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Innovation Strategies for a South African Bank to Form Strategic Partnerships with FinTechs to Gain a Competitive Advantage

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Innovation Strategies for a South African Bank to Form Strategic Partnerships with FinTechs to Gain a Competitive Advantage.

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A research proposal 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

In the rapidly evolving South African financial landscape, traditional banking institutions face the dual challenge of maintaining competitiveness, while simultaneously leveraging cutting edge technological advancements. This study investigated the innovation strategies that a South African bank can adopt to form strategic alliances with FinTechs, aiming to capture a competitive advantage within the South African banking industry.

The purpose of this study was to identify the key drivers for forming strategic partnerships with FinTechs, the opportunities and challenges that come with such alliances, and as well as their effect on a banking institution's competitive advantage. The research focused on the traditional banking sector, which must sustain and enhance existing structures, while adjusting to changes brought about by financial technologies.

A qualitative research method was employed, with data collected by way of semi-structured interviews. The interview participant were executives and senior managers involved in the development and implementation of innovation strategies as well as strategic partnerships with FinTechs. Thirteen participants were selected from various departments within the bank, thus providing a comprehensive view of that bank's approach to innovation and collaboration with FinTechs.

Key findings revealed that internal factors such as organizational culture and technological capabilities; along with external factors like regulatory changes and prevailing market conditions, significantly influence the bank's innovation strategies. Strategic collaborations with FinTechs appeared to offer several advantages, including but not limited to improved operational efficiency, increased market reach, and enhanced customer experience. However, potential drawbacks such as reputational risk, regulatory risk, market saturation, and cultural fit need to be managed effectively.

The study emphasized the importance of strategic fit and alignment between the bank and FinTechs ensuring that both entities share common goals and values. Additionally, a customer-centric approach was crucial in selecting FinTech partners and developing solutions that meet customer needs. Continuous monitoring and evaluation of FinTech partnerships were essential to ensure their success and make necessary adjustments.

The study contributed to the existing body of knowledge (BoK) in banking innovation and strategic partnerships. It did so by providing insights into the strategic considerations and implications of banking innovation and partnership strategies within the South African context. Managerial implications included recommendations for creating an environment

where innovation can flourish, enhancing existing technological infrastructure, addressing regulatory issues, and developing effective risk management frameworks. By leveraging the attendant strengths of FinTechs, the South African bank can improve its competitive advantage and create more value for its customers.

Keywords

Innovation strategy, FinTech, Strategic Partnerships, Competitive advantage, Traditional Bank, South Africa

Declaration

I, Tebogo Prince Chipeya, 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: Tebogo Prince Chipeya

Signature: TPC

Signed at: Midrand

On the 19 day of February 2025

Dedication

To my mother, Doris Kholiwe Chipeya, for always believing in me, even when I didn't believe in myself.

A special dedication to my late grandmother, Maria Chipeya, for all the wisdom you imparted upon me; and to my late uncle Khotso Lekoekoe, for reuniting me with my paternal family.

To my aunt, Dr Lucky Chipeya, for always encouraging me to pursue my Masters; and, to my sisters Lwazi Chipeya and Thandiwe Chipeya, for always pushing me to embrace my true potential.

Acknowledgment

All Glory and Honour unto my Lord and Saviour, Jesus Christ, the author and the creator of my faith.

To my entire family including my mother, aunt, siblings, uncles, cousins and nieces; I appreciate what you all contribute to my life; big and small.

To my God sent partner, Rethabile, thank you for your love, patience and affirmations.

A special thanks to my employer for affording me the opportunity to purse my masters.

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To my friends and colleagues, for all the words of encouragement; every little bit counts.

Table of Contents

Abstract 2
Keywords 3
Declaration 4
Dedication 5
Acknowledgment 6
List of tables 11
List of figures 11
Chapter 1: Introduction 12
1.1 Purpose of the Study 12
1.2 Context of the Study 12
1.2.1 The Banking Industry in South Africa 12
1.2.2 Evolution of FinTech in the Banking Sector 13
1.2.3 Intersection of Banking and FinTech 14
1.2.4 Competitive Landscape and Strategic Imperatives 14
1.2.5 Challenges and Obstacles 15
1.3 Research Problem 15
1.4 Research Objectives 17
1.5 Research Questions 17
1.6 Significance of the Study 18
1.7 Delimitation for the Study 19
1.8 Definition of Terms 19
1.9 Assumptions 20
1.10 Chapter Outline 20
Chapter 2: Literature Review 21
2.1 Introduction 21
2.2 Background information 21
2.2.1 Background on the Participating South African Bank 21

2.3 Definitions 23

2.3.1 Innovation Strategies 23

2.3.2 FinTechs 24

2.3.3 Strategic Partnerships 25

2.4 Previous Studies 26

2.4.1 Key Findings from Previous Studies: Innovation Strategies 26

2.4.2 Key Findings from Previous Studies: FinTechs 29

2.4.3 Key Findings from Previous Studies: Strategic Partnerships 31

2.4.4 Key Findings from Previous Studies: Competitive Advantage 34

2.5 Analytical Framework 35

2.5.1. Theoretical Framework 35

2.4.2. Conceptual Framework 37

2.5 Literature review summary and closing remarks. 39

2.5.1. Proposition 1 40

2.5.2. Proposition 2 40

2.5.3. Proposition 3 40

Chapter 3: Research Methodology 41

3.1 Research Approach 41

3.2 Research Design 41

3.3 Data Collection Methods 42

3.4 Population and Sample 42

3.4.1 Population 42

3.4.2 Sample and Sampling Method 43

3.5 The Research Instrument 43

3.6 Procedure for Data Collection 44

3.7 Data Analysis Strategies and Interpretation 44

3.8 Quality Assurance (Trustworthiness) 45

3.8.1 Transferability 45
3.8.2 Credibility 46
3.8.3 Dependability 46
3.8.4 Confirmability 46
3.9 Limitations of the Study 47
3.10 Ethical Considerations 47
Chapter 4: Presentation of Findings 48
4.1 Introduction 48
4.2 Background information 48
4.2.1 Demographic Characteristics of Participants 48
4.3 Research Questions 51
4.4 Data Analysis Using Thematic Analysis Procedure 52
4.4.1 Review Themes & Define and Name Themes 52
4.5.1 Key Drivers for Strategic Partnerships 54
4.5.3 Navigating the FinTech Ecosystem 56
4.6 Results pertaining Proposition 2 57
4.6.1 Competitive Advantage through Partnerships 57
4.7 Results pertaining Proposition 3 60
4.7.1. Perceived Benefits and Risks 61
4.8 Summary of the Findings 64
4.8.1 Proposition 1 64
4.8.2 Proposition 2 64
4.8.3 Proposition 3 65
Chapter 5: Discussion of the Findings 66
5.1 Introduction 66
5.2 Discussion Pertaining Proposition 1 67
5.2.1 Key Drivers for Strategic Partnerships 67
5.2.1.2 External Factors 69
5.2.2 Innovation Strategy Framework 70
5.2.3 Navigating the FinTech Ecosystem 73

5.3 Discussion Pertaining Proposition 2 75

5.3.1 Competitive Advantage through Partnerships 75

5.4 Discussion Pertaining Proposition 3 84

5.4.1 Perceived Benefits and Risks 84

5.5 Summary of Findings 89

5.5.1 Proposition 1 89

5.5.2 Proposition 2 90

5.5.3 Proposition 3 91

Chapter 6: Conclusion and Recommendations 92

6.1 Introduction 92

6.2 Conclusions Regarding Research Questions 92

6.2.1 What are the key factors – both internal and external – that drive a South African traditional bank to develop strategic partnerships with FinTechs? 92

6.2.2 What are the perceived benefits of strategic partnerships with FinTechs from the perspective of a South African traditional bank, particularly in terms of gaining a competitive advantage? 94

6.2.3 What are the perceived benefits and potential risks for a South African traditional bank that forms strategic partnerships with FinTechs? 96

6.3 Recommendations 99

6.3.1 Invest in Technological Capabilities 99

6.3.2 Enhance Regulatory Compliance 99

6.3.3 Prioritise Customer-Centric Innovations 99

6.3.4 Establish Clear Communication Channels 100

6.3.5 Develop Robust Risk Management Strategies 100

6.3.6 Monitor and Evaluate Partnerships 100

6.3.7 Align Strategic Goals and Values 101

6.4 Limitations 101

6.5 Suggestions for Future Research 102

References 104

Appendix A: Interview Guide 108

Appendix B: Participation Consent Form 111

Appendix C: Thematic Analysis Process 112

Table: Previous Studies 120

List of tables

Table 1.1:Definition of terms 20
Table 1.1:Definition of terms 20
Table 4.1: Participants' Demographic Information 50
Table 4.2: Final Themes 52
Table 5.1: Research questions, propositions, and final themes. 66

List of figures

Figure 2.1: Innovation Diffusion Theory (Source: Rogers, 1983) 34
Figure 2.1: High-Level South African Bank Organisational Structure 22
Figure 2.2: Innovation Diffusion Theory (Source: Rogers, 1983) 36
Figure 2.3: Resource-Based View (Source: Own draft; based on Barney, 1991) 37
Figure 2.4: Conceptual Framework (Source: Own draft) 38
Figure 4.1: Participant Split by Gender 50
Figure 4.2: Participant Split by Race 51
Figure 4.3: Participant Level of Banking Experience Split 51
Figure 4.4: Thematic Analysis Process (Braun & Clarke, 2006) 50
Figure 4.5: Thematic Map 53

Chapter 1: Introduction

1.1 Purpose of the Study

The purpose of the study was to investigate and identify successful innovation strategies that a South African Bank can adopt to form strategic partnerships with FinTechs with the aim of gaining a competitive advantage in the Banking industry.

1.2 Context of the Study

1.2.1 The Banking Industry in South Africa

According to SARB (2024) the South African banking industry is the largest on the African continent, due in large part to its robust and well-developed financial systems. As of January 2024, the total number of banks operating in South Africa was placed at 31. This figure includes local banks, local branches of foreign banks, and mutual banks (SARB, 2024). However, in terms of market share; the industry is dominated by five major traditional South African banks; Absa, FirstRand, Nedbank, Standard Bank, and Capitec (Mabejane, 2021). By 2023, driven primarily by organic capital (earnings) growth, these major banks' combined ROE grew 56 bps to a commendable 17.6% (FY22: 17.1%). This figure was above their average cost of equity of 14.8% (PWC, 2024).

Notwithstanding the aforementioned favourable financial milestones, the South African banking industry has been facing significant changes in recent times. One such change is the shift towards digitalization – with online banking being the most notable – due to changing consumer behaviours. Mugabe (2022) echoes this sentiment and argues that the ways in which banks currently operate have been influenced by dramatic changes in digital technology and shifting consumer preferences. Regulatory reforms aimed at promoting competition as well as fostering innovation have also added to the challenges faced by Banks. This is due to the fact that government regulations play a crucial role in shaping the environment within which banks operate and adopt financial technology (FinTech) solutions (Khuan, 2024). Similar to a number of other countries, South Africa operated in a financial system characterised by over-regulation and repression. This was before it adopted more liberalised financial policies, which still remain today (Mabejane, 2021). As a result, banks were being impelled to revamp their business models and strengthen their digital strategies.

COVID-19 further accelerated this already underway digital transformation. The global health epidemic served as an extraordinary push for a global adoption of digital banking. Retail bank customers were compelled to embrace self-service channels like never before, on account of most branches being temporarily closed in an attempt to reduce physical interactions (Shumba, 2023).

Consequently, traditional banks in South Africa now face growing competition from FinTechs. This is because traditional banks currently operate within the FinTech ecosystem which provides financial products and services historically provided by traditional banks (Telukdarie et al., 2022). As a result, traditional banks have been compelled to reassess their strategies and consider collaborative approaches in order to not only remain competitive but gain competitive advantage.

1.2.2 Evolution of FinTech in the Banking Sector

Takundwa (2022) opines that the rise of FinTech has been an interesting development globally; with South Africa being no exception. These are agile and technology-driven firms which are able to identify and address unmet consumer needs, often outpacing traditional banks in terms of speed, convenience, and user experience. As stated by Faour & Al-Sowaidi (2023), the integration of digital technologies for financial solutions has ushered in a new era of convenience, accessibility, and more tailored experiences for consumers. FinTech has seen a growth in transaction executions such as; payments for processing, clearing and settlement, funds management, financial intermediation services, and risk sharing through insurance products; amongst others (Takundwa, 2022).

In South Africa, this technological evolution mirrors the global trend, with FinTech start-ups gaining increased prominence due to offering innovative financial solutions which resultantly disrupt traditional banking practices. The country's well-established financial sector and supportive government policies create an ideal ecosystem for FinTech innovation (International Trade Administration, n.d.).

The South African Reserve Bank acknowledges the rapid progress in the financial technology sector. This is evidenced in by the establishing of a FinTech Unit. The attendant risks attached to FinTech offerings has resulted in the creation of enforceable regulations. These are updated at a speed proportional to the technological advancements implemented in the FinTech sector (Takundwa, 2022).

1.2.3 Intersection of Banking and FinTech

The increasing prominence of FinTech has necessitated traditional banks in South Africa to re-evaluate their existing strategies and explore new opportunities for collaboration. While collaborations between traditional banks and FinTechs are on an upward trend, there remains vast potential for growth in this still emerging financial landscape. The nascent relationship between FinTech and traditional banks illustrates that new business models are indeed developing in the financial services sector (Virasamy, 2021). These partnerships could prove vital for traditional banks, as these institutions can simultaneously advance technologically and remain relevant in a rapidly changing financial services ecosystem (Mugabe, 2022). Legislation, technology, financial products, and the increasing number of industry participants have transformed the banking sector by injecting higher levels of competition (Mabejana, 2021). Therefore, by collaborating with FinTechs, traditional banks can gain access to cutting-edge technologies, streamline their operations, and deliver more personalized and convenient services to their customers. This would invariably render a bank that successfully achieves these because of the collaboration, competitively ascendant.

1.2.4 Competitive Landscape and Strategic Imperatives

The presence of FinTech and the resultant disruption characterised by this industry has intensified competition within the banking sector. This has fostered a push for differentiation and customer-centric services (Faour & Al-Sowaidi, 2023). Traditional banks are confronted by several challenges; including the need to adapt to digital transformation, manage regulatory compliance, and meet the evolving demands of tech-savvy consumers (PWC, 2024). As a result, South African banks are investing significantly in their digital transformation; so as to stay ahead of industry competitors, benefit from first mover advantage, as well as increase market share (Shumba, 2023). Therefore, a traditional South African bank that aims to increase their competitiveness

must focus on strategic imperatives such as; investing in the appropriate technology, enhancing digital capabilities, and fostering collaborations with FinTech companies.

1.2.5 Challenges and Obstacles

While the collaboration between traditional banks and FinTechs may offer myriad advantages, it is not without challenges. Significant issues that emerge in the literature include the impact of cyber-security risks, regulatory challenges, and the lack of consumer trust as it pertains to FinTech adoption within the traditional banking industry (Alexandri et al., 2023). Another factor hindering the collaboration process is the difference in organizational culture between FinTechs and traditional banks (Hoang et al., 2021). These challenges potentially create barriers for banks looking to implement FinTech solutions, which can affect the overall adoption rate (Khuan, 2024). Traditional South African banks largely enjoy consumer trust as financial service providers, while FinTechs on the other hand provide valuable customer-focused financial solutions (Virasamy, 2021). As such, banks that opt to collaborate with FinTechs will need to ensure that customer data provided to FinTechs is closely supervised, with stringent implementation of policies to protect customer information. FinTechs on the other hand, must ensure that customer information security is strictly prioritised (Hoang et al., 2021).

1.3 Research Problem

The traditional banking sector in South Africa is currently grappling with a dual challenge; maintaining competitiveness in a rapidly evolving financial services landscape and leveraging technological advancements to meet emerging customer needs. According to PwC (2024) South African banks are navigating a complex macroeconomic environment but are utilizing their existing digital channels to stay competitive and address evolving customer demands.

Virasamy (2021) contends that external factors such as FinTech enablers, technological advancements, innovation, changing customer behaviour, catastrophic events, and competitive pressure are accelerating the pace of innovation within banks and the financial services industry. Additionally, traditional banks must grapple particularly with the disruption posed by innovative FinTech companies that are redefining financial

services. These FinTechs emphasize efficiency, user-friendliness, and adaptability; thus, setting themselves apart from conventional banking offerings (Faour & Al-Sowaidi, 2023).

While strategic partnerships with FinTechs may present a promising avenue for traditional banks to accelerate innovation and enhance their market positioning; the development and implementation of effective innovation strategies for such collaborations remain underexplored. There exists a miniscule amount of comprehensive qualitative studies on the relationship between traditional banking and FinTechs. This includes the attendant advantages and disadvantages surrounding cooperation, partner selection criteria, and the prospects of products developed through these collaborations (Hoang et al., 2021).

In the context of the fourth industrial revolution (4IR), banks must adapt their strategies to keep up with technological developments. Failing which, they risk losing market share to established rivals as well as emerging challenger banks (Asa et al., 2023). Notably, research such as, "The Effect of FinTech on Banking Performance in South Africa", highlights the significant impact of FinTech innovations on financial institutions' operations and performance (Mugabe, 2022). These findings underscored the need to investigate the strategic frameworks that underpin successful bank-FinTech partnerships, and how these alliances can be leveraged for competitive advantage. Bank-FinTech partnerships are crucial for transforming as well as enabling traditional banks to enhance their services, streamline processes, and deploy requisite innovations (Faour & Al-Sowaidi, 2023).

In light of all of this, this study aimed to investigate the development and execution of innovation strategies that facilitate strategic partnerships between South African traditional banks and FinTech companies. Seemingly, traditional banks view the rise of FinTechs not only as a challenge but as the catalyst for their own transformation as well (Feyen et al., 2021). By examining how banks can effectively integrate FinTech innovations; insights can be revealed on the possible gaining of a competitive edge, as well as the potential to set new industry standards in delivering value to customers. Virasamy (2021) enumerates the positive changes brought about by FinTech as

including innovation, technological advancements, organizational growth, potential economic development, lower prices, and various other benefits; all of which ultimately benefit customers. This research focused on the mechanisms through which innovation strategies are conceived and implemented within traditional banks, the outcomes of these strategies in relation to forming successful FinTech collaborations, and the resultant shifts in the competitive dynamics of the banking industry.

1.4 Research Objectives

The primary objective of this study was to establish the key drivers for a South African traditional bank in forming strategic partnerships with FinTechs, as well as how the said bank perceives the benefits and risks of such collaborations. From the primary objective the following sub-objectives emerged:

1. To identify the internal and external factors influencing a South African traditional bank to pursue strategic partnerships with FinTechs.
2. To explore the perceived benefits of strategic partnerships from the perspective of the South African traditional bank, particularly in terms of gaining a competitive advantage.
3. To examine the perceived benefits and potential challenges associated with forming strategic partnerships with FinTechs as perceived by the South African traditional bank.

1.5 Research Questions

The study was guided by the following research questions:

1. What are the key factors – both internal and external – that drive a South African traditional bank to develop strategic partnerships with FinTechs?
2. What are the perceived benefits of strategic partnerships with FinTechs from the perspective of a South African traditional bank, particularly in terms of gaining a competitive advantage?
3. What are the perceived benefits and potential risks for a South African traditional bank that forms strategic partnerships with FinTechs?

1.6 Significance of the Study

The emergence of FinTechs is accelerating innovation and technological development within established financial service providers, which in turn is prompting changes in organisational structures, culture, and strategy (Virasamy, 2021). Ndung'u (2022) noted that FinTechs have revolutionized the electronic payments in retail and are increasingly shaping the financial services landscape in sub-Saharan Africa, offering opportunities for financial inclusion, operational efficiency, and customer-centric innovation. Therefore, this study provides pertinent insights into the strategic considerations of traditional South African banks seeking to collaborate with FinTechs. By focusing on the intersection between innovation and partnership, the study contributes to the limited body of knowledge that exists on banking innovation strategies in the South African context.

Furthermore, the research highlights how strategic alliances with FinTechs can help banks enhance operational efficiency, improve customer experiences, and maintain competitiveness in a rapidly evolving financial landscape. Meyer and Okoli (2023) found that while FinTech adoption can initially support bank profitability, excessive adoption without strategic alignment may reduce profitability, underscoring the need for balanced, collaborative approaches. This study thus offers a localized perspective that contributes to the global discourse on FinTech integration and banking transformation, while also addressing much needed academic understanding in this area.

From a practical perspective, the findings offer actionable recommendations for South African traditional banks aiming to navigate the challenges introduced by FinTech disruption, while simultaneously capitalizing on strategic collaboration opportunities. For instance, Tshukudu et al. (2022) highlight that while FinTech enhances financial inclusion and operational efficiency, it also introduces risks such as data security and regulatory uncertainty. By identifying the key drivers, benefits, risks, and challenges associated with bank-FinTech partnerships, this study can equip decision-makers in traditional banks with tools to formulate effective innovation strategies.

Moreover, in establishing a case for the development of policies and frameworks that balance innovation with customer protection and regulatory compliance, the study summarily encourages sustainable growth in the banking sector. As Takundwa (2022) argues, a risk-based regulatory approach tailored to the South African context is

essential to enable innovation while safeguarding financial stability. Ultimately, the research enables South African traditional banks to align their strategies with the demands of the fourth industrial revolution, while gaining a competitive advantage in a customer-centric market.

1.7 Delimitation for the Study

The study focused on a single traditional bank in South Africa. This was done in order to provide an in-depth examination of the key drivers for forming strategic partnerships with FinTechs, and the perceived benefits and risks of such collaborations within a specific organisational context. The study did not include the perspectives of FinTechs, regulators, or other stakeholders in the banking ecosystem. The primary focus lies exclusively on the strategic considerations of the South African traditional bank.

1.8 Definition of Terms

Term	**Definition**
Competitive Advantage	Competitive advantage within commercial banks, is defined as adeptness in strategically entering a market and establishing a competitive position, which it can safeguard (Odhiambo & Mang'ana, 2022).
FinTech	FinTech represents entities that harness newly developed digital and online technologies to revolutionize banking and financial services (Ndung'u, 2022).
Innovation Strategy	Innovation strategy pertains to a system of long-term vision and goals that articulate the relationship between a company's innovative capacity and the outcomes of its innovative activities (Oksanych, 2021).
Strategic Partnerships	Strategic partnerships are described as purposeful collaborations between traditional Banks and FinTechs; aiming to drive innovation, streamline processes, and create value for customers (Fofanov, 2022).

Traditional Bank	A Traditional bank is a financial institution that emphasizes in-person client service and manages the money deposited by clients, using it to provide loans to individuals or businesses with interest (Business Yield ,2022).

Table 1.1: Definition of terms

1.9 Assumptions

The study assumed that the selected South African traditional bank was willing to participate in the research and provide accurate and truthful information. It was also assumed that the participants possessed the requisite knowledge and experience to provide valuable insights into the bank's innovation and partnership strategies.

