Gordon Institute of Business Science
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Competitive advantage and dynamic competition: The role of innovation and disruption in retail banking

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ABSTRACT

The ability to integrate and coordinate new capabilities is considered a source of an organisation's competitive advantage. This ability enables firms and industries to innovate and disrupt to generate value for appropriation. Although extensive research has been done within strategic management on an organisation's ability to sense, seize and adapt in response to changes in market conditions and opportunities, organisations continue to struggle to effectively reconfigure themselves in alignment with their external environment. Particularly in environments being disrupted by innovation.

The research explores the role of innovation and disruption on organisational competitiveness and competitive advantage in the Eswatini retail banking industry. This qualitative study employed thematic analysis on data collected from 11 semi-structured interviews from senior and executive managers in Eswatini's retail banking industry.

The research contributes towards the body of knowledge on strategic management in environments characterised by innovation and disruption led shifts in competitiveness. It establishes the importance of strategic adaptability and organisational resource optimisation for sustained organisational performance.

KEYWORDS

Innovation; disruption; competitive advantage; retail banking; value capture

PLAGIARISM DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

01 November 2023

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CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1 Introduction

Eswatini, a country in Sub-Saharan Africa bordered by South Africa and Mozambique, is experiencing a transformation of its financial services sector as it embraces technology-led innovation for financial sector development. The study examines how innovation and disruption are reshaping the competitive landscape of Eswatini's retail banking sector and influencing the competitive advantage of its established banks and challenger firms, while also shedding light on strategies for sustainable economic gain in an evolving industry.

Strategic management has continued to evolve over time as organisations face new challenges and opportunities in a dynamic business environment. Academic research has been a key contributor to the evolution of strategic management principles. Research has examined several areas of strategic management, including competitive advantage and organisational capabilities in strategic execution and implementation. Today's competition in the environment of business is defined by constant innovation, influencing not only products and services but also organisational structures as firms continue to seek the "holy grail" of financial and organisational growth.

1.2 Research Problem

One of the core questions of strategic management is how firms can create and sustain competitive advantage in relation to their competitors in a dynamic environment (Barney, 1991). Competition is considered dynamic when the intensity of the competition is defined by new products, new delivery methods and new types of organisations (van der Veer, 2022). This type of competition is induced by product and process innovation that can result in a change in the competitive landscape by disrupting the current establishment or order (Sidak & Teece, 2009).

Competition drives firms to differentiate themselves through innovation-led processes, which are inherently distinctive and a ubiquitous phenomenon in the attainment of economic value (Gans & Ryall, 2017; Wijekoon et al., 2021). This innovation-led competitiveness enables creative destruction, where the new displaces the old, and is based on the concepts of evolutionary economics (Begović et al., 2021). This creative destruction, a concept developed by Schumpeter (Aghion

& Festré, 2017), is a driving force behind why firms in competitive environments are continuously in search of innovations that improve their financial and overall organisational performance (Helfat, 2018). When a firm is able to create and capture value through competitive strategies that current and potential competitors cannot replicate nor duplicate for organisational benefit, it can be concluded that the firm has achieved a competitive advantage (Barney, 1991).

The discussion of market and competitive structures and how innovation can be an indicator of the performance and competitiveness of firms is not new. Dynamic competition is a worldwide phenomenon and affects multiple industries, fuelling the unpredictability of market behaviour (Bowman & Ambrosini, 2000). The financial services industry is not exempt from such competitiveness, particularly with the emergence of financial technology firms (FSB, 2019). The industry, through digital access to financial services, is being challenged to transform (Brody, 2021). Intensified competition as a result of digitization has continued to be a challenge for firms across all business sectors (Tong & Wei, 2014) as they seek to distinguish themselves. Creating and sustaining a competitive advantage becomes crucial for firms to thrive and prevents demise in industries characterised by disruption (Wessel & Christensen, 2012).

Financial technology, also referred to as Fintech, can be described as the application of new technologies and innovation within financial services and is at the intersection of finance, technology and innovation in the fulfilment and management of financial obligations (Leong & Sung, 2018). It has been used as an overarching construct to describe the delivery of financial products and services through the use of technology (Ng & Pan, 2022). Historically, commercial banks have provided financial services through brick-and-mortar facilities such as branches and Automated Teller Machines (ATMs) and, more recently, through online banking. The increased prevalence of fintech serves as an indication that the historic commercial bank model is not the only model that can deliver financial products and services. This penetration has increased competition within financial services, and it is important to understand the ways in which traditional incumbents (commercial retail banks) are responding and the ways in which this affects their operations.

Financial services institutions have been disrupted through the proliferation and use of digital technologies, especially through mobile banking (Gomber et al., 2018). To adapt, financial services firms have had to leverage digital technologies to create new business models and change their product and service delivery methods (Agyei-Boapeah et al., 2022; FSB, 2019). The financial services sector, particularly in Sub-Saharan Africa, is now supported by over 130 mobile financial service providers, with online and electronic transactions being the preferred option for new-to-bank individuals (Sodokin et al., 2022). This change and shift within financial services begs the question: What are the enablers and engenders of the proliferation of technology-led product innovations within financial services?

The proliferation of technological innovations and mobile financial services is particularly prominent within retail banking, where intense rivalry and rapidly evolving customer needs are prevalent (Gujral et al., n.d.; Hodson, 2021). Retail banking refers to the provision of financial services to individual consumers, facilitating their everyday financial transactions through various banking solutions, including payment services, deposit-taking, savings accounts, and unsecured personal loans (Hodson, 2021). The ongoing wave of change within the retail banking sector emphasises the critical importance for firms within the industry to adopt suitable response strategies to maintain their competitiveness, given the continued disruptive influence of non-traditional new entrants. The Chief Executive Officer (CEO) of Capitec Bank in South Africa recently expressed that he is more concerned about the potential competition from mobile telecommunications operators and the digital payment offerings of multinational corporations like Apple and Samsung rather than traditional and local competitors (News24, 2023).

Cozzolino et al. (2021) highlight that when there are new entrants in a market, incumbents will shift between cooperative and competitive strategies in response to the competitive threat posed by these new entrants. The Financial Stability Board (2019) confirms this behaviour in retail banking, as it has noted that financial technology (Fintech) firms will typically find niche markets to compete with incumbents or, in other cases, incumbents will cooperate with them as a means to maintain market share and access newer and innovative technologies for the purpose of gaining a competitive advantage.

1.3 Retail Banking Background - Eswatini

The research focuses on the retail banking sector of Eswatini, which has historically been oligopolistic with a few dominant multinational firms competing for market share. However, recent policy interventions have shifted the focus towards an enabling environment for financial inclusion in an effort to drive financial sector development (Central Bank of Eswatini, 2022). It is well documented that financial inclusion is a key policy choice for many governments and regulatory bodies in emerging markets (Sodokin et al., 2022), and, as such, innovation in financial services is encouraged. Eswatini, as an emerging country in Sub-Saharan Africa, is no different regarding encouraging the use of technology and product innovation to foster financial inclusion and development. Financial inclusion can be defined as the accessibility of financial services to all sectors of society, particularly those who have been historically excluded from formal financial services (Asongu & Odhiambo, 2023) and is considered a key factor in the attainment of seven of the United Nations' Sustainable Development Goals (World Bank, 2018).

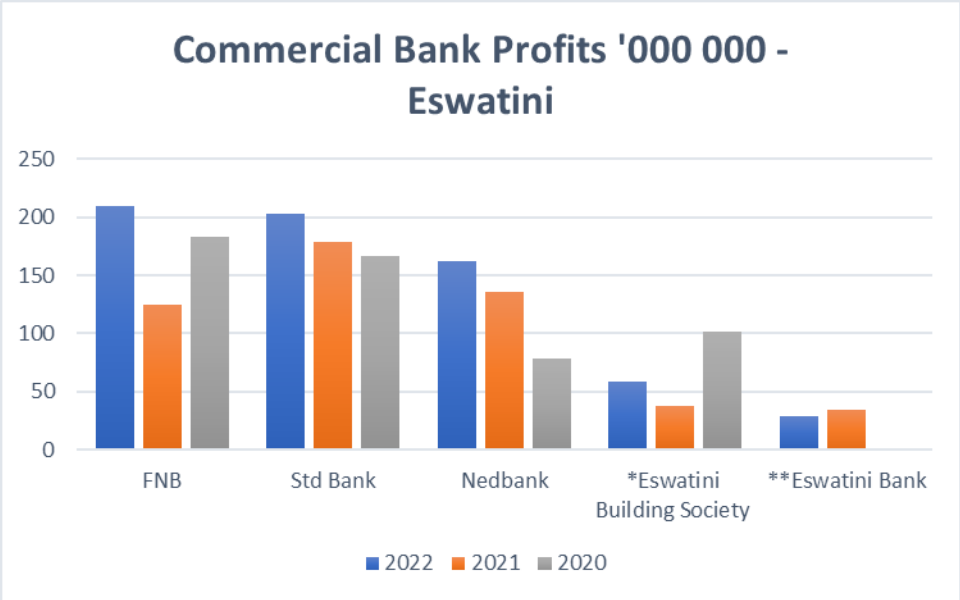
Eswatini has a financial inclusion rate of 87% (Central Bank of Eswatini, 2023). However, digital and formal financial activity remain low. The high level of financial inclusion is due, in part, to the level of mobile money penetration, estimated at a subscriber base of over 700,000 (Central Bank of Eswatini, 2022). This is impressive considering that Eswatini has a national population of 1.3 million (World Bank, 2021). Despite such a high penetration rate, formal and digital financial activity remains low due to limited partnership and collaboration opportunities (World Bank, 2022), as the more established legacy financial services providers limit market entry (Central Bank of Eswatini, 2023). Therefore, the retail banking sector within the broader financial services industry in Eswatini provides an ideal area of research on sustaining competitive advantage and how it is influenced by disruption and product innovation. Particularly, as such a study has not been conducted before in Eswatini.

This policy focus has added more dynamism to the competitiveness of the industry as there are now non-traditional financial services firms competing with the more established retail banks (Central Bank of Eswatini, 2021). The entrance of new types of retail financial services providers implies that incumbents have to not only defend their current market share but also intensify their competitiveness to grow their existing market share. As the non-traditional players continue to enhance their product offerings through value-added services, the traditional banks are responding by introducing their own mobile wallets or equivalent offerings to compete effectively within a changing landscape (Central Bank of Eswatini, 2023). Despite the prevalence of new entrants, particularly within payments and unsecured lending, the dominance of the large multinational banks does not seem to be challenged in terms of market share and profitability. The profitability of traditional commercial retail banks continues to exhibit a sustained upward trajectory (Central Bank of Eswatini, 2022). This phenomenon is not unique to the subsidiaries of the multinational banks but is also evident in the performance of the indigenous Eswatini commercial retail bank. This is in contrast with McKinsey’s (2017) assertion that traditional commercial banks are at risk of declining profits by 2025 if they do not keep up with the current innovation and disruption in financial services. Could banks in Eswatini be keeping up with the rate of innovation, hence the growth in profitability, or are there other factors driving this profit growth?

In their latest full-year financial statement report, Nedbank Eswatini highlights that the entity’s growth strategy is underpinned by sustainable revenue growth through continued investment in digital and related capabilities that *“will enable clients to transact with ease”* (Nedbank Eswatini, 2022). This is consistent and aligned with the strategic goal of another competitor, First National Bank Eswatini, who indicate that through accelerated digitization they are on track to achieve a holistic self-service banking experience that is supported and enabled by effective and fit-for-purpose solutions and products (Times of Eswatini, 2022). It can be inferred from these statements that the traditional incumbents are signalling their recognition of a changing landscape and their willingness to respond effectively.

There are four commercial banking institutions that provide retail banking services in Eswatini (Eswatini Competition Commission, 2019; World Bank, 2022), a building society with limited retail banking offerings and five non-traditional providers of retail banking services inclusive of the two dominant providers of Mobile Money Services (World Bank, 2022; Central Bank, 2023). Three of the four commercial banks in Eswatini are subsidiaries of multinational firms with significant resources to adapt to competitive shifts within the market, as they can leverage the capabilities and resources of the parent or holding company. By being subsidiaries of large multinational banks, these three banks can benefit from economies of scale and the financial resources of the parent entity (Lee & Shin, 2018). However, while economies of scale may provide an advantage (Lee & Shin, 2018; Weng, 2022), it can be argued that these are no longer sufficient as sources of sustained competitive advantage (Si & Chen, 2020). Within the context of retail banking, this can be attributed to the disruption of the traditional banking model through technology related advancements and the evolution of customer preferences (McKinsey, 2019).

The one indigenous commercial bank is wholly owned by the Government of the Kingdom of Eswatini and benefits from unique concessions as its primary mandate is to be a development focused bank (Eswatini Bank, 2023). As such, it can be reasonably expected that it has a unique competitive edge in comparison to other industry participants.



[1]

FIGURE 1: COMMERCIAL BANK PROFITS FOR THE PERIOD 2020-2022 IN ESWATINI.

Sources: nedbank.co.sz; fnbswaziland.co.sz; ib.swazibank.co.sz; standardbank.co.sz; sbs.co.sz.

In consideration of the above circumstances within the Eswatini banking and financial services sector, a notable question to ask would be: do innovative and disruptive practices determine market structure, or does market structure and competitiveness determine the levels of innovation and disruption? The Financial Services Board (2021) highlights that technology is increasingly changing the way in which financial institutions operate and the structure of the markets in which they operate. Emerging economies, such as Eswatini, are considered to have higher indicators for exploiting the concept of disruptive innovation than more developed economies because of the high barriers to entry that limit accessibility to financial services (World Bank, 2015).

[1] * Local building society licensed to offer limited retail banking services but competes with the commercial banks
** Local indigenous bank wholly owned by the Government of Eswatini

In conclusion, the Eswatini retail banking environment offers a unique and multidimension context characterised by a small-scale market, a financial sector development policy focus, a shifting competitive landscape with limited collaboration, mobile financial services proliferation and a paradoxical relationship between financial inclusion and financial activity. These aspects make Eswatini ideal to understand and challenge the relationship between innovation and disruption in relation to competition and competitive advantage.

1.4 Theoretical Relevance of The Study

Historically, the nature of a firm's competitors and the external environment in which it operates have had an influence on how a firm chose to differentiate itself for sustained performance (Davis & DeWitt, 2021). In the formulation and implementation of competitive strategies for competitive advantage, firms have had to focus on how they relate to the industry in which they operate (Porter, 1990). Michael Porter, through the use of the Five Forces model, pioneered the importance of external factors in a firm's competitive positioning (Kilduff, 2019). However, these external views on the competitiveness of a firm ignored the heterogenous nature of firms' internal capabilities and its ability to influence and respond to industry and market forces (Barney, 1991).

Over time, research has suggested that sustained performance through competitive advantage is generated when a firm utilises its unique capabilities to create and capture more economic value than competitor firms within the same industry (Wang & Gao, 2021). This promoted a shift from an external view to an internal view of a firm's ability to generate more value than its competitors (Peteraf, 1986). The development and emergence of the resource-based view and the dynamic capabilities of the firm are key outcomes of this shift. While the resource-based view theory is based on a static perception of a firm, the dynamic capabilities view perceives the firm as agile (Arend & Bromiley, 2009). These two theoretical frameworks are complementary; in other words, the possession of dynamic capabilities alone may not result in competitive advantage, and thus these capabilities may need to be augmented with the unique internal capabilities of the firm highlighted through the resource-based view (Teece, 2014). Additionally, Barney (1991) posits that a firm's potential for competitive advantage rests in its resources being valuable, inimitable, rare and non-substitutable.

More recently, the business environment has emphasised the role of innovation and disruption in generating and delivering competitive advantage for a firm. In the modern-day business environment, the ability to innovate is vital for a firm's survival (Agyei-Boapeah et al., 2022). An awareness and understanding of disruption and innovation frameworks and concepts allows business leaders to continuously develop strategic initiatives that organisations and firms can use to compete and gain a competitive advantage. This can be attributed to the assertion that strategic and managerial decisions in a firm define firm resources and capabilities and also determine where and how these are utilised (D. J. Teece, 2014).

Multiple definitions of innovation exist, with literature suggesting that innovation can be defined across a spectrum of activities that influence a new outcome (Kahn, 2018). Christensen et al. (2015) define disruption as the process by which smaller firms can challenge larger and established incumbents and further highlights the importance of a firm's ability to adapt to change through innovation. While it is generally accepted that innovation is key to sustained competitive advantage, it is also well-documented that innovations can fail or be considered futile (Liu, n.d.), further highlighting the importance of knowing when and where to deploy resources for organisational success.

Competitive forces have always played a central role in both the industry level and firm level analysis of strategy and the superior performance of firms (Chatain & Zemsky, 2011). Dynamic competition and the role of innovation have necessitated that business models change, with digital ecosystems becoming a more common feature in competitive business environments (Cozzolino et al., 2021). Within the context of banking and financial services, literature does not seem to provide a common view on the impact of new-to-bank innovations on the profitability of and value captured by banks (Issaka Jajah et al., 2022). Therefore, it is of academic and business interest to understand how retail banking service providers can create and maintain competitive advantage in light of and through continued disruption and innovation. By embedding the capabilities of retail banking firms and service providers with strategic management into competitive analysis, insights into creating and maintaining a competitive advantage can be developed.

1.5 Purpose Statement

The purpose of the study is to uncover how innovation and disruptive practices are reshaping the competitive landscape of Eswatini's retail banking industry, ultimately driving sustainable economic gain and competitive advantage for service providers.

The research aims to contribute to the existing literature and provide guidance to business managers within the Eswatini retail banking industry and other similar industries and contexts. Research reports on Eswatini's financial services sector have mainly focused on social and economic development related constructs. Little research has focused on the strategic management choices within the competitive landscape of the financial services industry. Therefore, this research report seeks to offer insights into the role of product innovation and disruption as a means to achieving sustained competitive advantage in an evolving competitive environment.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the existing literature on the influences of a firm's competitive advantage, particularly the role played by innovation and disruption within the context of retail banking, in an emerging market context. The research premise is underpinned by the concept of creative destruction in dynamic competition and draws on Schumpeterian Growth Theory, Resource-Based View Theory, Dynamic Capabilities, and Value Capture Theory as theoretical frameworks. These theoretical frameworks are not only complementary but also mutually supportive and are anchored by innovation and disruption as separate theoretical constructs, as articulated in the relevant section of this chapter. This section also presents a perspective on innovation and disruption as separate constructs in comparison to creative destruction, and further reviews and analyses their interconnectedness.

This chapter not only reviews literature but also seeks to build an argument for the research based on the application of the literature and theories highlighted. The section will further provide considerations for firm and industry behaviour in relation to innovation and disruption for sustained economic gain.

2.2 Schumpeterian Growth Theory

2.2.1 Introduction to Schumpeterian Growth Theory

Evolutionary economics views an economy as dynamic and ever-changing in the pursuit of providing goods and services for human consumption (Dosi et al., 2018). This perspective fuels the concept of "creative destruction" at the core of Schumpeterian theory, which emphasises the capitalist and competitive firm's need for new methods of production, improved goods and new markets (Aghion & Festré, 2017). While Schumpeter's analysis was primarily focused on manufacturing (Nelson, 2020), there is a need to evaluate Schumpeterian Growth Theory in service industries like financial services, which are continuously disrupted by technological innovation (FSB, 2019).

Schumpeterian Growth Theory is an economic growth theory based on the concept of "creative destruction" (Aghion et al., 2015), which relates to the process of technological innovation driving long-term competitiveness and economic growth for firms (Pyka et al., 2018). Evolutionary economics, for which Schumpeterian theory is at the core, posits that in a competitive environment, technological innovation creates new products and services (Pyka et al., 2018). This phenomenon is also observed in industries that are dominated by oligopolies, where significant innovation can often occur (Dosi et al., 2018), as can be seen in the banking industry. The banking industry in Eswatini, which is oligopolistic in nature, exhibits similar traits. Aghion et al. (2013) posit that through the Schumpeterian lens, there can and will be two types of competition in any sector: first, where the firms are innovating at par with each other, and secondly where a leading firm stays ahead of its competitors. Despite the existence of these two types of competition suggested by Aghion et al. (2013), the Schumpeterian theory, through its fundamental principles, implies that lagging firms may catch up with the leading firm's innovation and technology. This means that lagging firms can catch up and be at par or leapfrog, or even become obsolete, depending on the structure of competition.

