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INTRODUCTION

At ISM, we are proud to reintroduce the ISM Journal of International Business, an essential part of our mission to foster intellectual growth and facilitate the dissemination of cutting-edge research in the field of international business. Our relaunched journal takes on a dynamic and innovative format—designed as a research showcase rather than a traditional journal—focused on bringing attention to the exceptional work produced by our students, alumni, and the broader ISM academic community.

This journal serves as a curated platform where established scholars, emerging researchers, and ISM's doctoral candidates can share insights, challenge prevailing paradigms, and engage in critical discourse on the ever-evolving landscape of global business. Our approach highlights articles that have already made an impact through publication in leading academic outlets, while also providing a space for preliminary versions of doctoral research, giving our students valuable exposure to academic publishing and an avenue to hone their scholarly writing.

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A most sincere thanks to all who contributed to making this issue a reality.

Enjoy the reading!

Dr. Christophe Schinckus
Director of Research Strategy, ISM

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Determinants of Bank Liquidity: Evidence from Nigeria

ZAINAB UMAR, PHD

Abstract

Among the various techniques used to measure liquidity using theory, the seminal BB liquidity measures are considered the most successful. Having been developed in the USA, these measures have performed strongly and efficiently over the last decade in measuring liquidity creation by banks. The paper "Unlocking Liquidity: Exploring the Impact of Bank Ownership Structures on Liquidity Creation in Nigerian Banks" not only measures liquidity creation based on ownership structure in Nigerian banks, but also empirically prove the best type of ownership structure that supports maximum liquidity creation.

Keywords: Assets, Banking, Balance Sheet, Equity, Liability, Liquidity Creation, Ownership Structure, Private banks, and public banks.

Introduction

As a hotly debated topic in the banking literature, several studies have tried to examine how different factors affect liquidity creation by banks. Liquidity creation is one of the core functions of financial intermediary institutions which aids economic growth. The ability of a bank to convert deposits into illiquid assets, that is loans, is known as liquidity creation (Berger and Bouwman, 2009). Modern theory of financial institutions state that banks exist because they create liquidity and transform risk. Liquidity is either created or destroyed based on a bank's performance, efficiency, and the governing monetary policy. This paper is the first study to comprehensively examine the concept of bank liquidity creation in Nigeria as a function of its ownership structure. The study aims to fill this gap as it has evaded the attention of academia. In the past, the understanding of the liquidity creation role of banks was constrained by the absence of comprehensive liquidity creation measures. However, since the emergence of the novel measures by U.S-based researchers in 2009, it is crucial to test these measures in emerging markets.

Literature Review

Diaz et al. (2022) delve into the impact of institutional ownership on bank liquidity creation. They analyze data from 338 bank holding companies spanning 2010 to 2016. The study investigates whether higher levels of institutional ownership led to increased liquidity creation across different bank sizes. The results reveal that Institutional ownership correlates positively and significantly with bank liquidity creation, particularly concerning both on and off-balance sheet liquidity creation. Some of the literature proposes that state-owned banks create more liquidity to promote economic growth in line with the government's agenda (Fungáčová & Weill, 2012; Yeddou & Pourroy, 2020). Their findings are based on the home field advantage hypothesis that suggests domestic banks have more insight on the dynamics of the local banking industry which provides an edge to their competitive position (Kusi, et al., 2021, p. 2).

Whereas another strand of literature advocates that state-owned banks create less liquidity because of government interference and diversion of funds for political interests. According to Caprio and Honohan (2003), “whatever its original objectives, state ownership tends to stunt financial sector development, thereby contributing to slower growth” (p. 123). These claims are backed by the global advantage hypothesis which advocates that foreign banks play a better role towards liquidity creation as they are more capitalized and regulated (Berger, DeYoung, Genav and Udell, 2000; Claessens, Demirguc-Kunt and Huizinga, 2001; De Hass and Lelyeveld, 2006). Khoo et al (2024), find that there is a favorable correlation between common ownership and the generation of liquidity. This is because common ownership enhances the capacity to absorb risk by bolstering profit margins, increasing equity capital, and enhancing the quality of disclosure. Using hand-collected data, Yeddou and Pourroy (2020) examine the ownership structure and liquidity creation of sample banks in Western Europe.

As hypothesized, there is a significant positive effect of ownership concentration on liquidity creation. Consequently, examining the implications of liquidity creation in emerging economies like Nigeria is imperative.

- **Hypothesis 1a:** There is a positive relationship between a bank’s ownership structure and its liquidity creation in Nigeria.
- **Hypothesis 1b:** Ownership type determines the level of liquidity creation in Nigeria.

