking, lending, investment, technology (digital and data), and executive leadership. Their professional tenures range from 20 to over 25 years in the banking industry (not shown in Table 1) and include at least 8 years in senior executive positions. In light of this, the study participants possess deep institutional knowledge and firsthand experience in navigating complex organisational and technological changes.

Their professional qualifications, such as MBAs, BCom's, and specialised qualifications in economics, actuarial science, and accounting, further complement their theoretical frameworks and executive backgrounds. The availability of such a demographically and functionally diverse group provides

credibility and richness to the study's findings. These participants bring not only longitudinal insights into how traditional banks have evolved over the years but also a strategic perspective on contemporary responses to digital disruption.

Their varied exposure, ranging from core banking products to technological innovation and customer strategy, provides a holistic understanding of both the challenges and enablers of digital transformation. Furthermore, their decision-making authority and proximity to institutional strategy ensure that the views they express reflect the broader organisational posture toward innovation, risk, and change.

Their contributions add empirical depth to the research, positioning them particularly well to assess how legacy structures, digital capabilities, and customer-centric imperatives intersect in shaping the future of South African retail banking.

5.3 Discussion pertaining to Proposition 1: Elevated levels of organisational ambidexterity, in response to digital disruption, will enable traditional retail banks to attain superior performance outcomes

The seven emergent themes, which include digital transformation strategy, legacy system challenges, customer-centric strategy, innovation and agility, strategic choices and capital allocation, external influences and data utilisation, reveal the intricate strategic responses of established South African retail banks to digital disruption.

The findings closely align with existing literature on the disruptive dynamics in banking and provide additional granularity to the understanding of how incumbents can secure competitiveness and customer loyalty amid an expanding digital landscape.

The theme of the digital transformation strategy emphasised a deliberate reorientation by Bank X to respond to heightened competition from digitally native challengers such as Tyme Bank and Discovery Bank. These entrants have

disrupted incumbent banks through low-cost offerings supported by AI, blockchain and big data analytics (Wade et al., 2023; Chitamba et al., 2024). Participants reported shifts towards platform-based ecosystems and AI-enhanced customer engagement models, aligning with arguments that digital transformation is not merely about adopting technologies but also the reconfiguration of the entire organisational value proposition (Bughin & Van Zeebroeck, 2017; Tao et al., 2018).

This also reflects Christensen's (1997) Disruptive Innovation Theory, which posits that incumbents must restructure their business models to counter the threat posed by simpler and more agile competitors. However, legacy system challenges continued to be a recurring inhibitor to digital progress. Participants lamented outdated infrastructure and fragmented data repositories, which constrained agility and scalability, concerns also noted in the empirical literature. The high cost of switching from entrenched systems and the risk of operational disruption reinforce the observations Vives (2019) that incumbent banks face substantial structural inertia. These systems hinder real-time decision-making and integration with modern platforms, confirming that legacy infrastructure represents a liability in the face of fintech innovation (Skog et al., 2018; El Khatib et al., 2022).

Participants described initiatives such as agile labs and innovation teams working outside of legacy structures, an approach consistent with organisational ambidexterity theory, which advocates for a balance between exploration and exploitation (March, 1991; Raisch & Birkinshaw, 2008).

This duality reflects a growing commitment among incumbents to develop capabilities that allow for experimentation without jeopardising core operational stability (Clauss et al., 2021; Trieu et al., 2023). The literature suggests that firms that prioritise agile experimentation and adaptive learning are better positioned to survive and thrive amid digital disruption (Bughin & Van Zeebroeck, 2017; Benitez et al., 2018).

Nonetheless, strategic choices and capital allocation reflected tensions between compliance-driven budgeting and the need to invest in transformative digital initiatives. Participants acknowledged that short-term profitability metrics often hinder long-term innovation, echoing the “competency trap” argument found in strategic management literature (Gupta et al., 2006). The empirical evidence confirms that many incumbent banks still allocate the majority of their resources to maintaining legacy operations, which limits their capacity for bold innovation (Christensen et al., 2018).