2.2.2 Implications of Schumpeterian Theory on Industry Dynamics

In its very nature, the concept of creative destruction creates winners and losers (Nelson, 2020) where existing products and technologies become obsolete as new ones emerge; simultaneously bringing fortune and also resistance to the change (Aghion & Festré, 2017). Due to this, it is argued by Schumpeterian Growth Theory that regulatory and governing institutions must provide the right level of oversight at the different stages of technological development to avoid a zero-profit industry (Aghion et al., 2015; Joseph, n.d.). The provision of regulatory oversight creates restrictive practices in an industry and can serve as a means to ease resistance to change and create industry alignment (Aghion et al., 2015; Aghion & Festré, 2017; Joseph, n.d.). This is true and relevant in the case of financial services, specifically in the context of technology-led product innovation, where the impact of increased competition depends on the stage of industry development and the regulatory environment in each market (FSB, 2019). While it is argued that institutional oversight can restrict innovation, it can also be argued that it can also enhance it by fostering and providing stable and predictable frameworks for innovation to thrive (Aghion & Festré, 2017; Si & Chen, 2020). Particularly, as it can be argued that unregulated creative destruction in retail banking can lead to high-risk behaviour by incumbents and new entrants, which could cause significant financial instability, therefore eroding economic gains or competitive advantage (Baron, 2019).

2.2.3 Schumpeterian Theory in Financial Services

Schumpeterian theory has mainly been used in studies related to the intersection of economic development and innovation (Diallo & Koch, 2018). There is a lack of literature on the application of this theory in financial services and more specifically in retail banking. Despite this dearth of literature, (Meierrieks, 2014) indicates that central to the Schumpeterian theory, there is a “finance-innovation nexus” that suggests a relationship or interaction between financial systems (in the form of technologies or institutions) and innovation, particularly in the context of evolutionary economics. While there is evidence of literature that suggests that product innovation can drive economic gain in retail banking due to its disruptive and transformative potential (Agyei-Boapeah et al., 2022), there is insufficient literature and a need for research on the mechanisms in which this innovation-led growth occurs and its effects within financial services.

2.3 Resource Based Theory

2.3.1 Introduction to Resource Based Theory: A Foundation

The resource-based theory and view of the firm consider that the primary sources of a firm’s competitive advantage and long-term success are its strategic resources and capabilities, as these provide guidance for the firm’s strategic direction (Grant, 1991). One of the main underlying assumptions of the resource-based view theory is that these resources and capabilities are heterogenous across firms (Pateraf, 1993; Varadarajan, 2023). To maintain this basic level assumption, the internal resources and capabilities must not only be utilized but must also be continuously invested in to ensure that they are organized effectively and create unique value that is hard to imitate (Wernerfelt, 1984; Peteraf, 1993). Additionally, Pateraf (1993) argues for the protection and durability of these resources to limit the potential erosion of economic value for a firm caused by intensifying competitive forces. The protection and continuous investment in these resources reinforce another assumption of the resource-based view, which is the imperfect mobility of resources (Grant, n.d.). Resource immobility, or imperfectly mobile resources, are resources that have been specialised for firm specific needs, thereby maintaining and enabling the heterogeneity of resources across firms within an industry (Kozlenkova et al., 2014; Peteraf 1993).

The resource-based theory is intended to help us answer the question of why some firms consistently produce better performance results than other competitor firms over a sustained period (Wernerfelt 1984; Davis & DeWitt, 2021). This is because a firm's resources are a part of its identity, culture and capability sets, inherently driving the firm's performance, and can be classified as a firm's core competencies (Hamel & Prahalad, 1990; (Grant, n.d.). Wernerfelt (1984) posits, through his assertion that a resource is a strength or weakness of a firm, that by using the resource-based view of the firm we can identify the types of firm resources that lead to higher profitability. This can be done by identifying the heterogenous resources of a firm by applying the VRIO (value, rarity, imitability & organisation) framework (Varadarajan, 2023).

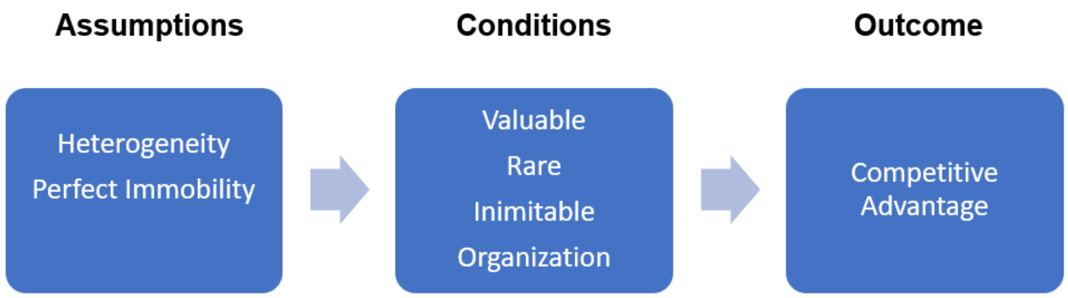


FIGURE 2: DIAGRAMMATICAL SUMMARY OF RESOURCE BASED VIEW

Sources: Adapted From David-West et al., (2018).

2.3.2 Challenges and Criticisms

While the resource-based theory can help managers and executives identify sources of competitive advantage, the static nature of this theoretical framework does not enable firms to identify how they can develop these resources to achieve economic gain over time through competitive advantage (David-West et al., 2018). It does not provide practical and meaningful ways in which firms can sustainably develop rare, valuable, inimitable resources for economic gain. Varadarajan (2023) argues that while a firm's resources may meet the VRIO framework, the true advantage is derived from the possession of distinct competencies that it uses to exploit the resources in its possession. This stresses the importance of "O" in the VRIO framework, which includes the culture, processes and systems in place to exploit its resources effectively (Beamish & Chakravarty, 2021). This encompasses and includes the ability to identify areas for improvement and take the necessary steps to enhance its resources. Inversely, a poor organisational construct of a firm may limit its ability to realise the full potential of resource-based advantage (Davis & DeWitt, 2021). An inability to successfully identify, organize and deploy resources for competitive advantage may result in causal ambiguity (David-West et al., 2018), where a firm is unable to define nor identify the source of its competitive advantage. This may lead to vulnerability to changes in market dynamics.

The resource-based view of sustained competitive advantage links to innovation literature such as Schumpeterian theory as it highlights the importance of valuable and rare innovations and internal capabilities in driving economic gain. However, Schumpeterian theory argues for the impact of external innovative forces on a firm's internal capabilities and resources (Aghion & Festré, 2017; Diallo & Koch, 2018). In contrast, the resource-based view argues that firms can hold on to their unique internal resources for a long time and, therefore, sustain their competitive advantage over a long period due to the underlying assumption of heterogeneity of resources (Barney, 1991; Beamish & Chakravarty, 2021; Kozlenkova et al., 2014).

In contrast, what is not clear in the literature is whether innovation external to a firm and within its industry can shorten its competitive advantage lifecycle given its unique, valuable and inimitable resources. Baron (2021) argues that no single product innovation can extend a firm's competitive advantage over time, but rather a series of product innovations may result in a sustained competitive advantage. This assertion emphasises the importance of the organisation component of the VRIO framework in enabling the firm to exploit its resources in a structured and systematic manner. The focus of the resource-based view on internal capabilities for competitive advantage has been challenged by a number of authors, who argue that the resource-based view does not take into consideration market conditions and industry structure (Barney, 1991). Therefore, it remains uncertain whether the resource-based view is suitable in an environment characterised by dynamic competition. Particularly, as research has shown that firms do not operate in isolation, and firm behaviour is influenced by its environment of business (Baron, 2021).

The attributes of this resource-based view theoretical framework are relevant to the context of this research paper. Beamish & Chakravarty's (2021) assert that the resource-based theory is also useful in assessing a firm's competencies even in the context of a multinational firm. This multinational view of the firm is relevant in the context of this research as the retail banking industry in Eswatini is dominated by multinational banks and Fintech firms (Central Bank of Eswatini, 2022).

2.4 Dynamic Capabilities

2.4.1 Introduction to Dynamic Capabilities: A Foundation

Dynamic capabilities can be defined as a firm's ability to successfully navigate uncertainty caused by the prevalence of innovation and complexity (Teece et al., n.d.). These capabilities improve a firm's ability to sense, assess and respond to the uncertainty. Further literature articulates that a firm that possesses dynamic capabilities can alter its operational capabilities and make the necessary shift to new ways of delivering sustainable value (Helfat, 2018). The existence of these capabilities determines whether a firm can effectively deliver on its strategy, and when these capabilities are understood, they enable business leaders to create and maintain a firm's competitive advantage (Teece et al., 1997). If a firm can shift into a different market, such as the bottom of the pyramid, grow organically, use different business models in comparison to incumbents, and succeed, then that firm possesses dynamic capabilities (Christensen et al., 2015). Therefore, creating a competitive advantage for the firm. This emphasises that a firm that can effectively deploy its dynamic capabilities in the formulation and implementation of value creating strategies will capture superior value and financial performance (Varadarajan, 2023).

2.4.2 Dynamic Capabilities vs. The Resource-Based View

The dynamic capabilities view of the firm builds on the shortcomings of the resource-based view by integrating changes in the operating environment of the firm into its ability to create and sustain a competitive advantage. The dynamic capabilities view, unlike the resource-based view, distinguishes between a firm's resources and its competencies. It argues that a firm needs to have the competency and capability sets to formulate and implement value-creating strategies through the use of its resources to achieve superior economic performance (Varadarajan, 2023).

The dynamic capabilities of a firm, through leveraging innovation and technology, allow it to discover a combination of competencies that have the potential to unlock new markets that competitors have not yet explored. By embracing dynamic capabilities, firms, and retail banking firms in particular, can achieve sustained success and competitive advantage within an environment characterised by dynamic competition (Shoemaker et al., 2018). It is argued that dynamic capabilities can be used to explain how retail banks have responded to the emergence of non-traditional retail banking providers (Muthukannan et al., 2019). While the resource-based view of the firm focuses on the internal capabilities of a firm by leveraging the resources at its disposal, the dynamic capabilities view of the firm allows it to monitor its external environment and how it can effectively safeguard it and build the right level of resilience in the face of an ever-changing business environment. This dynamic capability view is aligned with the strategic management of a firm which emphasises the importance of a firm having a strategy congruent with its external environment to achieve organisational success (Beer et al., 2005).

2.4.3 Dynamic Capabilities and Market Success

According to (Arend & Bromiley, 2009), dynamic capabilities address issues of strategic change affecting a firm; therefore, it is important that these capabilities are invested in and maintained. This involves firms, particularly incumbent firms, learning how to do new things in an incremental and experimental manner and embedding this as part of their routines (Nelson, 2020). By learning how to do new things, firms develop new competencies that increase their range and variation of alternative strategic choices and courses of action.

Dynamic capabilities as a concept entails a wide range of firm capabilities and routines, but in the contemporary business sense only focuses on innovation in technology (Helfat, 2018). The competitiveness of a firm is driven by its ability to proactively access technological expertise and integrate it within its operations (Bogers et al., 2019). This proactive ability is based on a firm’s routines and processes that allow it to seize the technology and reconfigure it within its own operations to take advantage of new opportunities for competitive advantage. A firm that is able to achieve this will align with the market it serves as well as technological developments during periods when competitors and customers change (D. J. Teece, 2014), reducing potential risk to its profitability (D. J. Teece, 2007).

Large firms with legacy platforms, like retail banks, face complexity and compatibility challenges with integrating new technologies into their existing platforms (Lee & Shin, 2018). This can cause negative disruptions in operations, inclusive of downstream impacts such as deteriorated client experience and market perception, further impacting the profitability of the firm. These challenges faced by large firms highlight the importance of possessing the four core capabilities of dynamic capabilities namely; a.) sensing capability, which is the continuous and constant scanning of the operating environment for new ways of doing business and other adjacent markets, b.) learning capability, which refers to the ability of a firm to acquire new information and use it to reconfigure its existing capabilities, c.) integrating capability, which is the ability of a firm to create shared understanding of the newly acquired and integrated knowledge such that it becomes standard practice as part of the organisational capabilities of the firm, and d.) coordinating capability, referring to the optimal coordination of activities and tasks for successful execution (Schmidt & Scaringella, 2020; Teece, 2018; Pavlou & El Sawy, 2011). The development and presence of these capabilities are integral to a firm's ability to remain competitive, particularly within the context of dynamic market conditions. The need for these capabilities is heightened in emerging economies, such as Eswatini, to the perceived presence of greater potential to exploit changes in the environment (Si & Chen, 2020).

2.4.4 Intersection of The Resource-Based Theory and Creative Destruction

Based on the preceding discussion and review of literature in this research report, dynamic capabilities can subsequently be highlighted or defined as the intersection of the resource-based theory and the creative destruction theory posited by Schumpeter. A firm that is able to reconfigure its internal resources by integrating external competences and innovations resulting in new products and services possesses dynamic capabilities (Bogers et al., 2019; D. Teece et al., n.d.). However, several factors limit a firm's ability to develop dynamic capabilities. Organisational inertia, which includes resistance to change amongst employers and executives, is one such limitation (Christensen et al., 2018), which is in contrast to the core pillars of dynamic capabilities in sensing and seizing the changes in the operating environment. This places a strong reliance on leadership's direction and its ability to create an environment in which the firm is able to reduce barriers and constraints to the enablement of dynamic capabilities (Ambrosini & Bowman, 2009). This is further argued by (Teece et al., 2016), who emphasise the importance of managerial cognition through the formulation of a strategy that is coherent and provides the right level of enablement for innovation to thrive. The possession, use and continued transformation of dynamic capabilities is pointless without a strategy from which direction can be sourced.

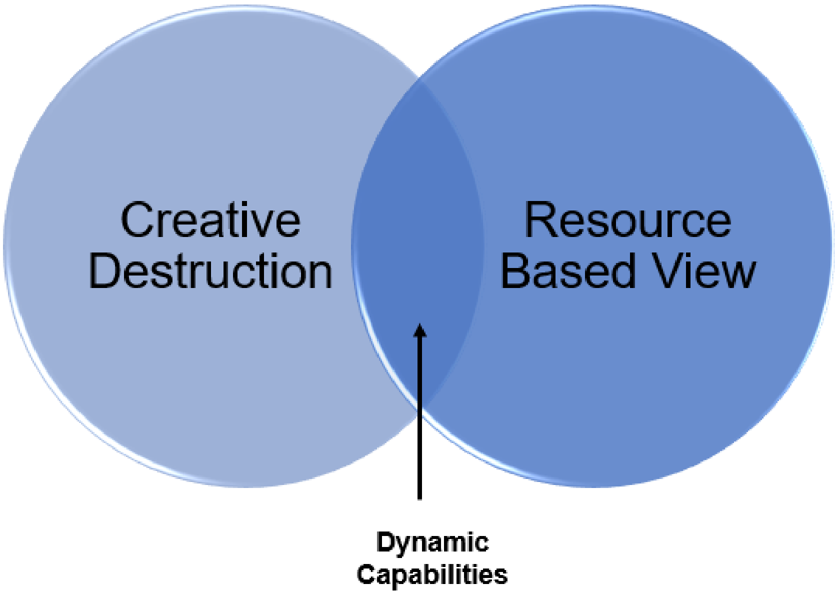


FIGURE 3: VENN DIAGRAMM OF INTERSECTION OF CREATIVE DESTRUCTION & RESOURCE BASED VIEW

Source: Author's Own

This emphasises the relevance of the dynamic capabilities' framework within the context of retail banking in Eswatini, as shifts in the use of technology for product innovation and the entrance of non-traditional competitors are changing the way in which banks interact with customers and derive economic gain. The importance of dynamic capabilities in addressing innovation and disruption is clear; further research is still required on how dynamic capabilities can simultaneously facilitate innovation and enable an effective response to disruption, particularly from new entrants.

2.5 Value Capture Theory

2.5.1 Introduction to Value Capture: A Foundation

It is well established in strategic management that competitive advantage enables a firm or firms to create and capture more economic value than rival and competing firms (Oliver, 1997; Peteraf, 1986). For a firm to achieve competitive advantage, it must produce more economic value than its rivals. Following on from the resource-based view of the firm and its dynamic capabilities, it is argued that a firm's financial performance cannot only be due to its internal capabilities but also through two distinct ways that define Value Capture Theory; firstly, through perceived value that is subject to market and consumer sentiment, and secondly, through the price paid when an exchange of value occurs (Bowman & Ambrosini, 2000). Value Capture Theory places emphasis on the maximisation of value captured by a firm through its strategic choices, activities and positioning within a competitive environment (Gans & Ryall, 2017). The total value created within the industry and its distribution among competing firms can be classified as value capture (Chatain & Zemsky, 2011). This is based on the underlying assumption that the amount of value captured is equal to the amount of value produced. However, when value captured is equal to value created, it can be argued that there is no economic profit. Economic profit is when a firm is able to capture surplus value above the cost incurred in creating that value (Holland, 2023). Additionally, Lieberman et al. (2018), define value capture and creation as either static, representing economic gain achieved within a specific interval, or dynamic, reflecting sustained economic gain over longer periods of time. This distinction becomes important when managers and executives make strategic choices to achieve economic gain through innovation efforts. The choices and decisions made need to align with the type of value they seek to capture; either short term or long term and whether this will be done through increased value creation or through bargaining for a greater share of existing value created in the market (Almeida Costa & Zemsky, 2021). This is aligned with the views of Sharapov and MacAulay (2022), who emphasise that a firm's value creation and capture are a result of its organisational knowledge and the mechanisms through which it integrates this knowledge.

2.5.2 Frictions and Customer Preferences

A firm's ability to capture value is limited to what Chatain & Zemsky (2011) refer to as frictions, which are the incomplete linkages and asymmetries between sellers and buyers that limit either's ability to find alternatives (Gans & Ryall, 2017). The bargaining relationship between firms and customers will determine the value captured, which implies that the value that a firm can capture is only known at the time of sale, not at the time when value creation occurs (Bowman & Ambrosini, 2000). The bargaining strategy may put the sustainability of a firm's competitive advantage at greater risk due to its reliance on price rather than value created (Almeida Costa & Zemsky, 2021). Further, Almeida Costa & Zemsky (2021) highlight that a firm's limited resources and managerial attention may force it to make trade-offs on how much value they can either create or capture at any given time.

Brito and Minerbo (2022) provide three different types of value capture: a) through the firm obtaining a larger share of the existing value available in the market at the expense of competing firms; b) through price increases of products and services at the expense of the buyer; and c) through value creation that increases the overall value available in the market. The focus of this paper will be on the first and third aspects of value capture, as product innovation and disruption are intended to create new value, be it new to firm or new to industry, that can be appropriated for economic gain. Figure 1 indicates that the Eswatini banking industry tends to capture value through the third type of value capture. This is evidenced by the upward trajectory of profits in the industry.

Within the context of innovation and disruption, the ways in which firms capture value may also need to change to effectively reap the economic gain of the innovation or disruption in the market (Si & Chen, 2020). This ultimately means the measurement of the value captured in terms of frequency and the types of indicators may also need to change in line with the new business model or innovation. McKinsey (2019) highlights that for most traditional commercial banks, the focus has been on digitising the front-end customer experience as a means to capture additional value from existing internal capabilities. This, in effect, highlights the importance of adaptive value capture strategies to align with an evolving market landscape and further indicates the incremental nature of strategies and approaches that incumbent firms use to drive economic gain. Thus, the measures of value created and captured by incumbents relatively stay the same over time.

The discussion on value capture sheds light on the key role played by consumers in affirming a firm’s competitive advantage and, therefore, its ability to capture the perceived value of its product offerings. Varadarajan (2023) points out that consumer preferences determine the buying criteria for a firm’s products and its ability to appropriate the value it has created. These criteria and preferences include the perceived superiority of the value derived from a firm's product offering in comparison to its rivals.