Methodology and Methods

The data is analyzed in three phases: univariate analysis, multivariate analysis, and robustness testing. Initially, descriptive statistics are conducted for all banks over the last decade. Bank-specific data is extracted from the balance sheet of each bank over the years to create a balanced panel data set. The macroeconomic factor control variables include inflation, GDP, unemployment rate, and trade balance. After presenting the summary statistics, next is the multivariate analysis that includes a pairwise correlation matrix, regression analysis and robustness tests. The software packages used are Excel and STATA version 17 for data merging, cleaning, and analysis respectively. Other banking-specific variables are collected from the S&P CapitalIQ database, Thomson Reuters Refinitiv DataStream, National Bureau of Statistics, while data on macroeconomic indicators such as inflation and gross domestic product (GDP) from the World Bank website. The assets, liabilities, and equities are classified as liquid, semi-liquid and illiquid based on the “ease, cost and time the bank needs to meet its obligations and provide liquidity to meet borrowers' demands as well as the ease, cost and time for depositors to get their money from the bank" (Berger and Bouwman, 2009, p. 3781). Next, weights of "- ½, 0, or + ½" are assigned to each item classified as liquid, semi-liquid and illiquid respectively. Then, all liquid activities are combined and multiplied by - ½, semi-liquid summed and multiplied by 0, and the illiquid combined and multiplied by + ½" (p. 3797). The overall summation of all the combinations is the amount of liquidity created for each bank during the sample period. The magnitudes of the weights are simply based on Berger and Bouwman's (2009), "dollar-for-dollar adding up constraints" such that for every $1 of liquidity created banks transform $1 of illiquid assets into liquid liabilities (p. 3795). Contrarily, $1 of liquidity is destroyed when banks transform $1of liquid assets into $1 of illiquid liabilities. Bank liquidity creation is the dependent variable as expressed in the equation below. The expanded equation is written as:

$$(0 * \text{semi-liquid assets}) + (-0.5 * \text{liquid liabilities}) + (0.5 * \text{illiquid liabilities}) + (0 * \text{semi-liquid liabilities}) + (-0.5 * \text{illiquid surplus})] \quad [1]$$

Net Liquidity creation (NLC) = Equation (2)/ Gross Total Assets (GTA)

Accordingly, below is the formulated multiple regression model:

$$LC\ I,t = \alpha + \beta 1CON\ I,t + \beta 1BO\ I,t + \beta 1PERF\ I,t + Ϭ.X\ I,t + \lambda.Yi,t + I + n + t + \varepsilon i,t \quad [2]$$

Liquidity creation is the dependent variable of bank I at time t as a function of other control explanatory variables. Where, α is the constant. B1 is the coefficient of the explanatory variable CON which stands for bank consolidation, at time t. β2 is the coefficient of the explanatory variable BO which stands for bank ownership, at time t. It is the percent of total bank assets controlled by the public and a dummy variable equal to 1 if listed on the stock exchange and 0 otherwise (foreign or privately-owned). B3 is the coefficient of the explanatory variable PERF which stands for bank performance, at time t. Ϭ is the coefficient of X which is the bank-level factors in bank I, at country c, at time t. λ is the coefficient of Y representing country-level factors at country c and time t. Fixed effects are used for bank I, industry n and time t. ε is the error term at bank I, and time t.

Results

The descriptive statistics provide an overall summary of the data and indicate no outliers. Table 1 and figure 1 below shows the average LC in trillions of naira from 2011 to 2021 for the publicly owned banks. By arranging the banks in descending order of liquidity creation, it becomes apparent which banks have the highest levels of liquidity creation and which ones have relatively lower levels.

Public Banks		
S/N	Bank	Average LC from 2011 - 2021
1	Access Bank	4,436.44
2	Ecobank	1,207.10
3	Fidelity Bank	2,281.87
4	First Bank of Nigeria	1,791.56
5	First City Monument Bank	1,791.56
6	Globus Bank	0.10
7	Guaranty Trust Bank	3,038.00
8	Jaiz Bank	14,735.16
9	Lotus Bank	(0.01)
10	Providus Bank	0.00
11	Standard Chartered Bank	261.61
12	Sterling Bank	1,226.40
13	Union Bank	1,658.29
14	United Bank for Africa	2,263.37
15	Unity Bank	170.12
16	Wema Bank	368.73
17	Zenith Bank	2,219.26
	Total	37,449.54

Table 1

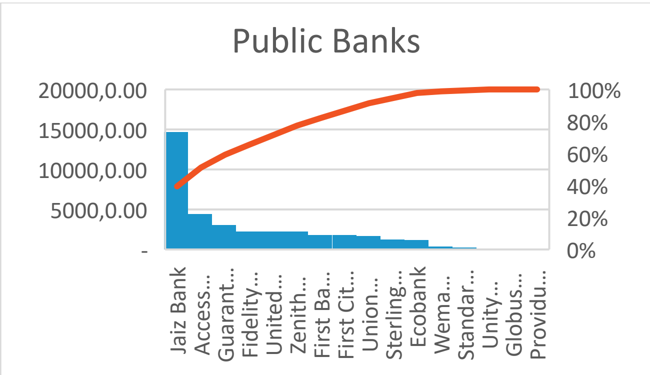

Figure 1

In table 2 the cumulative average LC for all private and public banks over the sample period of 2011 to 2021 is shown. On average the public banks far outperform the private banks especially as they are more in number. The private banks created N248.70 billion while the public banks created N 2.2 trillion. Figure 2 shows a visual chart beside the table.