1.10 Chapter Outline

Chapter one outlines the purpose, context of the study, research problem and objectives, significance and delimitations of the research, and key definitions and assumptions.

Chapter two is the literature review; which will provide definitions of innovation strategies, strategic partnerships, FinTechs, and competitive advantage. It also includes summaries of previous studies on the aforementioned topics and theoretical frameworks underlying the study.

Chapter three delves into the research methodology, research design, data collection methods, and data analysis techniques.

Chapter four presents the findings of the study, as well as the key themes and insights garnered from the data.

Chapter five discusses the findings and the implications of the findings.

Chapter six includes the conclusion, provides recommendations for the South African traditional bank, and outlines the limitations of the study while suggesting potential areas for future research.

Chapter 2: Literature Review

2.1 Introduction

An overview of the literature review is provided so as to highlight the importance of understanding the key concepts of innovation strategies, strategic partnerships, FinTechs, and competitive advantage. All of which fall within the ambit of the banking and financial services industry. The chapter commences by contextualising the South African bank being analysed.

2.2 Background information

2.2.1 Background on the Participating South African Bank

The participating bank is one of the largest in the South African banking industry. It has been identified as one of the four biggest banks in the country. Headquartered in Johannesburg, it is a publicly traded company listed on the Johannesburg Stock Exchange. The bank provides a variety of financial products and services to meet the needs of diverse customer segments, such as corporate, medium enterprises, small businesses, and retail consumers which include young people as well as high net worth individuals. All the clusters of the bank are included in this study, except the bank's clusters that have not entered into partnerships with FinTechs.

Figure 2.1 depicts a high level South African bank's structure, which comprises of the following clusters:

1. Retail Business Banking: This division services individual clients and businesses with an annual turnover of less than R750 million, offering a full range of banking services. Within retail business banking, the following four business units are found:
    a. Consumer Banking: This business unit offers personal banking services including accounts, loans, and credit cards; all of which are tailored to individual consumer needs.
    b. Relationship Banking: This business unit provides personalised banking services for high net-worth individuals and businesses, through dedicated relationship bankers.

c. Commercial Banking: This business unit delivers comprehensive banking solutions for medium to large businesses with an annual turnover between R30 million and R750 million.

d. Solution Innovation: This business unit is responsible for designing, developing, and delivering winning value propositions, innovative products, and solutions.

2. Corporate and Investment Banking: This business unit provides secure and innovative solutions for managing day-to-day banking needs, optimizing working capital, and mitigating risks for businesses.

3. Operations: This business unit oversees the bank's operational strategies; ensuring efficient execution and alignment with the organisation's goals.

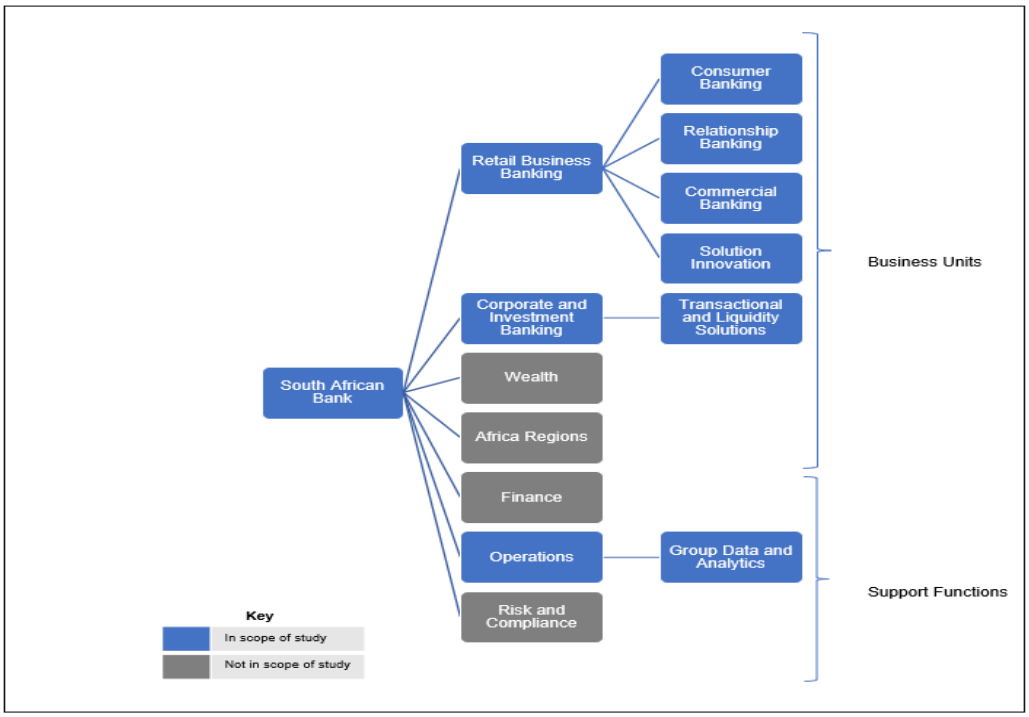


Figure 2.1: High-Level South African Bank Organisational Structure

2.3 Definitions

The key concepts defined below are crucial for the understanding and integration of the subsequent findings of said concepts. These findings are derived from previous research conducted on the key concepts.

2.3.1 Innovation Strategies

According to Abduvakhidovna (2022) the innovation strategy of a high-tech industrial enterprise represents a pivotal functional strategy. This encompasses an assortment of measures aimed at optimising technological advancements in production, structural organizational changes, and the implementation of contemporary management technologies. Mochama (2021) characterizes innovation strategies as involving the development of novel ideas, practices, or objects perceived as new by their intended users. These include new product development and service innovation, which are distinguished by their dynamic performance capability. These innovation strategies appear to transcend the obvious; thereby delving into new concepts, developments, and improvements in order to achieve strategic benefits, while concurrently redefining long-term core business goals and dictating resource allocation to attain said goals. Notably, innovation strategies in distinct business units such as process, marketing, management, product, and technology; focus on different areas of organizational advancement (Mochama, 2021).

Oksanych (2021) takes it a step further by emphasizing that an innovation strategy pertains to a system of long-term vision and goals that articulates the relationship between a company's innovative capacity and the outcomes of its innovative activities. In other words, it serves as a guide for decisions and actions that create and sustain competitive advantages through the introduction and support of new ideas, technologies, products, or services. The outcomes encompass direct financial results as well as indirect results such as knowledge accumulation, skill enhancements among employees, and the development of an innovative corporate culture. Additionally, Mbugua (2021) highlights that innovation strategies comprise of methods and approaches which are employed by companies so as to align their objectives with requisite resources and capabilities. Consequently, this engenders the facilitating of investments in technology,

support for research and development, and the efficient utilization of various innovations to achieve desirable outcomes.

Moreover, Mbugua (2021) adds that innovation strategies entail the adoption of new technologies for product and service distribution, transformation of customer service delivery through online and mobile banking, as well as marketing innovation strategies that include changes in product design, promotion, packaging, and pricing to address customer needs and establish new markets as evidenced by Equity Bank Limited. Nduati (2023) further underscores that innovation strategies involve the methods and processes employed by firms to develop and introduce new products, services, processes, or ideas in order to achieve specific business objectives. This is particularly pertinent within the context of the data service industry; where innovation strategies combined with emerging technologies play a significant role in shaping new business strategies.

2.3.2 FinTechs

FinTech, as defined by the Financial Stability Board FSB (2017), is the application of technology to propel financial innovation. This can potentially give rise to new business models, applications, processes, and products that significantly influence financial markets, institutions, and the delivery of financial services (Takundwa, 2022; Mugabe, 2022). The emergence of FinTechs, as articulated by Ndung'u (2022), results from entities that harness newly developed digital and online technologies to revolutionize banking and financial services. This transformation has redefined the provision of financial services by offering novel solutions across the banking value chain. Customer appeal and accessibility are thereby enhanced, while search and verification costs are reduced. Ndung'u (2022) notes that FinTechs leverage big data and algorithms in order to facilitate the matching of borrowers with lenders; with the ultimate aim of providing customers with targeted financial products both efficiently and at competitive prices. Additionally, Meyer and Okoli (2023) describe FinTech as a foundational system that models, values, and processes various financial services and products including bonds, stocks, contracts, and currency. They further add that it encompasses "products or services in non-financial institutions created with highly innovative and disruptive service technologies" thus underscoring FinTech's pivotal role in shaping the financial services

sector through the integration of innovative technological solutions (Meyer & Okoli, 2023).

2.3.3 Strategic Partnerships

The concept of strategic partnerships encompasses cooperative arrangements between entities such as FinTechs and established financial service providers. These partnerships have the potential to lead to sustainable growth and resilience of the financial industry (Virasamy, 2021). These cooperative arrangements are also viewed as collaborative efforts to leverage FinTech capabilities, thus enhancing customer satisfaction and driving profitability for the banks involved (Kariuki, 2022). Fofanov (2022) describes strategic partnerships as purposeful collaborations between traditional banks and FinTechs aimed at driving innovation, streamlining processes, and creating value for customers. When traditional banks and FinTechs collaborate, mutual goals can be achieved, potentially leading to increased market share and competitive advantage for both parties (Hoang et al., 2021). Sorongan et al. (2021) depicts these partnerships as joint initiatives that address industry challenges, and which can lead to an ecosystem development and improved financial services. Ruhland & Wiese (2023) argue that strategic partnerships are seen as essential for adapting to changing market dynamics; which fosters agility, customer-centricity, and long-term sustainability.3) Tshukudu et al. (2022) takes this idea a step further by adding that these partnerships are mechanisms to harness FinTech innovations; contributing to overall industry growth and resilience. Strategic partnerships are also defined as a collaborative effort to stay relevant in a dynamic banking landscape, and this enables traditional banks to thrive amidst technological disruptions (Faour & Al-Sowaidi, 2023).

2.3.4 Competitive Advantage

Asa et al. (2023) posit that technological innovations are a pivotal domain for sustainable competitive advantage in the contemporary era. Ioniţă (2022) delves into the concept of competitive advantage, but primarily within the context of a company's sustainable competitive advantage. It is said to be associated with a company's capacity to maintain growth at an optimal rate without relying on external funding. This is achieved through a delicate balance between exploration and exploitation of innovation strategies. Meanwhile, Odhiambo & Mang'ana (2022) contextualize competitive advantage within a

commercial bank setting; defining it as adeptness in strategically entering a market and establishing a competitive position which can be safeguarded. A study they have undertaken revealed that commercial banks deploy various competitive strategies as their primary competitive approaches, including but not limited to; focus strategy, combinations strategy, differentiation, and cost leadership. The overarching notion appears to be that competitive strategies empower firms to not only survive but thrive in intensely competitive environments. This is achieved through implementing strategic measures and leveraging the organisation's capabilities, including the integration of innovative technologies (Odhiambo & Mang'ana, 2022).

2.4 Previous Studies

Having established the key concepts that are pivotal to this study in the literature review; key findings from previous studies on the aforementioned concepts will further cement a solid foundation for the current research. By understanding what has already been evidenced or concluded by other authors, this research can unfold in a more focused and impactful way, guided by an existing body of knowledge on the topic at hand.

2.4.1 Key Findings from Previous Studies: Innovation Strategies

The key findings from previous studies on innovation strategies highlight several important points, with this section reviewing studies on innovation strategies from Abduvakhidovna (2022), Nduati (2024), Mbugua (2021), Oksanych (2021) and Mochama (2021). All the aforementioned studies emphasize the importance of innovation strategies in gaining competitive advantage. However, each study approaches the topic from a disparate perspective and focus.

In the paper, *Classification of Innovative Strategies of Industrial Enterprises*, Abduvakhidovna (2022) conducted a systematic examination of the current approaches to innovative strategy in industrial enterprises. To this end a detailed classification of these strategies is proposed. It argues that the significance of innovation strategy is a fundamental component of a company's overall strategy and is a crucial factor for its competitive and developmental prowess. The key findings in relation to innovation strategy were: (i) the innovation strategy is identified as a key element of maintaining

and enhancing the competitive position of an enterprise, (ii) the presence of a strategic innovation planning system in large companies enables them to conduct innovative activities consistently, (iii) a standard for sustaining innovation dictates implementation every 1 to 3 years (iv) large firms often deploy a mix of strategies to maximize innovation mobility and effectiveness. The paper emphasized that understanding and applying the right innovation strategies were vital for maintaining a competitive edge and fostering sustainable growth in industrial enterprises.

In the paper, *Innovation Strategies, Entrepreneurial Orientation and Performance of Data Service Providers in Kenya*, Nduati (2023) investigated how various innovation strategies such as process, product, market, and technological innovation affect the performance of data service providers in Kenya. The study aimed to explore the role of these strategies in influencing a firm's performance. The paper also examined whether an entrepreneurial mindset influences the connection between innovation tactics and a firm's performance. The key findings in relation to innovation strategy were that: (i) innovation is a crucial strategic element directly affecting an organization's performance; and is important in differentiating services, adding value, and benefiting consumers, (ii) the performance of data service providers in Kenya showed notable differences, (iii) various factors such as the availability of technology, perceived benefits of technology, organizational size, resource availability, and regulatory/legal environment had a strong impact on the adoption of mobile financial technology; and this adoption affected operational cost reduction and business operation efficiency, (iv) entrepreneurial orientation was not found to be a moderator in the relationship between innovation strategies and the performance of data service providers in Kenya. While the paper focused on data centre providers, it illustrated the link between innovation strategies and their beneficial impact on an organization’s performance.

In the paper, *Innovation Strategies Adopted by Equity Bank Limited to Gain Competitive Advantage in Kenya*, Mbugua (2021) evaluated innovation strategies adopted by a commercial bank named; Equity Bank, in their attempt to gain competitive advantage in Kenya. The paper examined the bank’s innovation strategies in technology, product, and market; as key levers for achieving competitive advantage. The key findings in relation to innovation strategy were that: (i) product innovation was found to be crucial for Equity Bank’s competitive advantage, (ii) the adoption of technology by Equity Bank led to the

implementation of various developments; thus transforming organizational activities from paper banking to paperless systems, (iii) the formation of multiple market segments and efficient distribution channels improved product presence and delivery, increasing the bank's competitive edge. Therefore, the key innovation strategies in technology, product, and market innovations connected positively with competitive advantage, allowing Equity Bank to prosper in the competitive banking industry in Kenya.

In the paper, *Innovation Strategy and its Impact on the Company's Competitive Position*, Oksanych (2021) examined the cause-effect relationship between a company's preferences for an innovation strategy relative to its competitive position. The key findings highlighted that the development of an appropriate innovation strategy is crucial in leveraging innovations to build a competitive advantage in a knowledge-based economy. The paper concluded that innovation strategies directly influence a company's ability to reduce costs, enhance product quality, and increase sales; all of which contribute to greater competitiveness.

In the paper, *Influence of Innovation Strategies on Competitive Advantage among FinTech Companies in Kenya*, Mochama (2021) analysed the connection between innovation strategies and competitive advantage within the context of FinTech companies in Kenya. The aim was to determine how different innovation strategies contribute to creating a competitive advantage within the sector. The findings underscore the importance of various innovation strategies that companies can adopt, ranging from product, technological, process, market, to management innovations. The outcomes imply that for FinTech companies to stay competitive, they must continually adjust and respond to environmental changes while creating products and services that meet customer expectations, and which cannot be readily replicated by competitors. Financial technology companies, for example, focused on creating and improving their products continuously as part of their innovation strategies, which was instrumental for their long-term success.

2.4.2 Key Findings from Previous Studies: FinTechs

In the paper, *A conceptual framework for the South African FinTech ecosystem*, Masangwana (2021) conducted a study evaluating the suitability of current FinTech ecosystem frameworks for the South African context, and compares frameworks in both developed and developing nations. The study interviewed 12 executives from South Africa whose professions range from entrepreneurs, start-ups, policymakers, and financial institutions. The paper emphasizes the need to customise existing frameworks to fit the South African environment as opposed to implementing a uniform approach. It also underscores the importance of educating consumers about FinTech services in order to boost adoption rates, address regulatory challenges and infrastructure limitations, and build trust; thus strengthening a robust FinTech ecosystem.

Meyer & Okoli (2023) sought to analyse the development, metrics, and influence of FinTech on established banks across sixteen African countries from 1800 to 2020; in the paper, *Financial Technology Development: Implications for Traditional Banks in Africa*. The study divides the aforementioned period into three phases, namely, analogue (1800–1967), digital (1967–2008), and modern (2008–2020). Key observations include the emergence of FinTech concepts in the analogue era, structural shifts within the financial system during the digital era, and a substantial reduction in bank profitability as a result of increased FinTech adoption in the modern era by about 12.6% which revealed its disruptive effect on traditional banking revenue streams. However, it is noted that this negative impact was swiftly rectified at an annual adjustment rate of approximately 90.9%, indicating traditional banks' adaptability. The paper concludes that excessive FinTech adoption has had adverse implications for traditional banks in Africa and recommends collaboration between FinTechs and traditional banks to mitigate these disruptive effects.

Mugabe (2022) conducted a study analysing the potential long-term connection between financial technology firms and the performance of the banking industry in South Africa from the period 2000 to 2018. The paper, *The Effect of FinTech on Banking Performance in South Africa*, explores the influence of FinTech on banking sector performance. It focuses particularly on bank size in order to determine whether there exists any causal links between the presence of FinTech firms and banking sector performance. The key

findings indicate that; (i) FinTech presence had a significant impact on long-term indicators such as return on equity, return on assets, and yield on earning assets at a significance level of 1%; while it was only notable at a level of 10% for NIM; (ii) results from the Granger Causality test reveal that FinTech presence could not be utilized for predicting future RSA banking sector performance. In summary, the study highlights that embracing FinTech within the banking sector could lead to more efficient performances, with new innovations introduced by these firms financially benefiting both sectors.

In the paper, *FinTech in Sub-Saharan Africa*, Ndung'u (2022) discusses the growth of FinTech in Sub-Saharan Africa. This includes its changes over time, as well as the resulting advantages achieved at each phase of its adoption and market development. The study indicates that the use of FinTech products has resulted in numerous benefits such as the increased financial inclusion of marginalized populations, enhanced welfare, and efficient provision of services across all sectors with reduced costs. However, challenges to be addressed are identified, in order to facilitate rapid uptake of FinTech solutions in Sub-Saharan Africa. The author concludes that driven by FinTech, the fourth industrial revolution could elevate savings levels, investments, employment opportunities, and inclusive growth for the continent. This can be achieved if an appropriate legal framework is established, and appropriate resources are allocated for sufficient infrastructure development.

Financial inclusion appears to be a pivotal pursuit, as it emerges in a study conducted by Takundwa (2022) to investigate the impact of regulation on the adoption of e-money. In the paper, *FinTech Regulation in South Africa*, a comparative analysis is carried out on various countries where the use of e-money and other financial technology products has been successful. The aim is to offer insights into regulatory strategies that promote financial inclusion while mitigating risks to South Africa's financial system. The findings indicate that; (i) regulation can act either as a limiting factor, an impartial element, or a facilitator in the development of FinTech, (ii) South African regulators have adopted a cautious approach towards FinTech regulation; with emphasis on consumer protection related to market conduct risk, data protection and market failure risk. (iii) Economies with well-established financial markets tend to favour collaborative approaches where FinTech entities and traditional financial institutions collaborate due to regulatory requirements or market demands.

2.4.3 Key Findings from Previous Studies: Strategic Partnerships

One economy with a well-established financial market which opted for FinTech-traditional bank collaboration is Finland. In the paper, *FinTech and the Financial Industry: Partnerships for Success*, Fofanov (2022) investigates the partnership dynamics between traditional banks and FinTechs, as well as the attendant regulatory consequences in Finland. The research analyzes the motivations behind traditional banks and FinTechs opting for collaboration rather than competition. The study also assesses how the existing regulatory framework impacted on the growth of the FinTech sector in Finland. The key results indicate that the majority of industry representatives from both sectors recognized that adaptability to digitalization was crucial for banks. As a result, cooperation was viewed favourably by parties involved, allowing leveraging of the core strengths from each sector, and thus enhancing banking services diversification. Despite this, certain concerns relating to this collaboration were raised by bank executives, particularly regarding potential security risks.

The possibility for security risks notwithstanding, one of the overarching aspects to consider in these FinTech-Banks collaboration is the overall outcome from the partnership. In the paper, *Toward Successful Bank-FinTech Partnerships: Perspectives from Service Providers in an Emerging Economy*, authors Hoang et al. (2024) investigate the viewpoints of FinTech firms and banks in their collaborative ventures, thereby identifying elements that could impact the effectiveness of a Bank-FinTech alliance. The study utilised qualitative methods; which included individual interviews as well as focus group sessions with commercial banks and FinTech companies in Vietnam. Major outcomes consist of the benefits, challenges, as well as pros and cons faced by each party along with their respective strengths and weaknesses. Criteria for selecting partners emerged as a crucial factor influencing the collaboration process.

Partner selection criteria and its drivers are explored in the paper *FinTech and the Financial Industry: Partnerships for Success*. In this study, Ruhland and Wiese (2022) aim to identify the key common and distinct strategic partnership reasons between financial institutions and FinTechs, thus providing a valuable framework for both parties. The primary results indicate that from the perspective of FinTech companies, the most significant drivers for partnerships were financial gain, reputation, and trustworthiness.

Conversely, the main motivations for traditional financial institutions centred on seizing opportunities to innovate and transform their existing business models, while enhancing customer contentment through new innovative offerings.

Virasamy (2021) aims to enhance comprehension of the interplay between FinTech and established financial service providers (FSPs) in the evolving competitive financial services environment within the South African context. In the paper, *Exploring the Relationship Between FinTech and Financial Service Providers in South Africa*, Some of the pivotal discoveries include; (i) newer FinTech companies are driving accelerated innovation and technological advancement within established FSPs, prompting various modifications to latter's organizational structures, culture, strategy, and norms; (ii) transformation is sweeping across the financial services value chain with emergent business models; (iii) the market is progressing, which is leading to potential opportunities for FSPs and FinTech firms to capitalize on each other's products and services through mutually advantageous interactions; and (iv) there appears to be insufficient oversight over the FinTech sector by government authorities and regulators in South Africa. The study cautions that significant negative effects on the economy could arise if there is a delay in regulating this industry.

Lack of regulation of nascent sectors such as the FinTech industry does little to negate the advantages for traditional financial institutions that partner with FinTechs. In the paper, *The Relationship between FinTechs and Financial Performance of Commercial Banks in Kenya*, Kariuki (2022) investigates the association between FinTechs and financial performance of commercial banks in Kenya, targeting all forty commercial banks in Kenya. The key findings reveal that; (i) a positive correlation exists between FinTech adoption and bank performance, specifically in terms of return on assets (ROA), (ii) FinTechs, such as mobile money services, were associated with improved bank performance. While the paper did not extensively elaborate on the benefits of strategic partnerships between traditional banks and FinTechs; it did however highlight the positive correlation between FinTech adoption and bank performance, specifically pertaining return on assets (ROA).