2.5.3 Isolating Mechanisms

Isolating mechanisms also play a role regarding the extent to which firms, both incumbents and new entrants, can capture value from their innovations (Minerbo & Brito, 2022; Sharapov & Macaulay, 2022). James et al. (2013) argue that there are four ways in which firms can isolate themselves through “patents, secrecy, lead time and complementary assets". These four isolation mechanisms can be considered complementary, as it is argued that secrecy and patents can lead to an extended lead time (Holgersson & Granstrand, 2021). Based on these assertions, similarities between these isolating mechanisms and the VRIO framework of the resource-based view of the firm can be drawn. More specifically, the "V" in the VRIO framework refers to the value derived from a firm's resources, and it can be argued that the patents and secrecy isolating mechanisms are directly related to this aspect as these patents create value for firms that competitors cannot. These aspects of isolating mechanisms can lead to the development of the imitability pillar of the VRIO framework, which refers to the degree of difficulty faced by rival firms in replicating the valuable resources of a firm. Similarly, the "R" represents rarity in the VRIO framework and aligns with the "lead time" aspect of the isolating mechanisms, as extensive lead time on an innovation by a firm can create rarity and scarcity. A firm is, therefore, not passive in its appropriability regime (Sharapov & Macaulay, 2022). Meaning that a firm's ability to benefit economically from its innovations is a direct result of the strategic decisions that it makes to ensure that mobility of knowledge and resources is restricted to prevent imitation and enable maximum appropriation of value.

2.6 Innovation & Disruption

2.6.1 Defining Innovation and Disruption

Drawing on the resource-based view, Schumpeterian's theory and dynamic capabilities, it is important to define innovation and disruption and how these two constructs impact firms, particularly retail banks, in achieving sustained competitive advantage. Innovation and disruption have become the symbol and face of the rapid pace of technological advancement across industries, highlighting the transformative impact they have had on firms and industries (Gomber et al., n.d.). Tidd & Bessant (2019) argue that innovation is not only about technology but rather encompasses multiple factors such as social norms, regulatory oversight and customer needs. The argument is underpinned by the proposition that a siloed approach to innovation may limit an organisation's ability to fully reap the rewards of its innovative potential. While an integrated approach to innovation may serve as the ideal construct, in practice it can be argued that this is not feasible as resources are a constraint (Petit & Teece, 2021), with firms finding it a challenge to timely align product, market and organisational strategies seamlessly. Innovation within the financial services industry can range from non-disruptive to disruptive and may be incremental or sustaining, depending on the competitive landscape of the context (Dobni, 2006).

A distinction can be drawn between innovation and disruption. Innovation is considered the process of creating and incrementally implementing new ideas, products or processes for the benefit of firms and their stakeholders (Tidd & Bessant, 2019), whereas disruption can be referred to as the prevalence of new entrants challenging incumbents through new business models, products and technologies (Christensen, 1997). Existing literature does not provide a sufficient and holistic systematic analysis of the interplay of these two constructs, yet there is evidence of these being pivotal in a dynamic competitive environment. Despite this view, innovation that results in business model shifts and the discovery of viable alternative markets can be considered disruptive (Si & Chen, 2020), suggesting a significant relationship between the two constructs and a congruence with the dynamic capabilities view as defined by Christensen et al. (2015). While no innovation is inherently disruptive (Schmidt & Scaringella, 2020), the strategic decisions made by firms, along with their resource capabilities and allocation, can transform innovative practices into disruptive ones (Si & Chen, 2020). What the literature seems to highlight consistently is that innovation, particularly incremental at the product level, is the approach of choice for incumbent firms that seek to continue to embed themselves in their existing customer base (Petit & Teece, 2021; Zach et al., 2020), whereas disruption is the approach for new firms who tend to target underserved market segments within the same industry (Callander & Matouschek, 2022). Traditional retail banks tend to leverage their existing customer base and capabilities to introduce innovative products and services (Dobni, 2006), while focusing on extracting maximum value from their most profitable products and customer segments (Schmidt & Scaringella, 2020).

2.6.2 Strategic Responses to Innovation and Disruption

There are several external factors, apart from the use and application of technology, that are regarded as positive drivers of innovation and/or disruption within competing firms. These factors may include macro-level influences at both the industry and national levels, such as the level of education, the infrastructure available to support innovative and disruptive practices, and the nature of institutional oversight (Meierrieks, 2014). This is consistent with Si and Chen's (2020) proposition that while firm level activity influences innovation and disruption, it is not exhaustive as there are other factors such as individual talent level, industry behaviour and macro-economic forces that play a role in a firm's ability to not only innovate and/or disrupt but to also respond to innovation and disruption.

Innovation can be used as a means to insulate a firm from disruption through the incumbent firm engaging in excessive innovation at the risk of self-cannibalisation, to reduce prices and costs, and thereby making entry into the industry unattractive (Baron, 2021). This defence strategy draws comparisons with the creative destruction principle argued by Schumpeter and highlights the risk of incessant innovation—new innovations leveraging off the ones before them, eroding economic rent or profit despite sustaining a competitive advantage for the firm. Innovation in retail banking encompasses multiple facets; however, the core scope of this research will attempt to focus on product innovation. Product innovation involves increasing product capability through features and attributes that enable differentiation in a market (Baron, 2021).

"All innovation is about letting go, saying goodbye to things to create space for the new." – By Geoff Mulgan

Disruption can be seen as an opportunity for large incumbent firms to scan their environment and identify opportunities for new products that allow them to effectively compete with existing firms and new entrants (Garcia-Sanchez et al., 2018). Disruption has been seen as a means to explain the ways in which new and simpler innovations, targeting niche markets, have been able to gradually compete and challenge established firms (Callander & Matouschek, 2022; Schmidt & Scaringella, 2020). With regards to retail banking, this has been seen with the advancement of and proliferation of financial technology firms, which are offering alternative delivery methods for financial services. This is congruent with Christensen et al.'s (2018) assertion that disruption is no longer underpinned by technology but rather by business models. This is also the finding of Schmidt and Scaringella (2020), who found that the disruption process is effective in addressing new customer demands that incumbent firms may tend to overlook or not have the necessary agility to respond to, particularly as disruption tends to emerge in non-conventional and non-established markets. Incumbent firms tend to not have the required dynamism in their business models to create and commercialise disruption sustained competitive advantage (Si & Chen, 2020).

While Cozzolino et al. (2021) argue that incumbent firms’ defensive strategies limit disruption, Wessel and Christensen (2012) provide further barriers and limitations to disruption which include the readiness of the customer base, the level of interconnectedness or interdependence in the industry, the availability or lack of technical expertise, and the existing cost structure within the industry. This highlights and is consistent with Meierrieks (2014) argument that innovation and disruption do not happen in a vacuum or in isolation, and multiple factors need to be in place for them to be present. Whether these are exhaustive and consistent across contexts and industries is a matter of debate and is not within the ambit and scope of this research report. What literature does suggest is that emerging economies, such as Eswatini, provide better conditions and prospects for disruption to occur (Si & Chen, 2020). However, for a firm to respond effectively to innovation or disruption within its competitive environment, it must meet three criteria: a) awareness of the competitive action, innovation or disruption; b) be motivated to respond if it is determined that the competitive landscape warrants it; and c) possess the capabilities required to successfully thwart or respond to the innovation or disruption (Sharapov & Macaulay, 2022). Ho and Chen (2018) add a fourth criteria that refers to making strategic response decisions in a timely manner. In retail banking, incumbent firms are aware of the disruption caused by the entry of new non-traditional competitors and are generally motivated to respond to the competitive threat, especially as market conditions change (Muthukannan & Gozman, 2019). However, the debate is regarding whether the motivation is adequate and whether incumbents and established firms possess the capabilities to effectively respond to the new environment.

One argument, supported by Cozzolino et al. (2021), suggests that collaboration between the incumbent organisations and the disruptors could result in mutually beneficial economic gains. This viewpoint emphasises the potential for cooperation and the leveraging of complementary strengths between traditional and non-traditional players. On the other hand, Almeida Costa and Zemsky (2021) present an argument focused on the competitive rivalry within the industry, emphasising the potential for intense competition between both incumbent firms and disruptors. This perspective suggests that collaboration may not be the only likely outcome, and the competitive landscape may witness heightened rivalry and strategic positioning among industry players and participants.

2.7 Conclusion

The review of literature and theoretical frameworks highlights the work that has been done in the field of strategic management and firm positioning for competitive advantage. Despite the research that already exists, there is still a need to explore the role and use of innovation and disruption to gain and sustain a competitive advantage for economic reward in a dynamic and competitive environment characterised by technology-led shifts in firm behaviour.

Incorporating insights from the resource-based view, Schumpeterian Growth Theory, Dynamic Capabilities and Value Capture Theory provides a holistic view of the challenges and opportunities that face retail banks in an evolving operating business environment.

CHAPTER 3: RESEARCH QUESTIONS

3.1 Introduction

Based on the preceding section of this research report, the researcher argues for the amalgamation of the theoretical insights stemming from creative disruption, the resource-based view, dynamic capabilities and value capture models. This integrated approach serves to address the strategic management question of the role of innovation and disruption in creating and maintaining a competitive advantage within an increasingly competitive environment.

The reviewed literature highlights that for an organisation to attain sustained economic rents, it must possess a unique competitive advantage in comparison to its peers in the market (Hales & Mclarney, 2017; Petit & Teece, 2021). This competitiveness, through the use of innovation as a competitive strategy and disruption as a force of change, means a firm's sources of competitive advantage will change over time as internal firm resources and economies of scale are transformed for the purposes of long-term economic gain (Weng, 2022).

The literature stresses and reinforces the significant role played by innovation in gaining a competitive edge for a firm. Innovation is seen as a means for incumbent banks to defend their market positions and disrupters to challenge the more established and traditional firms (Agyei-Boapeah et al., 2022; FSB, 2019; Gomber et al., 2018). It is also important to distinguish between incremental innovation and disruptive innovation, as these have distinct impacts on competitive advantage (Agyei-Boapeah et al., 2022; Christensen et al., 2018). Disruption can be recognised as a force that can influence the market structure and shape of the competitive landscape (Zach et al., 2020). New entrants employing innovative business models and technologies for product development can disrupt traditional retail banking operations. It is argued that in the face of this phenomenon, established retail banks need to be vigilant and agile to effectively respond to disruptive threats (Bogers et al., 2019; Schoemaker et al., 2018).

The research report, therefore, seeks to understand how innovation and disruption contribute to the sustained competitive advantage of retail banking service providers in Eswatini. This will be achieved through the integration of key theories such as the resource-based view, Schumpeterian's theory of creative destruction, dynamic capabilities and value capture.

3.2 Research Questions

Research Question 1.

What are the challenges and enablers of retail banking disruption and product innovation in Eswatini?

This research question is self-explanatory in that it seeks to understand the underlying and prevailing conditions that are in place for innovation and/or disruption to occur within the Eswatini retail banking industry. Further, it seeks to understand the limitations of innovation and disruption.

Research Question 2.

What are the product innovation and disruption strategies that retail banking service providers use to create competitive advantage for economic gain?

The aim of the question is to understand the deliberate methods that retail banking service providers in Eswatini use to innovate at the product level and disrupt at the market level. This is premised on the view that innovation and disruption are based on the strategic choices made by incumbents or new entrants to take advantage of market opportunities and also in response to market changes (Christensen et al., 2018).

Research Question 3.

Are retail banking service providers capturing value through product innovation and disruption, and to what extent?

Firms must not only focus on creating value through innovation and/or disruption but must also focus on capturing the value created (Holgersson & Granstrand, 2021; Sharapov & Macaulay, 2022). The ability to effectively capture value can impact a firm’s economic rents and has a direct relationship with its competitive advantage. Therefore, this research question aims to understand the perceived level of value captured through the use of product innovation and disruption.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

This section presents and discusses the research methodology that was chosen and applied to answer the three research questions outlined in the previous chapter. The justification of the chosen research methodology, design and process is grounded in literature.

4.2 Choice of methodology

4.2.1 Philosophy & Methodological Choices

The research philosophy to be used will be interpretivism. This is primarily because the researcher seeks to perform business and management related research (Saunders & Lewis, 2018) based on the nature of the proposed research questions. Interpretive research philosophy focuses on understanding the subjective experiences of social actors within a phenomenon (Than & Than, 2015) and uses the researcher as an instrument within the data gathering, analysis and interpretation process (Spiggle, 1994). The research questions were directed towards understanding the perceptions and insights into competitive advantage, as well as the effects and use of disruption and innovation on the retail banking industry in Eswatini. This highlights that the research questions are subjective in nature and may not fit into the quantitative sphere of research as they are neither quantifiable nor measurable. The more suitable research method that was followed for this study was qualitative.

A qualitative research design is appropriate when a researcher seeks breadth of understanding through exploration (Patton, 2002), which aligns with the objectives of this research. Qualitative research is considered complementary to the interpretivist philosophy of research as it uses interrogative strategies to gain deeper insights from respondents (Barnham, 2015). The researcher used the mono qualitative method through semi-structured interviews consisting of in-depth descriptive questions. A mono method refers to a single data collection methodology (Saunders & Lewis, 2018), which can be either qualitative or quantitative but not a combination of both (Myres, 2023)

4.2.2 Approach

Yin (2016) posits that an analysis approach that allows flexibility in understanding the decisions and actions of participants and social actors within a context is considered inductive. Whereas deductive approaches to research seek to test existing literature through a “top-down” approach to data analysis (Saunders & Lewis, 2018). Given that the research sought to understand how retail banking firms use and respond to innovation and disruption to maintain their competitiveness for economic gain, a combination of the inductive and deductive approaches was seen as suitable for conducting this research. The integration of inductive and deductive analysis is a common and effective practice and entails starting with literature based deductive analysis and then proceeding to expand the research based on the researcher’s observations (Saunder & Lewis, 2018). The combination of the two analysis approaches was done by first developing a conceptual model by integrating theories from the literature review indicating a deductive approach, then developing the research and analysis by identifying themes, codes and categories that became apparent and prevalent in the analysis of the data collected. This thematic analysis is consistent with Saunders and Lewis (2018), who highlight that through the inductive approach to qualitative data, it is expected that patterns will emerge that help refine and build on theory. Refining and building on theory can be considered the application of existing theory across different contexts, which the researcher hopes to achieve by conducting this research in Eswatini.

4.2.4 Purpose of Research Design

The researcher sought to gain new insights into the competitive landscape of retail banking in Eswatini and how incumbents and new entrants are responding to changes brought about by innovation and disruption within their competitive environment. Therefore, the appropriate research design used for this study was exploratory, which is applicable when the aim of the research is to seek new insights on contemporary topics (Saunders & Lewis, 2018; Yin, 2016) through the use of qualitative research methods. The use of innovation and disruptive practices for competitive advantage is a relevant and significant topic, particularly in financial services. The Financial Stability Board (2019) highlights that the emergence of bank-like service providers through the spread and use of financial technology has the potential to impact market structure and the behaviour of traditional banks. As part of the exploratory research design, the use of in-depth and descriptive semi-structured interview questions was deemed suitable for data gathering (Kallio et al., 2016). This approach allowed interviewees to respond based on their perceptions and experiences of the phenomena in question (Saunders & Lewis, 2018). The use of interviews to solicit insights from respondents facilitated the discovery of information and patterns that otherwise would not have been directly observed (Patton, 2002; Barnham, 2015).

4.2.5 Strategy

The chosen and applied research strategy was the case study method. Case study methods allow for a detailed study of phenomena through in-depth descriptive questions, with case studies being defined as the in-depth exploration of a particular phenomenon (Stewart, 2012; Saunders & Lewis, 2018) and can include individuals, groups or an organisation (Yin, 2018). The aim of the research was to understand the role of innovation and disruption across different retail banking providers, including both traditional commercial banks and non-traditional financial services. Therefore, the application of case study methodologies was the appropriate strategy to answer the research questions posed by the researcher. This approach was essential for the descriptive analysis used to process the data gathered from all research participants. Further, this research strategy protected against observer bias (Lakymenko et al., 2020), which can be defined as a researcher asking the same question in different ways and, therefore, influencing results and compromising the reliability of a study (Saunders & Lewis, 2018).

4.2.6 Time Horizon

A cross-sectional research design was used in this study. Cross-sectional data is defined as the study of a specific topic at a particular point time (Saunders & Lewis, 2018), making it the appropriate time horizon choice for this research project considering the time constraints imposed by GIBS for its completion. Due to this, cross-sectional data analysis does not allow for inferences to be made on cause-and-effect relationships (Myres, 2023). In this study, the researcher focused on studying innovation and disruption within retail banking during this period. The researcher did not propose any interventions that required the researcher to conduct secondary interviews with participants for the purposes of identifying the result of a particular deliberate action or intervention.

4.3 Proposed Research Methodology & Design

4.3.1 Population

Saunders and Lewis (2018) define the population as a complete set of group members and variables, inclusive of people, institutions and places that are available for a study. The population of the study included financial services organisations that provide retail banking services, inclusive of both traditional commercial banks and non-traditional providers of retail banking services, registered with the Central Bank of Eswatini. For the purposes of this research report, non-traditional providers of retail banking services included telecommunication firms, fintech firms and building societies licenced to operate within the Kingdom of Eswatini. These organisations have been operational for over two years and generate income. These qualifiers were selected because they were deemed sufficient for the organisations to have experienced the dynamics of the industry. Therefore, enabling research participants from these organisations to contribute effectively to this research report. The Central Bank of Eswatini is the banking and payments supervisor, with the mandate to regulate the banking sector to ensure stable monetary policy and a sound financial system (Central Bank of Eswatini, 2023).

4.3.2 Unit of Analysis

A unit of analysis within case study research refers to the subjects or entities that a researcher seeks to comment on (Roller & Lavrakas, 2015). In relation to the purpose of the study, the primary unit of analysis were the financial services organisations that provide retail banking services in Eswatini. This choice was informed by the observation that the theoretical frameworks discussed in Chapter 2 primarily relate to organisational level phenomena. However, the unit of observation was comprised of a sample of senior management, executives, and experts within financial services with a demonstrated history of working within the Eswatini retail banking industry. These individuals were deemed to possess the necessary knowledge and expertise to provide valuable insights into the competitive landscape of the retail banking industry in Eswatini. Their experience is documented in Chapter 5 of this research report.

4.3.3 Sampling Method and Size

The researcher used purposive sampling to ensure that research participants within the sample reflected the required characteristics and were a credible and reliable representation of the study population. These characteristics included the possession of the right level of knowledge and expertise to allow for in-depth discovery and analysis. Saunders and Lewis (2018) define this type of non-probability sampling as purposive, which is selective and subjective in the collection of qualitative data. The selection criteria for the population and subsequent research participants were based on the judgement of the researcher, as guided by the research purpose and literature.

The research participants in the sample possessed the following characteristics:

- A key decision-maker or influencer and has strategy development and organisational goal-setting responsibility.
- A leader within his or her organisation.
- A subject matter expert on various aspects of retail banking (e.g., digital banking, product management, data management) and has a proven track record of working within the Eswatini retail banking sector.
- Has experience in implementing signature programmes or responding to innovative and disruptive practices within the retail banking sector.

It is worth noting that since the researcher is currently employed within the Eswatini banking industry, he was able to use his industry networks and contacts to not only identify well-informed senior managers, executives and experts within these organisations but to also engage them directly to secure the interviews. The preference was to interview Heads of Retail Banking, Heads of Product Management, Heads of Electronic/Digital Banking, Heads of Operations and Technology, Heads of Transformation, Heads of Commercialisation or individuals with equivalent level designations. Snowball sampling, which is a non-probability sampling technique (Saunders & Lewis, 2018), was not applicable in this instance as the recommendations from purposively sampled participants were already participants that were in consideration or excluded because they did not fit nor meet the researcher's sampling criteria.

There are no rules for sample size in qualitative research (Patton, 2002), However, the sample size is influenced by saturation, which is the point at which further and new information from participants about the phenomena being studied no longer adds significant value nor changes the direction of the discussion (Saunders & Lewis, 2018). The researcher set out a sample size of no less than ten participants to be interviewed, regardless of whether saturation was achieved before the tenth interview. The researcher managed to successfully conduct and conclude 11 interviews. It is important to highlight that saturation was reached at the sixth semi-structured interview. This was experienced as the researcher was coding each transcript in Microsoft Excel.