Ownership Type	Cumulative Average LC from 2011 to 2021
Private	248.70
Public	2,202.91

Table 2

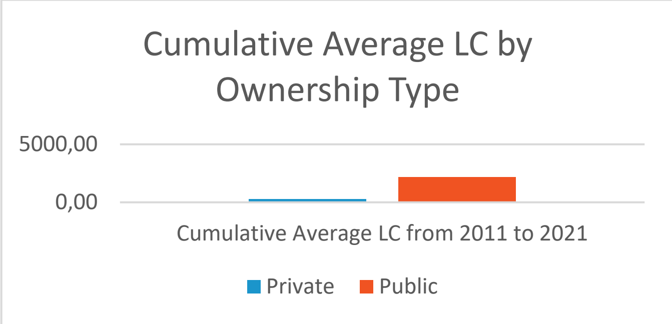

Figure 2

In addition, the three regression results include Pooled Ordinary Least Squares (OLS), Fixed effects, and Random effects models. The regression analysis revealed a coefficient of 211.531 for the inflation variable, indicating that for every unit increase in inflation, liquidity creation increases by approximately 211.531 units. This positive coefficient implies that higher inflation correlates with higher levels of liquidity creation. During periods of elevated inflation, there tends to be a greater demand for money among individuals and businesses to cope with higher prices and transaction costs. Consequently, banks may need to augment liquidity creation to meet the heightened demand for money supply. Additionally, inflation can stimulate borrowing and investment. The Variance-Inflation-Factor (VIF) test employed in this paper is one of the standard robustness tests used in the literature to confirm results. Endogeneity, the potential mutual relationship between the dependent and independent variables, can be a concern in empirical analysis. Therefore, the robustness test proves that the results have internal validity and there is no endogeneity.

Conclusion

The ownership structure of banks indeed impacts liquidity creation in Nigerian banks. The results show that publicly listed banks create more liquidity on average compared to private banks. The top liquidity creators are Access bank (ACCESSCORP), Fidelity bank (FIDELITYBK), United Bank for Africa (UBN) and Zenith bank (ZENITHBANK), with average liquidity creation of ₦4.4 trillion, ₦2.28 trillion, ₦2.26 trillion, and ₦2.22 trillion respectively. The key takeaway of this paper is that the variables of interest have been proven to affect liquidity creation, adding to the body of knowledge on the key determinants of liquidity creation in Nigeria. Policymakers should also design policies that incentivize banks to adopt ownership structures that align with long-term stability and liquidity creation.

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Mergers and Acquisitions Potential in the Transportation and Logistics Services Sector: A Multiple Case Study to Investigate National and Multinational Companies Interest in Saudi Arabia

JUNAID TALAT BUTT, PHD

Abstract

This study examines mergers and acquisitions (M&A) in the Transportation and Logistics (T&L) services sector, focusing on Saudi Arabian national and multinational enterprises. This research focuses on Saudi Arabia, a developing market, as the government seeks to minimize oil and gas dependence and promote industry, tourism, and logistics. Saudi Arabia ranks 38 out of 163 nations in the World Bank's logistics performance index (2023), and the country wants to be among the top 25 markets by 2030.

Keywords: Mergers and acquisitions, corporate strategy, industry consolidation, motives, Acquisitions, Synergy, Efficiency.

Summary

Many scholars have studied M&A in banking, insurance, consumer goods, medicine, and IT, but not in T&L. Despite recent M&A expansion in Saudi Arabia, national and global corporations have not investigated M&A in the T&L services industry. The author of this study found that industry and academia have not attempted to comprehend market challenges and identify alternative scenarios to create shareholder value beyond national-level programs.

Precedence Research Agency (2022) estimated the global transport and logistics business at US$ 10.68 trillion in 2022 and US$18.23 trillion by 2032, growing at a CAGR of 5.48%. Thus, T&L enterprises have many potential opportunities to consolidate, making merger and acquisition an expected strategy.