Despite the positive influence resulting from Bank-FinTech collaborations, forming these partnerships is seemingly not without its challenges. In the paper, *Model of Banking and FinTech Collaboration in Indonesia: Present and Future Challenge*, Sorongan et al. (2021) emphasize the obstacles in creating collaborative models between banks and FinTech companies in Indonesia; both presently and in the future. The study findings underscore the importance of comprehensive regulations, policies, and laws governing collaboration, which continue to present significant challenges for Bank-FinTech partnerships, particularly in Indonesia.

In the South African context, Tshukudu et al. (2022) investigate the correlation between financial technology and the financial performance of commercial banks in South Africa using simple linear regression, descriptive analysis, and correlation analysis on the top five banks in the country. In the paper, *Analysing the Relationship between Financial Technology and Commercial Banks' Financial Performance in South Africa*, it is revealed that during specific timeframe, there was a discernible link between the financial performance of South Africa's top five banks and their adoption of financial technology. This was particularly driven by an increase in mobile subscriptions for internet banking. Additionally, the study highlights the emerging competitive landscape within the banking sector as a sign of a transition from oligopoly to increased competition in South Africa's banking environment. These findings imply strong support for transitioning from traditional-based banking to digital approaches for improved financial results and increased market share within this industry.

Faour and Al-Sowaidi (2023) suggest that financial technology is merging with traditional banking to reshape the financial sector, with agile FinTech startups posing as strong competitors to long-standing banks. *In the paper, FinTech Revolution: How Established Banks Are Embracing Innovation to Stay Competitive*, the interaction between FinTech and banks, including their collaborations and the combined impact they have on future developments, is duly investigated. The main findings that emerge underscore the potential for collaboration between these entities in order to drive innovation, provide a variety of financial services, and address regulatory complexities and customer trust issues.

2.4.4 Key Findings from Previous Studies: Competitive Advantage

While the benefits of Bank-FinTech collaborations have been extensively enumerated in key findings on innovation strategies, FinTechs, and strategic partnerships; in the paper, *Technological Innovation as a Strategy for Competitive Advantage within the Namibian Banking Industry*, Asa et al. (2023) examines the impact of technological innovation on gaining competitive advantage and expanding market presence in the banking industry; with a particular focus on Namibia. The paper indicates that utilising technological innovations as a strategy is favourable for banks aiming to achieve both competitive advantage and an increased market share. Furthermore, the paper elucidates that given the challenges posed by the fourth industrial revolution, banks need to adapt their strategies to keep up with technological developments or risk losing market share to established rivals and growing challenger banks.

FinTech partnerships can be a way through which traditional banks keep up with technological developments. This is illustrated in the paper, *Role of FinTech Adoption for Competitiveness and Performance of the Bank: A Study of Banking Industry in UAE*; wherein Dwivedi et al. (2021) examine how FinTech affects the competitiveness and performance of the banking sector in the UAE. Their main discoveries indicate that; (i) integrating FinTech significantly influenced both competitiveness and performance outcomes in the UAE's banking industry, and (ii) effective adoption of FinTech along with proper technology management directly affected the performance of the banking sector in the UAE.

Yet, technological advancements must address the particular needs within the context the innovation is adopted. Odhiambo and Mang'ana (2022) explore how leveraging advancements strategically impacts the standing of commercial banks in Kenya. In their paper titled, *The Impact of Embracing Technological Innovations on the Competitive Edge of Commercial Banks, in Kenya* the authors assess the influence of E-Money transfer systems, telephone banking services, internet banking platforms, as well as internal controls on the advantage of these banks. The main outcome highlights that integrating technologies like E transfers, telephone banking, internet banking and internal controls positively; significantly boosted the competitive edge of commercial banks in Kenya.

A sustainable competitive advantage being more preferable; Ioniţă (2022) clarifies some less-discussed aspects in the literature and emphasizes the significance of innovative management strategies for leveraging intangible resources in order to enhance sustainable competitive advantage and company value. In the paper, *Exploration vs. Exploitation: How Innovation Strategies Impact Firm Performance and Competitive Advantage*, theoretical and empirical studies were carried out at both national and international levels. The conclusions indicate that; (i) effective utilization of intangible assets through innovative exploitative and exploratory strategies, can impact a company's sustainable competitive advantage as well as its market value; and (ii) failure to adapt to environmental changes can lead businesses to rapidly lose their competitive edge, thus necessitating companies to either exploit existing capacities or explore new capabilities in order to reinvent themselves.

2.5 Analytical Framework

2.5.1. Theoretical Framework

The innovation diffusion theory serves as the foundational theoretical framework for the paper, as it has been employed in numerous studies focusing on IT innovations at individual and organizational levels in both developed and developing countries (Rhein, 2021). Developed by Rogers (1962), the theory provides a framework for identifying factors that influence the success or failure of innovation. It assists in analysing the adoption and diffusion of innovations; considering factors such as relative advantage, compatibility, complexity, trialability, and observability as illustrated in figure 2.2. This is significant; as innovation is more likely to be adopted if it offers a clear advantage over existing alternatives, is compatible with existing values and practices, is not overly complex, can be tried before making a full commitment, and provides visible benefits that can be seen by other potential adopters (Kolsi, 2023). Furthermore, this theory suggests that the adoption of technological innovations is influenced by various factors; including perceived usefulness, barriers, and the diffusion process itself (Mochama, 2021). In the context of banking, this theory will guide the analysis of the adoption and impact of technological innovations in the banking industry, specifically with regard to achieving competitive advantage (Odhiambo & Mang'ana, 2022). The innovation diffusion theory is crucial to this study as it informs the independent variables and how financial

institutions can identify technologies for product/service differentiation in a competitive market (Odhiambo & Mang'ana, 2022).

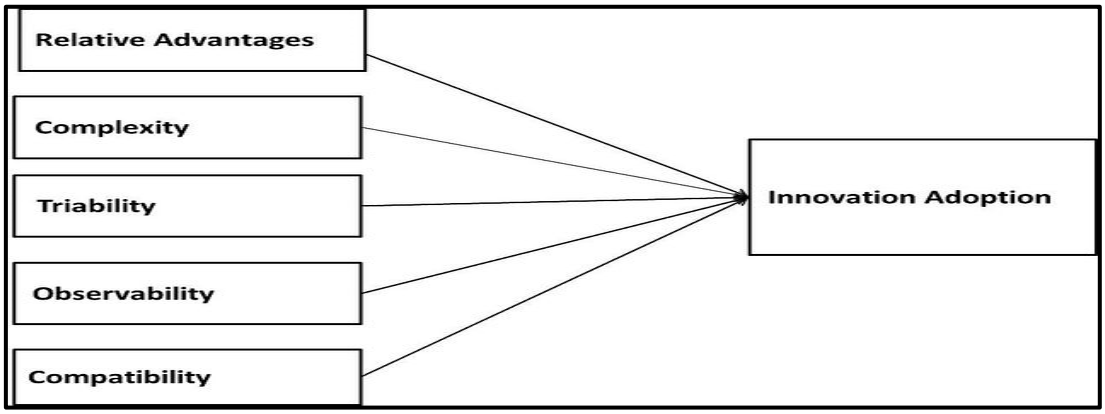


Figure 2.2: Innovation Diffusion Theory (Source: Rogers, 1982)

The Resource-Based View Theory is also utilised in this paper in order to understand how technological innovations can create a sustainable competitive advantage by leveraging the unique resources and capabilities of a bank. The Resource-Based View Theory emphasizes the significance of effectively utilizing available resources and capabilities to gain competitive advantage (Ioniţă, 2022). The theory views firms as comprising of several resources that may be either tangible or soft, and whose proper use confers a competitive advantage over organizations in a similar industry (Odhiambo & Mang'ana, 2022). According to Barney (1991), firms that possess resources which are valuable, rare, imperfectly imitable and imperfectly substitutable; hold the main sources of sustainable competitive advantage for sustained superior performance, as shown in figure 2.3.

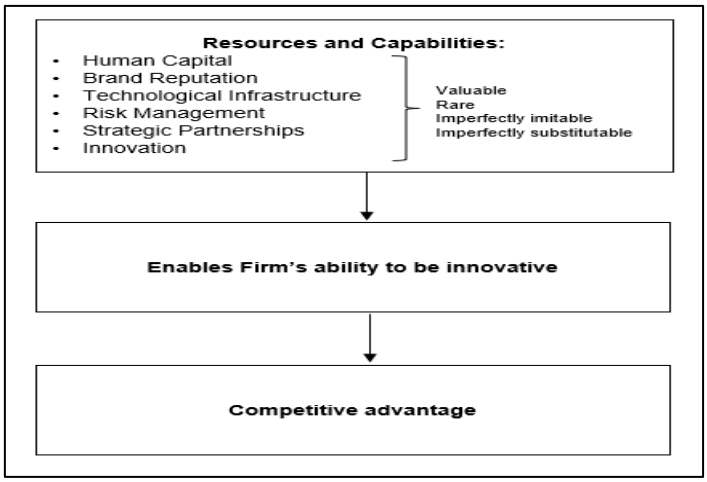


Figure 2.3: Resource-Based View (Source: Own draft; based on Barney, 1991)

Theoretical frameworks such as the Resource-Based View Theory and Innovation Diffusion Theory provide valuable insights into the relationship between technological innovations, competitive advantage, and company value (Odhiambo & Mang'ana, 2022). Therefore, these theories will serve as the foundation for examining the role of innovation strategies in enhancing competitive advantage within the South African banking industry.

2.4.2. Conceptual Framework

A conceptual framework is a visual or descriptive representation that outlines the main variables or constructs to be examined and their assumed relationships (Miles & Huberman, 1994). The proposed conceptual framework in figure 2.4 visually represents how the various variables of the conceptual framework interact with the theoretical frameworks, guiding the research on innovation strategies and partnerships between a South African bank and FinTechs.

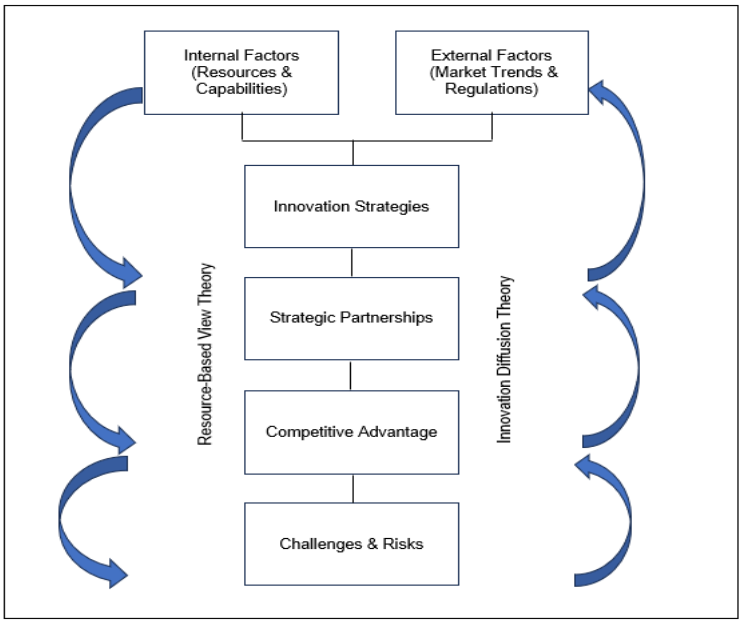


Figure 2.4: Conceptual Framework (Source: Own draft)

Explanation of the Visual Representation

1. **Internal Factors** represent the bank's unique resources and capabilities, such as skilled personnel and technological infrastructure, which are essential for developing effective innovation strategies.

2. **External Factors** include market trends and regulatory environments that influence how banks innovate and collaborate with FinTechs.

3. **Innovation Strategies** are the central components that connect the internal and external factors to the formation of strategic partnerships. They reflect the methods the bank employs to innovate and work with FinTechs.

4. **Strategic Partnerships** are the result of successful innovation strategies, leading to collaborations with FinTechs. This component is crucial for enhancing the bank's offerings and market position.

5. **Competitive Advantage** is the ultimate goal of forming strategic partnerships, focusing on how unique resources and capabilities can enhance the bank's market position.

6. **Challenges & Risks**: highlight potential barriers to forming partnerships and implementing innovation strategies, such as cyber security risks, regulatory challenges, and lack of consumer trust.

7. **Theoretical Frameworks**:

- **Resource-Based View Theory** emphasizes the importance of internal resources and capabilities in achieving competitive advantage, influencing both innovation strategies and partnerships.
- **Innovation Diffusion Theory** focuses on how innovations are adopted and spread, highlighting the role of perceived benefits and external factors in the collaboration process.

2.5 Literature review summary and closing remarks.

The literature review provides a comprehensive summary of salient findings from previous studies. It presents important viewpoints on the impact exerted by innovation strategies, influence of FinTech, strategic partnerships, and competitive advantage within the banking and financial services industry. I In a rapidly evolving and technology driven financial services environment; innovation strategies are necessary for gaining competitive advantage in the banking industry. Additionally, the emergence of FinTech with its technologically driven service offerings indicates a need for traditional banks to enter into strategic partnerships in order to harness technological advancements for long-term competitiveness. However, in collaborating with FinTechs, traditional banks must do so with the view of utilising their existing resources to maximise partnership benefits; while confronting the risks and challenges of said partnerships. . Overall, the literature review indicates that purposeful incorporation of innovation strategies, particularly as they pertain to strategic collaborations that harness technological advancements, can significantly improve a bank's competitiveness.

Having established the key findings on innovation strategies, FinTech, strategic partnerships, and the competitive advantage resulting from traditional banks implementing these actions; there are three propositions that can be established which connect these seemingly disparate concepts. With the assistance of both the Resource-Based View Theory and Innovation Diffusion Theory; construction of the three propositions will facilitate better understanding of the relationship between Innovation strategies and strategic partnerships as they pertain to competitive advantage in the South African banking industry.

2.5.1. Proposition 1

Innovation strategies in South African traditional banks are shaped by a combination of internal factors—such as organizational culture, operational processes, and technological capabilities—and external factors, such as regulatory changes and technological developments in the financial services sector.

2.5.2. Proposition 2

Strategic partnerships with FinTechs represent an innovation strategy that can be adopted by a South African traditional bank, which aides in gaining competitive advantage; thus enhancing operational efficiency and consequently improving customer experience.

2.5.3. Proposition 3

External challenges such as regulatory challenges, cyber security risk and lack of consumer trust, create barriers to successful partnerships between South African traditional banks and FinTechs.

Chapter 3: Research Methodology

This chapter details the research methodology utilised in this study. It includes the approach, design, and sampling method employed. Additionally, the chapter explains the data collection process, including population and sampling methods. Also encompassed in the chapter are the research instrument, ethical considerations, and study limitations. Lastly; reliability, validity as well as techniques for data analysis are all discussed.

3.1 Research Approach

The study employed a qualitative research approach to analyse the connection between innovation strategies, strategic partnerships, and competitive advantage within a South African traditional bank. Through this methodological choice, the study sought to unravel the intricacies involved in creating mutually beneficial partnerships in the banking industry.

The research employed a qualitative method because it enabled the examination of intricate matters within their natural environment by utilizing direct participant experiences and perspectives (Creswell & Poth, 2018). The research method proves most effective for studying how people interpret and react to organizational strategies and innovation (Denzin & Lincoln, 2018). Through qualitative research methods the researcher obtained deep and comprehensive knowledge about how banking sector leaders understand and implement innovation strategies while dealing with FinTech disruption challenges.

3.2 Research Design

This research utilises a case study approach, which focused on an in-depth exploration of a specific subject. This approach steered the collection of thorough information, thus providing insights into the complexities of innovation strategies, and strategic partnerships in the banking industry. The case study method enabled researchers to study a modern phenomenon in its actual environment because the distinction between the phenomenon and its context remains ambiguous (Merriam & Tisdell, 2016).

The case study method proves most effective for qualitative research when researchers want to study intricate organizational processes to answer strategic decision-making

questions about how and why things happen (Creswell & Poth, 2018). The case study approach enabled researchers to gather detailed contextual information which exposed the complex processes of bank-FinTech partnership development.

3.3 Data Collection Methods

The research used semi-structured interviews as its main data collection method to gather information from South African traditional bank key personnel. The research participants consisted of executives together with managers and employees who actively participated in innovation strategies and strategic partnership development. The researcher selected semi-structured interviews because they provide both structured guidance and open-ended exploration which enables deep exploration of specific themes while maintaining consistent results (Merriam & Tisdell, 2016).

Semi-structured interviews serve well to study complex organizational processes because they enable participants to share their personal experiences through their own words while staying focused on research objectives (Patton, 2015). The research design proved suitable for obtaining detailed insights from bank staff who lead innovation strategy development and implementation.

The interviews delivered first-hand information about the practices and challenges and results of FinTech strategic partnership development. This research method matches the interpretive approach of qualitative research because it seeks to understand the meaning from the perspective of those who experience the phenomenon (Denzin & Lincoln, 2018). The collected interview data served as the basis for conducting an in-depth contextual analysis of innovation and collaboration within the South African banking sector.

3.4 Population and Sample

3.4.1 Population

The population for this study consisted of individuals working in a South African traditional bank and are involved in innovation strategies and strategic partnerships. The participants were selected based on their involvement in innovation strategies and strategic partnerships within the bank. These individuals were drawn from various clusters and departments, including innovation, strategy, partnerships, technology, and operations. This diversity ensured that the study captured a wide range of perspectives and experiences related to the bank's approach to forming partnerships with FinTechs and leveraging innovation for competitive advantage.

3.4.2 Sample and Sampling Method

This research used purposive sampling to choose participants who have experience with innovation strategies and strategic partnerships in Traditional South African banks. The qualitative research method of purposive sampling selects participants who possess valuable information about the research phenomenon (Merriam & Tisdell, 2016; Patton, 2015).

The study included thirteen participants. The selection criteria for participants included bank employment status and direct involvement in innovation initiatives or strategic partnership development and strategic direction insight. The participants came from different organizational levels of executives and middle managers and specialists to gain complete understanding of the bank's innovation strategy from top to bottom.

The study excluded participants who did not work in innovation or partnership functions and those who held administrative or support positions without strategic responsibilities. The data collection criteria were designed to meet the study objectives while ensuring data relevance.

The qualitative case study required thirteen participants because depth of information was more important than broad representation. Creswell and Poth (2018) state that qualitative research uses a small number of participants to study complex issues in depth. According to Patton (2015) the adequacy of a qualitative research sample depends on the quality of the information obtained rather than statistical generalizability. The sample size in this study reached saturation because new themes stopped appearing in the data.

3.5 The Research Instrument

The data collection instrument for this research was a semi-structured interview guide. The interview guide in Appendix A was divided into three main sections – Standard questions, Innovation strategies and Strategic partnerships. This included open ended questions, which allowed room for exploring of unexpected insights and emergent themes during the interviews. The structure of the guide allowed for flexibility in probing emerging themes while maintaining consistency across interviews. This design is consistent with qualitative research principles, which emphasise depth, adaptability, and the importance of capturing participants' lived experiences (Patton, 2015; Merriam & Tisdell, 2016).

3.6 Procedure for Data Collection

The procedure for data collection involved the following steps:

I. Participants were identified and selected based on their involvement in innovation strategies and strategic partnerships in a South African traditional bank.

II. Participants were contacted and invited to participate in the study.

III. Participants who agreed to participate were scheduled for an interview at a convenient time and location.

IV. During the interview, participants were asked a series of questions related to their experiences and perspectives on innovation strategies and strategic partnerships in the bank of their employ.

V. The interviews were audio-recorded with the participants' consent to ensure accurate capture of their responses.

The data collected from the interviews was transcribed and analysed using thematic analysis. The aim of a thematic analysis is to identify patterns or themes within the qualitative data relating to the topic being investigated (Braun & Clarke, 2006).

3.7 Data Analysis Strategies and Interpretation

This study employed thematic analysis as the primary method for analysing qualitative data, following the widely recognized approach developed by Braun & Clarke (2006). Thematic analysis was chosen for its flexibility and its ability to identify, analyse, and report patterns (themes) within data, which aligns with the exploratory nature of this research.

The analysis was conducted using the six-phase framework outlined by Braun & Clarke (2006), which ensures a systematic and replicable process:

I. Familiarization with the Data: All interview transcripts were read multiple times to immerse the researcher in the data. Initial notes were taken to capture early impressions and potential patterns (Creswell & Poth, 2018).

II. Generating Initial Codes: Using an inductive approach, the researcher manually coded interesting features of the data across the entire dataset. Codes were data-driven and not based on pre-existing theories (Merriam & Tisdell, 2016).
III. Searching for Themes: Codes were then grouped into potential themes by identifying broader patterns of meaning. This involved organizing codes into candidate themes that reflected the research questions and objectives (Patton, 2015).
IV. Reviewing Themes: Themes were reviewed and refined to ensure they accurately represented the data. This involved checking if themes worked in relation to the coded extracts and the entire dataset (Denzin & Lincoln, 2018).
V. Defining and Naming Themes: Each theme was clearly defined and named to capture its essence. Detailed analysis was conducted to understand how each theme related to the research topic and to one another.
VI. Producing the Report: The final phase involved weaving together the narrative of the data with illustrative quotes from participants. The findings were interpreted in relation to the research questions and existing literature, highlighting implications for innovation strategies and strategic partnerships in the South African banking sector.

This rigorous and transparent approach to thematic analysis ensures that the findings are credible and that the study can be replicated by future researchers seeking to explore similar phenomena.

3.8 Quality Assurance (Trustworthiness)

In qualitative research, trustworthiness refers to the rigor and integrity of the study, ensuring that the findings are credible, transferable, dependable, and confirmable (Lincoln & Guba, 1985). Establishing trustworthiness is essential for validating the research process and outcomes, particularly in studies that rely on subjective interpretations of participants' experiences. This study employed multiple strategies to address each of these four components.

3.8.1 Transferability

Transferability describes how well the research results from one study can be used in different settings or environments (Lincoln & Guba, 1985). The study supports transferability by providing detailed descriptions of the research environment and participant characteristics and organizational framework. The detailed descriptions

enable readers to assess how the research results apply to their specific contexts (Merriam & Tisdell, 2016).

The research participants were chosen because they had firsthand experience with innovation strategies and strategic partnerships in South African banks which makes the study results more applicable to similar institutions.

3.8.2 Credibility

The findings' truthfulness depends on credibility according to Lincoln and Guba (1985). The investigation implemented several measures to enhance its credibility. The researcher developed and validated a semi-structured interview guide to achieve clear and consistent data collection. The researcher performed member checking by presenting initial results to participants to verify their interpretations and guarantee their viewpoints received proper representation. The thematic analysis followed Braun & Clarke (2006) six-phase framework in a transparent and systematic way to maintain data-driven theme development (Creswell & Poth, 2018).