4.3.4 Measurement Instrument & data gathering process.

The data gathering process was done through a combination of face-to-face and virtual (through online conferencing software) semi-structured interviews, with each interview lasting between 45 minutes and an hour. The choice of face-to-face or virtual was dependent on the preference of the participant and the prevailing conditions at the time. These types of settings for interviews, particularly face-to-face ones, allowed the researcher to pick up on changes in body language, tone and social cues for effective management of the interview process. This allowed the researcher to sense when to probe further and strengthen rapport with the participants. Consequently, the researcher was able to ask questions out of sequence where it was deemed appropriate. To ensure accurate understanding and assimilation of participants' responses, the researcher relayed summarised responses back to the interviewees to validate the researcher's interpretation and understanding of the responses. The interviewees were conducted in accordance with the interview guide included in Appendix C.

The semi-structured interviews were recorded and transcribed using the Otter.ai software, which is cloud based and can be installed and run on mobile devices. Further, it can be connected to virtual conferencing tools such as Microsoft Teams. This proved particularly valuable to the researcher in recording the virtual discussions. Yin (2016) highlights that for a qualitative interview to be conducted successfully, it must be conversational, non-directive, lack bias and be founded on a good rapport. These key core elements were followed as the researcher greeted participants, introduced himself, articulated the purpose of the research and solicited explicit consent from the participant to conduct the interview before delving into the research questions. Prior to an interview with a prospective participant, the interview guide, ethical clearance and consent letter were shared with all participants for credibility and transparency. In addition, it is advised that conducting pilot interviews is an important aspect of quality control and ensuring that interview questions are not leading (Saunders & Lewis, 2018). As a result, the researcher conducted a pilot interview with the assistance of a fellow GIBS MBA student who works in financial services to ensure the correct sequencing and flow of questions. This was done to ascertain the appropriateness of the interview questions and techniques applied, as recommended and described by Kallio et al. (2016).

The data gathering process was cost-effective, as all the commercial retail banks and non-traditional retail banking service providers in Eswatini are located within a 15-kilometre radius of each other. Further, the availability and use of online conferencing tools also made the data gathering process cost-effective. Consequently, this enabled accessibility to the research participants.

4.3.5 Analysis Approach

The researcher used a “DIY” approach for data analysis. The recorded transcriptions from the interviews were analysed by the researcher shortly after each interview to guide the research and the researcher through the themes that emerged. The researcher did this by listening to each recording at least twice and correcting for instances where the Otter.ai software mis-transcribed or where vernacular was used. Thematic analysis is a qualitative research method for identifying, analysing and reporting patterns within a data set (Braun & Clark, 2006). Nowel et al. (2017) highlights the importance of researchers familiarising themselves with the data, based on the literature review, prior to generating initial codes and common themes. These common themes that arose were given meaningful descriptors or codes that will allow for thematic analysis in the building of theory, in accordance with Saunders and Lewis (2018). These descriptors and codes, which the researcher considers exhaustive in congruence with Braun and Clark (2006), were then grouped to form meaningful categories to describe the observed themes. While the codes must remain meaningful, it is important for the researcher to be open to new themes that emerge as the analysis progresses to ensure that the descriptors and codes are exhaustive.

The researcher then proceeded to analyse and interpret the themes by capturing them on Microsoft Excel in relation to the three research questions of this study. The themes that emerged from each interview in line with the research questions were then linked to perform an analysis per research question.

4.3.6 Quality Controls

It is important to ensure quality control, trustworthiness and assurance in research, especially when using purposive sampling, which relies on a certain level of the researcher’s bias, subjectivity and judgement. To address this, participants were asked to review the researcher’s assessment of responses by confirming if they agreed with the researcher’s understanding and interpretation of their responses, as Yin (2016) posits that a key quality control measure in qualitative research (in comparison to quantitative research) is ensuring the validity of the researcher’s findings. Therefore, the validation of the research was a continuous process. Researcher’s bias, in ensuring validity of the findings, was mitigated through constant interaction with the assigned research supervisor who is an experienced researcher. Saunders and Lewis (2018) highlight the importance of ensuring that data that is collected is recorded and stored electronically with limited access via secure and restrictive log-in measures.

By using purposive sampling, the researcher performed a form of quality control as there was an acceptance criterion for selection into the research interview sample. An interview guide was used by the researcher to guide the conversation and identify the right moments to probe participants, in congruence with Yin’s (2016) assertion that interview guides can be used as a form of quality control in the research process. The researcher also used data triangulation by accessing publicly available secondary data (e.g., financial reports, reports to society, etc.) about the firms in the sample and proceeding to use this information as part of the interview process to validate the responses being provided by participants.

4.3.7 Limitations

The use of qualitative research methodology and subsequent data collection via semi-structured interviews presented a number of limitations. One such limitation is that semi-structured interviews, while soliciting in-depth responses, are limited to the perceptions of and interactions with the selected participants and may not completely reflect the experiences of the population (Yin, 2016). Another limitation was the probability of observer’s bias and subjectivity (Saunders & Lewis, 2018), particularly in the context of the researcher being employed within the industry being studied (which may have led to the formation of preconceived expectations of the competitive landscape). While some participants were initially uneasy about being interviewed, this changed once the researcher gave background on the research and shared the research interview guide with participants for them to review prior to accepting the interview invitation. The pilot interview conducted with a GIBS MBA colleague who works for a South African bank was helpful in identifying and refining any questions that may be perceived as requesting sensitive and proprietary information. Interviewee bias can also be a factor, and not just interviewer bias alone. The researcher is also not an experienced academic researcher at master's degree level and this, therefore, may have limited the researcher's ability to generate in-depth insights from participants.

Eswatini is a small country with a small population and a limited number of financial services firms. While this could be considered a limitation, it did not result in a small sample size. However, the size of the country was considered an element that could potentially limit the transferability of the findings of the research to other emerging economies in Sub-Saharan Africa with larger population sizes and extensive industry players.

4.4 Conclusion

Overall, the chapter details the methodology followed to collect, analyse and interpret the data, while also acknowledging the potential limitations and challenges associated with conducting a qualitative research study within the specific context of the Eswatini banking industry by the researcher. The results of the data analysis are presented in the next chapter.

CHAPTER 5: FINDINGS/RESULTS

5.1 Introduction

This chapter presents the results and findings of 11 semi-structured, in-depth interviews collected from senior and executive leaders within the Eswatini retail banking services industry. The interview conducted with research participant 11 was not included as part of the analysis as the participant mainly focused on elements related to stakeholder theory rather than responding to the questions asked. As such, the interview was deemed to be incongruent with the purpose of this research. Nevertheless, the interview was valuable in identifying future areas of research.

A thematic analysis of the qualitative data was conducted to provide insights into the role of innovation and disruption within Eswatini's retail banking sector, particularly in the advancement of a competitive advantage. The analysis focused on the challenges and enablers, strategies and the value capture considerations of innovation and disruption. The questions were designed to give clarity on the influences of innovation and disruption in Eswatini and whether there is sufficient value being captured by these innovations. The term innovation was understood and used across its broad spectrum and continuum of definitions by participants, despite the researcher's attempt to limit it to just product level innovation. The impact this had on the findings was to provide a broader view of the perceived innovation occurring within the industry.

It is worth sharing that during the interview, Participant 1 seemed uneasy or distracted for the first twenty minutes, only fully engaging after being offered a cup of coffee. Despite the initial challenge, valuable insights were extracted from that interview. Similar experiences occurred with Participant 10, who received calls throughout the interview. However, similar to Participant 1, and despite the distractions, the interviewee made important contributions, which are captured within the sections of this chapter.

The proceeding sections of this chapter will include an overview of the research participants and present the results of the three research questions introduced in Chapter 3 through data categories and emergent themes.

5.2 Description of the sample

A list and description of the participants chosen for this research report is presented in Table 1 below. The description includes role in the organisation and years of retail banking experience. All data is presented through coded identifiers to keep the identities of the participants anonymous. Therefore, no information on the participants' organisations was included in the research report. It is, however, important to mention that the sample was mainly dominated by participants who had experience working in a traditional retail bank in comparison to those who had Fintech and non-traditional retail bank experience. This is driven by the view that Fintechs are relatively nascent organisations.

As highlighted in Chapter 4, the sampling technique that was used in this research report was purposive sampling in selecting the eleven participants of senior managers and executives within Eswatini's retail banking services firms. To determine the appropriate participants for the interviews, participants were expected to possess a demonstrated history of working within Eswatini's retail banking services industry for either a traditional commercial bank or a non-traditional provider of retail banking services, as outlined in Section 4.3.3. All participants had more than two years of retail banking experience in senior or executive roles.

The interviews were primarily done through virtual meeting tools, as preferred by the participants and in consideration of the prevailing conditions at the time i.e., the researcher being out of the country on the proposed interview day. Three participants preferred in-person interviews, and these were done at their location of choice.

TABLE 1: SAMPLE DESCRIPTION

Participant/ Identifier	Role In Organisation	Years in Retail Banking
P1	Senior Manager	> 5 Years
P2	Senior Manager	> 5 Years
P3	Executive	> 10 Years
P4	Senior Manager	< 5 years
P5	Senior Manager	> 5 Years
P6	Executive	< 5 Years
P7	Executive	> 5 Years
P8	Executive	> 10 Years
P9	Executive	< 5 Years
P10	Executive	< 5 Years
P11	Executive	< 5 Years

5.3 Results for research question 1

What are the challenges and enablers of retail banking disruption and product innovation in Eswatini?

The main objective of this research question was to investigate the factors contributing to product innovation and disruption in Eswatini's retail banking sector. Participants were asked to draw from their own experiences and observations to identify key drivers of innovation and disruption. Further, the question sought to understand the impediments and challenges to innovation and disruption. Participants were further requested to provide examples where necessary and to give their views on the emergence and impact of non-traditional retail banking providers within this industry. This was done to gain further context and clarity on the responses and lines of thought.

Table 2 and Table 3 provide a representation of the categories and themes that emerged regarding the challenges and enablers, respectively.

5.3.1 Challenges

As shown in Table 1 below, several challenges to product innovation and disruption were highlighted by participants. Participants spent much more time describing the challenges in comparison to the amount of time spent articulating their perceived enablers of product innovation and disruption. This could indicate a potential frustration in their or the industry's ability to effectively disrupt and innovate. In their responses, participants used the construct of challenges interchangeably with disadvantages and limitations.

TABLE 2: THEMES AND CATEGORIES FOR RESEARCH QUESTION 1 - CHALLENGES

	Themes	Codes/Categories
Challenges	Market Structure	Cash Dominance
		Limited Market Size
		Limited Market Penetration
		Competition Ambiguity
		Social Norms
	Regulatory	Downward Pressure on Pricing
		Inconsistent Regulatory Posture
		Complex Regulatory Environment
		Cost of Compliance
	Infrastructure	Connectivity & Data Costs
		Service Provider Disruption
		Telecommunication
		National Payments System
	Legacy	Pricing Models
		Outdated Assumptions
		Business/Leadership Ambitions
		Multinational/External Pressure
	Investment	Cost of Innovation
		Cost of Servicing New Markets
		Sunk Cost Fallacy
		Brick & Mortar

5.3.1.1 Market Structure

The size of the economy, limited population, dominant use of cash, nature of competition, and social and cultural norms as elements of the market were cited as some of the limitations to product innovation and disruption. Five participants referred to the market and structure thereof as an impediment to what can be achieved through innovation and disruption in Eswatini.

Participants indicated that the relatively small size of the economy and small population size tend to limit the desire and incentive to innovate and disrupt the retail banking industry. Participants 2 and 8 further highlighted that this also limits the potential scale and scope needed to justify business cases, use cases and the commercial viability of proposed innovations and/or disruptions. This was further reinforced by Participant 6, who introduced social and socio-economic factors that limit the ability to innovate or disrupt, and even if industry players do innovate, the adoption of those innovations becomes a challenge.

> **P2:** *"I think one of the disadvantages or challenges is the country size in terms of the number of people in the country. We are talking of a population size of 1,200,000. So, whenever you develop a solution, there is a limited number of users that are going to use it."*

> **P7:** *"I think one of the biggest challenges is the size of the economy from an Eswatini perspective. Personally, when I interact with my group counterparts in terms of other countries, I've always begged for one thing, with all the tools I have, would be two times or three times the number of people in the country."*

> **P8:** *"Limited scale. In bigger countries, you have scale to try and drive your return on investment. With a population of 1,100,000 to 1,200,000, we really scratch the surface in relation to scaling these solutions…"*

> **P6:** *"There are social reasons for wanting to hold cash in your hand. The issue is how do we get cash in your hand…? Cash heavy economy and it is really engrained in the culture. There's still just a complacency on moving away from cash regardless of the safety concerns and other challenges related to the use of cash."*

Participant 8 further noted that the lack of standards in the market, further limited the ability to leverage technologies and solutions and drive the adoption of innovative practices and how this is in part due to a skills shortage in the market, "…whether it be ISO standards and having them adopted. Some of these we haven't even ventured into. Even when you start to talk APIs in our market, some participants will ask you what an API is…. there's an upskilling component that becomes a secondary challenge."

Lastly, and worth mentioning, is the reliance on a rival to provide core infrastructure and how this adds complexity to the market structure and competitive landscape. This is brought forward in Participant 3's contribution, who asserts that "…*the reliance on somebody who is also a competitor to provide the infrastructure that you also need to enable the tech that you want to use to disrupt. This another challenge".* The implied concern is that this reliance and lack of independence introduces a level of vulnerability where competitors could potentially influence or impede the progress of a rival's innovation.

5.3.1.2 Regulatory

The role of the regulator at the industry level and overall policy framework within Eswatini was also cited as a key impediment to the level of innovation and disruption in the market. Some participants, 5 and 6 in particular, viewed the regulatory environment as skewed to favour new entrants and non-traditional players. Participant 5 emphasized this uneven regulatory environment by adding "*...as banks, we are challenged by the stiff regulations. The regulator does not necessarily hold the Fintechs and MNOs to the same standards even though they provide products that compete directly with the banks. The involvement of the regulator on pricing as well in terms of pricing caps limits the ability for banks to recover the cost of investment.*" While regulation is seen to favour Fintechs, Participant 9 argued that the current regulations and licenses limit what building societies, who are not considered commercial retail banks, can do to compete with fully fledged commercial retail banks and mobile money operators, especially in consideration of an evolving competitive landscape.

Other participants mentioned that the increased regulatory scrutiny added complexity and costs of compliance in the pursuit of product innovation and disruption. Participant 5 mentioned that the regulator limits the agility of retail banks in responding to market dynamics, as they must seek regulatory approval for changes in products and services while the regulator is not known for speed in response to requests due to its perceived bureaucratic structure.

Research Participant 2 noted that while the regulatory framework still has gaps and is not overarching, it still provides an environment in which industry players can adopt a *"test and learn"* approach to innovation which lowers the barriers caused by gaps in regulation. Furthermore, the participant highlighted that without a holistic approach to regulation, innovation is as good as how you explain it as there are no standards in place to benchmark. This sentiment was echoed by Participant 3, who opined that the current regulatory framework, in an attempt to drive digitization and enable growth, some regulatory guidelines do not achieve the intended outcome in that *"there's regulation that has put a cap on certain services, however, the consumer does not appreciate this and continues to demand that service and as a bank, we cannot say no to a client as it is their right to receive that service"*

The below set of quotes from participants seek to demonstrate the perceived view of the regulatory landscape being excessive, inconsistent, lacking genuine commitment and inadequate in creating an enabling environment for the sector. While this may be the overall sentiment, there is acknowledgment of the presence of forward-thinking regulations that are positively influencing market dynamics.

> **P7:** *"The regulations have become complex…they tend to be prescriptive, yet the market has demonstrated that it tends to self-regulate. I think the level of regulation is extreme, even in areas where it need not be. The posture from a regulatory perspective is inconsistent, as the regulations tend to lag behind developments in the market. However, there are pockets of forward-looking regulations that are pushing the market forward."*

> **P3:** *"You've got Ts and Cs for these products but none of them are in our home language. There is lots of regulatory pressure from regulators to say, 'let's localise the language', but I don't know how much will there is (sic) even from a regulatory perspective…"*

> **P2:** *"The regulatory space, in terms of where it is and where it should be, in creating an enabling environment is something that it is wanting."*

As the interviews progressed, it became apparent that participants from new entrants were appreciative of some of the regulatory amendments and how these may encourage innovation. Participant 10 shared that *"the recent regulatory interventions are decentralizing access to the national payments infrastructure for the small players like us. We are now catching up to the big banks, as the environment allows us to think outside of the box from an innovation point of view."*

5.3.1.3 Infrastructure

Infrastructure emerged as a dominant theme, particularly due to the limited options in terms of service providers available in the market and the propensity for service disruption. Participants 1, 2, 3 and 7 deemed local infrastructure as inadequate and therefore an inhibitor to product innovation and disruption. This infrastructure theme specifically relates to telecommunications and broadband access. However, Participant 1 did indicate that electricity and time to taken to restore power in the event of an outage has not been to their expectations in several instances.

Unreliable internet connectivity was cited as a key outcome of the infrastructure-related issues by participants 1, 3 and 7. Additionally, participants mentioned that the cost of internet connectivity was as another impediment related to the challenges of the infrastructural landscape.

The below contributions and excerpts from participant interviews collectively shed light on concerns regarding the sole reliance on a single internet service provider, inadequate payment and identity infrastructure, network instability and the vulnerability created by an outdated telecommunications infrastructure.

> **P1:** "My point is that the reliance on a single service provider who also cannot appreciate that these services need to stay online makes it difficult to place sole reliance on the current infrastructure. If you want to be innovative and disruptive, you need to always have stable and reliable connectivity. Infrastructure is a huge problem."

> **P2:** "The National Payment infrastructure is not as robust as it should be. Particularly when you compare it to other countries when it comes to enabling payments. Identity infrastructure is also not robust. In banking, understanding and knowing the customer is a key requirement."

> **P7:** "Network stability is one of the major issues we face. The innovations that all the industry players are subject to one or two service providers who will be offline at least once a month. When these services are unavailable, it causes major revenue and transactional volume loss."

> **P3:** "From a telephony perspective, our main telecommunications service provider with their old and archaic infrastructure. The copper cables that get stolen all the time. That is definitely a challenge."

These comments emphasise the deficiencies within the existing infrastructure, indicating that this unreliability significantly impedes on the sector's operational effectiveness and its ability to meet the demands on the retail banking landscape.

5.3.1.4 Legacy

Participants highlighted the effect of legacy approaches to product development and decision-making as impediments to innovation within retail banking. This was mentioned as being prevalent in the established retail banks, whereas the Fintechs and Mobile Network Operators were free of these legacy-related challenges. Participants 1, 3, 4 and 6 noted that banks tend to base their decisions on innovation on historical assumptions and *"feel-good factors".* Participant 4 termed this phenomenon as *"forced product fit".*

Notably participants highlighted the inherent disconnect between assumed consumer preferences and actual market demands. This disconnect often results in innovation geared towards an idealized version of products that do not resonate nor meet the unique requirements and pain points of the targeted consumers. This is attested to by Participant 3, 4 and 6 in the below set of contributions.

> **P3:** *"The single biggest challenge that I've seen was the assumption that the banks know what consumers are looking for….it is only very recently that we have adopted the philosophy of client journeys by walking with the client and getting insights from the clients to fully understand what it is they are looking for. So, we have been innovating to improve a Rolls Royce to get it faster and faster for someone who wants a motorbike. No matter how good that Rolls Royce becomes, the motorbike lover will never be convinced. This has been the biggest downfall…we've always assumed."*
>
> **P6:** *"Sometimes were also innovating for its own sake. That has been a criticism of mine for many products, where it just doesn't feel like we are talking to the local context. This is why a lot of things that are disruptive on paper just do not land in this country, just because it does not speak to the unique pain points of the market."*
>
> **P4:** *"The leaders of the industry are South African-owned; this may lead to a forced product fit. Just because something has worked in another country, we then assume that it will work here. We want to give people who stay in the mountains Ferraris, whereas they can't drive a Ferrari in those areas. It's like buying your wife flowers when she is allergic to pollen. We tend to lose the ability to innovate for our market context."*

Additionally, the prevalence of silo thinking and resistance to change within organisational cultures can be a hindrance to the adoption of innovative and disruptive ideas, as posited by participant 8 below.