Moreover, This paper's author chose this topic because Saudi Arabia's T&L sector is so large. NIDLP predicts Saudi Arabia's T&L market to reach US$ 53 billion by FY 2030. Institute for Mergers, Acquisitions, and Alliances (2023) reported 916,697 deals worth US$ 66,301 billion from 1985 to 2016. In the transport and logistics industry, 27,577 deals were reported worldwide (900 p.a.). In 2018–2022, 5,500 agreements were made (1,100 every year). This shows 5% YOY growth in T&L M&A deals.

This research sheds light on the theoretical foundation of M&A within the T&L services sector. Most of these theories are based on the fundamental motivations and potential benefits linked to merger and acquisition activities, including the synergy, shareholder, and efficiency theories.

A qualitative research method was employed in this research. Taylor et al., (2015) suggested that Qualitative research is generally used in those studies where a wider exploration of the study is required. This research's specific type of case study was a multiple case study. Gabrielson et al., (2014) opinion was that a multiple case study research design can be considered more robust, and the evidence is probably more compelling than a single case study research design.

Most transport and logistics firms are open to incorporating mergers and acquisitions (M&As) into their strategic goals. However, cultural issues and corporate practices can cause M&A failures. Thus, leadership must actively seek know-how to overcome challenges. Many transport and logistics businesses want to engage in domestic M&A for various reasons.

A considerable proportion of worldwide M&A acquisitions are successfully conducted cross-borders. Therefore, cross-border M&A transactions should be investigated for their benefits and advantages. Transport and logistics providers are seeking mergers and acquisitions to enhance their financial and non-financial performance. However, Non-financial performance improvement was prioritized. In the current environment, most transportation and logistics service providers plan to engage in acquisitions, indicating a positive trend toward possible targets. However, organizations' reluctance to participate in sales negotiations is another issue for these providers. The current risk stems from overvaluation in Saudi Arabia's transport and logistics industries, which are dominated by privately owned firms.

The results of this qualitative analysis, which comprised several cases, strongly support the present literature. Extrapolating findings from one firm to another is not advised. This study only investigates the transport and logistics services market and not any other sector. This multiple case study research acknowledges its inherent limitations, which can provide a basis for future research initiatives. In the future, the researchers can examine the sustainability of value creation or value destruction resulting from mergers and acquisitions in the transportation and logistics industry of Saudi Arabia.

One of the main limitations of this research paper was the location. Middle East is a private market, therefore limited access to data, Limited access to local libraries as well a lack of local content, and the majority of the local or regional case studies are not published in print media.

This dissertation may help T&L companies to identify opportunities, challenges, and ways to increase efficiency and transparency. There is hardly a similar study, that the researcher found.

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Author's Bio

Dr. Junaid Talat Butt possesses extensive theoretical knowledge and practical experience in the field of the Transportation and Logistics Services Industry. A master's degree in operations and Supply Chain Management from the University of Liverpool and a Doctor of Philosophy (Ph.D.) degree from the International School of Management are among his academic qualifications. He has accumulated more than 25 years of professional experience in both the public and private sectors. His work expertise encompasses a wide range of sectors, including family businesses, multinational conglomerates, blue-chip corporations, and the government sector. At present, he works full-time for a government-owned financial institution and devotes his efforts to the advancement of the Transport and logistics services industry. His current home is in Riyadh, Saudi Arabia, where he resides with his young family. On top of his work obligations, he is an avid cricket fan and a member of the Toastmasters Club.

Unlocking Value Through a Strategic Performance Management Framework

SUNNY GHALI, DBA

Abstract

Business entities and non-business entities have one purpose: to generate value. Value can be defined and measured not only by profitability but also by growth and sustainability for the business owner; it can also be defined as a tangible product or service that is valued by the customer or entity receiving the product or service. Strategic Performance Management Frameworks are often applied as methods and tools to measure and generate value within an organization. The research idea, therefore, is to examine what business processes, practices, and objectives (explicitly or implicitly) are applied as part of these methods and tools.

Keywords: Strategic Performance Management Model / Framework, Balanced Scorecard, Value, Dashboard, Laksh Labs™ Laksh Labs™ Value Dashboard, Generate Unlock Create Value, Focus Area, Strategic Priorities, Objectives, Business

1. Research Problem

There is a lack of research that focuses on the implementation, effects, and results of a strategic performance management model within Canadian organizations. The majority of the research seems to focus on the public sector, and that, too, is limited to findings from organizations that are based out of Ottawa and the province of Ontario. The aim of this research is to take the unformulated and formulate something new that unlocks value within an organization. This will be done by identifying gaps in the use of the most widely used strategic performance management framework, the balanced scorecard, and other strategic performance management frameworks by organizations across sectors and organizations, but with a specific focus on organizations in Alberta. By taking this approach, this research will enlarge the understanding of strategic performance management with an emphasis on a Canadian context, and more specifically, within Alberta.