However, the emergence of ring-fenced innovation funds and separate budgeting for experimental projects illustrates an evolving understanding of sequential ambidexterity (Boumgarden et al., 2012). This reflects the need to decouple exploratory investment from rigid ROI metrics that may undervalue the long-term returns of digital transformation (Sarmento et al., 2024). Moreover, external influences, particularly regulatory frameworks, macroeconomic instability and fintech competition, were reported to shape the strategic boundaries within which digital transformation occurs.

In light of the above discussion, the findings from the seven themes demonstrate that while traditional banks are actively responding to digital disruption, the pace and coherence of transformation are uneven. The themes confirm that digital transformation is not solely a technological challenge but a strategic, organisational and cultural undertaking.

The empirical evidence validates the relevance of Disruptive Innovation Theory and the concept of organisational ambidexterity in explaining the differential capacities of traditional banks to adapt to disruptive change. In particular, the findings align with Christensen’s (1997) theory that incumbent firms tend to prioritise sustaining innovations until market pressures compel business model reconfiguration. Likewise, the adoption of agile innovation practices and dual-capital allocation strategies reflects the application of organisational ambidexterity in managing exploration and exploitation (Raisch & Birkinshaw, 2008; Clauss et al., 2021).

5.4 Discussion pertaining to Proposition 2: Traditional retail banks can secure a sustainable competitive advantage during digital disruption by strategically utilising their unique resource configurations, as described in the Resource-Based View, to create an integrated, omnichannel distribution strategy that fosters customer loyalty and trust.

A customer-centric strategy emerged as a critical response to the rise of customer expectations for convenience, personalisation, and seamless digital experiences. Participants described strategic shifts from transactional engagement to life-stage and behavioural segmentation.

This aligns with broader research, which highlights that digital transformation empowers banks to adopt AI-driven personalisation and omnichannel experiences as means to build customer loyalty (Deventer & Redda, 2023; Cuesta-Valiño et al., 2024). Findings also confirm that traditional banks must balance digitalisation with trust, particularly in emerging markets where physical presence still shapes consumer confidence (Windasari et al., 2022; Garane, 2024).

Data, as a strategic resource, and data utilisation emerged as a paradoxical theme. Participants recognised the strategic value of data but acknowledged challenges in harnessing and monetising it effectively. Fragmentation, lack of real-time access and limited data literacy were highlighted as inhibitors. Some participants considered data as a key strategic resource in the drive for capital-light revenues, such as non-interest revenue, wherein the bank does not need to take on credit risk. Non-interest revenue has been instrumental in derisking banks from dependence on traditional revenue pools, which is at the heart of digital disruption.

These insights reflect the literature's view that while big data and analytics are general-purpose and enabling technologies (Teece, 2018; Karim et al., 2022), their value depends on the presence of complementary capabilities, such as integrated systems and analytically literate workforces.(Barra & Zotti, 2019; Zahra, 2021). The use of AI for customer insight, real-time decision-making and

predictive analytics remains nascent but promising, suggesting that data utilisation remains an untapped but strategically important frontier for incumbent banks.

Participants cited regulatory inertia, such as the delayed rollout of open banking standards, as a constraint on innovation. This is consistent with studies showing that regulatory environments can both inhibit and catalyse digital transformation (Vives, 2019; Jiang et al., 2024). The literature also notes that South Africa's socioeconomic context, including high data costs and limited digital literacy, poses challenges to the scalable adoption of digital solutions (Windasari et al., 2022; Garane, 2024). However, some participants viewed regulatory shifts as an opportunity to develop data-sharing ecosystems that are consistent with research emphasising the strategic potential of open banking and API-driven ecosystems (Vagadia, 2020).

Moreover, the SA-CSI has shown that traditional banks are underperforming in terms of perceived quality and responsiveness, which reinforces the need for customer-centric reform (Bizcomunity, 2022). Yet, innovation and agility were identified as key capabilities necessary for traditional banks to navigate a rapidly shifting digital landscape.