P8: *"Sometimes you innovate so well that you can internally reject an amazing idea in an organisation because of silo thinking, historic norms and cannibalization. We organ reject something that can help us compete effectively in the market. There's that element of a cultural and silo thinking."*

Moreover, the findings suggest that other legacy related challenges refer to pricing mechanisms that are not coherent and rationale beyond the purposes of cost recovery. Again, it creates a disconnect between the customer, in terms of perceived value, and what the firm is offering.

P1: *"Maybe the pricing models being applied do not make sense. Maybe we do not know why we price how we price, other than to recover our cost…if at all we are recovering cost…"*

P4: *"I do not think we innovate for better customer experience. We usually innovate based on gut feeling and how it makes us feel rather than for what the customer needs. This then results in poor adoption of perceived innovative products."*

Overall, there is a gap between genuine market insights in comparison to industry and organisational norms and assumptions.

5.3.1.5 Investment

Participants spoke of commercial viability, particularly in juxtaposition to the market size, as a significant challenge to innovation and disruption in retail baking in Eswatini. The banks, as shared by respondents, have incurred significant costs in establishing their points of distribution, primarily in the form of brick-and-mortar structures. Consequently, there is a tendency to prioritise deriving as much value from the current investment rather than attempting to explore areas in which they can innovate or disrupt.

P3: *"First of all, I touched on the issue of brick and mortar, that is very expensive."*

P2: *"The more you try to tap into a new market, the higher the cost. So, you would rather continue with the status quo to ensure that your costs remain relatively flat. There are those ambitions to start focusing on something* *different. A few businesses have been able to make that shift, but mainly it is about maintaining the status quo”*

The cost or investment constraints are not only limited to banks, but it is noted that even new entrants and prospective non-traditional retail banking services providers see the costs associated with innovating and disrupting as barriers to entry. Participant 2 shared that *"…the barrier to entry is limited by cost. A case in point is the mobile money business, where the capex investment required for them to develop an ATM network is quite huge. It makes you think twice before you even want to start."*

Participant 8 further highlighted the lack of developers and service providers in the region, requiring industry players to acquire these services in foreign-denominated currencies, exposing them to currency risk in the form of currency fluctuation and volatility. In addition, and almost as a double-edged sword, the participant further contributes that the solutions developed in the market rely on costly technologies.

P8: *"The other one is cost. Besides the solution itself, it also ties into access. Most of the innovative solutions developed in the market are dependent on things like USSD, SMSing and data…all of them very expensive."*

The evolving landscape poses limitations on the potential for substantial returns, primarily due to the constraints surrounding investment justification and payback periods. As highlighted by Participants 6 and 3, the outcomes of the cost-benefit analysis and business cases associated with significant investments often fall short in terms of financial justification.

P6: *"It stops making financial sense to innovate past a certain point…and to disrupt. I think a lot of ideas are getting stalled at the cost-benefit analysis level. I think the entities who are doing the maths at some realise that there isn't a lot of upside (sic)."*

P3: *“If you have not justified your business case and how you will get the payback, you will have a big problem because you will have this huge investment that will not pay itself back. One huge challenge for banks is the bricks-and-mortar. Banks have been in this game for donkey’s years and have invested heavily in bricks-and-mortar infrastructure. They are in a* *dilemma as the innovation and disruption are telling them they no longer need this bricks-and-mortar infrastructure."*

5.3.2 Enablers

While participants spent a lengthy period discussing the challenges, the researcher ensured that participants also highlighted the enablers. This was done by reminding participants that the industry is still a relevant and active participant in the economy and making examples of some recent product launches to further highlight that there is a certain level of product innovation in the market. In their responses, participants used the construct of enabler interchangeably with causes, advantage and influence. Participant 2 concurred with the assertion that there is innovation in the market, *"…despite those challenges, there is a lot of accelerated growth in terms of product enhancements and delivery."*

Table 3 below, provides a summarized view of the themes that emerged as enablers to retail banking product innovation.

TABLE 3: THEMES AND CATEGORIES FOR RESEARCH QUESTION 1 – ENABLERS

	Themes	**Codes/Categories**
Enablers	External Resources	Proximity To South Africa
		Access to Multinational Support & Existing
		Strategic Guidance & Use Cases
		Economies of Scale
	Market Opportunity	Idle Capacity
		Mass Market Potential
		Bottom of the Pyramid Markets
		Existing Distribution Networks
		Market Positioning & Scale
		Fintech Are Proof of Concept
	Human Capital	Individual Experiences
		Talent Recruitment
		Fit for Purpose Recruitment
		Imported Human Capital Skills
	Technology	Global Harmonization of Technology
		Technology Advancement
		Service Variation
		Data Utilization
		Customer Interaction
		Customer Education
		Choice
		Customer Insights

5.3.2.1 External Resources

The retail banking industry is dominated by subsidiaries of large multinational entities whose parent companies are based in South Africa. A central theme that emerged is how these external resources as a result of the presence of multinational players influence and enable product innovation and disruption. Core to this theme, as posited by the research participants, was multinational support, excess to technical skills and strategic guidance.

Participants also highlighted that the general proximity to South Africa, which has a well-developed financial services sector and is Eswatini's major trading partner, allows retail banking participants in Eswatini, at both institutional and individual levels, to leverage the capabilities that exist within the South African market. Research Participant 4 argued, *"…The South African market has played an influential role from a retail banking point of view. Them (sic) being ahead, we tend to get a lot of inspiration from them…especially if you look at some of the problems we have solved for. Proximity to South Africa plays a bit of a role, especially if you note that the television channels that we watch are South African. We follow a lot of the news and activities happening in South Africa."* This further highlights the influence of and prevalence of South African media and news channels shaping the information landscape in Eswatini.

The subsidiaries of the international banks were deemed to possess a competitive edge as they can access technical resources and solutions that can be adapted and integrated for the local Eswatini context. Whereas in contrast, the indigenous banks were deemed lack the inherent advantages of multinational parent relationships. The contributions of Participant 2, 5 and 9 below shed light on this finding.

> **P9:** *"These international banks have a major stake in the industry and formed certain behaviour in the Eswatini market of how people perceive banking."*

> **P5:** *"The fact is the international banks have the advantage of group technical resources. For the most part, the solutions have been built and delivered in South Africa. We then sort of leverage from that and retrofit these solutions. The parent entities tend to have relationships with global entities that enable innovation, so for us, it becomes an extension of those relationships to the local subsidiaries. The Eswatini indigenous banks do not have the benefit of leveraging multinational parent relationships and must create their own*

connections and relationships with some of these international partners for the purposes of innovation."

P2: *"Some of these entities are part of a larger group. These entities have the benefit of importing innovations from other countries into the local market. If you are part of a group, you benefit from economies of scale. Some of the solutions can be delivered faster as the capabilities and use cases already exist."*

Collectively, the findings shed light on the role of external resources, particularly multinational entities, their subsidiaries and affiliated parties, in shaping and influencing the trajectory of product innovation and disruption within the Eswatini retail banking industry.

5.3.2.2 Market Opportunities

Participants have deemed the market structure as an impediment to innovation and disruption, particularly in relation to the population size, nature of competition and consumer conduct. However, despite these challenges, participants have shared that there are still opportunities in the market, particularly in the bottom-of-the-pyramid segments that have historically been excluded from formal retail banking services. Participants 3 and 10 were passionate in the identification of the bottom of the pyramid segment as a now viable market and expands the scope and choice for consumers.

P3: *"Mass market is where the volumes are. Even when you look at MNOs, you will note that they also focus on the mass market. One of the things that innovation is bringing is choice. People can now choose to say they can stick to traditional retail banking for certain things and use Fintechs for other things…. the lower end of the market, on the other end, does have the benefit of economies of scale because of the sheer volumes. So, we must contextualize around where does the biggest opportunity sit (sic), and I can confidently say it is in the mass market. That very same mass market can be segmented, by the way."*

Due to the identification of the mass market as a viable segment for growth due to volumes, participants are of the view that the innovation and disruption in retail banking is now primarily focused on that market segment. A participant highlighted how a competing organisation had launched a new product a week before the research interview, aimed at this market segment, and how this product compared to his own organisation's recently developed product for the same segment. Participant 8 highlighted that *"Fintechs have forced traditional banks to understand the importance of the mass market. Fintechs have managed to demonstrate that the true winning formula is in platform business and strategy, which leverages network effects. Where is the volume of consumption? It is not going to be in your salaried but the bottom end consumer."*

Participants shared that the proliferation and penetration of Mobile Money through Mobile Network Operators have been useful as a proof of concept and how to redeploy idle or existing capabilities into new markets for improved economic gain. Participants were of the view that these non-traditional industry players have forced the traditional players to think differently about expanding their scope and tapping into new markets. Participant 7 further highlighted that *“the emergence of non-traditional retail service providers forced a review of existing operating models and has also forced traditional banks to innovate across multiple aspects of the client’s ecosystem.”* The below contribution made by Participant 6 incorporates these findings succinctly.

> **P6:** *"Retail banks have no choice but to redirect their strategies in the same direction as the Mobile Network Operators. One of the effects that these non-traditional competitors have had is to be the proof of the pudding of what has been acknowledged as an untapped market. The non-traditional players showed the industry that it can be done in terms of 'OK, here it is', you know?! Retail banks must pivot just by looking at where growth is. Real growth is going to be in what is deemed as the unserved population for retail banks."*

Market positioning and ability to scale were also constructs that emanated from the interviews and through analysis. Participants 1, 2, and 3 highlighted the importance of goodwill and existing coverage in the market as an enabler of innovation and/or disruption. The participants were of the view that service providers with existing and widespread distribution networks have been able to leverage these networks to pivot into adjacent markets and lines of business.

> **P2:** *"Others, it comes from an element of idle capacity or certain advantages within your business. In a telco position, you have a network, a SIM card and*

distribution. The question you ask yourself is, how do I leverage that to build more capabilities?"

P3: *"If you look at the Fintechs, they have come in and moved much quicker. We have seen what Mobile Money has done to the market. Yes, Mobile Network Operators may have the benefit of the underlying infrastructure, the cell phone technology, giving them a competitive advantage."*

5.3.2.3 Human Capital

While some participants, such as Participants 1 and 8, were of the view that there are skills shortages in certain areas like information security and software development, the dominant view of participants was that fit-for-purpose recruitment, individual-level experiences or exposure and the importation of human capital skills are critical enablers of the innovation and disruption that have been observed in the Eswatini retail banking industry. Participant 2 alluded this to individual's desire to challenge the status quo.

Participant 5 provided a distinction in the value of human capital for traditional industry players in comparison to the non-traditional players. The participant was of the view that in traditional industry organisations, the individual contribution to the overall success or economic gain is limited, whereas, with the new entrants and non-traditional players, the individual contribution has a higher level of importance. This was alluded to the well-established ways in which traditional players operate versus the more experimental approach of new entrants and non-traditional players.

Talent management and human capital are considered key to fostering innovation within the Eswatini retail banking sector. This is evident in Participant 4's contribution on the significance of personnel exposure and knowledge exchange. This is reinforced by Participant 5, who emphasises the role of job rotation. While these factors are important, Participant 2 deems them insufficient without individual ambition and personal development.

P4: *"I think the human capital exposure has really been the main enabler for innovation in retail banking. We have the personnel that has been exposed in terms of what needs to be done and the types of problems that need to be solved within retail banking. We are a bit exposed because we know what* *other countries are working on. Suddenly you know what is happening in Kenya as one of the biggest Fintech hubs in the world."*

P5: *"Maximising on talent has also been a key enabler. Human capital, yes. Fit for purpose has been key for the new entrants as they are willing to head-hunt for talent to give them the right edge. Job rotation across franchises in multiple jurisdictions has also been important in creating that culture of trying new things."*

P10: *"I think we have produced enough talent in this country. I am a product of the talent in Swaziland, and I am using the talent available for my organisation. I think other organisations are also starting to realise that when you have innovation through skills that are localized, then your products will have a market context component to it".*

P2: "*People's ambition and individual experiences plays a role. The deliberate intention to learn and invest in oneself. Just like this conversation, people doing their own master's and thesis; and coming back with a better understanding of how to do things. I think that largely plays a role in what we are seeing in terms of the growth and acceleration."*

The contributions from the four participants above, through the quotes provided, indicate the perceived role of a skilled workforce or talent pool in facilitating innovative and disruptive practices.

5.3.2.4 Technology

Technology featured strongly as a theme that emerged as a core enabler of retail banking innovation and disruption. All participants highlighted technology as an enabler of innovation and disruption. This infers that innovation is considered synonymous with the application of technology.

Participants also mentioned the use of data and deemed it relevant if the underlying analysis of the data is within a tech-based platform. Participant 7 went a step further and highlighted that technology, other than just using it for product development and innovation, has been used to mine customer insights and drive customer education. Participant 5, as provided below, echoed and supported the sentiments of Participant 7.

P5: *"The main enabler for me, before you even get to system changes is data and its use. Data can show you which of your products and services are performing or underperforming and why."*

P7: *"The biggest enabler has been technology, in the sense that banks have been able to simplify customer education on their products and services. For instance, we have managed to make videos that guide customers step by step. Technology has further enabled our sales staff to have a sense of customer pain points and behaviours through leveraging data."*

Participants were clear that technology and its use, thereof, is crucial to innovation and disruption. However, there is a caveat that technology by its very nature in the absence of an environment that enables its use is not sufficient. Participant 8 argued that while technology can be used to disrupt and innovate, "technology in and of itself is not enabling because you may still have some regulatory hurdles that create friction. It is imperative to remove that friction to enable it." This further contributes the central role that regulation and policy plays in this environment.

P2: "*The advancement of technology in the market in general is also an enabler. Players are looking at how they can leverage existing technologies to be able to deliver services."*

P3: *"It took us years to develop that technology, eventually we landed it… the technology has helped us onboard a client in a limited space of time and allows us to do it outside of a physical location like a branch."*

P4: *"Another enabler is the technology itself. The universal approach towards tech and harmonising of technology across the globe has really helped. In the sense that you would observe these tools from other countries and realise that we are already equipped with them, and it is just a matter of application within our context".*

P8: *"You look at things like tokenization, the card rail and e-commerce enablement. Those are things that you can now totally leverage to provide access to products and services in a manner that is different and can even give you access to international markets."*

5.3.3 Summary of findings for research question 1

Participants in the study cited various factors that collectively shape the industry's landscape. Eswatini's relatively small economy and limited population size were identified as limiting factors for innovation and disruption, as they reduce the incentive for transformation and constrain the potential scale of innovations. Social preferences for cash transactions were noted as a significant challenge, reflecting a resistance to shifting away from traditional payment methods, in particular. Moreover, participants highlighted the regulatory environment as a mixed blessing, with some perceiving it as in favour of new non-traditional entrants while others found it burdensome due to increased complexity and compliance costs.

Concerns about the country's infrastructure, particularly unreliable internet connectivity and limited service provider options, were considered a hindrance to the smooth implementation of innovative solutions. Legacy approaches and a focus on extracting value from existing brick-and-mortar investments were identified as challenges, particularly among established banks. New entrants and prospective disruptors faced their own hurdles, as the high costs associated with innovation deterred many from entering the market.

Regarding the influences of innovation and disruption, participants cited that the presence of multinational banking entities, particularly those with South African parent companies, offers critical external resources, technical skills, and strategic guidance that shape the innovation and competitive landscape. Geographical proximity to South Africa fosters cross-border inspiration and learning, contributing to the industry's evolution.

Furthermore, despite challenges related to market structure, there are opportunities, particularly in underserved segments, driven by the proliferation of Mobile Money and the need for traditional banks to adapt. Human capital, including recruitment aligned with specific needs and talent investment, plays a pivotal role. Technology is at the forefront of innovation efforts, but a supportive regulatory environment is essential for its full potential to be realised. Overall, these findings highlight the complex interaction of external resources, market dynamics, human capital, and technology in driving innovation and disruption in Eswatini's retail banking sector.

5.4 Results for research question 2

What are the product innovation and disruption strategies that retail banking service providers use to create a competitive advantage for economic gain?

The research question aimed to investigate and understand the various strategies employed by retail banking service providers to leverage innovation and disruption to gain a competitive edge in the industry and achieve economic benefit. Furthermore, the question aimed to examine the strategies, outcomes and implications of these efforts. All participants were of the view that product innovation and disruption are a source of competitive advantage in retail banking. Despite this unanimous view, it became apparent that no retail bank in Eswatini has a clear competitive advantage, particularly one that cannot be replicated by a competitor.

Table 4 below, provides a view of the themes and categories that emerged from the data from this research question.

TABLE 4: THEMES AND CATEGORIES FOR RESEARCH QUESTION 2

Themes	Codes/Categories
Adaptive Innovation	Imitative Incremental Collaborative Bespoke Differentiation API Enablement Iterative
Customer Centricity	Simplifying Customer Experience Solving Customer Needs & Anxiety Customer Lifecycle Management Access Channels & Distribution Models Limiting Client Touchpoints Packaging & Product Execution
Risk Management	Financial Instability Data Privacy & Cybersecurity Risk Fraud Risk Change Management Operational Risk Adoption Risk

5.4.1 Adaptive Innovation

Multiple constructs towards innovation and disruption were identified in the data gathered from participants. What became apparent was that disruption in the industry is not widespread, particularly in the context of new entrants challenging incumbents and influencing market dynamics. Participant 6 shared that "*no one has made a splash in a while…. we're all going to market with something that does the same thing."* However, from a product innovation standpoint, there seemed to be an acknowledgement that there is rivalry between players to continuously improve their product and service offerings to remain competitive. Participant 10 shared that "elements of disruption are there, but it's just that it is not as aggressive as we want it to be". This is despite the dominant view that the level of product innovation and innovation in general is not disruptive nor "game-changing" as mentioned by Participant 2, which was further supplemented by Participant 6, who said, *"…this why something like scored or digital lending is still so unbelievable to many people. It is because there hasn't been anything new done in the lending space in the lifetime of my banking career."*

Participants' dominant view is that the type of product innovation being experienced and used by retail banking service providers revolves mainly around iterative and incremental approaches. Participant 2 posited that "*the level of product innovation is horizontal. Because when one entity does something, other entities then start to follow with minor enhancements here and there. Which is effectively learning from and observing what competitors are doing."*

The sentiment expressed by participants is that of conformity and an unwillingness to be creative and a reluctance to take risks. Retail banking providers are *"playing in the same"* as articulated by Participant 9. The constructs of imitation and replication appear to dominate the participants perspectives, suggesting a culture of copying and adapting existing solutions. The quotes and contributions below from participants substantiate this assessment. Interestingly, these views were consistent from participants from both traditional and non-traditional retail banking providers.

> **P6:** *"One, I am saying we are not innovating. We are catching up as the retail banks. Obviously, there's room to grow. The question then is, are we really doing it to gain competitive advantage or are we doing it to maintain relevance?"*

> **P8:** *"I think in our market, it is stumble upon luck. Copycat. We develop local instances of solutions developed elsewhere, then it becomes about who can innovate faster and replicate the capability. We're all moving in the same direction and copying each other where there is an appropriate learning."*

> **P2:** *"When we talk about product innovation, there are two key elements: incremental and game changing. We are not seeing a lot in terms of game changers. However, we are seeing a lot of incremental product innovation."*

> **P3:** *"The main thing that I am noticing is that everyone sees someone doing something, and then they reflect on it to integrate it into their own operations. At present, it feels like duplication and copying the other person."*

> **P1:** *"I feel like we are all followers. We tweak a product in a certain way and are not necessarily being disruptive."*

Despite the dominance of the perception that the nature of product innovation amongst rival firms tends to be imitative. Participants also disclosed that other intentional product innovation approaches have been deemed as the strategies adopted by firms within the industry and context of this research report. These include the use of hackathons, data analysis, collaboration and sharing of infrastructure by incumbents and new entrants specifically using Application Programming Interfaces (APIs) and elements of bespoke differentiation. Participants 2, 5 and 8's comments on these findings are transcribed below.