The following five concepts capture the research objectives:

- Describe what business processes, practices, and objectives make up a Canadian (specifically Alberta-based) organization's strategic performance management model.
- Define: the research aims to clearly identify and define key concepts.
- Evaluate: use a specific framework to assess the current practices.
- Explore: identify gaps, concerns, and potential opportunities.
- Recommend: what are the next steps and recommendations for future research?

2. Literature Review

The literature review identified the evolution of strategic performance management frameworks from the 1960's to the present day, discussing management objectives, the 7S model, to the development of the Balanced Scorecard. As the balanced scorecard became "mainstream," there was a plethora of research that started to highlight flaws or challenges with the model, and new frameworks were proposed, including Hoshin Kanri (processes), PRISM (focus on stakeholders), and the calls to include a focus on the customer, technology, and knowledge management. There was no consensus on which business objectives to focus on; there was only an implicit implication that it was about creating or generating value. Finally, the literature on any strategic performance management framework in Canada focused on the public sector and organizations based in Ontario.

The following four points summarize the literature review and critical analysis of the literature review:

- Models and frameworks proposed since the 1960's, and every subsequent decade or so, are reflective of the business environment that they were operating within.
- In the efforts of each business environment, there was neither consensus on which business objectives to focus on, whether what was being proposed was implicitly or explicitly another iteration of what became known as the balanced scorecard, and although agreed that these models and frameworks were created to improve performance, there was only implicit implication that it was about creating or generating value (whether that was to the business or the end user).
- Any literature review of strategic performance management models or frameworks, from a Canadian perspective, are all directed towards the public sector and out of Ontario.
- There is no longer a one-size-fits-all model. The balanced scorecard has evolved, but what is not clear is unanimous agreement on what business objectives should have a focus or be included in a strategic performance management model / framework. On the other hand, there seems to be a common effort to ensure that whatever the business objectives, they must generate value. But this is only implicitly implied and not explicitly stated.

3. Methodology

This research is a qualitative study where the goal of the research is to ascertain the perspectives of Presidents of various organizations from five different business segments. To differentiate from the historical research practices of gathering data from the public sector, and to contribute new perspectives to research, this study applied a cross-sectional sample that included companies from the following sectors: Non-Profit, Public Sector, Small Business Enterprise, Medium Business Enterprise, and Large Business Enterprise. The research is based on an interpretivist perspective based on four levels of analysis aimed at extracting a meaning from a complex managerial reality. This research will use six elements of discourse analysis to re-articulate a framework explaining how abstract concepts (i.e., balance scorecard etc.) are practically and implicitly formulated. The most appropriate approach that will be applied is non-probability sampling – implementing a purposive and targeted sampling method through direct contact or snowballing technique.

This research study uses a qualitative approach: survey-based, semi-structured interviews, multi-case study, and discourse analysis. The research participants were top executives in their respective organizations, the key drivers of creating value for their organizations and who are held accountable for implementing strategic performance management models; Presidents are best positioned to discuss what is working and what gaps exist today. This study offers research and references to business segments that have historically not been referenced, especially from an Alberta perspective. Although limited to one business within each segment and one President, it opens the door for future comparisons.

4. Findings & Outcomes

Based on the survey findings, which include over three hundred reference points, the research makes approximately eighteen propositions, including the creation of the next-generation strategic performance management framework. Proposing a simple and unified classification system, this model includes eight focus areas and thirty-two strategic priorities and suggests upwards of one hundred twenty-eight objectives that can be applied to unlock, create, and generate value.
Based on these results, the dissertation suggests five specific recommendations:

- Replicate this study and use other comparative analysis techniques.
- Apply this model: what was the current state of an organization with their previous strategic performance management model vs. what does the future state result once the new model was applied.
- With five specific business segments identified in this research, there is now an opportunity for business segment comparisons. Furthermore, the business segments can also test the following: taking a solutions mindset, being driven to find best practices, pursuing continuous improvement, and always being driven to generate value.
- More research that compares provinces other than Ontario and Alberta.
- Diversity comparisons can be expanded to define and include the following: gender, age, education, leadership styles, other segments, regional vs. multi-national comparisons

Subsequently, there are five specific suggestions:

- More businesses within each segment across Alberta – perhaps up to five or ten additional businesses are included.
- Consequently, more Presidents would need to be approached.

- Businesses and Presidents representing other provinces and other business segments across Canada must be included – this would allow for a greater comparison and become a truly cross-Canadian context and research.
- Business segment comparisons across the globe.
- Presidents from across the globe and their perspectives on their respective strategic performance management frameworks.

5. Practical Implications

Businesses now have a new framework that explicitly states its goal is to unlock, create, and generate value. The new model has been submitted for trademark rights in Canada.