Efforts to leverage data and regulatory expertise to compete against fintech firms are consistent with the Resource-Based View (RBV), which posits that firms achieve a competitive advantage by strategically deploying unique internal resources (Barney, 1991; Gerhart & Feng, 2021). Sustainable competitiveness in South Africa's retail banking sector will therefore depend on the extent to which incumbents can overcome legacy constraints, operationalise data assets and implement customer-centric innovation strategies that are agile, scalable and resilient.

5.5 Conclusion

The analysis of seven themes (i.e., digital transformation strategy, legacy system challenges, customer-centric strategy, innovation and agility, strategic choices and capital allocation, external influences, and data utilisation) revealed that Bank X has initiated deliberate strategic shifts in response to digital disruption. Yet, the execution of such transformation remains uneven.

The study confirmed that while the bank embraces digitalisation, platform integration, and customer-centric models, ongoing barriers, including legacy systems, risk-averse budgets, a tendency towards short-term goals, and siloed data infrastructure, continue to slow progress.

The dynamics were best described by utilising the theoretical lenses of Disruptive Innovation Theory, the Resource-Based View (RBV), and organisational ambidexterity, which collectively shaped the bank's simultaneous pursuit of operational efficiency and innovation. Given this, the chapter concluded that sustainable competitiveness in South Africa's digitally disrupted banking environment will depend on how much incumbents can augment their legacy infrastructures, leverage internal assets, and integrate agile, customer-focused strategies into the organisational core. The next chapter presents the study's conclusions and recommendations.

CHAPTER 6. CONCLUSIONS & RECOMMENDATIONS

6.1 Introduction

This chapter synthesises the study's findings, integrating ideas from both the literature review and empirical analysis to answer the research questions.

Firstly, it reflects on the theoretical foundation of the study before outlining the primary findings derived from data analysis. These findings are subsequently utilised to develop a series of strategic recommendations aimed at enhancing the digital competitiveness of traditional retail banks. The chapter concludes by identifying areas requiring further exploration in research on digital transformation within the South African banking sector.

6.2 Conclusions regarding research question 1: What strategies have traditional retail banks adopted to improve competitiveness in an industry vulnerable to digital disruption?

The empirical evidence from the data analysis process demonstrates that Bank X has implemented a range of strategic responses to navigate digital disruption, including the formulation of a digital transformation strategy, the fostering of a hybrid organisational identity, investment in innovation and agility, and the reallocation of capital to support future-oriented initiatives.

Executives demonstrated a clear strategic intent to shift towards digital-first models which emphasise platform-based service delivery, leadership-driven cultural change and the gradual migration from legacy infrastructures.

However, these initiatives are often constrained by path-dependent legacy systems, rigid capital allocation structures and external regulatory limitations. The

findings further show that, while there is a commitment to transformation at the leadership level, practical execution is hindered by operational silos, talent deficits, and competing short-term priorities.

These empirical patterns align with existing literature. For instance, Christensen's Disruptive Innovation Theory explains why incumbent firms, such as Bank X, are often strategically conservative, frequently responding to disruption by sustaining existing business models rather than embracing radical innovation.

Similarly, organisational ambidexterity theory by Raisch and Birkinshaw (2008) supports the observed tensions between running the bank and building the bank, where the exploitation of current capabilities coexists uneasily with exploration into new digital frontiers.

The RBV, as articulated by Barney (1991), adds that competitive advantage under digital disruption relies on the strategic deployment of unique internal resources such as regulatory knowledge, brand trust and customer data, which Bank X is beginning to mobilise. Therefore, the findings confirm that traditional banks are engaging in a strategic reorientation to remain competitive; however, the extent of transformation is mediated by their ability to overcome embedded institutional, technical, and regulatory barriers

6.3 Conclusions regarding research question 2: To what extent does adopting modern digital technologies enhance competitiveness, increase customer loyalty, and improve the performance of traditional retail banks in the South African retail banking sector

Findings from the data analysis process suggest that the adoption of digital technologies has begun to enhance competitiveness and customer engagement within Bank X. Still, these benefits are uneven and far from fully realised.