> **P8:** *"There is some intent, especially when you look at the hackathons and ideation sessions we have started to see in the market. It's not at the level we want to be, but it is starting to develop. With some of the ideas coming from these hackathons are visible in some of the successful products we are seeing now. So yes, the ability to bring the brightest minds together for these hackathons and ideation sessions plays a role."*

> **P5:** *"While Fintechs can provide similar services and compete with the retail banks, they still need to make use of and partner with the banks. The store of cash in the trust accounts is one such example of the partnership required."*

> **P2:** *"In the past, exclusion used to be a good strategy. Unfortunately, exclusion is no longer a part of what we are doing. People will always find a way to access a particular product or service. What we are now starting to see are partnerships and handshakes between different businesses who are sharing revenue and ecosystems to deliver value."*

5.4.2 Customer Centricity

Participants deemed the removal of friction and barriers to access to financial services as a key strategic approach to innovation. Through the removal of frictions and barriers that enable customer centric strategies, industry players are then able to enhance the customer experience, and by doing so create and sustain competitive advantages. This finding is supported by the following quotes from participants 8 and 6.

> **P8:** *"Removing the friction and providing the consumption and production of services, making it easier for consumers and producers to engage in a platform to drive up scale."*

> **P6:** *"The biggest thing that the retail banks are still going to be solving for is this distribution idea. Everything that we innovate to overcome the distribution barrier is definitely going to be valuable. That's the direction in which innovation should be directed. A case in point is digital lending. Digital lending removed the need for human interaction and intervention to access a loan if the lender knows X, Y and Z about you as a customer. There are barriers that have been removed there. In conversation, you can tell that the industry and external stakeholders have been impressed with the product."*

Participants further acknowledged that the end user, being the customer, evolves over time. Therefore, it was deemed important for product innovation and any disruption to cater for the customer at every stage of their lifecycle and align with the customer's changing needs and expectations. This then ensures that banking services become an integral part of the customer's everyday life. A core tactic to achieving this, as mentioned by Participant 3, is through continuous customer engagement and integrating the feedback into tangible improvement in areas that require refinement.

> **P7:** *"The reality is that the customer you have today may not be the same customer you have next year and further in the future. The customer is also going through his/her own lifecycle. The product that you have needs to evolve with the customer lifecycle, even though at the core it remains the same."*

P1: *"If you are going to introduce a product into the market, it needs to be part of the everyday life of the customer. Banking should be the extension of a consumer's everyday ecosystem."*

P3: *"It is never going to be a perfect solution, but it constantly requires you to check back in with the consumer and the rest of the environment in which you are working in. We've benefitted from consumer feedback who have said they are happy with our products but there are areas that we need to address."*

Participants were passionate in their views on the importance of placing the customer or prospective customer at the centre of any innovation. In part, the customer centricity strategy was in response to some of the challenges and failures of products in the past, due in part to the limitations highlighted in Section 5.3.1.4.

5.4.3 Risk Management

Participants were of the view that risk management is a key function of the strategic approaches to product innovation and disruption. Participants 2, 3, 5 and 8 highlighted the risks linked with the use of technology, which ranged from cybersecurity risks to system stability risks. Participant 1 posited that "data privacy risk is always inherent in terms of the technological risks that lead to data loss, financial loss and reputational risks in terms of any external penetration into your environment." In addition, participants spoke of the inherent risks of a growing and changing financial services sector that ranged from credit risk to financial instability. This is evident in Participant 8's assessment: "*These are all things that become huge risks that we often overlook. In that, sometimes, it is a simple thing such as forex risk that we may have underestimated because we have not gone through the thought process of how to settle foreign currency for a particular product."*

Further, participants also tended to articulate the risks as challenges to innovation and disruption. As part of the analysis, the researcher was able to make the distinction as challenges are covered and integrated into research question one.

One of the dominant constructs to emerge from the infusion of risk management in the innovation and disruption approach is the construct of adoption and change management as enablers to strategic implementation of the innovations. Participant 2 spoke of *"bringing the customers to the level of where they understand what you are doing and how it creates value for them."* Participant 9 augments this by saying, *"Often you may find that it is the complexity. Customers like simplicity, so if you bring an innovation but it is complex, then it becomes a challenge. Then it is about how you bring it into the market by bringing the customer with you along the journey in terms of the benefits of your product innovation."*

In addition to customer experience, participants further highlighted the importance of maintaining a cautious approach as there are regulatory, market scale and time factor considerations that need to be embedded in the innovation strategy. The following series of quotes provide context and credence to this analysis.

> **P3:** *“We have found a way to address the risks, and at the same time, improve the client experience. For me, addressing the risks on its own would not have worked, and addressing the customer experience on its own would not have worked. You need to have the combination so perfect that they both work in tandem to deliver value for the bank and value for the consumer while mitigating any risk.”*
>
> **P4:** *“That confidence and arrogance that we find ourselves having is really troublesome because you think your customers are happy because you are making a lot of money from them. But customers are actively looking for customers. That’s one thing I remind people of. It is important to manage the arrogant approach to innovation.”*
>
> **P8:** *"Compliance. You can land the best solution, but if your business setup and design does not consider compliance and how to ensure compliance in the long term…. then you have huge regulatory risk and compliance that can put the entire product and organisation in jeopardy."*
>
> **P5:** *"Risks are inherent in the product innovations that we see. Primarily cybersecurity-related risk, as we struggle with effective change management as an industry. Change management is key, especially at the rate and pace at which the products are being delivered."*
>
> **P7:** *"The big players will remain the big players…. because, with all the innovation, it is a function of scale and to what extent you have market share. When you innovate and do not have the scale nor size, you run the risk of adoption."*

P2: *One of the risks is business case realisation. The time it takes to realise the value that you are expecting. It is one thing to develop the capability and compete; sometimes it takes longer to realise the expected value than what you had initially projected."*

5.4.4 Summary of findings for research question 2

Participants revealed that while product innovation and disruption are essential for achieving a competitive advantage in Eswatini's retail banking sector, a contradiction is observed in that participants were of the view that no retail bank in the market possesses a clear and distinct competitive advantage. Participant 2, specifically, was of the view that an assessment would have to be done at the business unit or product level for each firm to determine a clear competitive advantage. This is consistent with Varadarajan (2023), who argues that competitive advantage can be a firm level, business unit level or product level construct.

Product innovation was cited as tending to be incremental rather than disruptive, with participants acknowledging a lack of groundbreaking changes. Instead, competition drives horizontal product innovation, leading to iterative improvements in services. However, participants also discussed intentional innovation strategies, such as hackathons and collaboration on infrastructure sharing, which suggests a willingness to explore more transformative approaches.

Customer centricity emerged as a focal point, with an emphasis on removing barriers and simplifying access to financial services. Participants recognised the need to make banking an integral part of customers' daily lives and tailor products to their evolving needs. Additionally, risk management played a vital role, with participants highlighting the importance of addressing risks associated with technology and change management to ensure that innovations align with customer expectations while mitigating potential challenges. Overall, the findings indicate that while innovation is ongoing, true disruption remains relatively limited in Eswatini's retail banking industry.

5.5 Results for research question 3

Are retail banking service providers capturing value through product innovation, and to what extent?

This research question aims to understand the perceived level of the value captured by product innovation and disruption.

Table 5 below, provides a view of the themes and categories that emerged from the data from this research question. All participants were of the view that retail banking service providers are capturing value through their product innovations. However, what became apparent was that the participants defined value through multiple lenses, as will be documented in the proceeding sections. The value capture construct was a contentious one amongst participants, through their insistence on creating a distinction between shareholder value and stakeholder value. This comparison is articulated and captured within the "market perception" theme.

TABLE 5: THEMES AND CATEGORIES FOR RESEARCH QUESTION 3

Themes	Codes/Categories
Market Growth	Volume Growth Revenue Growth Profitability Growth Market Share Balance Sheet Growth
Market Perception	Varied Lead Time to Value Capture/Realization Banks Maintaining Dominant Position Value is not solely Financial Intangible Value Regulatory Expectation Innovating to Maintain Relevance
Operational Efficiency	Addressing Operational Efficiency Operational Effectiveness

5.5.1 Market Growth

Value capture is still measured and captured through traditional financial metrics, which participants considered as being relevant but not holistic in effectively demonstrating the value that has been captured. Whereas participants deemed profit generation as the core element of measuring value and success, there was emphasis on the need for a more holistic approach to measuring value.

> **P2:** *"The income statement is the biggest measure of the value created. It is the traditional measurement tool. The other measures are there and provide a sense of comfort that you are moving in the right direction, but primarily every business is set up to generate profit. We cannot run away from that.*

So, we are still using those traditional measures; they haven't shifted a bit in terms of being the core elements of measuring success."

P4: *"I think the revenue measure of value is important from an internal standpoint to define the success of a product innovation. However, I think the actual measure of value should be around client experience. People may be using your product, but are they happy about your product? Maybe that is something we need to include in our KPIs."*

Participant 1 posited that metrics for value capture need to allow for comparison, particularly in the context of a competitive environment: *"…some of the things you would ordinarily use are things like market share. Anything that relates to comparative insights."*

P1: *"We only have specific reliance on financials most of the time, but those financials are not necessarily a direct correlation or tool of comparison that you can use to say that this is where I am deriving value, and this is the product that is actually contributing the most from a market perspective to know if you are on track or what."*

The most significant view was that the current measures of value capture are not sustainable. While they serve as good indicators of business growth and direction due to their standardised and traditional nature, they may create blind spots for firms in terms of other areas where value is being captured. This is supported by the following comments from Participant 4, who shared, *"…we are always chasing targets and revenue, and I think that it is a bubble that can burst anytime."*

P8: "*The current measures of value capture need to be supplemented in our changing world."*

P2: *"If you look at most of the businesses in this industry, they are growing year on year and are still delivering new solutions year on year. From a value perspective, they do capture value. They can see that the value comes from relatively the same sphere, which is why they continue to invest in that one particular service. Value capture seems to be concentrated areas…."*

Participant 2, in addition, introduced an interesting view by comparing how traditional players capture and measure value in comparison to non-traditional competitor firms:

"…in this Fintech space, numbers are key in terms of the volumes. Whereas in banks, volumes are not key, but rather it is the quality of the value that is being derived from a single customer."

5.5.2 Market Perception

The perception of different stakeholders within the market, inclusive of consumers, shareholders and regulators, was a key factor and consideration of the extent of value captured through product innovation. Participants continued to advocate for the view that value is not one dimensional and can differ depending on the lens and perspective relevant at the time. Even for the purposes of economic gain and competitive advantage.

> P1: *"Value is different, right? It is relative, and it may not necessarily be financial value. It may be value that is politically influenced, business influenced etc. Some of the products are not capturing value, to be honest. Sometimes these products are being launched with good intentions and key objectives but then they up serving a branding intention, for example. Which is why I am saying that it may not necessarily be financial value, but it could be value in the long-term sustainability of the corporate image at that point in time…. Some of the products may even be a financial drain to the business but serve to show a specific interest to the regulator. Some of the financial inclusion directives may have brought about product innovation, but they are still not serving the profit interests of the business more than they are satisfying regulatory obligations."*

> P5: *"The innovations are adding value. Clients still want a sense of security for their cash and cash movements that comes with banks. By servicing the client through enabling ease of access and convenience with the products that you have, you are adding value to the client. The innovations serve to close an existing gap. Even if you deliver a product later than your competitors, there are still customers who will find value in it."*

In addition, participants deemed that the value captured on account of product innovation was suboptimal. This was attributed to the underlying conditions in which the product is developed and commercialised and not necessarily the product itself. Participants 3 and 8 shared the following:

> P3: *"We are capturing value, but it is not optimal. There are a lot of things that are suboptimal in the way we are capturing value. Some of the things have a lead time to start to see the real benefit…. a lot of the things we have done to capture value through product innovation have really been to address some of our internal inefficiencies rather than anything else. Just because of that, in as much as you are capturing value, it is being watered down because you are still carrying some inefficiencies and you need to allow them time to wash out of the system. So, definitely, value is being derived, but we could derive more value if it was not for these operational inefficiencies we still carry from our legacy systems."*

> P8: *"…it's hit and miss. Yet again, I think it's about understanding the market when we do the analytics. It is also ensuring that your measures adjust to reflect a changing business with growth."*

Participant 3 additionally introduced the construct of ambidexterity as the cause for the suboptimal value capture, particularly for the traditional retail banks as they try to transition into *"a leaner, meaner, cost and operating structure."* The participant provided emphasis by citing that *"…ambidexterity is too kind a word. The word I would use is schizophrenia. That is how we are approaching it. If we were ambidextrous, we'd be balancing these things with the left and right hand. There would be no conflict."*

5.5.3 Operational Effectiveness

Participant 3 introduced improvements in operational efficiency as a means of value capture by highlighting that some of the product innovations that retail banks bring to market are there to address internal inefficiencies. The participant said, *"I definitely think value is being derived, but I think we would derive way more if it were not for these operational inefficiencies that we still carry as a legacy from previous operations and innovations."*

The participant argued that by addressing operational inefficiencies, the cost base to deliver products and services is reduced, and this leads to greater profitability. Participant 2 supplemented this view by sharing that value cannot only be looked at from a revenue perspective but also from a cost-saving point of view. These assertions are given credence by the below quoted contribution.

P3: *"The next question then becomes, was there an expectation for me to make more money? Or was there an expectation for me to reduce costs? Between the two, you will still get to the answer".*

5.5.4 Summary of findings for research question 3

In the Eswatini retail banking industry, participants unanimously agree that product innovation plays a pivotal role in enabling firms to capture existing and new value. However, there is a diverse range of perspectives on what constitutes this value. While traditional financial metrics like revenue and profit continue to be relevant measures, they are viewed as insufficient in portraying the full picture of value creation. Participants advocate for a broader understanding of value, encompassing client experience, market share, and comparative insights.

Additionally, participants distinguish between shareholder and stakeholder value, stressing the importance of considering multiple dimensions of value capture. They acknowledge that non-traditional competitors, particularly in the Fintech space, prioritise volume-driven metrics, while traditional players focus on the quality of value derived from individual and existing customers. Value in this context is multifaceted, including financial, brand, and regulatory dimensions. Some products may serve non-financial interests, such as regulatory compliance, while operational inefficiencies can impact value capture.

Lastly, by streamlining operations, it was posited that retail banks could reduce costs and enhance profitability. Therefore, shifting the focus from just revenue only. This was identified in support of the importance of addressing operational issues and embracing ambidexterity to strike a balance between cost reduction and revenue growth. In summary, the retail banking industry is navigating a complex landscape of value measurement and capture in light of the prevalent innovation and disruptive elements, demanding a more comprehensive and adaptable approach to assessing the impact of product innovations.

5.6 Conclusion

Chapter 5 presented the research findings based on the three research questions articulated in Chapter 3. The results detail the drivers of the ongoing innovation efforts within the sector despite some of the prevalent challenges. There is an acknowledgement of limitations and complexities that surround the achievement of true disruption in its essence. This reinforces the perception of the need for more transformative innovation strategies in the market. Further, the diverse perspectives on value capture through product innovation highlight the necessity for industry participants to comprehensively approach value creation and capture.

CHAPTER 6: DISCUSSION OF FINDINGS/RESULTS

6.1 Introduction

This chapter presents a detailed discussion of the results and findings from the previous chapter. The discussion is premised on the literature presented in Chapter 2 and answers each research question posed in Chapter 3.

The results of the research are compared with extant literature. In general, the findings documented in Chapter 5 were consistent with the literature, while some findings provided new insights and perspectives into literature. This chapter will build on the current body of work on strategic management as it relates to innovation and disruption within competitive environments as firms seek a competitive advantage for the benefit of economic rents.

6.2 Discussion of research question 1

What are the challenges and enablers of retail banking disruption and product innovation in Eswatini?

This research question uncovered the prevailing conditions that influence and limit product innovation and/or disruption within Eswatini's retail banking industry. The data and results concur with literature in that innovation and disruption do not happen in a vacuum and are influenced by environments internal and external to a firm, inclusive of industry and macro level factors (Cozzolino et al., 2021; Si & Chen, 2020). It was evident in the results of this research question that participants had a deep understanding of the specific challenges and enablers of the innovation and disruption led changes being experienced within retail banking services.

These contextual factors, as discussed in the preceding sections, shed light on the elements that shape the innovation landscape within Eswatini's retail banking sector.

6.2.1 Challenges to product innovation and disruption

Participants cited several inhibitors to product innovation and disruption. From a thematic perspective, these were regulatory landscape, market structure, legacy related issues, infrastructure limitations and cost of investment.

6.2.1.1 Regulatory Landscape

Literature, through Si and Chen (2020), suggests that policy makers and regulators within emerging markets can play an influential and effective role in enabling innovation, particularly when policy development matches the nature and direction of the innovation being undertaken within the industry. The results and analysis of the data indicate that this may not be the case, depending on whether the perspective is from traditional incumbents or new non-traditional entrants. Participants from traditional incumbents were of the unanimous view that the current regulatory environment in Eswatini is an inhibitor to innovation and seems to favour or is lenient towards non-traditional players. This indicates a mismatch in the regulatory framework and the prevailing market conditions. Further, it can be inferred from the findings that the policy development approach is reactive rather than proactive, which limits the effectiveness of policy in creating an enabling environment for successful innovation. This is congruent with Aghion and Festré (2017) discussion on Schumpeterian theory and the assertion that regulatory and policy frameworks can disincentivise entrepreneurial activity, which poses a hindrance to innovation and disruption.

6.2.1.2 Market Structure

Participants cited the size of the population and market, thereof, as a major hindrance to innovation and disruption as it limits scale and potential future returns. Si and Chen (2020) argue in alignment with this outcome by highlighting that emerging market economies, such as Eswatini, with small populations tend to not generate a positive cost-benefit analysis of developing new products and services. This challenge is attributed to why incumbent and established retail banking service providers tend to be unwilling to adapt and let go of existing projects and infrastructure because of the heavy investment incurred.

6.2.1.3 Legacy Challenges

The unwillingness to adapt by traditional and established incumbents creates and embeds legacy related challenges. Participant 3 shared:

> *"Remember, we have been in this game for donkey years. We've invested in infrastructure the way the consumer liked it then. Bricks-and-mortar. Now, you are in a dilemma because the innovation and disruption are highlighting that you no longer need this infrastructure. You become very conflicted because there are assets you possess that you need to sweat, on the other hand, these very same assets are no longer relevant."*

This legacy related shortcoming highlights the fact that traditional retail banks or incumbents lack two of the four capabilities required for a firm to possess dynamic capabilities. Other than sensing and learning capabilities, which the results of this research indicate that traditional retail banks possess, literature suggests that firms must also possess the ability to integrate and coordinate new capabilities if they are to effectively restructure and reorganise resources in response to a changing competitive landscape characterised by innovation and disruption (Schmidt & Scaringella, 2020; Teece, 2018; Pavlou & El Sawy, 2011). The comparison of the quote with literature provides credence and evidence that legacy investments and managerial/leadership cognition can limit a retail banking service provider's ability to innovate nor disrupt for economic gain.

6.2.1.4 Infrastructure Limitations

This is worsened by the infrastructure related challenges, including unreliable internet connectivity, as it limits the sector's ability to develop and implement innovative solutions, thereby hindering its capacity to respond dynamically to market demands and advancements in technology. Not only does it impede new developments, it further limits industry participants from capturing value effectively. This is supported by Participant 7, as quoted in Section 5.3.1.3. The frustration is further intensified by the perceived high cost of data and internet services. Electricity supply, while consistent, has been provided as a challenge due to the inefficiency of the service, particularly in the event of an outage.

6.2.1.5 Cost of Investment

Lastly, the investment related challenges, such as high costs and currency risks, bring to light the financial constraints associated with driving innovation and disruption. The cost constraints accentuate the importance of strategic investment decisions, particularly in the context of the resource-based view and dynamic capabilities theories that emphasise the importance of continuous optimisation of resource allocation and management through the "organisation" element of the VRIO Framework.