3.8.3 Dependability

The research results demonstrated dependability through their stability and trustworthiness which extends across different situations and time periods (Lincoln & Guba 1985). The research used multiple methods to enhance credibility as its main objective. The research will achieve better data credibility through semi-structured interviews because they allow deep exploration of participant perspectives and experiences. The selection of participants who actively participated in innovation strategies and strategic partnerships guaranteed that the collected data directly addressed the research question and represented the target population. The use of audio recording during interviews produced an exact record of participant responses which enhanced data credibility.

3.8.4 Confirmability

The research process requires confirmability to maintain objectivity and neutrality because it ensures that interpretations and conclusions remain directly connected to the data (Lincoln & Guba, 1985; Patton, 2015; Merriam & Tisdell, 2016). According to Lincoln & Guba (1985), confirmability is achieved when research findings can be traced back to their sources and when the logic used to derive conclusions is explicitly documented. The researcher maintained a reflexive journal throughout the research process to document thoughts and decisions and potential biases which supported

confirmability in this study. The study supported its interpretations through direct participant quotations which maintained the findings' connection to actual data. Peer debriefing sessions with academic supervisors were conducted to critically examine assumptions and interpretations which improved the objectivity of the analysis (Patton, 2015).

3.9 Limitations of the Study

Applying thematic analysis and data triangulation improves the trustworthiness and reliability of the research. However, it is important to consider certain limitations. Since this study focuses on a specific bank, the results may not be applicable to other banks. Moreover, relying on self-reported data from participants could introduce biases or inaccuracies. Lastly, including only those participants that are directly involved in innovation strategies and strategic partnerships, may limit the diversity of perspectives presented in the data.

3.10 Ethical Considerations

Throughout this study, ethical considerations were carefully examined. Measures were implemented to protect the privacy and anonymity of participants by obtaining informed consent. Furthermore, participants were assured of their right to withdraw from participating in the interview, without any negative consequences. The data gathered will be stored securely and only accessed for analysis purposes by the researcher. Rigorous precautions will be in place to maintain the confidentiality and security of participants' personal information during data storage.

Chapter 4: Presentation of Findings

4.1 Introduction

This chapter presents the findings of the research data collected and the analysis thereof. The analysis establishes several themes that elucidate the effects of innovation strategies and strategic partnerships on organizational performance in a South African bank. The chapter commences by the description of the participants' characteristics as they relate to their employ at the bank being analysed. Proceeding from that is a comprehensive analysis of the themes unveiled. The data was analysed thematically in order to identify patterns and themes as outlined in section 3. 7. The findings are discussed in relation to the three propositions developed in Chapter 2.

4.2 Background information

4.2.1 Demographic Characteristics of Participants

All the one-on-one interviews conducted with participants were carried out via Microsoft Teams. Due to confidentiality agreements, the participants are referred to as P1, P2, P3, and so forth, as a means of identification. The table below showcases the participants' profiles including; gender, role in the organization, and years of experience. While the male participants outnumber the female participants in terms of representation, this does not impact the study results. From a race perspective, inclusion runs the gamut, with participants including those who identify as African, Coloured, Indian and White. The participants' average tenure is 16.5 years, with the highest tenured at 34 years and the lowest at 2 ½ years. The participants are spread across various departments and clusters within the bank, so as to represent a multiplicity of views. Data on the participants' highest levels of formal education is also presented. Five participants hold a Master's degree, four hold a Bachelor's degree, and the remaining participants possess a range of qualifications including; a Diploma, Advanced Diploma, Postgraduate Diploma, and a PhD. It is worth noting that information regarding the participants' highest educational attainment was not included in the interview questions. As a result, this data was obtained from LinkedIn as well as directly from the participants upon being asked.

Code	Gender	Race	Highest Level of Education	Banking Experience (Years)	Department-Cluster	Role Level
P1	Male	African	Masters	2 ½	Youth Segment -Consumer Banking	Head
P2	Male	African	Masters	12	Main Markets Segment - Consumer Banking	Head
P3	Male	White	Diploma	17	Business Integration – Commercial Banking	Senior Manager
P4	Male	Indian	Bachelors	10	Emerging Innovation – Solution Innovation	Manager
P5	Female	White	Postgraduate Diploma	21	Specialised Solutions – Integrated Channels	Head
P6	Male	White	PHD	12 ½	Specialised Solutions – Solution Innovation	Executive
P7	Male	White	Bachelors	34	Partnerships – Solution Innovation	Executive
P8	Male	African	Masters	20	Data and Analytics – Group Technology	Executive
P9	Male	Coloured	Advanced Diploma	20	Forex and Cross boarder payments – Solution Innovation	Head
P10	Male	Coloured	Bachelors	25	Payments – CIB Transactional Services	Senior Manager

P11	Female	Coloured	Masters	21	Commercial Partnerships – Solution Innovation	Executive
P12	Female	African	Masters	9 ½	Segment Design and Development – Retail Relationship Banking	Head
P13	Male	White	Bachelors	10	Card Acceptance – Solution Innovation	Manager

Table 4.1: Participants' Demographic Information

Figures 4.1, 4.2 and 4.3 illustrate the distribution on gender, race, highest level of education and years of work experience.

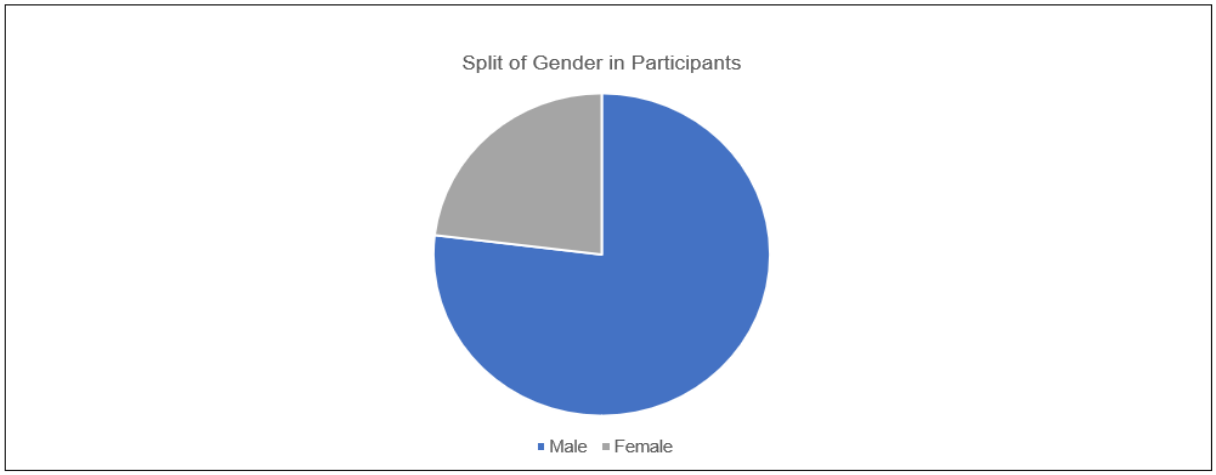


Figure 4.1: Participant Gender Split

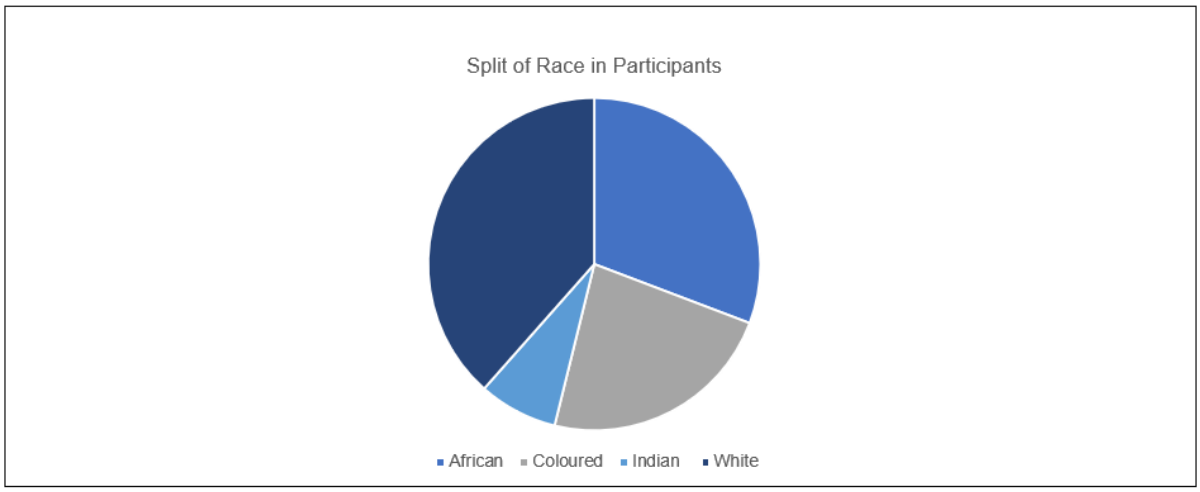


Figure 4.2: Participant Split by Race

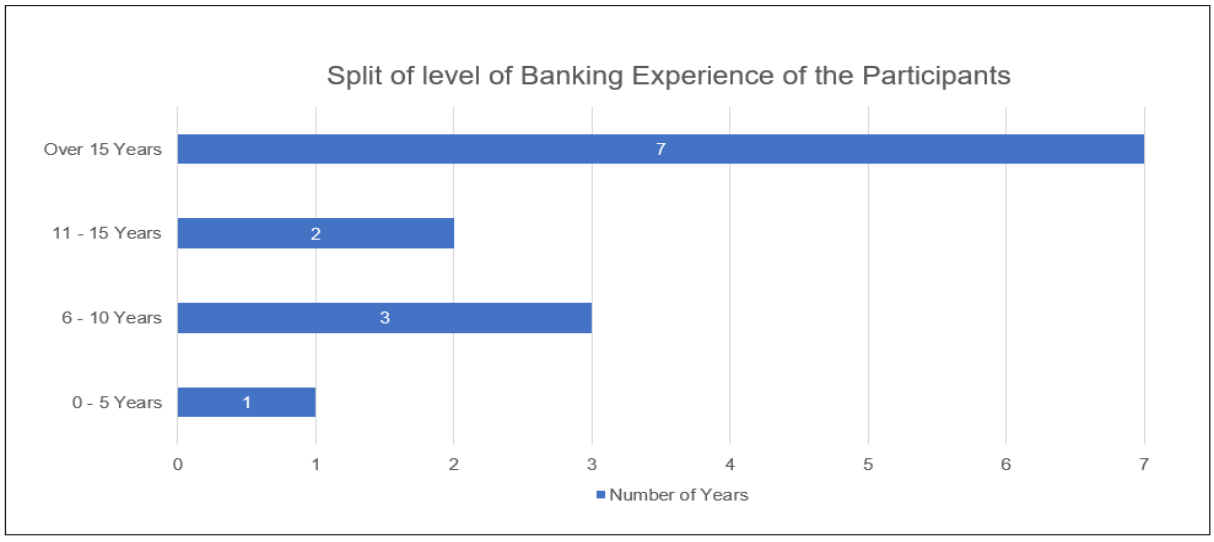


Figure 4.3: Participant Level of Banking Experience Split

4.3 Research Questions

The research questions sought to uncover the key drivers - both internal and external - that influence a South African bank's decision to develop innovation strategies through forming strategic partnerships with FinTechs, and the impact of these drivers on organizational performance.

1. What are the key factors – both internal and external – that drive a South African traditional bank to develop strategic partnerships with FinTechs?

2. What are the perceived benefits of strategic partnerships with FinTechs from the perspective of a South African traditional bank, particularly in terms of gaining a competitive advantage?
3. What are the perceived benefits and potential risks for a South African traditional bank that forms strategic partnerships with FinTechs?

4.4 Data Analysis Using Thematic Analysis Procedure

The data analysis was conducted using the thematic analysis as discussed in Chapter 3. The detailed steps of the analysis process—including data familiarisation, code generation, and theme development—are presented in Appendix C. This section presents the final themes that emerged from the analysis, which represent the key findings of the study.

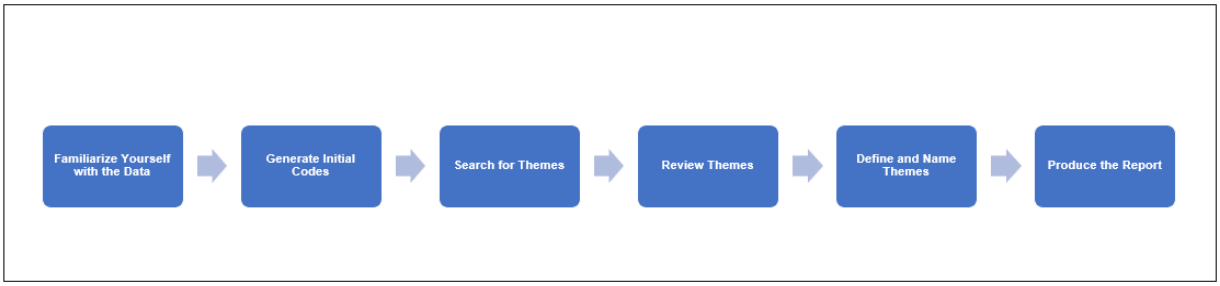


Figure 4.4: Thematic Analysis Process (Braun & Clarke, 2006)

4.4.1 Review Themes & Define and Name Themes

The themes were reviewed and mapped to the main research questions, with the 11 categories classified under the five themes. The initial 82 codes along with the 11 categories were used to identify patterns in the data. The final themes are depicted in Table 4.2.

Themes	Categories
Key Drivers for Strategic Partnerships	Internal Factors
	External Factors
Competitive Advantage through Partnerships	Operational Efficiency
	Market Reach

	Innovation and Agility
Perceived Benefits and Risks	Benefits
	Risks
Innovation Strategy Framework	Innovation Processes
	Collaboration with FinTechs
Navigating the FinTech Ecosystem	Market Dynamics
	Strategic Positioning

Table 4.2: Final Themes

A thematic map reflecting the relationships between the identified themes is reflected in Figure 4.5

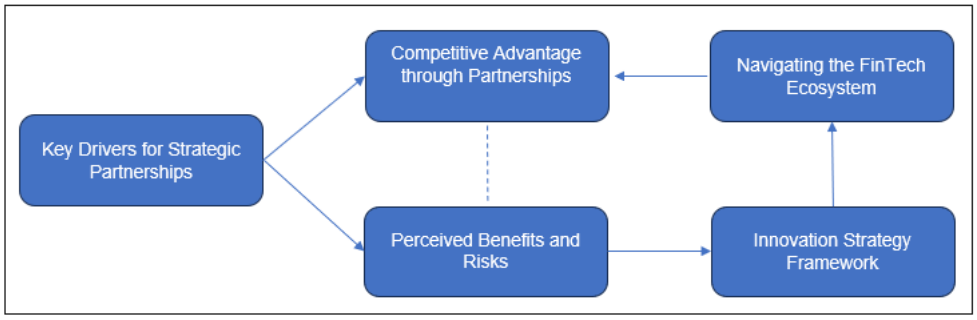


Figure 4.5 Thematic Map

4.5. Results Pertaining Proposition 1

Innovation strategies in South African traditional banks are shaped by a combination of internal factors—such as organizational culture, operational processes, and technological capabilities—and external factors, such as regulatory changes and technological developments in the financial services sector.

This section presents the findings in relation to Proposition 1, and the analysis is structured around three key themes identified from the interview transcripts: Key Drivers for Strategic Partnerships, Innovation Strategy Framework, and Navigating the FinTech Ecosystem.

4.5.1 Key Drivers for Strategic Partnerships

4.5.1.1 Internal Factors

Participants highlighted several internal factors that drive traditional banks to pursue strategic partnerships with FinTechs. A significant aspect is the organizational culture, which has evolved to embrace innovation and agility. For instance, one participant noted;

> *"Banks typically had two things, you know, in any new solution that comes up; you can build, or you can buy. But I think what the FinTechs have shown is that there's an option to partner actually".* – P4

This shift in mindset is crucial as it allows the bank to adapt to the rapidly changing financial landscape. Technological capabilities also play a vital role. The ability to integrate new technologies quickly and efficiently is seen as a competitive advantage. A participant stated;

> *"FinTechs bring in capabilities into the bank that we don't have and that we don't want to focus on."* – P6

This capability would enable the bank to respond to market demands more effectively. The participants further emphasized the importance on how internal factors; particularly organizational culture and technological capabilities, contribute in shaping strategic decisions. To this point, one participant noted;

> *"In order for us to land a certain strategy, if we do it internally, it will take us 10 years versus if we partner with a FinTech that's already doing something, then it might be quicker"*. – P12

The aforementioned statements underscore the urgency and efficiency that partnerships with FinTechs can provide. This suggests that a traditional bank's internal capabilities may not always meet the pace of market demands.

4.5.1.2 External Factors

External factors, particularly market dynamics and regulatory changes, were also emphasized as key drivers. The competitive landscape has shifted dramatically, with digital banks gaining significant market share, and this is echoed by one participant's remark;

> *"Digital banks are growing, who are just leveraging the digital ecosystem, which changes the entire banking landscape."* - P2

This competitive pressure compels traditional banks to seek partnerships with FinTechs to enhance their offerings and maintain relevance. Additionally, regulatory changes also influence partnership decisions. The need to comply with evolving industry related regulations while innovating is a balancing act that banks must navigate. A participant mentioned that;

> *" Everything that we do as a bank is always ensuring that we adhere to our banking license, our regulator watches us and asks questions about our operating ethically..."* – P8

4.5.2 Innovation Strategy Framework

4.5.2.1 Innovation Processes

The innovation strategy framework within a traditional bank is closely tied to the identification and implementation of strategic partnerships. Participants described a structured approach to creating innovation strategies, which begins with understanding client needs; as one participant explained;

> *"Innovation strategies are driven by client needs, through the four quadrants – is it a new customer, is it an existing capability, is it an existing customer, is it a new segment, and we assess whether we have the internal capabilities to meet those needs."* – P11

This client-centric approach ensures that the bank remains aligned with market demands. Moreover, the integration of FinTech solutions into the bank's existing processes is critical, and this is corroborated by a participant that stated;

> *"Key when you start building, those services should then be easily consumable across all those devices channels and not be hard coded."* – P9

This is an evaluation process that is essential for ensuring that partnerships are strategically sound and beneficial.

4.5.2.2 Collaboration with FinTechs

Collaboration with FinTechs is viewed as a strategic necessity rather than an option. The bank recognizes that it cannot develop all solutions in-house and must leverage the expertise of FinTechs. One participant noted this by stating;

> *"Instead of us building from scratch all the time, how can we then leverage on our partners. "* – P10

This collaborative mindset fosters innovation and accelerates the development of new products and services.

4.5.3 Navigating the FinTech Ecosystem

4.5.3.1 Market Dynamics

The rapidly changing market dynamics necessitate a proactive approach to identifying and pursuing strategic partnerships. Participants emphasized the importance of staying ahead of competitors by continuously scanning the market for potential FinTech partners. One participant stated;

> "*We are always looking at what our competitors are doing and how we can differentiate ourselves; what are our competitors doing and are they going to follow suit or aren't they going to follow suit? "* – P3

This competitive awareness is crucial for maintaining a strong market position.

4.5.3.2 Strategic Positioning

Strategic positioning within the FinTech ecosystem is another critical aspect discussed by participants. The bank aims to establish itself as a leader in innovation by forming partnerships that enhance its value proposition. A participant remarked;

> *"Innovation is interlinked to our strategic objectives and it's an enabler to the strategic objectives as well. "* – P9

This positioning not only attracts new clients but also strengthens existing relationships.

4.6 Results pertaining Proposition 2

Strategic partnerships with FinTechs represent an innovation strategy that can be adopted by a South African traditional bank, which aides in gaining competitive advantage; thus, enhancing operational efficiency and consequently improving customer experience.

This section's analysis is presented under the themes that relate to Proposition 2; with emphasis on the competitive advantage, operational effectiveness, market penetration, and innovation response. The information collected from the interviews provides a clearer perspective on the current status of Bank-FinTech partnerships that exist in the South African banking industry.

4.6.1 Competitive Advantage through Partnerships

4.6.1.1 Operational Efficiency

The participants highlighted that partnerships with FinTechs significantly enhance operational efficiency within the banking sector. To this point, one participant noted;

> *"If you can do it quickly and cheaply, it gives you a pricing advantage over your competitor"* – P10.

This sentiment was echoed by another participant who emphasized the importance of integrating FinTech capabilities to streamline processes. The participant states;

> *"We need to partner with someone that can help you process it efficiently, quickly, cheaply."* – P10

Furthermore, the integration of FinTech solutions allows traditional banks to reduce operational costs. One participant stated;

> "*The management requirement through our channels is very limited, the biggest lifting is more around the technical setup."* – P7

This suggests that the integration of FinTech solutions can minimize the burden on traditional banking operations, allowing banks to focus on core competencies while enhancing service delivery. Moreover, the ability to integrate processes through FinTech partnerships was a recurring theme, as noted by one participant who explained;

> "*So, what FinTech x offers is a central platform that can integrate directly into our payment application on our device. So now we can offer our merchants, which is clients, multiple sets of features to give their business the opportunity to either have additional loyalty and rewards available they can customize."* - P13

This integration not only improves efficiency but also reduces the likelihood of human error. This further enhances the reliability of banking services offered by traditional banks.

4.6.1.2 Market Reach

Strategic partnerships with FinTechs can offer market reach expansion for traditional banks. Participants discussed how these collaborations enable banks to enhance their service offerings, and thus tap into new customer segments. For example, one participant mentioned that;

"We can see what other merchants they onboard, right? So, we identify certain industries and segments of the type of merchants that they're onboard"- P13

This strategic alignment allows banks to gain additional market share, particularly in the small business landscape. The ability to quickly adapt to market demands was also highlighted as a key benefit of these partnerships; with one participant remarking;

"We were sleeping while they were gripping the market away under our feet... we could have done it much, much earlier."- P6

This reflects the urgency with which banks need to engage with FinTechs, so as to remain competitive and responsive to market changes. Additionally, the participants pointed out that partnerships with FinTechs enable banks to offer tailored solutions that meet the specific needs of diverse customer segments. One participant stated that;

" FinTech partnership is going to do is give us access to those new markets. " – P1

This collaboration not only enhances customer satisfaction but also fosters loyalty. This is because when banks can offer tailored solutions for their clients, they will feel that their unique needs are being addressed.

4.6.1.3 Innovation and Agility

The theme of innovation and agility emerged strongly in the discussions regarding the benefits of partnering with FinTechs. Participants noted that FinTechs are often more agile and innovative compared to traditional banks, who may at times be encumbered by 'legacy' systems. To illustrate this point, some participants stated that;

" You've got a bank world and then you've got a FinTech world, and as we know, FinTechs are very nimble, very quick, very agile in terms of how they implement. " – P9

"I think the benefits are clear, faster to market, easier to pivot and to change the direction of development that needs to happen as well as cheaper, right…" – P5

This agility allows banks to offer new products and services speedily, thus enhancing customer satisfaction and ultimately, loyalty. Moreover, the collaborative nature of these partnerships fosters a culture of innovation within banks, as observed by one participant who explained;

> *"And I can mention that [the partnership] actually played a role within our strategy because our strategy is to add more value to our clients where we don't necessarily want to cut the price to accommodate the client but add more value to their lives."*– P13

This client-centric approach, driven by insights gained from FinTech collaborations, enables banks to continuously innovate and therefore meet evolving customer expectations. Another participant also emphasized the importance of a mindset shift within traditional banks, so as to embrace innovation. One participant remarked.