Interview data indicate that digital tools, such as AI, machine learning, automation, and behavioural analytics, have been applied to improve customer

segmentation, enabling real-time decision-making and supporting agile service delivery. Customer-centric strategies rooted in behavioural insights and life-stage banking reflect a shift away from product silos toward experience-based design.

However, the findings also show that fragmented data environments, limited organisational data literacy and outdated system architectures continue to hinder full-scale implementation. Moreover, while technology is being used to improve convenience and operational efficiency, customer loyalty gains remain constrained by inconsistent digital experiences and the absence of an integrated omnichannel infrastructure.

These findings are well supported by the literature, which affirms that the role of digital technologies serve as general-purpose and enabling tools. This is confirmed in the empirical data, particularly where banks have deployed analytics for customer engagement and operational improvement (Teece, 2018; Karim et al., 2022).

Furthermore, the SA-CSI results cited in the literature review corroborate the empirical evidence of declining satisfaction among traditional bank customers, indicating that performance and loyalty improvements will depend on more coherent and personalised digital experiences (Bizcomunity, 2022).

Additionally, the RBV underscores that the strategic value of digital technologies lies not in their availability but in how they are combined with inimitable internal assets, such as trust, regulatory alignment, and data reserves (Gerhart & Feng, 2021).

The findings also align with Christensen's (1997) proposition that incumbents may adopt sustaining rather than disruptive innovations, which enhance existing products without significantly altering the value delivery models. Thus, while digital adoption has incrementally improved performance and competitive positioning, its full transformative potential remains to be unlocked at scale. This will require deeper integration of data infrastructure, organisational alignment and customer-centric innovation within the traditional banking model.

6.4 Recommendations

Based on empirical facts and theory, this study recommends several strategic actions that will enable traditional South African retail banks, utilising the findings from Bank X, to enhance their competitiveness and resilience in the face of digital disruption.

Firstly, it is essential to overhaul the outdated systems since they continue to hinder organisational agility, information consolidation, and service innovation. By transitioning to cloud-based, modular architectures, banks can enhance their ability to deploy digital solutions rapidly, foster greater interoperability among channels, and eliminate the technical debt that restricts strategic renewal.

Simultaneously, organisational ambidexterity has to be institutionalised. The study found a trade-off between short-term operational effectiveness and long-term innovation. This dilemma must be mediated through deliberate structural and cultural processes that allow for both exploitation and exploration to occur in tandem.

Banks must adopt structural, contextual, or sequential ambidexterity models to create environments where innovation can occur without jeopardising the stability of core operations. This necessitates aligning resource allocation with strategic intent by reforming capital budgeting frameworks to safeguard innovation expenditure from the constraints imposed by compliance-driven and short-term return metrics. A ring-fenced investment in experimental digital initiatives, governed by flexible performance indicators, will enable the bank to pursue transformative change while managing operational risk.

The findings also suggest that customer engagement strategies need to be realigned for banks. The shift from product-centric to customer-centric models is essential, particularly as customers increasingly demand frictionless, personalised, and omnichannel banking experiences. Banks must integrate

design thinking at all organisational levels, employing behavioural insights and customer journey analytics to inform the design and delivery of their value propositions.

Utilising data to enable hyper-personalisation, behavioural segmentation, and real-time decision-making is recognised as a strategic imperative yet remains under-leveraged due to fragmented infrastructures and low organisational data literacy. Investment in robust data governance structures and organisation-wide data capability development is therefore crucial. Establishing a culture that supports evidence-based decision-making and data-informed customer engagement will enhance both competitiveness and loyalty.