6.2.2 Enablers to product innovation and disruption

Participants cited several enablers to product innovation and disruption. From a thematic perspective, these included external resources, market opportunities, human capital and technology.

6.2.2.1 Human Capital

The experiences, skills and knowledge possessed by individuals within the retail banking industry were considered beneficial in the enablement of firm advantage through innovation and disruption, especially for the subsidiaries of multinational firms (Beamish & Chakravarty, 2021). At an organisational and firm level, Barney (1991), as part of his assessment of the resource-based view of the firm, argues that human capital resources in the form of the tacit knowledge and skills of its employees, which include their relationships and insights, are one of three key resources of a firm. The results concur with this view for both internal and external human capital available to competing firms within the industry. While Barney (1991) argued through the lens of the resource-based view, it is also evident that even through the dynamic capabilities and Schumpeterian lens, that external skills, knowledge and experiences are beneficial in driving innovation and disruption (Bogers et al., 2019).

6.2.2.2 External Resources and Influences

In contrast to the resource-based view which posits that a key enabler and determinant of a firm's competitive advantage are its internal resources exclusive to the external environment in which it operates (Barney, 1991; Beamish & Chakravarty, 2021), and in support of the dynamic capabilities theory of a firm which impresses upon a firm's ability to integrate external resources and influences into its own operations to maintain its innovation-based competitiveness (Teece et al., n.d.); participants were off the view that external resources and influences play a significant role in enabling product innovation. The proximity to a well-developed financial system in South Africa, the ability to import technical skills and retrofit external use cases were some of the specific external resources highlighted by participants. This further supplement literature that argues that the resource-based view of a firm is insufficient in assessing the competitiveness of a firm (Barney, 1991).

6.2.2.3 Market Expansion – New Markets

While the market size in relation to the small size of the population is considered a hindrance to and does not incentivise innovation and/or disruption, the findings have suggested that historically underserved segments in retail banking have been established as a positive influence on innovation and disruption by providing an alternative market for growth. The primary source and justification of this view was driven by the role of new and non-traditional entrants into the retail banking sphere, particularly because of the proliferation of mobile financial services. Literature, within the construct of innovation and disruption, postulates that new entrants, through their innovative and disruptive practices, tend to target customers in new markets or low-end markets which are underserved by incumbents (Schmidt & Scaringella, 2020). Results show that the Fintechs and the Mobile Network Operators have demonstrated to traditional banks how existing firm resources and idle capacity can be repurposed to disrupt and tap into adjacent markets. This is at the core of the dynamic capabilities theory. When innovation achieves this, it is said to be disruptive (Callander & Matouschek, 2022). The emergence of non-traditional competitors in the form of Mobile Money services has transformed the behaviour of traditional retail banks, particularly in terms of where and how they look to mine market and growth opportunities. One of the key drivers of the Schumpeterian theory is the constant search for new markets by firms as they seek to increase their economic rents (Aghion & Festré, 2017). The behaviour of the retail banking providers in servicing the mass or bottom-of-the-pyramid market in Eswatini is in alignment with this driver.

In addition, Cozzolino et al. (2021) describe this behaviour by the traditional incumbents as allied competition. Wherein, the traditional incumbents start to compete with the challenger firms after realising that the bottom-of-the-pyramid markets may eventually cannibalise their existing markets and customer segments. This realisation induces the traditional incumbents to compete directly with challenger firms and new entrants. The traditional banks in Eswatini affirm this theory, as they have responded by introducing their own mobile money wallets or equivalent offerings, which have a dependency on challenger firm infrastructure in the form of telecommunications and internet connectivity. This dependence on new competitor infrastructure is defined as selective coopetition (Cozzolino et al., 2021), where traditional incumbents compete with these new challenger firms at product level while cooperating at infrastructure level. This cooperation is not without its challenges. Participant 3, in section 5.3.1.1, suggested that this coopetition introduces vulnerabilities to the firm reliant on a competitor’s infrastructure.

6.2.2.4 Technology

Literature suggests that innovation and disruption of financial services in emerging economies, specifically Sub-Saharan Africa, has been synonymous with the prevalent use of mobile-based financial services technology (Agyei-Boapeah et al., 2022; Gomber et al., 2018). Technology and its use were the central theme of discussions with all participants, which highlights it as the main catalyst for change in the context of innovation and disruption. This supports extant literature, which postulates that through leveraging technology for innovation, a firm can discover new competencies that transform its capability sets (Nelson, 2020; Helfat, 2018; Bogers et al., 2019), therefore enabling its dynamic capabilities. Results reaffirmed this view.

6.2.3 Summary of discussions for research question 1

In summary, the discussion reveals the relationship between challenges and enablers within the Eswatini retail banking industry. While regulatory issues, market constraints, inadequate infrastructure and legacy investments pose hurdles to innovation and disruption, external resources, underserved segments, human capital and technology act as driving forces. Technology being the underlying anchor is in contradiction to Christensen et al.'s (2018), who argue that business models rather than technology are at the core of driving innovation and disruption. These elements, as observed in the findings, can not only enable firms to shift into different markets, improve on core competencies and competitiveness, but can also create frictions, barriers and isolating mechanisms to innovation and disruption. The findings stress the evolving nature of the retail banking landscape in Eswatini and the need for an adaptive approach that is cognisant of these factors for sustainable progress and economic gain.

The participants were interviewed based on their experience in establishment firms or challenger firms. The results indicate that perspectives around enablers and challengers are dependent on the experience of each participant in working for either an established firm or a challenger firm. This is specifically evident in the contrasting views on the regulatory environment, wherein participants from established firms view the regulatory environment as restrictive whilst challenger firms view it as enabling. This outcome is consistent with literature as argued by Si and Chen (2020), who suggest that factors considered favourable for incumbents may be considered unfavourable for disruptors.

Lastly, despite being developed to primarily focus on manufacturing industries (Nelson 2020), it is evident through the discussions in this section that the Schumpeterian Growth Theory is just as relevant and useful within the banking and/or services industry.

6.3 Discussion of research question 2

What are the product innovation and disruption strategies that retail banking service providers use to create a competitive advantage for economic gain?

Research question two aimed to uncover the strategic choices and approaches that retail banking service providers in Eswatini make regarding the use of innovation and disruption for economic gain and competitive advantage. The dynamic capabilities theory advances that firms, through their management, must be able to sense, learn, integrate and coordinated to achieve sustained competitiveness (Beer et al., 2005; Teece et al., 1997). Lui (n.d) and the FSB (2019), in the context of financial services, add that for emerging markets, the leaders in innovation tend to be the new and non-traditional entrants where the established firms then seek to adopt the strategies and technologies of the smaller and newer entrants.

In awareness of the fact that the Eswatini retail banking landscape is dominated by established entities, both traditional and non-traditional, with established footprints and presence, disruption related strategies play a lesser role in comparison to innovation related strategies. This was evident in the results and will be discussed in depth within the following sections.

6.3.1 Adaptive Innovation

The findings indicated that the general strategic approach to innovation across the industry is adaptive in the sense that the nature of the competitiveness is driven by leading firms, wherein the lagging firms always catch up to the innovation either through imitation, collaboration or iteration. This behaviour is consistent with literature wherein Aghion et al. (2013) argue that one of the two types of competition within any industry is where firms are innovating at par with each other. This assertion is congruent with the prevailing competitiveness of the retail banking industry in Eswatini regarding innovation.

Participants spoke of the imitative and incremental nature of innovation. Literature establishes that incumbents and established firms within an industry favour this approach to innovation, where it suggested that participants primarily engage in horizontal product innovation, mimicking and enhancing existing offerings rather than introducing transformative changes. In contrast, the resource-based view theory that Barney (1991) argued for may not be useful in determining the sources of competitive advantage in the Eswatini retail banking sector due to the advances in technology that have deemed what used to be heterogeneous resources of firms homogenous. This, as noted in the results of the study, implies that firm resources are no longer perfectly imitable and indicates that incumbent firms are not only aware of the disruptive and innovative practices but are also motivated to respond to the economic threats that these practices bring. It can then be concluded that the retail banking providers in Eswatini meet the three criteria needed to effectively respond to innovation and/or disruption within the industry, as suggested by Sharapov and Macaulay (2022). However, it is unclear whether the retail banking firms make strategic decisions to respond to the changes in a timely manner as per the fourth criteria suggested by Ho and Chen (2018).

Participants were of the view that this type of competition, that is primarily characterised by imitative and incremental innovation approaches, shortens the competitive advantage lifecycle of a firm. In the Eswatini retail banking sector, First National Bank (FNB) of Eswatini has historically been a clear market leader from an innovation perspective. This is reflected in their profitability and their ranking as the most profitable bank in absolute value terms. However, in recent times, all the established players have caught up with their innovations. As per Figure 1, Standard Bank Eswatini and FNB now trade the position of the number one bank by the absolute value of profits on an annual basis. This is consistent with Baron (2021), who argues that a series of product innovations may result in but does not guarantee a sustained competitive advantage, particularly when this is juxtaposed with the external competitive environment of a firm.

Participants deemed the current approach to innovation as “stumble upon luck” driven by imitation. Innovative organisations do not stumble upon innovation, nor can they inherit it, but rather understand the difference between competitive innovation and competitive imitation (Dobni, 2006). Based on this assertion, it can be suggested that retail banking providers in Eswatini do not possess a culture of creativity associated with innovative organisations.

However, while imitation appears to dominate current market approaches to innovation, intentional innovation strategies such as hackathons and collaboration initiatives have since begun to emerge as alternative strategies. These efforts signal a shift towards intentional product development and reflect elements of Schumpeterian theory, as it suggests that the industry is gradually embracing collaborative and ecosystem-based approaches to drive value creation and competitive advantage. While innovation has been occurring in the industry, it has not been disruptive. Which proves that not all innovation is disruptive. However, this recent focus on hackathons and ecosystem approaches suggests a desire to deploy these innovations in a disruptive way.

6.3.2 Customer Centricity

The findings in this discussion emphasise the importance of customer centric strategies in the context of retail banking innovation and disruption. Removing barriers and frictions to the accessibility of retail banking services, as highlighted by participants, is an entrepreneurial act and endeavour that aims to drive economic gain. While Schumpeterian theory is central to the idea that entrepreneurial driven innovation brings about new combinations, its focus is on new products, processes and technologies (Aghion et al., 2015) and not necessarily on customer centricity. However, as discussed in the findings, a combination of new processes and technologies can enable customer centricity by removing the barriers to the use of and accessibility to retail banking financial services and products. These new combinations can and have disrupted the conventional ways of delivering retail banking products and services (Liu, n.d.), as they are responsible for bringing new value propositions into the market when implemented successfully (Si & Chen, 2020). The introduction of digital lending in Eswatini retail banking, mentioned as an example in Section 5.4.2 of the findings, represents an innovative disruption in the conventional lending process and has transformed the client experience as a result.

Evolving customer needs and expectations are external influences on a firm's strategic choices. Customer centric strategies and approaches to innovation are in direct response to these external influences. The results are consistent with literature in that Tidd and Bessant (2019) advocate that innovation and choices thereof are also determined by the prevailing and changing customer needs. Customer needs and orientation, especially within mainstream markets, are considered to have positive influences on innovation (Si & Chen, 2020). Dynamic capabilities refer to firm's ability to integrate and reconfigure internal competencies to address a changing environment that brings about new demands (Schoemaker et al., 2018; D. J. Teece et al., 1997). By adopting customer centric approaches to innovation which include continuous customer engagement that informs areas of improvement, it is evident that industry players possess and make use of dynamic capabilities. This is also congruent to literature which postulates that these learnings need to be embedded as part of a firm's routines (Helfat, 2018; Bogers et al, 2019; Nelson 2020).

In summary, retail banking providers must prioritise customer centric strategies to remain competitive in a changing financial services landscape. Through enhancing the customer experience, they can create a sustainable competitive advantage in the market. This approach is not only in response to past limitations but also a proactive approach to meet the evolving demands of customers, which is considered essential for long term success in the industry.

6.3.3 Risk Management

Unsupervised pursuit of innovation with the aim of gaining competitive advantage for economic gain carries the potential for industry participants to engage in high-risk behaviours, thereby generating adverse downstream consequences that may ultimately erode both economic gain and competitive advantage (Baron, 2019). This is one of the possible negative outcomes of Schumpeterian's theory on creative disruption. The results from participants affirm these concerns, and there is a deliberate intention to manage risk as part of the innovation and disruption process. These risks entail technology-related challenges such as cybersecurity and data privacy, as well as broader industry risks such as compliance, financial stability and change management.

Organisations need the capacity and adaptability to address risks while maintaining a focus on customer experience and value delivery, as mentioned by Participants 2, 3 and 9. While the findings underscore the importance of managing the risk associated with innovation, literature does explicitly describe how this can be addressed. However, the resource-based view does address it in some respects, as it posits that a firm's resources and capabilities need to be protected, especially if they meet the valuable element of the VRIO framework (Barney, 1991; Varadarajan, 2023). The protection of these valuable resources is part of overall risk management approach.

Balancing innovation with successful risk management is crucial for successful implementation. Literature and theory often focus on the benefits of innovation and innovative approaches, while the findings emphasize the need to manage and mitigate associated risks. The integration and infusion of risk management into the innovation and disruption approach highlights the need for firms to balance innovation with mitigation strategies.

6.3.4 Summary of discussions for research question 2

The discussion uncovered the core strategies for product innovation and disruption in Eswatini's retail banking sector. It became evident that the competitive landscape is characterised by leading firms setting the pace for innovation, with lagging firms catching up through imitation, collaboration or iteration. However, due to the adaptive nature of the innovation approach, it shortens the competitive advantage lifecycle, with competitors quickly catching up with innovations. Despite the prevalence of horizontal and incremental innovation, retail banking providers have slowly started to embrace disruptive practices to transform these innovations into disruptions.

Furthermore, the discussion highlights the paramount significance and importance of customer centric strategies. This approach, which incorporates new technologies and processes in response to shifting customer needs, demonstrates that firms within retail banking in Eswatini employ and deploy dynamic capabilities to meet these changing customer needs. Lastly, these approaches need to be balanced with effective risk management strategies, given the potential negative outcomes of implementing new approaches and strategies.

6.4 Discussion of research question 3

Are retail banking service providers capturing value through product innovation and to what extent?

The research question aimed to uncover the perceived value captured in the context of product innovation within Eswatini's retail banking sector. The findings offer crucial insights into the extent to which value is perceived and measured by industry players.

6.4.1 Market Growth

Participants, through the findings, revealed that value capture within the retail banking sector is primarily measured through traditional financial metrics, which they further considered not entirely comprehensive in demonstrating the overall value captured. While income statements, market share and balance sheets remain fundamental and crucial in measuring success as they refer to both market growth and firm growth, the consensus from participants suggests the necessity of incorporating additional metrics, particularly those focused on comparative insights and client experience. This view aligns with the perception that traditional measures may create blind spots, leading firms to solely focus on targets and revenue, potentially risking sustainability in the long term. Literature, through Si and Chen (2020), supports the view of integrating multiple elements of value capture in alignment with the innovation and/or disruption occurring within a market. Further, Bowman and Ambrosini (2020) highlight that value capture can be subject to market and consumer sentiment. This assertion is in alignment with research participant 4, who emphasises the importance of incorporating non-tangible metrics such as customer experience within the core performance indicators of retail banking providers.

The findings of this research question suggest the need for a more holistic approach to value capture, particularly in the context of product innovation. Participants highlighted the dynamic nature of value capture in the retail banking sector, which is congruent with literature as Lieberman et al. (2018) suggest that value capture can either be dynamic or static. This dynamism was used to advocate for the use of supplementary measures that would take into consideration the changing landscape of the industry.

Despite the perceived challenges with the current and dominant measures of value, it is evident from participants that the value created by product innovation (incremental or otherwise) in the retail banking sector increases the overall value available within the market. This is consistent with Brito and Minerbo's (2022) views that value capture includes the creation of value that increases the overall value in the market.

Worth noting were the contrasting measures of value capture used by traditional retail banking providers in comparison to non-traditional retail banking providers. Participant 2 sheds light on this by arguing that traditional players often focus on the quality of the value derived from their customer base, whereas non-traditional competitors typically focus on growing volumes of their customer base. This comparison highlights the evolving nature of value capture and the diverse strategies implemented by different players within the industry. This also suggests that these value capture approaches will converge as traditional and non-traditional industry firms compete for the same consumer base.

6.4.2 Market Perception

The findings from the research question further suggest that the extent to which value is captured through product innovation is influenced by various market and stakeholder perspectives. The participants continued to challenge and emphasise that value is multidimensional, indicating that it may not solely be in the form of financial gain but can also encompass factors such as political influence, business objectives, and regulatory compliance. While literature provided in this research report did not explicitly provide an argument for market perception of value, it did provide a view of the asymmetries between buyers and sellers limiting the perception of value. Participant 1 highlights the complexities involved in assessing value, emphasising that certain product innovations may serve branding or regulatory interests rather than direct profit objectives. This accentuates the nuanced understanding required when evaluating the effectiveness of product innovation in capturing value within the retail banking sector.

Lead times to value capture were mentioned by participants as a consideration in the perception of innovation led value capture. The time horizon or period being measured influences the extent to which the appropriation of value from innovation is considered effective or not. Lead time also acts as an isolating mechanism in the appropriation of value from innovation, as consumers cannot find that innovation anywhere else in the market (Holgersson & Granstrand, 2021). This creates scarcity and increases the value of the innovation and, therefore, its appropriation (Sharapov & Macaulay, 2022). However, research participants did not highlight lead time as an isolation mechanism but rather as the time taken in the process of realising value from product innovation. This view is still consistent with literature, as value appropriation can be static, dynamic, short term or long term (Almeida Costa & Zemsky, 2021; Lieberman et al., 2018).

6.4.3 Operational Effectiveness

As can be summarized from the discussion thus far, participants unanimously agree that value, in its broader definition, is captured by retail banking providers through product innovation. However, despite this consensus, they also emphasise the presence of suboptimal value capture due to firm operational inefficiencies and the inherent challenges associated with legacy systems. Participant 3's reference to the concept of ambidexterity in transitioning to a more efficient operational structure reflects the challenges faced by traditional retail banks as they attempt to balance innovation with legacy systems. This contribution provides a view on the ineffective use of dynamic capabilities by traditional firms.

Literature argues for the maximisation of value that a firm can capture (Gans & Ryall, 2017). It is evident from the results that the firms within the retail banking industry are not maximising value capture, with research participants deeming the value captured as suboptimal. Brito and Minerbo (2022) provide three types of value capture that are focused on value available in the market; results from this research study indicate that there is a fourth type of value creation and capture focused internal efficiencies, or lack thereof, of a firm. The suboptimal value captured, as argued by research participants, is due to internal constraints on account of operational inefficiencies and an inability to fully integrate new technology and processes into their operations. By addressing these operational inefficiencies through innovative practices, retail banking providers can maximise the existing value available in the market. Literature suggests that friction or impediments to value capture are due to the bargaining and information asymmetry between buyers and sellers (Bowman & Ambrosini, 2000; Gans & Ryall, 2017).

These internal constraints further supplement the argument for effective resource allocation as a key component of an organisation's capabilities. Removing internal constraints and inefficiencies can be categorised as part of the "O" element of the VRIO framework. This relates to the retail banking providers' ability to coordinate and integrate processes and structures to effectively capture value (Varadarajan, 2023). Sharapov and Macaulay (2022) postulate that a firm's ability to capture value is determined by its ability to effectively coordinate its organisational capabilities and knowledge. By so doing, the firms remove friction to value capture (Gans & Ryall, 2017).

This discussion further supports the view that dynamic capabilities are present in the market and within firms. However, they are not being used effectively to maximise the value created nor captured.

6.4.4 Summary of discussions for research question 3

While the intended focus of the value captured was on the value creation that increases the overall value available in the market, it became abundantly clear in the findings that the three different types of value posited by Brito and Minerbo (2020) overlap within this context and further enhance the literature. The evolving nature of value capture in the industry, as highlighted by both participants and existing literature, informs the need for a comprehensive approach that considers diverse perspectives and non-tangible elements. This is made apparent in the contrasting approaches to value capture and measurement employed by traditional and non-traditional retail banking service providers.

