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Chapter 9

Developing the First Digital Bank of Africa: The Steps Towards the Creation of a Digital Bank in a Very Challenging Environment

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ABSTRACT

The following case study overviews the steps followed to develop the first Digital Bank in Africa. Following a case study method, the crucial decisions made over a 2-year period is analyzed. The challenges of each different phase are described, as well as the outcomes and the impact they had in the bank's digital transformation journey. The case study is accompanied by illustrative strategy tools used during development to make the reader more familiar with the decision made. The case study concludes by highlighting success and failures in digital transformation and lessons for other banks.

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INTRODUCTION

The banking industry is under an accelerated digital transformation route globally, despite being a relative laggard in this area. Whilst a large number of industries went digital starting from the 1990s as it can be seen from diagram 1, the banks have been able to resist. As Bill Gates quoted in the 1990s¹, banks are like ‘dinosaurs’: They are powerful, and somehow slow moving, so they are still able to resist to technological change. This however changed in the last decade: The global Financial crisis of 2009 resulted on diminished trust to the banks from the customers (Lane and Feretti, 2018). Simultaneously, the expansion of internet users, and the technological developments, enabled start ups to focus on providing services that only the banks had previously offered. The regulators viewed these development quite positively, which altogether resulted in the creation of the so-called ‘FinTech’ industry.

Figure 1. Waves of digital disruption

These developments have obliged banks from both emerging and developed economies to realize the imperative for Digital Transformation (Malar, Arvidsson, and Holmstrom, 2011). And, contrary to what would be expected, banks from emerging markets seem to have some strategic ‘wins’ in this sector, compared to banks from developed countries (Govindarajan and Ramamurti, 2011). Specific examples include the dominance of M-Pesa in Mobile Money (Foster and Heeks, 2013) firstly developed in Kenya, the highest number of digital banks per capita in the United Arab Emirates, and the worlds first traditional bank turned to fully

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