Simultaneously, the study suggests that banks develop more adaptive responses to external influences. Regulatory standstill, macroeconomic volatility, and competition from fintech challengers shape the strategic environment within which banks must operate. Instead of viewing regulation as a restrictive framework, banks need to actively engage with regulators through a collaborative approach to co-design policy rules on open banking, data monetisation, and innovation sandboxes. To address the infrastructural challenges prevalent in South Africa, such as energy insecurity and excessively high mobile data costs, banks must also innovate using digital delivery channels via mobile-first, low-bandwidth platforms and leverage partnerships to enhance inclusion.

Last but not least, traditional banks should reconceptualise their strategic identity by transitioning to platform-based business models. Creating API-based ecosystems enables banks to integrate third-party services, thereby offering customers bundled, context-aware, and personalised solutions. This transformation positions these banks not merely as suppliers of financial products but as orchestrators of broader economic and lifestyle ecosystems. To facilitate this transformation, banks must develop agile capabilities throughout the organisation, replicating innovation labs and decentralised decision-making structures that encourage cross-functional collaboration and rapid market responsiveness.

These recommendations, if implemented strategically, will enable incumbent banks to rebalance their organisational models, escape path dependencies, and thwart the escalating forces of digital disruption. The successful realisation of these reforms depends not only on technological upgrades but also on leadership commitment, cultural transformation, and the strategic redeployment of unique institutional resources. In this way, South African retail banks can reposition themselves as resilient, innovative, and customer-centric institutions capable of sustaining competitive advantage in an increasingly digital financial landscape.

6.5 Theoretical Implications of the Study

Crane et al. (2016) argue that a theoretical contribution, as a minimum requirement, fills the smaller gaps in the literature to achieve the objective of incrementally extending knowledge.

The study aimed to evaluate whether traditional retail banks can apply frameworks such as the Resource-Based View (RBV) and organisational ambidexterity in response to their existing business models being disrupted.

The study reinforces the relevance of existing frameworks and their applicability in a South African retail banking context. The study fills the small gaps in the literature by raising the question of what motivates executive decision-makers to make the choices and decisions they make. It also raises operating model considerations that may help traditional banks respond to digital disruption.

The author’s framework, presented below, aims to provide the target audience with an additional tool to consider in the quest for survival in an intensely competitive and ever-evolving landscape.

6.6 A framework to support the decision-making process of banking managers and leaders in navigating digital disruption.

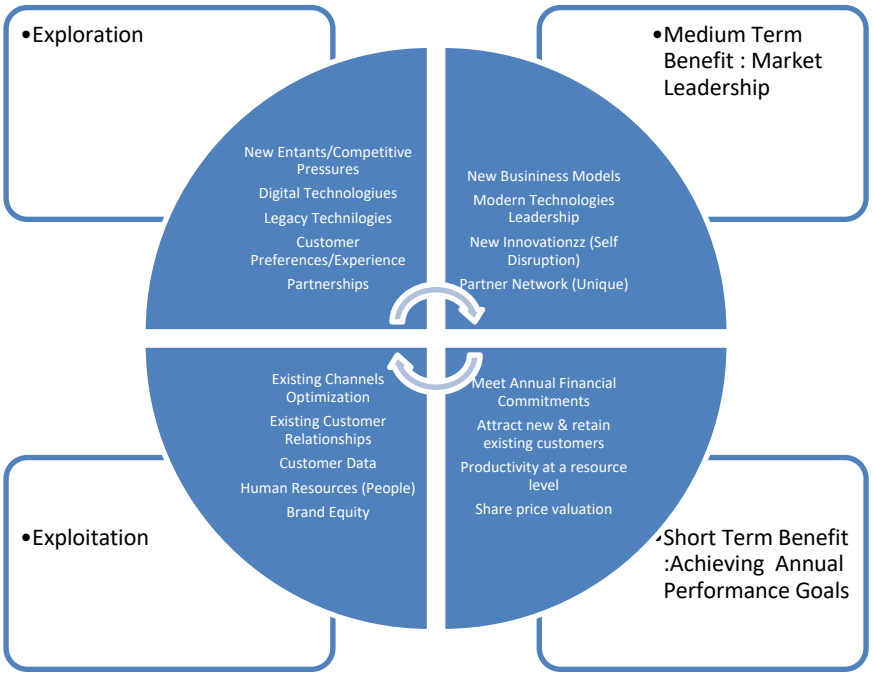


Figure 2: **Researcher's Own Management Framework**

The framework aims to assist managers and leaders in meeting the demands of day-to-day business while protecting the bank from the threat of digital disruption.