The discussion also sheds some light on the role and influences of external environment perception and perspectives in shaping the perceived value captured through product innovation for competitive advantage. The type of value being sought is also a key consideration in the perception of the effectiveness of the appropriation of value from innovation.

Suboptimal value capture, driven by internal firm structures and processes, is prevalent. This is particularly present in traditional retail banks and stresses the need for effective coordination and knowledge integration to mitigate friction and enhance value capture in this evolving industry.

6.5 Conclusion

The findings from the three research questions indicate that conditions for product innovation (and innovation broadly) and elements of disruption are influenced by macroeconomic, industry, organisational and individual level factors. While innovation is present in the industry and at firm level, the innovations are not necessarily disruptive. This has highlighted the importance of the "O" element of the VRIO framework as a core element of a firm's ability to innovate, disrupt and capture value.

It was established that while the retail banking providers possess dynamic capabilities, being able to sense, seize and adapt, there is an inability to effectively integrate and deploy these capabilities to reap the full benefits of economic gain.

A summary of the findings is presented in a descriptive model below. This was done to synthesise the findings of this exploratory research. It provides an overview of the prevailing conditions and influences of innovation and/or disruption in the industry. It further sheds light on the innovation based strategic approaches in response to these conditions, and how these impact industry and firm performance from a value creation and capture perspective. This may prove valuable to managers and other stakeholders within the industry.

	Level	Conditions & Influences	Strategic Responses	Outcomes - Industry & Firm Performance
Enablers	Macro	Market Opportunities	Adaptive Innovation *Incremental* *Imitative* *Iterative* *Cooperative* Client Centricity Risk Management	Value Creation Value Capture *Sub-Optimal - Ambidexterity & Operational Effectiveness Gaps*
	Industry	External Resources Technology		
	Individual	Human Capital		
Challenges	Macro	Market Structure Regulatory Infrastructure		
	Industry	Investment		
	Firm	Legacy		

FIGURE 4: A DESCRIPTIVE MODEL OF THE RESEARCH FINDINGS

CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS

7.1 Introduction

The purpose of the research was to explore the role of innovation and disruption in Eswatini's retail banking industry and the influence of these two constructs on competitive advantage. Extant literature has suggested that organisations use innovation and disruption to differentiate themselves from competitor firms in the attainment of economic gains (Helfat, 2018; van der Veer, 2022). The study was founded on the premise that innovation and disruption are transforming the financial services landscape, as evidenced by the emergence of financial technology firms or Fintechs (Agyei-Boapeah et al., 2022; FSB, 2019; Gomber et al., 2018). These innovations and new types of firms have added dynamism to the competitive landscape of financial services. Given the broad understanding and definition of innovation, the researcher opted to guide participants and not impose the product innovation lens. The findings are, therefore, based on the definition articulated in Section 1.4 of this report as provided by Kahn (2018).

Retail banking being the focus of this research due to the proliferation of mobile banking as online and electronic banking have become the delivery methods of choice (Sodokin et al., 2022). Based on the strategic implications of this transformation, particularly on established and incumbent firms, it is of continued importance that these dynamics be understood to support managers in navigating dynamic and competitive environments. Moreover, this type of research has never been performed before in Eswatini. Research has predominantly focused on the socio-economic implications of banking and broader financial services in Eswatini. Given the unique characteristics of Eswatini's retail banking industry, as articulated in Section 1.3, it is expected that this research will provide insightful analysis and commentary for the benefit of the industry.

7.2 Summary of Findings

This exploratory study revealed that innovation and disruption are influenced by several core factors that range from macroeconomic, industry, firm to individual level factors. The results revealed the relationship between these factors and the strategic responses of the different types of organisations, while also examining the outcomes of these strategic responses through the value capture lens.

The research findings presented in Chapter 6 are consistent and in agreement with literature, specifically the importance of dynamic capabilities and how these influence a firm and the overall industry's ability to adapt to changing circumstances. Despite this, there are some new insights that contribute to the body of knowledge, particularly within the context of the value capture theory.

7.2.1 Prevailing Conditions & Influences

7.2.1.1 Impediments

It can be concluded that the small population size of Eswatini limits scalability and future returns of innovation and disruptive practices, which leads to resistance among established firms to adapt and invest in transformational initiatives due to existing infrastructure investments. This, in part, explains why traditional banks are reluctant to adapt existing infrastructure, limiting their capacity for innovation and disruption. This is further accentuated by the high costs of investment that present financial constraints and influence strategic investment decisions. These conditions impress upon the importance of resource optimisation, allocation and management.

The current regulatory landscape is considered a hindrance to innovation, favouring new entrants and challenger firms over traditional and established firms. It can be concluded that policy makers and regulators play a significant role in the market and competitive dynamics of the industry.

Lastly, infrastructure limitations such as consistent and reliable internet connectivity due to the reliance on a single service provider. This limits the incentive to innovate and/or disrupt as the unreliability has led to revenue losses for firms within the industry, impacting the industry's ability to capture value effectively and respond to market demands.

7.2.1.2 Enablers

It can be concluded from the findings that the focus on historically underserved markets and segments, including the prevalence and success of mobile financial services, drives innovation and disruption in this industry. This has led to a shift and transformation of traditional retail banking services and the exploration of mass market opportunities. Mobile-based financial services, enhanced by advancements in technology, is the primary catalyst for the change, as it enables firms to develop new competencies that drive innovation and respond to market demands.

External resources and influences play an important role in facilitating innovation, challenging the resource-based view's assertion that a firm's competitive advantage is solely derived from its internal resources and capabilities.

Lastly, at an individual level, the knowledge, skills and experiences possessed by individuals in the retail banking industry enable firm advantage. This is if, at firm level, these are coordinated to contribute to a firm's competitiveness.

7.2.2 Strategic Responses

The results from the research report conclude that disruption is neither a common occurrence nor a prevalent feature within the industry as a competitive strategy. It can then be concluded that the strategic approach to innovation and responses, thereof, tend to be adaptive. The leading firms drive the competitiveness and profitability of the industry, while the lagging and challenger firms (inclusive of new entrants) catch up through imitative, collaborative or iterative approaches to innovation. These approaches are neither novel nor disruptive; however, there is evidence of the emergence of disruptive practices through ecosystem-based approaches to innovation. The adaptive and imitative nature of the strategic responses are deemed to shorten the competitive advantage lifecycle of firms, as indicated by the changing market leadership position and relative parity of profits of the leading firms.

Established firms tend to primarily engage in horizontal product innovation, focusing on incremental changes and sustaining their current market. This approach is favoured over more transformative strategies.

Customer centric strategies have become a crucial component of creating and sustaining competitive advantage for economic gain. For incumbents and traditional retail banking providers, this can be attributed to the threat posed by Fintechs and challenger firms. These Fintechs and challenger firms have removed barriers and frictions, both perceived and otherwise, faced by consumers in accessing retail banking products and services. It can be further concluded that this indicates responsiveness to changing customer preferences and reinforces the importance of dynamic capabilities.

Lastly, innovation and disruption as offensive or defensive strategies are not inherently without risk. The pursuit of competitive advantage through innovative and/or disruptive approaches must be balanced with effective risk mitigation and management approaches.

7.2.3 Outcomes – Industry and Firm Performance

The value that is created through innovation and disruptive practices increases the overall value available in the market for industry firms to capture. While the innovations in the retail banking industry may not be considered truly transformational, it is evident that the incremental and imitative nature of the dominant strategies still adds value to the market. This could also explain why the measures of value capture are predominantly still traditional financial metrics through the use of income statements and balance sheets. However, as the innovations become more disruptive, it is important for industry participants to continue to incorporate non-traditional supplementary metrics focused on client experience and comparative insights. This is further heightened by the conclusion that market and stakeholder perspectives influence the perception of value beyond financial benefit, including:

- Brand and reputation
- Regulatory compliance

The extent to which value is effectively captured depends on the nature of the entity. For traditional incumbents, value capture focuses on extracting more value from the existing customer base, whereas for non-traditional and challenger firms, value capture focuses on growing their customer base. Should these approaches converge, due to firms competing for the same customer base, it is expected that value capture strategies will evolve.

In answering the third research question, the research concluded that value is being created in the market through innovation and disruptive practices. The extent to which this value is captured is influenced by:

- Lead times, considered to play a crucial role in the ability to appropriate value due to potential scarcity and the time horizon being measured, and,
- Operational effectiveness, the ability to effectively coordinate processes and systems to capture value created in the market.

As traditional and established firms that dominate the industry attempt to transition into serving the mass market, considering the prevalence of legacy systems and operations designed for a specific market, it can be concluded that value capture is not optimal in the market.

7.3 Managerial Implications

The conclusions provided in the preceding sections lead to two fundamental implications: organisational resource optimisation and strategic adaptability. These refer to an organisation's ability to adjust strategic initiatives, pivot, coordinate and reconfigure resources to align with emerging trends, challenges and opportunities caused by changing external factors and market conditions. These implications further reemphasise the importance of the dynamic capabilities theory, and the need for firms to develop these capabilities not only as a reactive strategy but also as an offensive strategy for growth and economic gain.

These can be achieved through the following:

- Managers and leaders must partner with regulators and policy makers on the direction of the industry and working towards removing frictions to innovative and disruptive practices that serve to grow the industry and market. Enablers such as use of technology are not the end but are a means to an end. Managers need to identify frictions that limit effective use of technology and proactively remove these.
- Managers should continue to consider a change in mindset on what constitutes value in reflection of the changing competitive landscape and consumer preferences.
- Managers need to identify tangible and intangible resources that contribute to the competitiveness of firms and focus on optimising these to enable efficiencies and economic gain.
- Managers, through their organisations, need to reconfigure tangible and intangible resources to align with mass market opportunities, which have been identified as the biggest area of growth.
- Managers need to leverage the enablers of innovation to accelerate innovation as an offensive and disruptive strategy while simultaneously addressing the challenges and inhibitors.

A summarised diagrammatical view of the findings and an attempt at highlighting implications is presented below. It is the researcher's hope that this will give managers a view of the context of the retail banking industry in support of strategic decision-making.

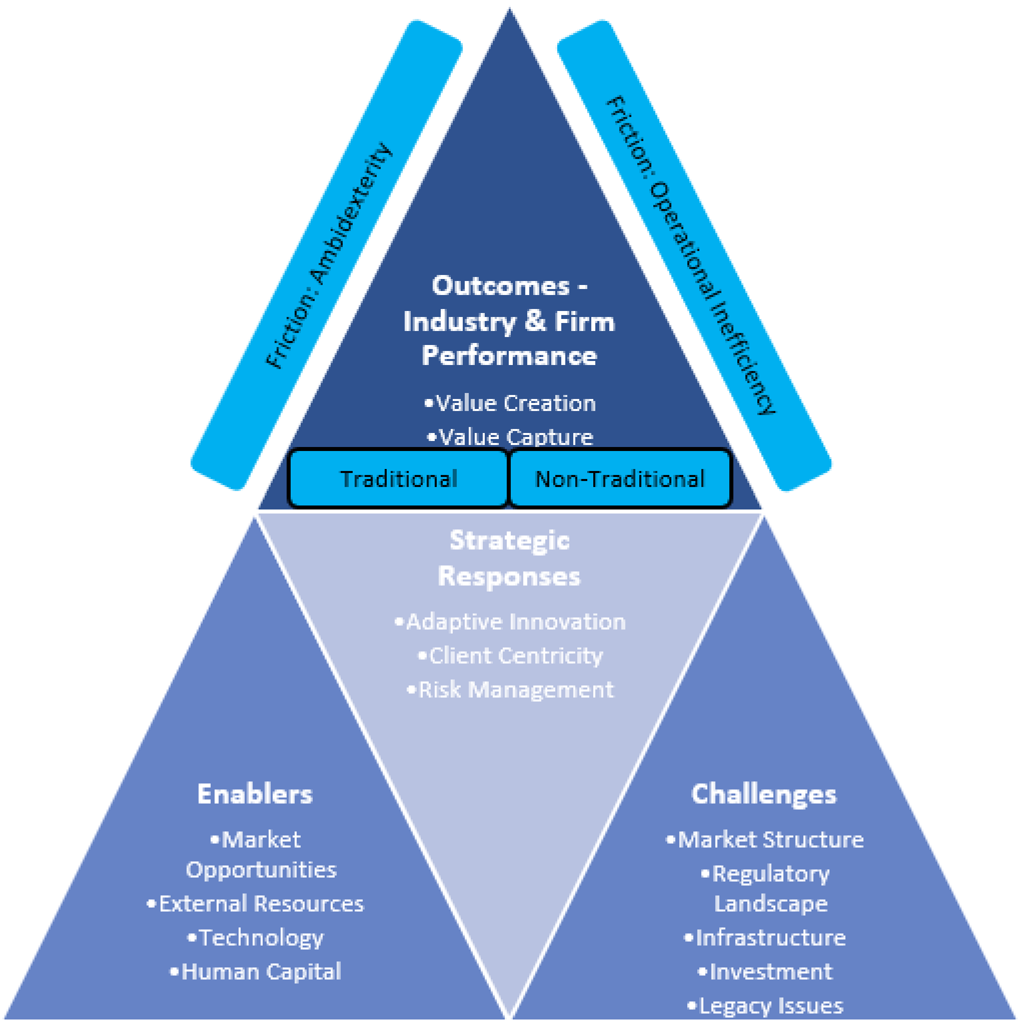


FIGURE 5: DESCRIPTIVE MODEL ON THE ROLE OF INNOVATION AND DISRUPTION IN RETAIL BANKING IN ESWATINI

7.4 Research Limitations

As an interpretivist, exploratory and qualitative research report, there are inherent limitations to the generalisation of findings, as these findings are subjective and can be affected by bias. Limitations of the research include the following:

- The sample was mainly dominated by participants who had experience working in a traditional retail bank in comparison to those who had Fintech and non-traditional retail bank experience. This may limit the generalisability across all organisations, including other types of financial service providers.

- The sample may have limited representation from smaller Fintechs seeking to establish themselves in the retail banking industry.
- Due to the limited time available to conduct the research and the use of purposive sampling, researcher bias is a possible unintended consequence.
- The study is limited to the retail banking in Eswatini and may not be applicable across different geographies.
- Given the multiple spotlights discovered through the research questions, the complex relationship between external and internal influences of innovation and/or disruption could not be explored and analysed in detail.
- Given the lack of strategic management research within the chosen context, this is one of the first forays into this area of research in Eswatini.

7.5 Recommendations for future research

Based on the implications for managers and limitations of the research, the following areas of future research are recommended:

- Future research should focus on strategic adaptability and organisational resource optimisation grounded on the theory of dynamic capabilities.
- Future research should pursue quantitative research to determine the sources of competitive advantage and superior economic performance in this context.
- A recommendation would be for future research to test and define models that identify the sources of superior economic performance by firms within this context.
- Future research should extend the scope to other countries with a similar population size and demographics in Southern Africa, such as Lesotho, Namibia and Botswana. This may allow additional findings to emerge and further add to the body of knowledge.
- Given the influence of the regulatory environment, future research can investigate the relationship between institutional oversight and innovation on organisational performance.

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APPENDIX A: Email Invite to Participate in the Research

Dear [Name of Participant]

I hope this email finds you well.

I am in the process of completing my MBA degree at the Gordon Institute of Business Science (GIBS) and with this comes the requirement to complete a research report. My research is titled "Competitive advantage and dynamic competition: the role of innovation and disruption in retail banking".

The aim of the research is to obtain a better understanding of competitive advantage within retail banking and the role played by innovation and disruption in creating and sustaining this advantage. I strongly believe that you have the experience in this area to provide key insights.

The research aims to answer the following research questions:

- What are the challenges and enablers of product innovation and disruption in retail banking in Eswatini?

- What are the product innovation and disruption strategies that retail service providers use to create competitive advantage for economic gain?

- Are retail banking service providers capturing value through product innovation and to what extent?

I would sincerely appreciate your participation in the research on the topic as mentioned above. The interview is semi-structured, and the planned duration will be one hour. My intention is to complete the interview during the month of August/September 2023. Kindly find attached the consent form for your reference. The interviews will be confidential and both yourself and your organisation will be kept anonymous.

Could you kindly indicate if you would be willing to partake in the research as well as your availability during the month of August/September 2023. I have attached my Ethical Clearance approval, as well as an interviewee participation Consent Form for your perusal.

I look forward to receiving your feedback and further engagement.

Regards,

Thabiso Simelane

+268 7802 0446

22964160@mygibs.co.za

APPENDIX B: Interview Consent Form

Dear [Name of Participant]

I am currently a student at the University of Pretoria's Gordon Institute of Business Science and completing my research in partial fulfilment of an MBA.

I am conducting research on strategic management, and I am trying to obtain a deeper understanding of how retail banking service providers use and respond to technological innovation and disruption as means to gain and sustain a competitive advantage. The duration of the interview is approximately one hour, and it will help us understand role of innovation and disruption in the attainment of economic gain.

Your participation is voluntary, and you can withdraw at any time without penalty. All data will be reported without identifiers, therefore both you and your organisation will remain anonymous. It will also ensure confidentiality. If you have any concerns, please feel free to contact myself or my supervisor using the details as given below.

I thank you in advance.

Details:

Research Supervisor

Name: Mike Holland

Email: HollandM@gibs.co.za

Phone: +27 82 495 1283

Researcher

Name: Thabiso Simelane

Email: 22964160@gibs.co.za

Phone: +268 7802 0446

Signature of participant: ________________________________

Date: ________________

Signature of researcher: ________________________________

Date: ________________

APPENDIX C: Interview Guide

Role in Organisation:	
Retail Banking Experience	
Date:	
Time:	

I would like to thank you for agreeing to be a participant in my research. You may have some insight into my research topic and the research objectives. However, should you require I am happy to take you through it.

I am in interested in your experience and perspective. Where you are able to answer a question by way of an example or story to illustrate your perspective that would be quite useful.

Prior to commencing with the interview, may you please sign the consent form. Please feel free to ask any questions before we begin. With your consent, I will be recording this interview for accuracy during analysis. The recording shall be handled and treated with the strictest confidentiality.

Research Question 1: What are the challenges and enablers of retail banking disruption and innovation in Eswatini?	
Sub-Question	
1.1	In your opinion, what are the key challenges faced by retail banking service providers in adopting disruptive technologies and innovation in Eswatini?
1.2	Can you share any examples of successful retail banking innovations that have been implemented in Eswatini? What factors contributed to their success?
1.3	What role has the emergence of non-traditional competitors played in enabling technological disruption and innovation in Eswatini's retail banking industry?

Research Question 2: What are the product innovation & disruption strategies that retail banking service providers use to create competitive advantage for economic gain?	
Sub-Question	
2.1	Do you consider product innovation and disruption as a source of competitive advantage in retail banking in Eswatini? Please provide a motivation.
2.2	How is product innovation and disruption used as a source of competitive advantage in retail banking in Eswatini? May you please provide examples.
2.3	How do retail banking service providers in Eswatini identify potential opportunities for product innovation and disruption within the industry?
2.4	What are the risks associated with the use of product innovation and disruption as means of creating a competitive advantage in the Eswatini retail banking industry?

Research Question 3: Are retail banking service providers capturing value and to what extent?	
Sub-Question	
3.1	In your experience, are retail banking service providers effectively capturing value through product innovation? If yes, how?
3.2	How do retail banking service providers measure the value created through product innovation and disruption? Is it sustainable?

APPENDIX D: Ethical Clearance Approval

From: Masters Research <MastersResearch@gibs.co.za>
Sent: Wednesday, August 23, 2023 10:07 AM
To: 22964160@mygibs.co.za
Cc: Masters Research <MastersResearch@gibs.co.za>
Subject: Ethical Clearance Approved

Gordon Institute of Business Science
University of Pretoria

Ethical Clearance Approved

Dear Thabiso Simelane,

Please be advised that your application for Ethical Clearance has been approved.
You are therefore allowed to continue collecting your data.
We wish you everything of the best for the rest of the project.

Ethical Clearance Form

Kind Regards

This email has been sent from an unmonitored email account. If you have any comments or concerns, please contact the GIBS Research Admin team.