> *"So, we will always look to our peers and say what are the other banks doing and yes it may be a hugely strategic decision to say we're going to be marked leaders in this, but market leaders come with inherent risk of this thing not working."* – P3

This willingness to embrace change is crucial for banks. This is because it allows them to remain relevant in a rapidly evolving financial landscape.

4.7 Results pertaining Proposition 3

External challenges such as regulatory challenges, cyber security risk and lack of consumer trust, create barriers to successful partnerships between South African traditional banks and FinTechs.

This section's discussion is organised around the themes connected to Proposition 3, specifically on the perceived advantages and challenges of Bank-FinTech collaborations. The findings from the interviews reveal that there are many facets to this relationship, not least of which the opportunities and threats.

4.7.1. Perceived Benefits and Risks

4.7.1.1 Benefits of Partnerships

The participants articulated several perceived benefits of partnering with FinTechs, all of which can significantly enhance the operational capabilities of traditional banks. One of the most frequently mentioned benefits was the speed to market. A participant noted that;

> *" FinTechs are usually very quick to move, so they can develop solutions, or they've got the solutions that we need, and they can get to market very quickly."* – P1.

This rapid deployment of solutions allows traditional banks to remain competitive in a rapidly evolving financial landscape. Another significant benefit highlighted was the ability to scale operations without the associated infrastructure costs, this is acknowledged by one participant who stated;

> *"The benefit of being able to scale at a large scale without the infrastructure and the cost is a big, big benefit"* – P2.

This scalability is particularly crucial for banks looking to expand their services to underserved markets, such as the youth demographic or low-income communities. Another benefit mentioned was the ease of use of FinTech solutions. A participant remarked;

> *"Now you have this ability where you are bringing in things that people are taking up on their phone, understanding what's happening within the application world."* – P2.

This user-friendly approach to accessing banking services and products not only enhances customer experience but also fosters greater engagement with said products and services. Additionally, the participants discussed various metrics used to measure the success of partnerships with FinTechs. One participant stated;

> *"The ultimate benefit is, will this give you an ROI that you cannot deliver yourself?"* – P2

This focus on return on investment (ROI) is critical for assessing the financial viability of partnerships. Furthermore, the participants emphasized the importance of tracking customer experience and satisfaction, as stated by one participant;

> *"If the client experience is good and the business objectives are met, then that's a measure of success"* – P1.

This customer-centric approach ensures that partnerships are aligned with the needs and expectations of clients. As a result, customer loyalty is secured and competitive advantage augmented.

4.7.1.2 Risks of Partnerships

Despite the numerous benefits detailed, the participants also expressed concerns regarding the risks associated with partnerships between traditional banks and FinTechs. One of the primary risks identified was reputational risk, and one participant explained that;

> *"You need to understand whether if that FinTech, if we partner with them and they decide to pull out of the solution in a year, where does that leave us, given that we've now gone to market and would then have nothing to offer the clients"* – P5.
>
> "…*a lot of these FinTech can be smoke and mirrors"* – P7.

This highlights the potential for reputational damage that can arise from issues emanating within a partner FinTech, which can adversely affect customer trust in the bank. Regulatory challenges were another significant concern, which one participant highlighted by noting that;

> *"The FinTechs that came into the environment they want to supply the technology, but they don't want to do the compliance"* – P3.

This underscores the tension between regulatory compliance and the need for innovation in the traditional banking sector. However, a lack of regulatory foresight can lead to various risks that may jeopardize the Bank-FinTech partnership and expose the bank to legal liabilities.

Cultural differences between traditional banks and FinTechs were frequently cited as a barrier to successful partnerships. To this point, one participant remarked that;

> *"you're dealing with two different worlds, right? You've got a bank world and then you've got a FinTech world, and as we know, FinTechs are very nimble, very quick, very agile in terms of how they implement."*- P9*.*

This cultural misalignment can create friction in collaboration efforts, making it challenging to achieve common goals. Adding to this point, the participants emphasized the importance of shared values and objectives in fostering successful partnerships, with one participant stating;

> *"So, I think really getting rid of that competition mindset and looking more in from a collaboration mindset."* – P11*.*

Alignment is crucial for navigating the complexities of Bank-FinTech partnership dynamics and for ensuring that both parties are working towards a common vision. However, there exists the potential risk of traditional banks losing their existing client base to the FinTechs they choose to partner with. This is illustrated by a participant raising the question;

> *"You need to understand whether if that FinTech, if we partner with them and they decide to pull out of the solution in a year, where does that leave us, given that we've now gone to market and would then have nothing to offer the clients?"* – P5*.*

This reflects the concern that Bank-FinTech partnerships may inadvertently lead to a loss of existing customers. Traditional banks would be on the receiving end of this loss given their current market reach.

4.8 Summary of the Findings

4.8.1 Proposition 1

The findings from the interviews confirm that both internal and external factors play a crucial role in a traditional bank's strategic considerations when it comes to engaging with FinTechs. Other important factors that are involved in the process of implementing innovation strategies include; a shift in organizational culture, technological capabilities, and adapting to changes in the market and regulatory compliance. The findings from the participants also highlight the need for a clear and structured framework to innovation and an understanding on how collaboration with FinTechs can be beneficial. It is therefore crucial that these factors are given due consideration, because the banking industry continues to evolve and as a result necessitate implementing of innovation strategies by traditional banks, which impacts on their performance in the market.

4.8.2 Proposition 2

The findings from the interviews support Proposition 2 as they illustrate that the right partnerships with FinTechs can facilitate a South African traditional bank to maintain a lead ahead of its competitors by; improving operational efficiencies, accessing new markets and innovating faster. The information collected from the participants also supports the assertion that Bank-FinTech partnerships are crucial in order for traditional banks to deal with the dynamic nature of financial systems, as well as the ever-evolving needs of customers.

The role of Bank-FinTech collaborations in the banking sector will prove to be even more relevant in the future given the increasing influence and reach of technological advancements. This is why it is crucial for traditional banks to incorporate these partnerships into their strategies. There is a need to transform, innovate, and engage in Bank-FinTech partnerships in order to remain competitive in a market that is increasingly digitalised and customer focused.

4.8.3 Proposition 3

The findings from the interviews strongly support Proposition 3, illustrating that while there are numerous perceived benefits to partnerships between a South African traditional bank and FinTechs, there remains substantial risks to be navigated. The insights gleaned from the participants underscore the essential role that reputation, regulatory compliance, market saturation, and cultural alignment play in determining the success of these partnerships.

As the banking sector continues to evolve, it is imperative for traditional banks to carefully assess both the benefits and risks associated with FinTech partnerships. By fostering a culture of collaboration and ensuring alignment of strategic goals, traditional banks can leverage the strengths of FinTechs while mitigating potential risks.

Chapter 5: Discussion of the Findings

5.1 Introduction

This chapter discusses the research findings analysed in chapter 4. The table below reflects the themes that were formulated relative to the three propositions and research questions.

Research Question	Proposition	Themes
What are the key factors – both internal and external – that drive a South African traditional bank to develop strategic partnerships with FinTechs?	Innovation strategies in South African traditional banks are shaped by a combination of internal factors—such as organizational culture, operational processes, and technological capabilities—and external factors, such as regulatory changes and technological developments in the financial services sector.	Key Drivers for Strategic Partnerships Innovation Strategy Framework Navigating the FinTech Ecosystem
What are the perceived benefits of strategic partnerships with FinTechs from the perspective of a South African traditional bank, particularly in terms of gaining a competitive advantage?	Strategic partnerships with FinTechs represent an innovation strategy that can be adopted by a South African traditional bank, which aides in gaining competitive advantage; thus, enhancing operational efficiency and consequently improving customer experience.	Competitive Advantage through Partnerships

What are the perceived benefits and potential risks for a South African traditional bank that forms strategic partnerships with FinTechs?	External challenges such as regulatory challenges, cyber security risk and lack of consumer trust, create barriers to successful partnerships between South African traditional banks and FinTechs.	Perceived Benefits and Risks

Table 5.1: Research questions, propositions, and final themes.

5.2 Discussion Pertaining Proposition 1

Innovation strategies in South African traditional banks are shaped by a combination of internal factors—such as organizational culture, operational processes, and technological capabilities—and external factors, such as regulatory changes and technological developments in the financial services sector. This discussion is based on Proposition 1 and the findings are organized around three key themes derived from the interview transcripts: Key Drivers for Strategic Partnerships, Innovation Strategy Framework, and Navigating the FinTech Ecosystem.

5.2.1 Key Drivers for Strategic Partnerships

5.2.1.1 Internal Factors

The internal factors influencing strategic partnerships primarily revolve around organizational culture and technological capabilities. Participants emphasized the importance of a culture that fosters innovation and collaboration. This is because a supportive organizational culture encourages employees to embrace change and seek out partnerships that can enhance the bank's offerings. For instance, participants noted that a culture of agility and responsiveness is crucial in identifying and pursuing FinTech partnerships. These two cultural qualities enable the bank to adapt quickly to new opportunities and challenges presented by the rapidly evolving financial landscape. This finding is supported by Abduvakhidovna (2022), who states that a strategic innovation planning system within an organization is essential for maintaining and enhancing

competitive positions. The presence of an agile and responsive culture therefore encourages innovation, which is crucial for adapting to market changes and thus fostering sustainable growth. Similarly, Mbugua (2021) underscores the importance of organizational culture in driving innovation strategies.

This is further echoed by Nduati (2023), who found that innovation strategies are most effective when supported by internal organizational factors such as resource availability and a culture that embraces technological change. Additionally, Mochama (2021) highlights that FinTech companies thrive on continuous innovation, which is often embedded in their organizational culture—suggesting that traditional banks must cultivate similar internal environments to remain competitive.

However, when one considers that FinTechs are inherently agile and responsive given the technologically centred nature of their operations; it could be argued that a culture of embracing change is far more pertinent, with agility and responsiveness being secondary.

Technological capabilities also emerged as a critical internal factor. The bank's ability to integrate new technologies and leverage existing systems was highlighted as essential for successful Bank-FinTech partnerships. Participants mentioned that having a robust technological infrastructure allows the bank to collaborate effectively with FinTechs, facilitating smoother integration of services and products. Essentially, the ability to harness existing internal innovations was seen as a key driver in attracting and maintaining strategic partnerships with FinTechs, since technological alignment can be identified and help navigate a beneficial partnership. This is supported by Oksanych (2021), who emphasizes that innovation strategies directly influence a company's ability to reduce costs, enhance product quality, and increase sales; all of which contribute to greater competitiveness.

This view is reinforced by Asa et al. (2023), who argue that technological innovation is a key enabler of competitive advantage in the banking sector, particularly when internal systems are aligned with external innovation opportunities. Similarly, Dwivedi et al. (2021) found that banks in the UAE that effectively integrated FinTech technologies into their internal infrastructure experienced improved performance and competitiveness. The ability to integrate new technologies and harness internal innovations is crucial for maintaining a competitive edge. Conceivably, how a traditional bank utilises its existing internal innovations may ultimately prove a crucial step towards gaining competitive advantage, since Bank-FinTech partnerships are not the preserve of a single bank.

Given that strategic partnerships are argued to enhance a bank's offering, there will come a time when most if not all traditional banks exploit these collaborations. In that instance, the differentiating factor may be a traditional bank's own technological capabilities which can set it apart from other bank's collaborating with FinTechs.

5.2.1.2 External Factors

External factors, particularly regulatory changes and market dynamics were identified as significant drivers for strategic partnerships. The regulatory environment in South Africa is complex and constantly evolving, which necessitates that traditional banks remain compliant while simultaneously innovating. Participants pointed out that regulatory change can either facilitate or hinder partnerships with FinTechs. For example, regulations that promote digital banking and financial inclusion were seen as opportunities for collaboration, while stringent requirements for regulatory compliance could pose challenges. This finding aligns with Virasamy (2021), who discusses the impact of regulatory changes on financial services. Virasamy highlights that newer FinTech companies are driving accelerated innovation within established financial service providers (FSPs). The study emphasizes that regulatory changes can significantly influence the strategic decisions of banks, either by creating opportunities for innovation or by imposing constraints that need to be navigated carefully. Similarly, Kariuki (2022) highlights the role of regulatory frameworks in shaping the financial performance of commercial banks in Kenya, noting that compliance with evolving regulations is crucial for successful partnerships with FinTechs.

This is further supported by Takundwa (2022), who found that regulation can act as a facilitator or barrier to FinTech development, depending on how it is structured. In the South African context, the cautious regulatory approach—focused on consumer protection and market conduct—requires banks to be particularly diligent when selecting and managing FinTech partnerships. Additionally, Fofanov (2022) observed that in Finland, regulatory clarity and adaptability were key enablers of successful bank-FinTech collaborations, suggesting that a similar approach could benefit South African banks.

Yet even though there may be stringent regulations to navigate; to the extent that the regulatory environment in the South African banking industry facilitate more than they hinder partnerships with FinTechs; compliance will remain a positive driver for strategic partnership.

Market dynamics, including competition and customer expectations, also play a vital role in influencing strategic decisions. The need to remain competitive in a market increasingly dominated by digital solutions has prompted the bank to seek partnerships with FinTechs that can provide innovative services. Participants noted that understanding market trends and customer needs is essential for identifying suitable partners and developing value propositions that resonate with clients. This is supported by Ruhland & Wiese (2022), who emphasize that market dynamics, such as competition and customer expectations, are key drivers for strategic partnerships between financial institutions and FinTechs. The study highlights that financial institutions are motivated to innovate and transform their business models to enhance customer satisfaction and remain competitive. Additionally, Faour & Al-Sowaidi (2023) discuss how the evolving market landscape and the rise of agile FinTech startups are reshaping the financial sector, underscoring the importance of strategic positioning and market awareness in forming successful partnerships.

These findings are echoed by Ndung'u (2022), who notes that FinTechs have played a pivotal role in expanding financial inclusion and reshaping customer expectations across Sub-Saharan Africa. As a result, traditional banks must adapt to these shifts by forming partnerships that allow them to remain relevant and responsive to emerging consumer needs. With the consumer being at the centre of influencing strategic partnership decisions, it bears mentioning that the FinTechs sought for collaboration will be those whose service offerings align with the traditional bank's consumer profile. So, it is correct to say that the bank ought to ask first and foremost, "what do our consumers need, and which FinTech can offer the right solutions to those needs?" before selecting a FinTech partner.

5.2.2 Innovation Strategy Framework

5.2.2.1 Innovation Processes

The innovation strategy framework discussed by participants highlighted the importance of structured innovation processes in forming strategic partnerships. A systematic approach to innovation allows the bank to evaluate potential FinTech partners based on their capabilities, market position, and alignment with the bank's strategic goals. Participants emphasized the need for thorough due diligence when selecting partners, which includes assessing their technological capabilities, market reputation, and

compliance with regulatory standards. This finding aligns with Oksanych (2021), who emphasizes that structured innovation processes are crucial for leveraging innovations to build a competitive advantage. The study highlights those systematic approaches to innovation, including thorough evaluation and due diligence, are essential for successful partnerships. Similarly, Mochama (2021) discusses the importance of structured processes in innovation, noting that financial technology companies must continually adapt and respond to environmental changes while creating products and services that meet customer expectations.

This is further supported by Nduati (2023), who found that innovation strategies—particularly those involving product, process, and technological innovation—are most effective when guided by structured planning and aligned with organizational goals. The study also emphasized that the regulatory and technological environment must be factored into innovation planning to ensure relevance and feasibility.

In other words, once a traditional bank has answered the question, “what do our consumers need?” it can then commence the process of searching for the most suitable FinTech to partner with. However, the aforementioned systematic approach and its attendant requirements must not be viewed as a “checklist ticking” exercise, but rather as a process that weighs up a potential FinTech partner’s “haves and have not’s” against the bank’s complimentary “haves and have not’s”; in order to find the best fit.

Moreover, the innovation processes within the traditional bank must be flexible enough to accommodate the unique characteristics of FinTech partnerships. Participants mentioned that traditional banking processes can sometimes be too rigid, which may hinder the agility required to collaborate effectively with FinTechs. Therefore, fostering an innovation-friendly environment that encourages experimentation, and iterative development is crucial for successful partnerships. This is supported by Abduvakhidovna (2022), who highlights the significance of a flexible innovation strategy that allows for continuous adaptation and improvement. The study underscores the importance of creating an environment that encourages experimentation and iterative development to foster innovation. Additionally, Mbugua (2021) emphasizes that innovation strategies should be adaptable to accommodate new technologies and market demands, ensuring that banks can effectively collaborate with FinTechs.

This view is also echoed by Asa et al. (2023), who argue that in the context of the Fourth Industrial Revolution, banks must adopt innovation strategies that are not only structured but also agile enough to respond to rapid technological shifts. Without this flexibility,

banks risk falling behind more nimble competitors. However, traditional banks which do not already have environments that foster innovation and encourage experimentation – given the aforementioned rigidity common in traditional banks – are not precluded from collaborating with FinTechs. This is because the adaptive nature of partnerships means that change occurs as part of the process, and not necessarily as a prerequisite for the process to transpire. So, the environments of traditional bank can change and become more innovation friendly as the FinTech partnership unfolds.

5.2.2.2 Collaboration with FinTechs

Indeed, collaboration with FinTechs was identified as a key component of the bank's innovation strategy. Participants expressed that partnerships with FinTechs enable the bank to access new technologies and innovative solutions that can enhance customer experiences. The collaborative nature of these partnerships allows for the sharing of knowledge and resources, which can lead to the development of cutting-edge financial products and services. This finding aligns with Ruhland & Wiese (2022), who discuss the benefits of strategic partnerships between financial institutions and FinTechs. The study highlights that collaboration is essential for accessing new technologies and enhancing service offerings. Similarly, Hoang et al. (2021) emphasize the importance of collaboration in fostering innovation and developing new financial products and services. This is further supported by Faour & Al-Sowaidi (2023), who argue that established banks can remain competitive by embracing innovation through partnerships with agile FinTechs. Their study highlights how such collaborations not only improve service delivery but also help banks navigate regulatory complexities and meet evolving customer expectations. Additionally, Tshukudu et al. (2022) found that the integration of FinTech solutions into South African banks contributed to improved financial performance, particularly through enhanced digital service offerings.

Furthermore, participants highlighted the importance of establishing clear objectives and mutual benefits in these collaborations. It is simply insufficient to select a FinTech partner that can meet customer needs and prove beneficial to a bank with the ultimate view of gaining competitive advantage. Reciprocity objectives and benefits tie the partnership together. This is because successful partnerships are characterized by a shared vision and aligned goals, which ensures that both parties work towards common outcomes. Furthermore, this alignment is essential for fostering trust and commitment, which are critical for the longevity and success of strategic partnerships. Fofanov (2022) supports

this assertion, emphasizing the importance of clear objectives and mutual benefits in strategic partnerships. The study highlights that successful collaborations are built on a shared vision and aligned goals, which foster trust and commitment. This notion is echoed by Sorongan et al. (2021), who emphasize that the absence of clearly defined roles, expectations, and governance structures can hinder the success of bank-FinTech collaborations. Their findings suggest that mutual understanding and regulatory alignment are essential for long-term sustainability. Similarly, Kariuki (2022) notes that partnerships built on trust and strategic alignment are more likely to yield positive financial outcomes for banks.

5.2.3 Navigating the FinTech Ecosystem

5.2.3.1 Market Dynamics

Despite FinTech partnerships proving to be a pertinent and beneficial part of a traditional bank's innovation strategy; navigating the FinTech ecosystem requires a deep understanding of market dynamics. This was a recurring theme in the interviews, with participants noting the rapidly evolving financial services landscape, driven by technological advancements and shifting consumer preferences. Given this context, banks must remain proactive in identifying emerging market trends and potential disruptions within the market; so as to adequately and effectively steer the proverbial course.

The ability to adapt to and navigate fluctuating market dynamics is crucial for maintaining competitive advantage. Participants emphasized that banks need to be vigilant in monitoring the activities of FinTechs and other competitors to identify opportunities for collaboration or differentiation. This proactive approach enables banks to position themselves strategically within the ecosystem, ensuring they remain relevant in an increasingly digital world. This finding aligns with Virasamy (2021), who discusses the importance of understanding market dynamics in shaping financial strategies. The study highlights that banks must stay informed about market trends and competitor activities to remain competitive. Similarly, Kariuki (2022) emphasizes the role of market dynamics in driving strategic decisions and fostering successful partnerships with FinTechs.

This is further supported by Ndung'u (2022), who highlights how FinTechs have transformed financial inclusion and consumer expectations across Sub-Saharan Africa. The study underscores that the rapid evolution of FinTechs has created new market

segments and reshaped the competitive landscape, compelling traditional banks to adapt or risk obsolescence. Additionally, Faour & Al-Sowaidi (2023) note that the rise of agile FinTech startups has intensified the need for traditional banks to differentiate themselves through innovation and strategic collaborations. It is prudent for traditional banks to view partnering with FinTechs as one part of understanding market dynamics. This is because technological advancements is one of the drivers of financial market dynamics – consumer preference being the other – and with FinTechs being at the epicentre of this ecosystem, banks that partner with FinTechs gain insider understanding of the ecosystem. Furthermore, with the agility and responsiveness of FinTechs already established; no matter how often consumer preferences vacillate, a Bank-FinTech partnership can readily respond. Meaning prioritising a partnership with FinTechs enables traditional banks to understand market dynamics holistically, as they pertain to technological advancements and consumer preferences.

5.2.3.2 Strategic Positioning

Strategic positioning within the FinTech ecosystem was also identified as a critical factor influencing the effectiveness of a bank's innovation strategies. Participants highlighted the importance of understanding the bank's unique value proposition and how that aligns with what potential FinTech partners have to offer. By clearly defining their strategic positioning, traditional banks can better identify the FinTech partnerships that will enhance their competitive advantage and contribute to their overall innovation strategy.

Participants also pointed out that successful navigation of the FinTech ecosystem requires building strong relationships with various stakeholders; including regulators, industry associations, and technology service providers. These relationships can provide valuable insights and support, facilitating smoother collaboration with FinTechs and enhancing the bank's ability to innovate effectively. This is supported by Faour & Al-Sowaidi (2023), who discuss the importance of strategic positioning in FinTech collaborations. The study highlights that clear strategic positioning helps banks identify suitable partners and enhance their market position. Additionally, Ruhland & Wiese (2022) emphasize the significance of building strong relationships with stakeholders to facilitate successful collaborations and drive innovation.