Budler and Trkman (2023) posit that a framework can be deemed successful if it is associated with successful management or improved management performance. The value of the framework, therefore, lies solely in its usefulness.

The framework is an operating model tool that implores banking executives to build an ambidextrous organisation. Exploration and exploitation streams are linked to areas of value, both in the short and medium term (2-5 years). The framework must be read in conjunction with the recommendations as mentioned above.

6.7 Suggestions for further research

Future research should investigate how variations in digital maturity, governance structures, and capital allocation across multiple South African retail banks impact digital transformation outcomes, utilising comparative and longitudinal case studies.

Investigating consumer responses, especially among rural or digitally underserved populations, can reveal how digital disruption affects financial inclusion and customer trust.

Moreover, longitudinal studies could also trace the performance impact of specific digital investments, which validates theoretical frameworks such as the RBV and organisational ambidexterity. Further inquiry into regulatory innovation, including the effects of open banking and fintech collaboration, would clarify how policy environments shape transformation trajectories.

Lastly, examining internal cultural dynamics and change management practices through qualitative methods would enhance understanding of how leadership, employee engagement, and organisational readiness affect the success of digital strategies in incumbent banks.

Table 4. Consistency table: research questions, propositions, data collection and data analysis

RQ #		State Research Question	Proposition #	State Proposition	Data collection detail	Data analysis method
1		What strategies has Bank X adopted to improve its competitiveness in an industry vulnerable to digital disruption?	1	Higher levels of organisational ambidexterity in response to digital disruption will help bank X achieve superior performance outcomes relative to its peers, measured in market share, Return on Equity (ROE) and return on assets (ROA)	In depth, semi structured interviews Interview guide questions 3,4	Inductive, thematic analysis

RQ #		State Research Question	Proposition #	State Proposition	Data collection detail	Data analysis method
2		1. To what extent does the adoption of modern digital technologies enhance competitiveness, increase customer loyalty, and improve the performance of Bank AB in the South African retail banking sector?"	2	By effectively leveraging their unique resource configurations (as per the Resource-Based View). AB should develop an integrated omnichannel distribution strategy to achieve a sustainable competitive advantage characterized by enhanced customer loyalty and trust, particularly in the context of digital disruption	Interview guide questions 4, 5, 6, 7 & 8	Thematic analysis

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APPENDIX (A) Instrument: Interview Guide

Strategic Disposition

1. What would you describe as the key strategic choices for the retail bank in the South African market in the medium term? (3-5 years)
2. What are the exogenous factors that are of importance in your strategy formulation process?
3. What would you describe as the primary focus of the senior leaders if you were to choose between 'Run the Bank -Today' or 'Build the Bank-tomorrow'… (Discussion and exploration)
4. How has the emergence of modern digital technologies influenced the retail bank's strategic choices? (Discussion and exploration)

Performance & Customer Loyalty

5. To what extent do you believe that modern digital technologies have positively impacted the performance of retail banks, if at all?
6. Do you believe that these digital technologies influenced customer expectations? If so, in which ways?
7. To what degree do you believe that you are meeting customer expectations? Does meeting customer expectations improve customer loyalty? (Discuss & explore)
8. What would you classify as the most strategic resources for Bank AB? (RBV)
9. How does the bank leverage existing, traditional channels versus digital channels?
10. What do you consider to be the most pressing distribution challenge for the bank in the context of digital disruption? (discussion)