Author's Bio

Dr. Sunny Ghali, DBA, is the Founder, Managing Director, and Principal Practitioner at Laksh Labs, a Leadership and Management Solutions firm. He is also the Founder, Creator, and Principal Practitioner of the Value Dashboard Technology Company. Sunny is a roll-up-your-sleeves team player and trusted leader who specializes in helping organizations unlock value. With 25+ years of professional experience spanning 30 different companies and 20+ industries, he has a proven results-driven track record of creating high-performance and engaging cultures, developing leadership capacity, and improving company profitability. Sunny facilitates practical solutions for any organization: start-ups, public/private sector, or multi-nationals.

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Technological Convergence (Digital, Metaverse, Web3) and its Implications on the Banking Industry – a New Strategy Framework to Drive Banks Transformation

DANISH JAMAL KHAN, DBA

Abstract

Our world is going through an unprecedented change, and the speed of change is accelerating. Over the last few years, digital technologies have impacted how we live and work. As the corporate world is trying to make sense of digital technologies, we have a new set of technologies that are expected to have a more profound impact on industries. Metaverse and Web3 technologies are giving birth to new types of organizations and business models. As technologies accelerate, we are heading towards an era of technological convergence, where the convergence of digital, Metaverse, and Web3 technologies is expected to drive the next wave of disruption. The banking industry is at the cusp of a new era, and the established norms in banking are losing their relevance. Banks now face new types of disruption and new forms of competition. Banking leaders require a new playbook to strategize and transform their organizations to make them relevant to the future. Following the Design Science Research (DSR), the researcher has developed a new strategy framework for the banking industry. This framework is a novel addition to the body of knowledge and can be adopted by banking leaders and strategists to view strategy from a fresh perspective.

Kewords: strategy, banking strategy, banking transformation, technological convergence

1. Introduction

In an era of constant change and large-scale disruption, leaders and strategists need to understand various forces that have brought this scale of change to the industries. Amongst many factors, the proliferation of digital technologies is one of the leading factors that have driven this change. Reese (2018) argues that things have only changed thrice in human history. Each time, it was due to technology (pg. 3). While organizations struggled to adopt digital technologies, we now encounter new technologies expected to be more disruptive and have potential implications for our lives and work. These technologies are referred to as Metaverse and Web3 technologies. Experts believe that these technologies, individually, have disruptive potential; now think about the next step, which is the convergence of digital, Metaverse, and Web3 technologies. This phenomenon is called technological convergence and is believed to produce unprecedented shifts in industries and organizations. Tapscott (2023) sees the simultaneous emergence of new technologies and technological convergence as a compelling force that can reshape the global economy and human affairs. Researchers from ARK Investment Management (2024) assert that the convergence of disruptive technologies will define this decade and could create tectonic macroeconomic shifts that are more impactful than the first two industrial revolutions.

This research is about the convergence of technologies (digital, Metaverse, and Web3 technologies). More specifically, it is about the convergence of the mentioned technologies and their implications for the banking industry. The banking industry is already at the crossroads of the physical and digital worlds. Banks have been partially successful in adopting digital technologies like the Internet, mobile, and artificial intelligence. However, they stand at the intersection of the next wave of technological change: Generative AI, Web3, and Metaverse. Web3 includes next-generation technologies and concepts like distributed ledgers, smart contracts, tokenized assets, decentralized autonomous organizations, non-fungible tokens, and decentralized finance. Experts are already considering the new technological wave as a board agenda, and it must be viewed strategically to help transition organizations into the future. This study is a Design Science Research (DSR) in which banking problems are identified after rigorous analysis, and the solution is proposed in the form of a new strategy framework named “Strategy 360”. Since the global financial crisis, the banking industry has been underperforming and facing new forms of competition. Banking leaders and strategists must embrace new thinking and a fresh approach to strategy, which “Strategy 360” aims to provide.

2. Problem Statements

Research suggests that post-global financial crisis, the performance of the banking industry has declined significantly. The banking performance is evaluated based on two performance indicators. These are Return on Equity (ROE) and market capitalization. Between 2006 and 2022, the banking sector ROE has seen a decline of 460 bps, and the Price-to-book ratio has decreased by 66% (Goyal et al., 2023). Banks’ price-to-book ratio is under 1, far below most industries. Moreover, the age of digital technologies has blurred the industry barriers, and non-industry players have started encroaching on banks' market share and revenues. Digital banks like Nu, Revolut, Kakao, Monzo, and many others are attracting customers as well as investors. At the same time, players like Ant Group and Apple are redefining financial services.