This is further supported by Fofanov (2022), who found that in the Finnish banking sector, strategic alignment and adaptability to digitalization were key to successful FinTech

collaborations. The study noted that banks that clearly articulated their innovation goals and aligned them with FinTech capabilities were better positioned to diversify their services and respond to market shifts. Similarly, Hoang et al. (2021) emphasize that strategic fit and mutual understanding between banks and FinTechs are essential for long-term partnership success, particularly in emerging markets. Incidentally, maintaining good relations with the aforementioned external stakeholders can contribute to a bank's unique value proposition. This is because these stakeholders are an integral part of the banking and finance ecosystem; as their support can help propel a traditional bank in advantageous ways. So, in other words traditional banks needn't seek out a FinTech partner that offers similar value already extractable from the external stakeholders with which the bank has good relations.

5.3 Discussion Pertaining Proposition 2

Strategic partnerships with FinTechs represent an innovation strategy that can be adopted by a South African traditional bank, which aides in gaining competitive advantage; thus, enhancing operational efficiency and consequently improving customer experience. This discussion focuses on Proposition 2 and the findings are organized around the theme of Competitive Advantage through Partnerships, which encompasses three categories: Operational Efficiency, Market Reach, and Innovation and Agility. Insights garnered from the interview transcripts reveal the extent to which Bank-FinTech partnerships are perceived to contribute to the competitive advantage of a South African traditional bank in the banking market.

5.3.1 Competitive Advantage through Partnerships

5.3.1.1 Operational Efficiency

One of the most significant advantages highlighted by participants is the enhancement of operational efficiencies through partnerships with FinTechs. The integration of FinTech solutions allows a South African traditional bank to streamline its processes, reduce costs, and improve service delivery. Participants noted that by leveraging the technological capabilities of FinTechs, the bank can automate various operational tasks that were previously manual. This can lead to faster turnaround times and reduced human error. This finding aligns with Asa et al. (2023), who emphasize the impact of

technological innovation on gaining a competitive edge and expanding market presence. The study highlights that integrating FinTech solutions can significantly enhance operational efficiency by automating processes and reducing human error.

Similarly, Dwivedi et al. (2021) discuss the role of FinTech adoption in improving operational efficiency and competitiveness, noting that technological integration is crucial for maintaining a competitive edge. Arguably even a traditional bank whose existing technological capabilities already streamlines its processes, can benefit from faster turnaround times and reduced human error. This is because there is always room for improvement as far as operational efficiency is concerned; since this directly impacts customer needs. For instance, participants mentioned that partnerships with FinTechs enable the bank to implement advanced data analytics and machine learning algorithms, which can optimize decision-making processes.

This technological integration not only enhances efficiency but also allows the bank to respond more swiftly to market changes and customer needs. The ability to process transactions and manage customer data in real-time was cited as a critical factor in maintaining a competitive edge. This is supported by Oksanych (2021), who highlights the importance of leveraging technological capabilities to enhance decision-making processes and maintain competitiveness. The study emphasizes that advanced data analytics and machine learning algorithms can optimize operations and improve responsiveness to market changes. Additionally, Mochama (2021) discusses the role of technological innovation in creating a sustainable competitive advantage, noting that real-time data processing is essential for meeting customer needs and maintaining a competitive edge. This is further reinforced by Nduati (2023), who found that innovation strategies involving technological upgrades significantly improved operational efficiency and cost-effectiveness among data service providers in Kenya. The study also noted that access to the right technology and resources was a key enabler of performance gains. Effectively, FinTechs bring with them a more advanced level of technological operation. Meaning that whatever internal technology capabilities a traditional bank possesses, it's a fair estimation that a FinTech can provide far more advanced levels of technological solutions.

More specifically, collaborating with FinTechs facilitates the adoption of innovative payment solutions, which can significantly enhance the customer experience. By offering faster and more secure payment options, the bank can attract and retain customers who are increasingly looking for convenience and efficiency in their banking services.

Participants emphasized that operational efficiency gained through these partnerships directly translates into improved customer satisfaction and loyalty. This finding aligns with Faour & Al-Sowaidi (2023), who discuss the benefits of adopting innovative payment solutions through FinTech partnerships. The study highlights that faster and more secure payment options can enhance customer satisfaction and loyalty. Similarly, Ruhland & Wiese (2022) emphasize the importance of operational efficiency in improving customer experiences and maintaining competitiveness.

It is not only the banking consumer benefits from operational efficiency resulting from Bank-FinTech partnerships; the bank also stands to reap rewards from these collaborations. The integration of FinTech solutions often leads to cost savings. Participants noted that by automating processes and reducing the need for manual intervention, the bank can lower operational costs significantly. These savings can then be reinvested further into more innovation. It can also be passed on to customers in the form of lower fees or improved services. This cycle of efficiency and reinvestment creates a sustainable competitive advantage that is difficult for competitors to replicate. This is supported by Meyer & Okoli (2023), who discuss the cost efficiency of FinTech solutions and their impact on traditional banks. The study highlights that automating processes and reducing manual intervention can lead to significant cost savings, which can be reinvested into further innovation.

Additionally, Mbugua (2021) emphasizes the cost benefits of adopting technology through partnerships, noting that it can lead to improved financial performance and a sustainable competitive advantage. However, this particular benefit raises the question of whether maintaining a Bank-FinTech partnership would be necessary in the long term. For if a traditional bank can invest in improving its innovation, in the long run this advancement – should it be technological in nature – would possibly render a FinTech's contribution to a traditional bank's operations null and void.

5.3.1.2 Market Reach

Strategic partnerships with FinTechs also provide a South African traditional bank with an expanded market reach. Participants highlighted that FinTechs often have established customer bases as well as innovative products that can complement the bank's existing offerings. By collaborating with these agile companies, the bank can tap into new customer segments and geographic markets that may have been previously

inaccessible. This finding aligns with Ndung'u (2022), who highlights the role of FinTechs in increasing financial inclusion and expanding market reach. The study emphasizes that partnerships with FinTechs can help banks reach underserved communities and expand their market presence.

Similarly, Kariuki (2022) discusses the positive correlation between FinTech adoption and bank performance, noting that access to new markets is a significant benefit of these collaborations. This is further supported by Tshukudu et al. (2022), who found that the adoption of financial technology by South Africa's top banks—particularly through mobile and internet banking—was instrumental in expanding their customer base and improving financial performance. This however, hinges on the extent to which traditional banks are able to offer banking services and products that the new customer base and previously inaccessible segments actually want and need. This is to say that these customers and segments were previously inaccessible precisely because traditional banks were not a viable option, and that may be due to not only technological efficiencies but product and service offerings as well. Therefore, product and service compatibility may need to be considered when reaching to access new customers and expanding markets.

Indeed, the ability to co-create products with FinTechs was viewed as a significant advantage. Participants noted that this collaborative approach allows the bank to develop tailored solutions that meet the specific needs of different customer groups. For example, partnerships with FinTechs specializing in payment devices or digital wallets enable the bank to offer services that cater to underserved populations, thereby enhancing financial inclusion. This is supported by Hoang et al. (2021), who discuss the benefits of co-creating products with FinTechs. The study highlights that collaboration allows banks to develop tailored solutions that meet the specific needs of different customer groups. Additionally, Ruhland & Wiese (2022) emphasize the importance of co-creation in enhancing financial inclusion and expanding market reach.

Participants emphasized the importance of leveraging FinTechs' expertise in niche markets. Many FinTechs focus on specific areas such as peer-to-peer lending, remittance, or blockchain technology. By partnering with these specialized firms, a South African traditional bank can enhance its product offerings and provide customers with a more comprehensive suite of financial services. This diversification of products and services not only attracts new customers but also increases customer retention by providing a one-stop-shop for various financial needs. This finding aligns with Hoang et al. (2021), who discuss the benefits of leveraging FinTechs' expertise in niche markets.

The study reports that partnerships with specialized FinTechs can enhance a bank's product offerings and attract new customers. The only obstacle that banks would need to consider as far as integrating niche markets into their existing customer base is if the former's customer profile is incongruent with the latter, as more work would be required regarding product and service development.

Nonetheless the customer – new or old – can only benefit from a comprehensive suite of financial services from which to choose. Moreover, participants pointed out that the agility of FinTechs allows the bank to respond quickly to emerging market trends. The fast-paced nature of the FinTech industry means that the bank can stay ahead of competitors by adopting new technologies and services that resonate with customers. This adaptability is crucial in a rapidly changing financial landscape where customer preferences and technological advancements are constantly evolving. This finding aligns with Faour & Al-Sowaidi (2023), who discuss the importance of agility in FinTech partnerships. The study highlights that the ability to respond quickly to market trends is crucial for maintaining competitiveness. Similarly, Ruhland & Wiese (2022) emphasize the role of agility in staying ahead of competitors by meeting customer expectations.

The expansion of market reach through FinTech partnerships also allows the South African traditional bank to enhance its brand visibility and reputation. By associating with innovative and customer-centric FinTechs, a traditional bank can position itself as a forward-thinking institution that is committed to meeting the needs of modern consumers. This positive brand projection can attract new customers and strengthen relationships with existing ones. This is supported by Virasamy (2021), who discusses the impact of FinTech partnerships on brand visibility and reputation. The study proposes that collaborating with innovative FinTechs can enhance a bank's brand perception as well as attract new customers. Additionally, Kariuki (2022) emphasizes the importance of brand visibility in maintaining competitiveness and strengthening customer relationships. It is for this reason that traditional banks need to select the best and most reputable FinTech partner. Traditional banks have the advantage over FinTechs of having had many years to build reputable institutions. So, while FinTechs provide an opportunity to boost a traditional bank's reputation as a result of their innovative solutions; choosing to partner with an ill-reputed FinTech may inflict more reputational harm than innovative solutions can boost a bank's reputation.

Additionally, participants emphasized the importance of leveraging FinTechs' expertise in niche markets. Many FinTechs focus on specific areas such as peer-to-peer lending,

remittance, or blockchain technology. By partnering with these specialized firms, the South African bank can enhance its product offerings and provide customers with a more comprehensive suite of financial services. This diversification not only attracts new customers but also increases customer retention by providing a one-stop-shop for various financial needs. This finding aligns with Hoang et al. (2021), who discuss the benefits of leveraging FinTechs' expertise in niche markets. The study highlights that partnerships with specialized FinTechs can enhance a bank's product offering, as well as attract new customers. Similarly, Ruhland & Wiese (2022) emphasize the importance of diversification in maintaining competitiveness and increasing customer retention.

5.3.1.3 Innovation and Agility

Innovation and agility are central to the competitive advantage gained by traditional banks through partnerships with FinTechs. Participants remarked that the collaborative nature of these partnerships fosters a culture of innovation within the South African bank. By working closely with FinTechs, the bank can gain insights into the latest technological trends and customer expectations, which can inform its own innovation strategies. This finding aligns with Mochama (2021), who highlights the importance of innovation strategies in creating a competitive advantage. The study emphasizes that collaboration with FinTechs can foster a culture of innovation by providing insights into technological trends and customer expectations. Similarly, Ruhland & Wiese (2022) discuss the benefits of strategic partnerships in fostering innovation and enhancing service offerings. As stated earlier, traditional banks require an innovation-friendly culture so as to be more responsive to customers' ever evolving needs. While some traditional banks have cultivated this environment, those that have not will be able to do so as a result of partnering with a FinTech.

The iterative nature of working with FinTechs allows the bank to experiment with new ideas and solutions without the lengthy development cycles typically associated with traditional banking processes. Participants noted that this agility is essential for maintaining relevance in a competitive market. The ability to quickly prototype and test new products enables the bank to respond to customer feedback and make necessary adjustments in real-time. This is supported by Faour & Al-Sowaidi (2023), who discuss the importance of agility in FinTech partnerships. The study highlights that the ability to quickly prototype and test new products is crucial for maintaining competitiveness and

responding to customer feedback. Additionally, Hoang et al. (2021) emphasize the role of iterative development in fostering innovation and meeting customer needs.

This mindset of continuous improvement is cultivated from partnerships with FinTechs, according to some participants. By engaging in regular feedback loops with FinTech partners, the bank can refine its offerings and enhance the overall customer experience. This focus on innovation not only helps the bank differentiate itself from competitors but also positions it as a leader in the digital transformation of the financial services industry. This finding aligns with Oksanych (2021), who emphasizes the importance of continuous improvement in innovation strategies. The study highlights that regular feedback loops with partners can help refine offerings and enhance customer experiences. It's important to note that this feedback loop is utilised for refining the bank's existing offerings as opposed to integrating the bank's existing products and services with those of their FinTech partner's. This distinction is worth emphasising, as Bank-FinTech partnerships are less of an integration of resources and more of an enhancing of existing offerings by the bank.

Additionally, these partnerships foster a collaborative environment that also promotes knowledge sharing and skills development. Participants noted that working alongside FinTechs exposes the bank's employees to new technologies and operational methods, thus enhancing their skill sets and fostering a culture of innovation within the organization. This cross-pollination of ideas and expertise can lead to the development of groundbreaking financial products and services that meet the evolving needs of customers. This is supported by Hoang et al. (2021), who discuss the benefits of knowledge sharing and skill development in FinTech partnerships. The study highlights that collaboration with FinTechs can enhance employees' skill set and foster a culture of innovation. Similarly, Ruhland & Wiese (2022) emphasize the importance of cross-pollination of ideas in developing innovative financial products and services.

The agility garnered through partnerships with FinTechs allows the South African bank to pivot quickly in response to market disruptions. In an era where technological advancements and consumer preferences are rapidly changing, the ability to adapt as required is crucial. Participants emphasized that a bank that can swiftly adjust its strategies and offerings in collaboration with FinTechs is better positioned to thrive in a competitive landscape. This finding aligns with Faour & Al-Sowaidi (2023), who discuss the importance of agility in responding to market disruptions. The study highlights that the ability to adapt quickly to changing technological advancements and consumer

preferences is crucial for maintaining competitiveness. Similarly, Ruhland & Wiese (2022) emphasize the role of agility in thriving in a competitive landscape.

A significant aspect of the competitive advantage derived from partnerships with FinTechs is the enhancement of customer experience. Participants consistently highlighted that these collaborations enable the South African bank to offer more personalized and user-friendly services. By leveraging FinTech technologies, the bank can gain deeper insights into customer behaviour and preferences; allowing the bank to tailor its offerings accordingly. This is supported by Mochama (2021), who highlights the importance of personalized and user-friendly services in creating a competitive advantage. The study emphasizes that leveraging FinTech technologies can enhance customer experiences by providing deeper insights into behaviour and preferences. Additionally, Faour & Al-Sowaidi (2023) discuss the role of FinTech partnerships in enhancing customer satisfaction and loyalty.

For instance, the integration of advanced analytics and artificial intelligence (AI) through FinTech partnerships enables the bank to provide personalized recommendations and services to customers. Participants noted that this level of personalization enhances customer satisfaction and loyalty, as clients feel that their unique needs are being addressed. Consequently, the ability to offer customized financial solutions is increasingly becoming a differentiator in the banking industry. This finding aligns with Oksanych (2021), who discusses the benefits of advanced analytics and AI in providing personalized services. The study highlights that personalized recommendations can enhance customer satisfaction and loyalty. Similarly, Ruhland & Wiese (2022) emphasize the importance of customization in differentiating financial services and maintaining competitiveness.

Yet, given the sheer volume of a traditional bank’s customer base as well as diversity of needs; it begs the question; is it better to offer customised or customisable services? Because while the former presents the customer with a “ready to use” product or service that addresses customer needs, the latter allows the customer to create and customise products and services based on their individual needs; and only one enhances the user experience more than the other.

Indeed, the user experience is significantly improved through the adoption of FinTech solutions. Participants mentioned that FinTechs often prioritize user-friendly interfaces

and seamless digital experiences, which can be integrated into the bank's existing platforms. This focus on usability ensures that customers can easily navigate banking services, leading to higher engagement and satisfaction levels. This is supported by Mochama (2021), who highlights the importance of user-friendly interfaces and seamless digital experiences in enhancing customer satisfaction. The study emphasizes that integrating FinTech solutions can improve usability and engagement. Additionally, Faour & Al-Sowaidi (2023) discuss the role of FinTech partnerships in improving user experiences and maintaining competitiveness.

Moreover, the speed of service delivery is enhanced through FinTech partnerships. Participants pointed out that customers now expect instant access to financial services; and it is the partnerships with FinTechs that enable the bank to meet these expectations. The ability to provide timely and efficient services is crucial for maintaining a competitive edge. This finding aligns with Ruhland & Wiese (2022), who discuss the importance of speed in service delivery through FinTech partnerships. The study highlights that instant access to financial services is crucial for meeting customer expectations and maintaining competitiveness. Similarly, Faour & Al-Sowaidi (2023) emphasize the role of timely and efficient services in enhancing customer satisfaction and loyalty.

Customer feedback allows the bank to respond by continuously innovating, and this is as a result of the collaborative nature of these partnerships. Participants emphasized that by actively engaging with customers and incorporating their input into product development, the bank can create services that resonate with its target audience. This customer-centric approach not only enhances satisfaction but also fosters long-term loyalty. This is supported by Hoang et al. (2021), who discuss the benefits of a customer-centric approach in FinTech partnerships. The study highlights that actively engaging with customers and incorporating their feedback can enhance satisfaction and loyalty. Additionally, Ruhland & Wiese (2022) emphasize the importance of continuous innovation in maintaining competitiveness and meeting customer needs.

While the focus has been on the advantages of Bank-FinTech partnerships, participants also acknowledged the importance of risk management and compliance within these collaborations. The financial services industry is heavily regulated, and a South African bank must ensure that its partnerships adhere to regulatory standards. Participants noted that working with FinTechs can introduce new risks, particularly in areas such as data security and compliance with financial regulations. This finding aligns with Alexandri et al. (2023), who discuss the risks associated with FinTech partnerships, including data

security and regulatory compliance. The study highlights the importance of managing these risks to ensure successful collaborations. Similarly, Takundwa (2022) emphasizes the need for rigorous risk management and compliance in FinTech partnerships to maintain competitiveness and customer trust.

Furthermore, participants highlighted that the agility that results from Bank-FinTech partnerships allows the bank to respond more effectively to regulatory changes. The fast-paced nature of the FinTech industry means that these firms are often at the forefront of regulatory developments. By partnering with FinTechs, a South African bank can stay informed about emerging regulations and adapt its strategies accordingly to ensure compliance while continuing to innovate. This is supported by Virasamy (2021), who discusses the impact of regulatory changes on financial services and the importance of staying informed about emerging regulations. The study highlights that partnering with FinTechs can help banks adapt to regulatory changes and maintain compliance. Additionally, Kariuki (2022) emphasizes the role of agility in responding to regulatory developments and maintaining competitiveness.

5.4 Discussion Pertaining Proposition 3

External challenges such as regulatory challenges, cyber security risk and lack of consumer trust, create barriers to successful partnerships between South African traditional banks and FinTechs. The changing dynamics of the financial sector in South Africa has encouraged traditional banks to reach out to FinTech companies with the aim of forming partnerships. However, as Proposition 3 outlines there are numerous challenges that hinder such collaborations including; reputational risk, competitive overcrowding, regulatory obstacles and cultural variance. This discussion is going to focus on the findings from the interview transcripts as they relate to the perceived opportunities and challenges; against the background of Proposition 3.

5.4.1 Perceived Benefits and Risks

The responses from participants reveal a complex interplay between the perceived benefits and risks of partnerships between banks and FinTechs. This theme encompasses two categories; benefits and risks.

5.4.1.1 Benefits

Many participants noted that a prominent benefit of partnering with FinTechs is the ability to bring products to market quicker than traditional banks. Most participants agree that FinTechs are often more agile, allowing them to develop and deploy solutions rapidly. This speed enables banks partnered with FinTechs to respond to market demands and customer needs more effectively, thereby enhancing their competitive edge. The ability to launch new products swiftly is particularly crucial in a fast-paced financial environment where consumer preferences can shift rapidly. This finding aligns with Ruhland & Wiese (2022), who emphasize that the agility of FinTechs allows financial institutions to innovate and transform their business models quickly. The study highlights that the ability to bring products to market swiftly is a key driver for collaboration, enabling banks to stay competitive in a rapidly changing environment. Similarly, Hoang et al. (2021) discuss the benefits of agility in FinTech partnerships, noting that the speed of innovation is crucial for meeting customer demands and maintaining a competitive edge. This is further supported by Faour & Al-Sowaidi (2023), who argue that FinTech collaborations enable banks to remain relevant in a fast-evolving digital economy by accelerating innovation cycles and reducing time-to-market for new services.

Participants asserted that collaborating with FinTechs provides banks with the opportunity to reach customer segments that may have been previously inaccessible. One participant pointed out that this includes younger demographics and underserved communities. By leveraging the innovative solutions offered by FinTechs, banks can expand their customer base and enhance their market presence. This access to new markets not only increases revenue potential but also allows banks to fulfil their corporate social responsibility by providing financial services to those who have been historically excluded from the banking system. This is supported by Ndung'u (2022), who highlights the role of FinTechs in increasing financial inclusion for marginalized populations. The study emphasizes that partnerships with FinTechs can help banks reach underserved communities and expand their market presence. This is also echoed by Tshukudu et al. (2022), who found that the adoption of FinTech solutions by South African banks—particularly mobile and internet banking—was instrumental in expanding access to financial services and improving performance in a more competitive environment. Yet marginalised groups are not a monolith, and as such their needs – as they relate to how technology can help bring them into the formal banking system – differ vastly. For example; a younger demographic would be far more amenable to technology driven

banking solutions, whereas a rural cohort may prefer a more traditional style of banking. Therefore, a traditional bank collaborating with FinTechs may need to consider a more balanced approach between technology driven offering and traditional banking solutions when attempting to reach new segments.

Another benefit for banks partnering with FinTechs presented by several participants is the reduced overhead costs. FinTechs typically operate with lower overhead costs compared to traditional banks. By partnering with these companies, banks can utilize their technology and infrastructure without incurring the high costs associated with developing similar capabilities in-house. This cost efficiency can lead to improved profitability for banks, as highlighted by multiple participants. Additionally, the reduction in operational costs can free up resources that banks can then allocate to other strategic initiatives, such as enhancing customer service or investing in further technological advancements. This finding aligns with Meyer & Okoli (2023), who discuss the cost efficiency of FinTech solutions and their impact on traditional banks. The study highlights that FinTechs often operate with lower overhead costs, allowing banks to improve profitability through strategic partnerships. Similarly, Mbugua (2021) emphasizes the cost benefits of adopting technology through partnerships, noting that it can lead to significant operational savings and improved financial performance. This is also supported by Asa et al. (2023), who found that technological innovation in the Namibian banking sector not only improved efficiency but also reduced operational costs, contributing to competitive advantage.

