Chapter 9
Demystifying Corporate Restructuring Strategy Through Digital Transformation:
Lessons Learned From the Banking Sector of Zimbabwe

Mufaro Dzingirai
https://orcid.org/0000-0002-1518-8275
Midlands State University, Zimbabwe

ABSTRACT

During the past two decades, corporate restructuring in the banking sector has gained much scholarly and public attention in both more developed and less developed countries as a strategic response to a decline in organizational performance. Surprisingly, there is fragmented and scant evidence on corporate restructuring through digital transformation in the banking sector, especially in the Zimbabwean context. With this in mind, this chapter aims at capturing worldwide issues and controversies linked to corporate restructuring through digital transformation, reviewing the success stories of corporate restructuring through digital transformation in the banking sector of Zimbabwe, identifying the challenges associated with digital transformation so that recommendations are proffered to top management and policymakers accordingly, and presenting suggestions for future research.

INTRODUCTION

During the past two decades, the banking institutions of both developed and developing countries have been subjected to corporate restructuring in the face of severe performance decline owing to various internal and external factors. This state of affairs heightened the need to advance our understanding of corporate restructuring from a digital transformation perspective. In this regard, banks around the world have embraced disruptive digital technologies and tools as a strategic move to ensure operational excellence.

DOI: 10.4018/978-1-7998-8587-0.ch009

Nonetheless, digital transformation is not only about change but encompasses issues related to corporate leadership and culture that sustain digital transformation momentum in an organization (Hesse, 2018). Notably, banks are undertaking restructuring in a manner that allows them to gain a competitive advantage. It is, therefore, not surprising to witness that banks are increasingly providing novel services such as bank-assurance, agency banking, mobile banking, faceless banking, and integrated banking services.

In light of the above, Girod & Karim (2017) stressed that the banks must be flexible and agile in a manner that ensures the adaptability of the organization to rapid changes in the operating environment so as to stay competitive in the current digital epoch. It is within this context that traditional banks are shifting towards the digitalization of business processes and systems. In essence, the banking sector appears to be significantly transformed by the digitalization process. With this in mind, it is salient to observe that the digital transformation of banks is not all about investment in new digital technologies but encompasses new markets, opportunities, and new ways of operationalizing the business.

Going forward, it is worth mentioning that digital tools and technologies are transforming the way banks conduct business in the 21st century. This is the major reason why digital transformation in the topical issue in the banking sector. From strategic management lens, it appears that digital transformation is viewed as a corporate restructuring strategy that can increase revenue, reduce operating costs, foster innovation culture, enhance information sharing and use, increase competitiveness, and augment customer engagement (Galazova & Magomaeva, 2019; Kaufman & Horton, 2015). In a similar vein, Kotarba (2018) underscored that concept of digital transformation has significantly influenced the survival and creation of modern organizations. With this in mind, it appears that digital transformation can be used as a response to a decline in organizational performance. This is substantiated by the fact that digital transformation necessitates restructuring and change of business models (Galazova & Magomaeva, 2019). Nonetheless, insufficient attention has been paid to corporate restructuring through digital transformation.

In the spirit of improving organizational performance, strategic managers are constantly looking for mergers with finance technology (FinTech) companies. The rationale behind mergers is that banks are aiming at acquiring new technologies that can be too expensive when developed in-house. In essence, these technologies include peer-to-peer lending, mobile payments, robo-advisory, and internet banking (Galazova & Magomaeva, 2019). In this regard, it is of great importance to mention that the digitalization of banking institutions must be consistent with other strategies so as to come up with digital technologies that contribute to maximizing organizational performance (Galazova & Magomaeva, 2019). More interestingly, Matt, Hess, & Benlian (2015) emphasized that digital strategy should encompass four major tasks, namely, financial aspect of digitalization, adoption of digital technologies, altering the organizational structure, and transformation of process.

There is no doubt that many banks are engaging in mergers and acquisitions with FinTech companies in order to revive their performance in this digital epoch. In this regard, it is widely accepted that digital transformation influences the performance of organizations (Chen, Jaw, & Wu, 2016). Admittedly, the banks that are effectively implementing new digital technology enjoy a big market share. It is imperative to note that established organizations transform their business models in order to stay afloat in the contemporary digital economy (Weill & Woerner, 2018; Scott, Van-Reenen, & Zachariadis, 2017). In the context of the banking sector, it is not surprising to witness that many banking institutions are embracing digital technologies through collaboration with Fintech companies in order to boost profit and sales (Chen et al., 2016).