The proliferation of digital technologies is one of the top factors that has disrupted the banks' business model. Research suggests that banks are not considered leaders in embracing digital technologies. Several studies confirm the slow pace of digital adoption in financial services. As banks struggle to adopt digital technologies, we have entered an era of technological convergence. It is now recognized that technologies and concepts like artificial intelligence, cloud, distributed ledger, and Decentralized Finance (DeFi) are coming together to force a profound change in financial services. In the future, it is believed that advanced technologies and technological convergence will have more radical implications for banking and its business model. As a result of technological evolutions, the future of finance may look different (Zetzsche et al., 2020; Broby, 2021). Accordingly, I argue that the banking industry is at the cusp of a new era, and the path ahead is complex and requires new thinking.

3. Strategy 360 - New Strategy Framework for the Banking Industry

Strategy is a cornerstone for any organization and helps organizations decide the future course of action. A great strategy, if executed successfully, can help an organization thrive and create stakeholder value. In this research, the rationale for developing a strategy framework is that banking leaders and strategists need a more rigorous approach to strategic thinking and strategy development to overcome issues the banking industry faces. Developing a future-focused strategy that also considers the short-term interests of various stakeholders is a challenging task and requires systematic thinking, which this framework aims to provide.

Now, let us dive deep into the strategy process and new framework. One key feature of this framework is that it encourages a rigorous and structured approach to strategy. I argue that banks must follow a structured approach to strategy development. The banks must know their customers, economic opportunities, and environment. At the same time, they must also perform an honest assessment of every critical aspect of their current operations. A thorough review of the operating environment and operations and an understanding of financial aspirations will lead to smart strategic choices. Figure 1 describes the structured strategy process with three phases: i.e. assessment, decisions (strategic choices), and strategy implementation. Figure 2 explains the strategy framework (Strategy 360 – 7 layers of strategy), which is the outcome of this research project.