Participants consistently noted that FinTechs are known for their innovative approaches to financial services, often focusing on user-friendly interfaces and seamless customer experiences. By partnering with these companies, a traditional bank can enhance its service offerings and improve customer satisfaction, which is crucial in a competitive market. Most participants agree that this innovation is a key driver for collaboration. The emphasis on customer experience is particularly relevant in today's digital age, where consumers expect convenience and efficiency in their financial transactions. This is supported by Mochama (2021), who highlights the importance of innovation in improving competitive advantage. The study emphasizes that FinTechs' focus on user-friendly interfaces and seamless customer experiences can significantly enhance a bank's service offerings. Additionally, Faour & Al-Sowaidi (2023) discuss the role of innovation in FinTech collaborations, noting that it is essential for meeting customer expectations and maintaining competitiveness.

Additionally, several participants pointed out that collaborating with FinTechs allows banks to benefit from the specialized knowledge and expertise that these companies possess. This can lead to better product development and more effective strategies for addressing customer needs. The exchange of knowledge can foster a culture of innovation within traditional banks, as emphasized by several participants. By learning from the agile methodologies and customer-centric approaches of FinTechs, banks can enhance their own operational practices and adapt to the changing financial landscape. This finding aligns with Hoang et al. (2021), who discuss the benefits of knowledge exchange in FinTech partnerships. The study highlights that collaboration with FinTechs can lead to better product development and more effective strategies for addressing customer needs. Similarly, Ruhland & Wiese (2022) emphasize the importance of leveraging FinTechs' specialized knowledge and expertise to foster a culture of innovation within traditional banks. This is further reinforced by Fofanov (2022), who found that in the Finnish banking sector, collaboration with FinTechs enabled banks to diversify their offerings and improve service delivery by integrating external expertise into their innovation processes.

5.4.1.2 Risks

One of the most significant concerns raised by participants when discussing partnerships with FinTechs is the potential for reputational damage. If a FinTech partner experiences a security failure or a data breach, the bank's reputation may also suffer, even if the incident is not directly related to the bank's operations. This risk looms large in an environment where customer trust is paramount, as highlighted by multiple participants. The interconnected nature of financial services means that any negative publicity surrounding a FinTech can have a ripple effect and adversely affect the bank's image, potentially leading to a loss of customer confidence. This finding aligns with Alexandri et al. (2023), who discuss the risks associated with FinTech partnerships, including reputational damage. The study highlights that any issues within a FinTech partner can negatively impact the bank's reputation and customer trust. Similarly, Takundwa (2022) emphasizes the importance of managing reputational risks in FinTech collaborations, noting that customer trust is crucial for maintaining a competitive edge. This concern is further echoed by Ndung'u (2022), who notes that while FinTechs can drive financial inclusion and innovation, they also introduce new risks—particularly around data privacy

and consumer protection—which must be carefully managed to preserve institutional trust.

The regulatory environment in South Africa is complex, and many participants noted that it can pose challenges for partnerships between banks and FinTechs. Banks must ensure that their partners comply with all relevant regulations, which can prove difficult if the FinTech operates in a less regulated space. This misalignment can lead to compliance issues and potential penalties, as emphasized by several participants. The need for rigorous due diligence and ongoing monitoring of FinTech partners is essential to mitigate these regulatory risks, which can be resource-intensive for banks. This is supported by Virasamy (2021), who discusses the impact of regulatory changes on financial services and the challenges they pose for FinTech partnerships. The study highlights the importance of compliance and the need for rigorous due diligence to mitigate regulatory risks. Additionally, Kariuki (2022) emphasizes the role of regulatory frameworks in shaping the financial performance of banks, noting that compliance with evolving regulations is crucial for successful partnerships with FinTechs. This is further reinforced by Takundwa (2022), who found that South African regulators have adopted a cautious approach to FinTech oversight, focusing on consumer protection and systemic stability. This regulatory conservatism, while necessary, can complicate partnerships if FinTechs are not fully aligned with compliance expectations.

As more traditional banks enter into partnerships with FinTechs, participants expressed concern that the market may become saturated with similar offerings. This saturation can dilute the competitive advantage that the bank hopes to gain through these collaborations, making it harder to differentiate their products and services. Most participants agree that this is a significant risk that needs to be managed. The challenge of standing out in a crowded marketplace underscores the importance of innovation and unique value propositions in successful partnerships. This finding aligns with Ruhland & Wiese (2022), who discuss the risks of market saturation in FinTech partnerships. The study highlights that the proliferation of similar offerings can dilute the competitive advantage of banks, making it essential to focus on innovation and unique value propositions. Similarly, Faour & Al-Sowaidi (2023) emphasize the importance of differentiation in a crowded marketplace, noting that banks must continually innovate to maintain their competitive edge.

The cultural differences between traditional banks and FinTechs were frequently mentioned by participants as a source of friction in partnerships. Traditional banks often

have established processes and tend to operate within risk-averse cultures. Conversely, FinTechs tend to be infinitely more innovative and willing to take risks. One participant raised the concern that this misalignment can lead to conflicts in decision-making and hinder the partnership's success. Addressing these cultural differences through open communication and mutual understanding is crucial for fostering a collaborative environment. This is supported by Hoang et al. (2021), who discuss the cultural differences between banks and FinTechs and their impact on collaboration. The study highlights that addressing these differences through open communication and mutual understanding is essential for successful partnerships.

Additionally, Ruhland & Wiese (2022) emphasize the importance of aligning organizational cultures to foster a collaborative environment and ensure the success of FinTech partnerships. It bears mentioning that the need to address these cultural differences is rendered unnecessary if due diligence is applied in selecting a FinTech partner that is most closely aligned with a bank’s culture, or at the very least amenable to cultural alignment.

Integrating FinTech solutions with existing banking systems was identified as a challenge by many participants. They noted that banks may face technical difficulties in aligning their legacy systems with the innovative technologies offered by FinTechs, leading to delays and increased costs. This integration challenge can undermine the potential benefits of the partnership, as highlighted by several participants. Ensuring that both parties have a clear understanding of the technical requirements and potential obstacles is essential for a successful integration process. This finding aligns with Fofanov (2022), who discusses the technical challenges of integrating FinTech solutions with existing banking systems. The study highlights that technical difficulties can potentially lead to delays, and increased costs; thus undermining the potential benefits of the partnership. Similarly, Sorongan et al. (2021) emphasize the importance of clear communication and understanding of technical requirements to ensure successful integration and collaboration.

5.5 Summary of Findings

5.5.1 Proposition 1

The findings related to Proposition 1 underscore the significance of both internal and external factors in shaping the strategic decisions and effectiveness of innovation

strategies as they relate to a South African bank pursuing partnerships with FinTechs. A supportive organizational culture, robust technological capabilities, and a keen understanding of regulatory and market dynamics are essential for fostering successful collaborations. Furthermore, structured innovation processes and strategic positioning within the FinTech ecosystem play critical roles in ensuring that these partnerships yield meaningful benefits for both the bank and its customers. As the financial landscape continues to evolve, banks must remain agile and responsive to leverage the full potential of their partnerships with FinTechs.

5.5.2 Proposition 2

The findings related to Proposition 2 highlight the significant competitive advantage that a South African bank can achieve through strategic partnerships with FinTechs. Enhanced operational efficiency, as well as a culture of innovation and agility are crucial factors in ensuring the bank can provide high levels of service so as to satisfy its customers; and thus expand market reach.

As the financial landscape continues to evolve, these partnerships will play a vital role in ensuring that the South African bank remains responsive to the changing needs of its customers, and consequently gain competitive advantage. By leveraging the strengths of FinTechs, the bank can not only enhance its service delivery but also position itself as an innovator in the digital age. The collaborative nature of these partnerships fosters a culture of continuous improvement, enabling the bank to innovate and adapt in an increasingly complex and dynamic environment.

Strategic partnerships with FinTechs are not merely a trend but a fundamental shift in how a South African traditional bank operates and competes. The insights garnered from the participants emphasise the transformative potential of these collaborations, emphasizing that the bank that embraces this change will be better equipped to thrive in the future of financial services.

5.5.3 Proposition 3

The findings related to Proposition 3 call attention to the complex interplay between the perceived benefits and risks of partnerships between the South African bank and FinTechs. While the potential for faster time to market, access to new markets, cost efficiency, innovation, and shared expertise present compelling reasons for collaboration; the associated risks for reputational damage, regulatory challenges, market saturation, cultural misalignment, and technology integration issues cannot be overlooked.

Thus, for a South African traditional bank to successfully navigate the landscape of partnerships with FinTechs, it must carefully weigh these benefits against the attendant risks. Developing robust risk management strategies, fostering open communication, and ensuring alignment in goals and values will be crucial in mitigating the challenges posed by these collaborations. As the financial landscape continues to evolve, the ability to adapt and innovate through strategic partnerships will be essential for banks seeking to maintain their competitive edge. By addressing these challenges head-on, banks can position themselves for success in an increasingly dynamic and competitive environment.

Chapter 6: Conclusion and Recommendations

6.1 Introduction

This chapter provides the concluding remarks based on the research questions introduced in Chapter 1 of this study. It also offers recommendations aligned with the study's findings and suggests areas of focus for future research. The primary objective of this study was to establish the key drivers for a South African traditional bank in forming strategic partnerships with FinTechs, as well as how that bank perceives the benefits and risks of such collaborations.

6.2 Conclusions Regarding Research Questions

6.2.1 What are the key factors – both internal and external – that drive a South African traditional bank to develop strategic partnerships with FinTechs?

The study established that there are various internal and external factors that drive a South African bank to form strategic partnerships with FinTechs. One of the most important factors, which support such collaborations, is the appropriate organizational culture. This is a culture that promotes innovation and embraces agility. Another important factor that cannot be overlooked is the bank's existing technological capabilities; to the extent that the bank is able to adapt and integrate new technologies. The external environment and regulatory landscape also impact on the decision to form the partnership. Specifically, regulatory changes that can either help or hinder collaboration, competition and customer pressure, as well as demand for innovative solutions. The bank's capacity to manage these factors effectively justifies the success of its partnership with FinTechs.

Internally, the bank's culture of innovation is a key factor because there is a need to ensure that creativity, risk taking, and the spirit of improvement are cultivated in the organization, so as to enable forming of successful partnerships with FinTechs. However, in the absence of such a culture, it can be argued that a culture of embracing change is far more pertinent, as this enables the requisite agility and responsiveness to a dynamic FinTech ecosystem. The bank's technological resources are important, because they speak to the bank's capacity to incorporate new technologies into the

bank's system. This capacity allows the bank to incorporate new technologies into its operations, with the aim of taking advantage of the innovative services provided by the FinTechs. Therefore, the bank's internal culture must be accompanied by leadership that is innovation minded and willing to incur costs in the pursuit of improving internal technologies and processes, in order to facilitate the Bank-Fintech partnership. . Furthermore, banks must have a strong IT infrastructure and highly skilled human resource that can navigate and integrate new technologies.

However, the way in which a traditional bank utilises its existing internal innovations may ultimately prove a crucial step towards gaining competitive advantage, since Bank-FinTech partnerships are not the preserve of a single bank. Given that strategic partnerships are argued to enhance a bank's offering, there will come a time when most if not all traditional banks exploit these collaborations. In that instance, the differentiating factor may be a traditional bank's own technological capabilities which can set it apart from other bank's collaborating with FinTechs.

Externally, the regulatory environment is also a key factor driving the decision to partner with FinTechs. Regulations can either help or hinder the collaboration process. For instance, there are rules that support the use of digital banking and financial inclusion which may foster partnership while there are compliance requirements that may be prohibitive. Yet, even though there may be stringent regulations to navigate; to the extent that the regulatory environment in the South African banking industry facilitates more than they hinder partnerships with FinTechs; compliance will remain a positive driver for strategic partnership. The bank must therefore manage these regulatory changes well to have successful partnerships. Other factors that are external include market forces such as competition and customer demand which necessitate new and improved solutions. This means the bank must search for potential FinTech partners and new solutions that can be integrated in the bank's service and product offerings; which will be useful for customers and also keep the bank ahead of its competitors.

Indeed, the study highlighted that strategic fit is critical in the collaboration between the bank and FinTechs. This is to ensure that both entities have a common vision and objectives, so as to facilitate the optimal functioning of the partnership. The bank must

identify the best suited FinTech partners, which will align with the bank's strategy and vision. This entails carrying out a due diligence process to check the FinTech's strengths, competitiveness, and compliance with prevailing regulations. By so doing, the best strategies can be adopted to achieve the right strategic alignment between the bank and FinTechs; while simultaneously minimizing potential risks.

Furthermore, the study also emphasized the significance of a customer-centric approach as the driver for Bank-FinTech partnerships. Such an approach can be a tool that the bank utilises to select the best partners and solutions among FinTechs; such that customer needs and requirements are met. To this end, the bank is able to focus on customer-centric innovations which will increase customer satisfaction and loyalty. With the consumer being at the centre of influencing strategic partnership decisions, it bears mentioning that the FinTechs sought for collaboration will be those whose service offerings align with the traditional bank's consumer profile.

6.2.2 What are the perceived benefits of strategic partnerships with FinTechs from the perspective of a South African traditional bank, particularly in terms of gaining a competitive advantage?

The South African traditional bank can derive several benefits from strategic partnerships with FinTechs. These collaborations enhance a bank's operational efficiency by streamlining processes and reducing costs. It also helps the bank reach new customers and markets since it increases the bank's ability to reach previously inaccessible markets and segments. The flexibility and innovation that FinTechs bring enables the bank to adapt quickly to the dynamic market conditions and evolving customer needs and wants. This results in the development of a culture of continuous improvement. These partnerships also help improve the overall customer experience by providing customers with more efficient and customised services. This results in higher customer satisfaction and loyalty. Arguably even a traditional bank, whose existing technological capabilities already streamline its processes, can benefit from reduced costs. This is because there is always room for improvement as far as operational efficiency is concerned; since this directly impacts customer needs.

Partnerships with FinTechs enhance the bank's operational efficiency to the greatest extent. This is because FinTechs bring with them a more advanced level of technological operation. Meaning that whatever internal technology capabilities a traditional bank possesses to improve operational efficiency, it's a fair estimation that a FinTech can provide far more advanced levels of technological solutions. This not only increases efficiency but also reduces the cost of operation. The money that is saved can be reinvested to develop more internal innovations. However, this particular benefit raises the question of whether maintaining a Bank-FinTech partnership would be necessary in the long term. For if a traditional bank can invest in improving its innovation, in the long run this advancement – should it be technological in nature – would possibly render a FinTech's contribution to a traditional bank's operations null and void. The money can also be passed onto the consumers in the form of lowered charges or better services. Additionally, the integration of FinTech solutions help the bank provide fast and reliable offerings to its customers thus improving the customer experience and attracting more customers.

Market reach is another way in which Bank-Fintech partnerships enable traditional banks to gain competitive advantage. With FinTechs bringing their own customer base into the partnership, the bank is able to reach new customers and markets that may have been previously inaccessible. However, access hinges upon the extent to which traditional banks are able to offer banking services and products that the new customer base and previously inaccessible segments actually want and need. This is to say that these customers and segments were previously inaccessible precisely because traditional banks were not a viable option, and that may be due to not only technological efficiencies but product and service offerings as well. Therefore, product and service compatibility may need to be considered when reaching to access new customers and expanding markets.

Strategic partnerships with FinTechs enable traditional banks to gain competitive advantage through innovation and agility. . This is because the nature of these partnerships fosters an innovative culture within the bank. For example, the bank can engage its FinTech partner regarding the latest technological trends and advancements,

which can address customer needs and expectations. It's important to note that this feedback aspect of the partnership is utilised for refining the bank's existing offerings as opposed to integrating the bank's existing products and services with those of their FinTech partner's. This distinction is worth emphasising, as Bank-FinTech partnerships are less of an integration of resources and more of an enhancing of existing offerings by the bank to satisfy customer needs.

The study also emphasized the need for the bank to leverage FinTech partnerships to boost the bank's digital strategies. This is so the bank can utilise FinTechs' advanced technologies to provide new digital products and services that can address current and future customer needs. These technologies can enable the bank to deliver personalized financial services, improve risk management, and increase overall operational efficiency. As a result, the bank can position itself at the forefront of technologically driven banking solutions, thus setting it apart from competitors by gaining an advantage.

Lastly, the study established that in order to implement strategic partnerships effectively, there is the need to ensure that the customer is at the centre of the entire process. Through collaborating with FinTechs, the bank can access data on customer behaviour and preferences, and from this create relevant banking solutions for various customer segments; which will enhance customer satisfaction and loyalty. Yet, given the sheer volume of a bank's customer base – including that of the FinTech partner – as well as diversity of needs; it begs the question; is it better to offer customised or customisable services? Because while the former presents the customer with a "ready to use" product or service that addresses customer needs, the latter allows the customer to create and customise products and services based on their individual needs; and only one enhances the user experience more than the other.

6.2.3 What are the perceived benefits and potential risks for a South African traditional bank that forms strategic partnerships with FinTechs?

The study revealed some of the perceived opportunities and challenges that traditional banks may encounter when forming strategic partnerships with FinTechs. The benefits include; faster time to market, access to new markets, lower costs, innovations, and expertise exchange. These benefits enable the bank to increase service and product offerings, which helps improve customer satisfaction. Some of the potential challenges include reputational risk, regulatory risks, market saturation, cultural mismatch, and technology adoption challenges. Thus, such risks must be managed through efficient risk management frameworks, effective communication, and alignment in goals and values.

Faster time to market is a significant benefit of partnering with FinTechs, as they are often more agile than traditional banks. This allows for the development and deployment of solutions rapidly. This speed enables the bank to respond to market demands and customer needs more efficiently, thus improving the bank's competitive advantage. The benefit of access to new markets means that, the bank can enlarge its customer base and market reach by leveraging the solutions provided by FinTechs. This may lead to banks accessing previously inaccessible population groups and other underserved populations. Yet underserved populations are not a monolith, and as such their needs – as they relate to how technology can help bring them into the formal banking system – differ vastly. For example; a younger demographic would be far more amenable to technology driven banking solutions, whereas a rural cohort may prefer a more traditional style of banking. Therefore, a traditional bank collaborating with FinTechs may need to consider a more balanced approach between technology driven offering and traditional banking solutions when attempting to reach new segments

Cost efficiency is another major perceived advantage. When it comes to overheads, FinTechs incur fewer costs compared to traditional banks. Thus, when collaborating with FinTehcs, the bank can enjoy the benefits of their technology and infrastructure without incurring high costs typically associated with developing similar systems. These cost savings can lead to improved profitability for the bank, as the reduction in operational costs can free up resources for other strategic initiatives. More importantly, FinTech innovative approaches can enhance the bank's service offerings and improve customer satisfaction, which is crucial for gaining competitive advantage.

However, one of the potential risks associated with forming strategic partnerships with FinTechs is reputational damage and it appears to be of significant concern. If a FinTech partner experiences a security failure or a data breach, the bank's reputation may suffer as a result, even if the incident is not directly related to its operations. This risk is particularly pronounced in an environment where customer trust is paramount. Regulatory challenges are another significant risk. The regulatory environment in South Africa is complex, and the bank must ensure that its partners comply with all relevant regulations. This can be difficult if the FinTech operates in a less regulated space, leading to compliance issues and potential penalties.

Market saturation presents another risk. More banks are partnering with FinTechs, and as a result the market will soon be saturated with similar collaborations. This will inevitably impact negatively on a bank’s competitive advantage. Cultural misalignment is another significant risk. The bank has established laborious processes and a risk-averse culture, while FinTechs tend to be more innovative and willing to take risks. This misalignment can lead to conflicts in decision-making and hinder the partnership's success. It bears mentioning that these conflicts due to cultural differences can be rendered unnecessary if due diligence is applied in selecting a FinTech partner that is most closely aligned with a bank’s culture, or at the very least amenable to cultural alignment. Additionally, technology integration issues can pose significant challenges. This is because the bank may face technical difficulties in aligning their legacy systems with the innovative technologies offered by FinTechs, leading to delays and increased costs. These delays adversely affect customer service which threatens a bank’s competitive advantage.

Finally, the study emphasizes the role of continuous monitoring and evaluation in managing the risks associated with FinTech partnerships. The bank must regularly assess the performance of its FinTech partners and the impact of the partnership on its operations and customer satisfaction. This involves tracking key performance indicators such as return on investment, customer satisfaction, and operational efficiency. By continuously monitoring and evaluating these partnerships, the bank can identify areas for improvement and make necessary adjustments to ensure the success of the collaboration, which can only benefit the consumer.

6.3 Recommendations

Based on the findings of this study, the following recommendations are offered:

6.3.1 Invest in Technological Capabilities

The participants emphasized the importance of the bank having robust technological resources to support the implementation of new technologies. The lack of sophisticated data analysis capability, learning machine capability and sufficient cybersecurity controls can limit the bank's ability to fully optimize opportunities resulting from partnering with FinTechs. Thus, investing in the development of technological capabilities will enable the bank to improve its performance and increase the level of satisfaction of its customers. Skills such as data analytics and machine learning can provide a better understanding of customers' preferences, while strong cybersecurity will protect the bank's data and systems. All these improvements will increase the bank's profitability and provide the capacity to adjust to the changes in the market.

6.3.2 Enhance Regulatory Compliance

The regulatory environment in South Africa is rather complex, and ensuring compliance with all relevant regulations is crucial. The absence of a comprehensive compliance framework leaves the bank at risk of facing legal and reputational challenges. Developing a comprehensive compliance framework will ensure that all partnerships with FinTechs adhere to regulatory standards. Conducting thorough due diligence and ongoing monitoring of FinTech partners will mitigate potential legal and reputational risks. This will build trust with customers, regulators, and other stakeholders; thus creating a solid foundation for increasing competitive advantage.

6.3.3 Prioritise Customer-Centric Innovations

The study emphasized the importance of developing innovative solutions that prioritize customer needs and preferences. Without a focus on customer-centric innovations, the bank may struggle to enhance customer satisfaction and loyalty. Developing customer-centric innovations will enable the bank to offer personalized financial services and improve the overall customer experience. By leveraging FinTech technologies, the bank

can gain deeper insights into customer behaviour and tailor its offerings accordingly. This will build stronger relationships with customers, increase satisfaction and loyalty, and differentiate the bank from its competitors.

6.3.4 Establish Clear Communication Channels

Effective communication and collaboration between the bank and its FinTech partners is crucial for the success of these partnerships. Without clear communication channels, there may be misalignment in goals and values, thus hindering mutually beneficial collaboration. Establishing clear communication channels will foster open communication and collaboration between the bank and its FinTech partners. Regular meetings, joint planning sessions, and transparent sharing of information will ensure alignment in goals and values. This can create a strong foundation for successful partnerships, driving innovation and growth.

6.3.5 Develop Robust Risk Management Strategies

The study identified several potential risks associated with forming strategic partnerships with FinTechs. Without robust risk management strategies, the bank may face reputational, regulatory, and operational challenges. Implementing robust risk management strategies will address potential risks associated with FinTech partnerships, before they fester. Conducting thorough due diligence, establishing clear communication channels, and fostering a collaborative environment will mitigate risks and maximize the benefits of Bank-FinTech partnerships. This will protect the bank's reputation, ensure regulatory compliance, and create a stable environment for innovation and growth.

6.3.6 Monitor and Evaluate Partnerships

Continuous monitoring and evaluation of FinTech partnerships is essential for ensuring their success. Without regular assessment, the bank may miss opportunities for improvement and fail to achieve desired outcomes. As a result, this will adversely affect the success of these collaborations. Tracking key performance indicators such as return on investment, customer satisfaction, and operational efficiency can provide valuable

insights. This iterative process will enable continuous learning and adaptation, ensuring that partnerships deliver the desired outcomes and contribute to long-term success of the partnership.

6.3.7 Align Strategic Goals and Values

Alignment of strategic goals and values between the bank and its FinTech partners is crucial for the success of these partnerships. Without this alignment, there may be conflicts and misalignment in decision-making. Ensuring that the bank and its FinTech partners share common goals and values will foster a collaborative environment that drives successful partnerships. Establishing a shared vision and mission, regular communication, and fostering a culture of mutual respect and trust will strengthen the partnership. This alignment will create a cohesive and effective partnership that drives innovation and growth.

6.4 Limitations

The limitations of this study include the scope of data collection, which was restricted to a specific geographic region and a limited number of banks. The study focused on a single traditional bank in South Africa, which may limit the ability to generalise the results onto other banks or financial institutions. Additionally, the rapidly evolving nature of the FinTech sector may result in findings quickly becoming outdated and obsolete. Future research should consider a broader sample size and longitudinal studies to capture the dynamic nature of FinTech partnerships.

Furthermore, the study did not investigate the perspectives of FinTechs, regulators, or other stakeholders in the banking ecosystem, as the primary focus was on the strategic considerations of a South African bank. This exclusion may have limited the comprehensiveness of the findings, as insights from these stakeholders could have provided a more holistic understanding of the dynamics around strategic partnerships. Therefore, the inclusion of these perspectives in future research could offer valuable insights into the challenges and opportunities from multiple viewpoints.

Moreover, the reliance on self-reported data from participants may introduce biases or inaccuracies. The study assumed that the selected South African bank was willing to participate in the research and provide accurate and truthful information. However, the potential for response bias or incomplete information cannot be entirely ruled out. Future studies should consider using multiple data sources and triangulation methods to enhance the reliability and validity of the findings.

Lastly, the study was conducted within a specific timeframe, and the rapidly evolving nature of the financial services industry may impact the relevance of the findings over time. Longitudinal studies that track the development and outcomes of strategic partnerships over an extended period could provide deeper insights into the evolution and sustainability of these collaborations.

6.5 Suggestions for Future Research

Future research should explore the following areas:

1. Conduct comparative studies involving multiple banks and financial institutions to enhance the ability to generalise the findings. This will provide a broader understanding of how different banks approach strategic partnerships with FinTechs and the varying outcomes of these collaborations.
2. Implement longitudinal studies to examine the long-term impact of strategic partnerships with FinTechs on the bank's performance and competitive advantage. This will help in understanding the evolution and sustainability of these partnerships over time.
3. Investigate the perspectives of FinTechs, regulators, and other stakeholders in the banking ecosystem to provide a more comprehensive understanding of the dynamics of strategic partnerships. This will offer insights into the challenges and opportunities from multiple viewpoints.
4. Investigate the effectiveness of different regulatory frameworks in facilitating or hindering strategic partnerships between banks and FinTechs. This will help in understanding regulatory challenges and identifying best practices for compliance.

5. Develop and test risk management strategies to address the potential risks associated with FinTech partnerships. This will provide practical guidance for banks on how to mitigate risks thus ensuring the success of their collaborations.
6. Explore the impact of cultural misalignment between banks and FinTechs on the success of strategic partnerships. This will offer insights into how cultural differences can be managed to foster effective collaboration.
7. Examine the challenges and best practices for integrating FinTech solutions with existing banking systems. This will help in identifying the technical and operational hurdles and providing solutions for seamless integration.

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Appendix A: Interview Guide

Standard Questions

#	Questions	Theoretical framework
1	Role at the bank?	N/A
2	Role level at the bank (i.e., Executive, Senior Manager, etc.)?	N/A
3	Division and department you work in?	N/A
4	Years working for the bank?	N/A
5	Experience in formulating or implementing innovation strategies and forming strategic partnerships?	N/A

Innovation Strategy

#	Questions	Theoretical framework
1	Can you describe the process of creating innovation strategies in your division/department?	• IDT
2	How does your division/department ensure these innovation strategies align with its overall business strategy?	• IDT
3	Can you discuss how customer feedback influences the formulation of your innovation strategies and selection of FinTechs to partner with?	• IDT
4	Once the innovation strategy is formulated and the strategic partners have been identified, what is your approach to implementing it within the division/department/bank?	• IDT • RBV
5	How does your division/department manage the change process during the implementation phase?	• IDT • RBV

6	How is employee involvement facilitated during the implementation of an innovation strategy?	• IDT • RBV
7	How do you ensure the continuous improvement of the innovation strategies during the implementation process?	• IDT • RBV
8	How do you adapt strategies in response to unexpected obstacles during implementation?	• IDT
9	How does your division/department maintain its competitive advantage during the implementation of these innovation strategies?	• IDT • RBV
10	Are perceived risks and challenges of partnering with FinTechs taken into consideration when in strategy formulation stage?	• RBV

Strategic Partnerships

#	**Questions**	**Theoretical framework**
1	How do you identify and prioritize which strategic partnerships to pursue?	• RBV
2	What are the key factors you consider when identifying the FinTech to partner with?	• RBV
3	What are the non-negotiables when choosing to partner with a FinTech?	• RBV
4	How do you measure the benefits and potential risks for a South African Bank to form strategic partnerships with FinTechs	•
5	Could you walk me through a recent instance where a strategic partnership played a role in the banks' strategy?	• IDT • RBV

6	How do changes in the banking landscape influence your approach to identifying strategic partnerships?	• RBV
7	Can you describe the perceived benefits for the bank in partnering with FinTech companies, and what potential risks do you foresee with such strategic alliances?"	• RBV
8	How do you measure the success of the partnership with your strategic partners?	• IDT • RBV
9	What metrics do you use to measure the success of the implementation of strategic partnerships?	• IDT • RBV
10	How do you perceive the potential risks and challenges associated with forming strategic partnerships with FinTechs?	• IDT • RBV

Appendix B: Participation Consent Form

Title of project: Innovation Strategies for A South African Banking to form Strategic Partnerships with FinTechs to gain a Competitive Advantage.

Name of researcher: Tebogo Prince Chipeya

I, …… agree to participate in this research project.

I agree to the following:

(Please circle the relevant options below)

The research study was explained to me. I understand what this study is about.
YES NO

I understand that I can volunteer to take part in the study.
YES NO

I agree that the interview may be audio recorded.
YES NO

I agree that direct quotations from my interview may be used by the researcher

in their research report.
YES NO

I agree that my participation will remain anonymous (my name or other identifying data will not be used by the researcher in their research report)
YES NO

I agree that other researchers may use the information I provide in my interview

(Depending on their own ethics clearance being obtained) but my name and any personal information will not be used or passed on.
YES NO

…… (signature)

…… (name of participant)

…… (date)

…… (signature)

…… (name of researcher/person seeking consent)

…… (date)

Appendix C: Thematic Analysis Process

Thematic Analysis Step 1: Familiarize Yourself with the Data

Analysis of the data collected revealed several key themes as shown below. This expands understanding on how the participating South African bank can leverage strategic partnerships with FinTechs in order to enhance innovation and gain competitive advantage. The first impressions of the data are captured based on the research questions summarized below.

Initial Impressions: What are the key factors - internal and external that drive a South African traditional bank to develop strategic partnerships with FinTechs?

The regulatory environment, characterized by stringent compliance requirements, is one of the key factors driving South African banks to develop strategic partnerships with FinTechs. These partnerships necessitate careful consideration of risk management. Additionally, a significant number of participants (12 of 13) revealed that there is an emerging market pull for innovative solutions – products and services – as clients increasingly seek services that traditional banks may struggle to provide on their own. This client-driven need often compels banks to partner with FinTechs capable of delivering these advanced solutions. Furthermore, the competitive landscape plays a crucial role; with some banks having already established partnerships with FinTechs, other banks feel pressured to conform to avoid losing market share (as articulated by P10). Finally, banks continually assess their technological capabilities and often opt for partnerships rather than building or buying new technologies. As such, collaborating with FinTechs allows banks to leverage existing innovations effectively.

Initial Impressions: How do strategic partnerships with FinTechs enable a South African traditional bank to gain a competitive advantage?

Strategic partnerships with FinTechs can enable the South African bank to gain a competitive advantage in several ways. Firstly, these collaborations increase the bank's speed to market because FinTechs are often able to develop and implement innovative solutions – products and services –faster than a traditional bank. This agility enables the bank to adapt swiftly to market changes and evolving customer needs. Secondly, such partnerships provide access to new markets, enabling the bank to penetrate underserved demographics as well as new industries (as reported by P1 and P2). Finally, collaborating with FinTechs enhances a traditional bank's overall customer experience.

This is achieved by offering more user-friendly and innovative services; ultimately fostering increased customer loyalty.

Initial Impressions: What are the perceived benefits and potential risks for a South African traditional bank that forms strategic partnerships with FinTechs?

One of the pivotal advantages of these partnerships is cost-effectiveness. This is because FinTechs often provide solutions at a lower cost compared to traditional banks' conventional banking methods; thus enhancing overall profitability. Additionally, all participants agree that the innovative and flexible nature of FinTechs enable the bank to offer cutting-edge services without extensive internal technological development, allowing the bank to keep pace with market demands and its peers. Furthermore, successful collaborations can create new revenue streams, as evidenced by previous Bank-FinTech partnerships that have opened new avenues for income generation.

One significant concern relating to Bank-FinTech partnerships is reputational risk. If a bank partners with a FinTech that has a poor reputation, it could adversely affect that bank's brand image. There are also challenges related to regulatory compliance, as the partnership may introduce complexities should the FinTech not adhere to the same regulatory standards as a traditional bank. Furthermore, there is potential risk for 'cannibalization' of existing services. Three participants highlighted opportunities for new FinTech solutions to undermine a traditional bank's existing product and service offerings (P3, P6 and P7).

Thematic Analysis Step 2: Generate Initial Codes

The initial codes were generated by using the research questions as a guide. The process of coding was applied, and the codes were identified from the interview transcripts to determine the emerging themes. The process was done with the research objectives and questions in mind, thus ensuring that the analysis remained focused and relevant. The process of coding was done using the ATLAS.Ti software.

Table C1 depicts all the codes that were initially generated for Proposition 1. There were 62 unique codes generated in total for Proposition 1.

Internal Factors
Innovation Culture
Leadership Support
Resource Allocation
Technology Infrastructure
Employee Expertise
External Factors
Market Competition
Regulatory Environment
Customer Demand
Technological Advancements
Economic Conditions
Innovation Processes
Customer need identification
Market opportunity sizing
Iterative development (MVP)
Alignment with business strategy
Collaboration with FinTechs
Partnering for technology solutions
Leveraging FinTech agility
Co-creation of products
Knowledge sharing and transfer
Partnership dynamics
Collaboration opportunities
Strategic alignment
Risk management
Change management process
Stakeholder engagement model

Performance metrics
Innovation strategies
Enhanced customer insights
Feedback mechanisms
Regular partnership evaluation
Long-term sustainability of the partnership
Market Dynamics
Growth of digital banking
Emergence of new FinTech players
Competitive pressures from tech giants
Strategic Positioning
Differentiation through Innovation
Adapting to Changing Consumer Behaviours
Building a Sustainable FinTech Ecosystem
Competitive landscape
Digital Transformation
Client-Centric approach
Compelling value propositions
Emerging market trends
Investment in technology
Scalability of solutions
Cultural fit
Trust and transparency
Shared vision
Resource sharing
Agile methodologies
Innovation labs
Pilot programs

Customer journey mapping
Risk assessment frameworks
Regulatory compliance strategies
Partnership governance
Technology integration
Market adaptability
Strategic partnerships
Business model innovation
Ecosystem collaboration
Client retention strategies
Competitive positioning
Future readiness

Table C1 Main codes and Initial codes pertaining to Proposition 1

Table C2 depicts all the codes that were initially generated for Proposition 2. There were 11 unique codes generated in total for Proposition 2.

Operational Efficiency
Streamlined processes
Cost reduction
Enhanced service delivery
Market Reach
Access to new customer segments
Improved brand visibility
Market reach
Cross-selling opportunities
Innovation and Agility
Faster product development
Innovation agility

Enhanced customer experience
Ability to leverage partner capabilities

Table C2 Main codes and Initial codes pertaining to Proposition 2

Table C3 reflects all codes that were initially generated for Proposition 3. There were 9 unique codes generated in total for Proposition 3.

Benefits
Access to cutting-edge technology
Improved customer satisfaction
Increased revenue streams
Enhanced data analytics capabilities
Risks
Dependency on FinTech partners
Data security concerns
Regulatory compliance issues
Potential for misalignment of goals
Market volatility affecting FinTech stability

Table C3 Main codes and Initial codes pertaining to Proposition 3

There were 82 open codes derived from the coding process, which included several similarities and repetitions. The generated codes were organised into 11 categories, namely (i) Internal factors, (ii) External factors, (iii) Operational efficiency, (iv) Market reach, (v) Innovation and agility, (vi) Benefits, (vii) Risks, (viii) Innovation processes, (ix) Collaboration with FinTechs, (x) Market dynamics, (xi) Strategic positioning.

Table C4 summarises the 11 categories that were organised from the coding process; under the proposition linked to each category.

Proposition 1
Internal Factors
External Factors

Innovation Processes
Collaboration with FinTechs
Market Dynamics
Strategic Positioning
Proposition 2
Operational Efficiency
Market Reach
Innovation and Agility
Proposition 3
Benefits
Risks

Table C4 Categories linked to Propositions.

Thematic Analysis Step 3: Search for Themes

After completing identification and generation of the initial codes, similar codes were grouped into one of 11 categories. In some instances, sub-categories based on discernible patterns emerged. Identified themes were linked back to the three main research questions of the study. There were five themes in total that were identified.

Table C5 summarises the themes that emerged from the categories identified relating to Proposition 1.

Themes	Categories
Key Drivers for Strategic Partnerships	Internal Factors
	External Factors
Innovation Strategy Framework	Innovation Processes
	Collaboration with FinTechs
Navigating the FinTech Ecosystem	Market Dynamics

	Strategic Positioning

Table C5 Themes emerging from categories linked to Proposition 1

Table C6 summarises the themes that emerged from the categories identified relating to Proposition 2.

Themes	Categories
Competitive Advantage through Partnerships	Operational Efficiency
	Market Reach
	Innovation and Agility

Table C6 Themes emerging from categories linked to Proposition 2

Table C7 summarises the themes that emerged from the categories identified relating to Proposition 3.

Themes	Categories
Perceived Benefits and Risks	Benefits
	Risks

Table C7 Themes emerging from categories linked to Proposition 3

Table: Previous Studies

Table 1: Innovation Strategies

Author	Year	Purpose of the study	Key findings
Abduvakhidovna	2022	To conduct a systematic examination of innovative strategies in industrial enterprises, while proposing detailed classification.	• The study highlighted the significance of innovation strategy as fundamental for a company's competitive position. It emphasized the importance of applying the right strategies for sustainable growth.
Nduati	2023	To investigate the impact of innovation strategies on the performance of data service providers in Kenya; focusing on process, product, market, and technological innovation. The study also explored the influence of entrepreneurial mindset on this connection.	• Key findings highlighted the significant role of innovation in differentiating services and adding value for consumers. • Additionally, factors such as technology availability, organizational size, resource availability, and regulatory/legal environment were found to strongly impact mobile financial technology adoption by data service providers in Kenya. • However, entrepreneurial orientation was not found to moderate the relationship between innovation strategies and firm performance.

Mbugua	2021	To evaluate Equity Bank's innovation strategies for gaining competitive advantage in Kenya.	• The study found that product innovation, technology adoption, and market segmentation were crucial for the bank's success in the competitive banking industry.
Oksanych	2021	To emphasize the importance of an appropriate innovation strategy in building a competitive advantage.	• The study found that such strategies directly influence a company's ability to reduce costs, enhance product quality, and increase sales.
Mochama	2021	The study explored the impact of innovation strategies on competitive advantage among FinTech companies in Kenya.	• The findings highlighted the significance of product, technological, process, market, and management innovations in creating a sustainable competitive edge. It was revealed that continuous adaptation to environmental changes and differentiation through unique products and services are essential for long-term success in the sector.

Table 2: Strategic Partnerships

Author	Year	Purpose of the study	Key findings
Ruhland & Wiese	2022	To investigate the strategic partnership reasons between financial institutions and FinTechs, highlighting key drivers for partnerships from the perspective of both parties.	• For FinTech companies; financial gain, reputation, and trustworthiness emerged as significant factors; while financial institutions were motivated by opportunities to innovate, transform their business model, and enhance customer contentment through new offerings.
Hoang et al.	2021	To explore the viewpoints of banks and FinTech firms in collaborative ventures, identifying factors impacting the effectiveness of bank-FinTech alliances.	• It revealed benefits, challenges, pros, cons, strengths, and weaknesses faced by each party; along with selection criteria for partners as a crucial factor influencing collaboration.
Fofanov	2022	To examine the partnership dynamics between traditional banks and FinTechs, as well as the regulatory impact in Finland. It aimed to analyse motivations for collaboration rather than competition and assess how the existing regulatory framework affected FinTech growth in Finland.	• The results revealed that both sectors recognized the importance of adaptability to digitalization. For banks, it leads to a favourable view of cooperation to enhance banking services diversification. However, concerns about security risks were raised by bank executives during this collaboration.

Virasamy	2021	To enhance comprehension of the interplay between FinTech and established FSPs in South Africa.	• The study found that newer FinTech companies are driving innovation within established FSPs, leading to changes in organizational structures, culture, and strategy. • It also highlighted sweeping transformation across the financial services value chain with emergent business models and identified potential opportunities for collaboration between FSPs and FinTech firms. • However, it raised concerns about insufficient oversight over the FinTech sector by government authorities and regulators in South Africa.
Kariuki	2022	To investigate the relationship between FinTechs and financial performance of commercial banks in Kenya. It found a positive correlation between FinTech adoption and bank performance, particularly in terms of Return on Assets.	• Mobile money services were associated with improved bank performance. • The paper also highlighted the positive correlation between FinTech adoption and bank performance in terms of RoA.

Tshukudu et al.	2022	To analyse the relationship between financial technology and the financial performance of commercial banks in South Africa.	• It found a clear connection between the adoption of financial technology and the financial performance of the top five banks, especially driven by an increase in mobile subscriptions for internet banking. • The findings suggest a shift from traditional-based banking to digital approaches for better results and market share within this industry.
Faour & Al-Sowaidi	2023	To explore the evolving relationship between FinTech and banks, highlighting collaborative efforts and their impact on future developments. The research emphasized how financial technology is reshaping the traditional banking sector by challenging established banks with agile FinTech startups	• Key findings underscored the potential for collaboration to drive innovation, offer diverse financial services, and navigate regulatory challenges and customer trust issues.
Sorongan et al.	2021	To highlight the challenges in creating collaborative models between banks and FinTech companies in Indonesia; emphasizing the significance of comprehensive regulations,	• The study provided insights on current collaboration models and identified key areas of concern; such as data security, customer trust, and concerns over business disruption; which should be

		policies, and laws that govern collaboration.	addressed to foster sustainable partnerships.

Table 3: FinTechs

Author	Year	Purpose of the study	Key findings
Masangwana	2021	• To evaluate existing FinTech ecosystem frameworks in South Africa, comparing them with those in both developed and developing nations. The study involved interviewing 12 executives representing entrepreneurs and start-ups, policymakers, and financial institutions.	• The paper emphasizes the need to customize existing frameworks for the South African context rather than implementing a uniform approach. Additionally, it highlights the importance of consumer education to boost adoption rates, addressing regulatory challenges and infrastructure limitations, as well as building trust within the FinTech ecosystem.
Meyer & Okoli	2023	To analyse the impact of FinTech on established banks across sixteen African countries from the year 1800 to 2020.	• The study identified three phases of development and observed the emergence of FinTech concepts, structural shifts within the financial system, and a subsequent reduction in bank profitability due to increased FinTech adoption. • However, it also noted that this negative impact was swiftly rectified at an annual adjustment rate of

			approximately 90.9%, indicating banks' adaptability. • The paper concluded by recommending collaboration between FinTechs and banks to mitigate disruptive effects on traditional banking revenue streams.
Mugabe	2022	To study the impact of FinTech on banking performance in South Africa from the year 2000 to 2018.	• The research found that FinTech presence significantly affected long-term indicators such as return on equity, return on assets, and yield on earning assets. However, it had limited predictive power for future banking sector performance. Overall, embracing FinTech could lead to more efficient performances and financial benefits for both sectors.
Takundwa	2022	To examine the impact of regulation on e-money adoption in different countries, with a focus on South Africa.	• The study found that regulation can act as a limiting factor, an impartial element, or a facilitator for FinTech development. It highlighted South African regulators' cautious approach emphasizing consumer protection and

			collaboration between FinTech entities and traditional financial institutions.
Ndung'u	2022	To discuss the growth of FinTech in sub-Saharan Africa and the resultant changes over time, resulting advantages achieved at each phase, increased financial inclusion for marginalized populations, enhanced welfare, and efficient provision of services with reduced costs.	• Challenges were identified that must be addressed to facilitate rapid uptake of FinTech solutions. • The author concluded that driven by FinTech, the fourth industrial revolution could elevate savings levels, investments, employment opportunities and inclusive growth as long as an appropriate legal framework is established and resources are allocated for sufficient infrastructure development.

Table 4: Competitive Advantage

Author	Year	Purpose of the study	Key findings
Asa et al.	2023	To emphasize the importance of technological innovation for gaining a competitive edge in the Namibian banking industry, leading to increased market share and competitive advantage.	• The paper highlighted the need for banks to adapt their strategies to keep up with technological developments due to challenges posed by the fourth industrial revolution.

Dwivedi et al.	2021	To investigate the influence of FinTech on the competitiveness and operational effectiveness of the banking sector in the UAE.	• The paper found that integrating FinTech significantly influenced competitiveness and performance in the banking industry of the UAE, and effective adoption along with proper technology management directly affected sector performance.
Odhiambo & Mang'ana	2022	To investigate the correlation between the strategic implementation of technological advancements and the competitive edge of commercial banks in Kenya.	• The paper found that leveraging advancements such as E-Money transfer systems, telephone banking services, internet banking platforms and internal controls significantly boosted the competitive advantage of these banks.
Ioniţă	2022	To emphasize the importance of innovative management strategies for leveraging intangible resources to enhance sustainable competitive advantage and company value.	• The paper highlights the impact of effective utilization of intangible assets through exploitative and exploratory strategies on a company's sustainable competitive advantage and market value. It also underscores the need for businesses to adapt to environmental changes in order to maintain their competitive edge.