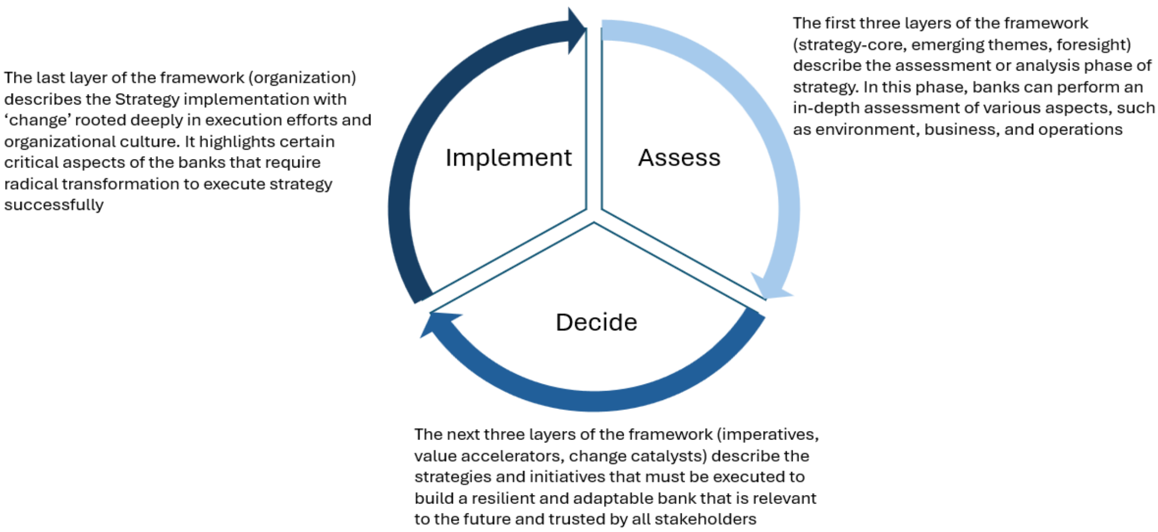

Figure 1: Strategy Process

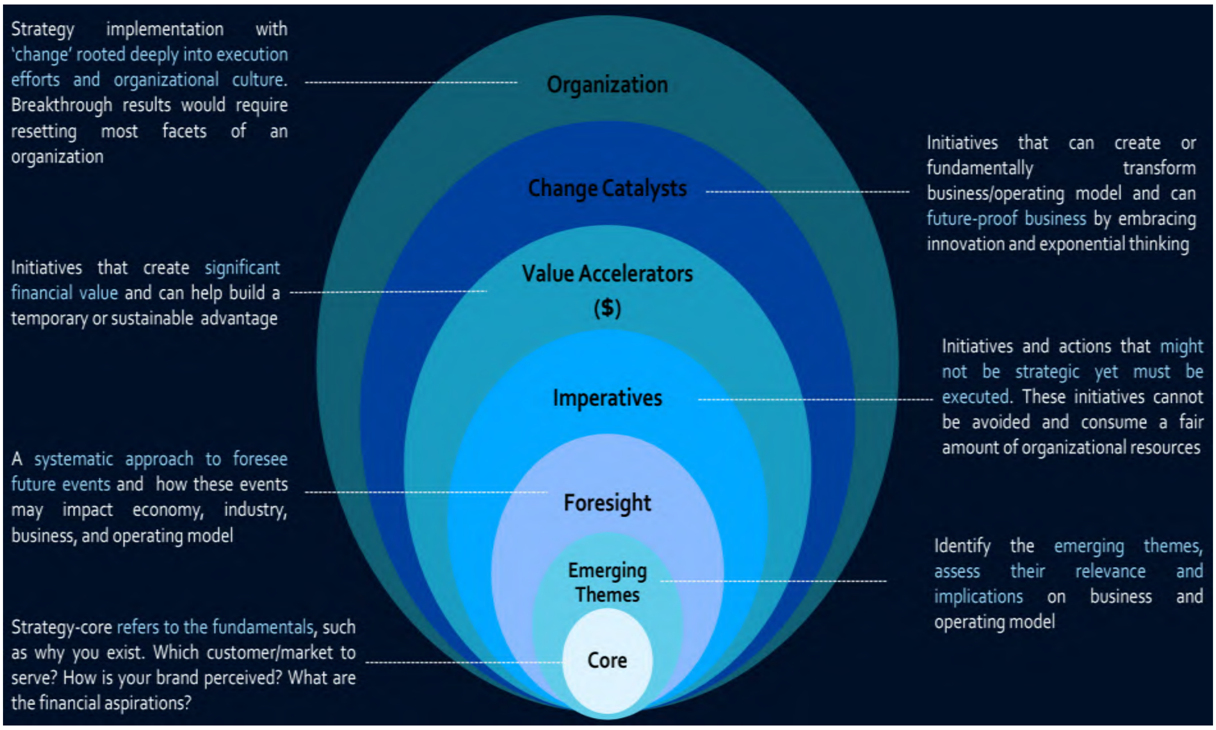

Figure 2: Strategy 360 – Seven Layers of Strategy

Strategy - Core

Strategy-core falls under the analysis or assessment phase of strategy. It is the first layer of the framework and refers to the traditional aspects of strategy. In this phase, the banks must consider fundamental elements such as the purpose of existence, which customers or markets they serve, how different stakeholders perceive their brand, etc. In this phase, individuals and teams working on strategy development must perform an in-depth assessment of their current state. This assessment has to be candid and does a job of self-reflection on where a specific business or organization as a whole stands. At this stage of strategy development, it is also critical to understand the financial aspirations of a bank. Questions like how much a bank wants to grow, the market share in the next 1-3 years, etc., are critical and help understand shareholders' aspirations.

Emerging Themes

In addition to performing foundational analysis for strategy development, strategists must also focus on emerging themes. Identifying emerging themes and analyzing their impact on the economy, industry, business, and operating models helps make strategic choices that are relevant to the future. Carefully analyzing and implementing emerging themes can help a bank stay ahead of the curve, adapt to new realities, build trust, and drive temporary or sustainable advantages over competitors. At the same time, ignoring an emerging theme can leave the bank vulnerable to disruption. Banks must ensure that they are evolving with the changes happening in external environments. Emerging themes don't only include customer or technological aspects; it has to be a holistic exercise to understand the trends and their implications from all perspectives.

Foresight

Foresight refers to a systematic approach to foresee future events and how these events may impact the economy, industry, business, and operating models. An organization's ability to anticipate the future and act proactively can provide an edge over competitors. Foresight is not the same as predictions or scenario planning; it has a broader horizon. In scenario planning, practitioners aim to identify current (or near-term scenarios) and their impact on company financials. Scenario planning usually includes scenarios like no growth, expected growth, or stress scenarios to provide financial projections.

In contrast, foresight is a systematic approach to looking into the future to decode hidden patterns, imagine the unimaginable, see the spectrum of possibility, and study their implications on the economy, industry, business, and operating models. For the banking industry, some examples of foresight include the future of money, a shift away from globalization, a supply chain crisis, the realization of one or more geopolitical crises, prolonged global recession, the birth of artificial general intelligence, de-dollarization, the rise of Metaverse, etc. Additionally, foresight is also different from emerging themes. Emerging trends are visible, and one can clearly see them; however, foresight refers to patterns that are not visible; hence, leaders and strategists must use their intuition, imagination, and expertise to decrypt these patterns. Strategy 360 heavily emphasizes integrating foresight into the banks' strategic planning process.

Imperatives

After completing the analysis phase of the strategy, banks need to make choices. Choices reflect the strategies that the bank wants to adopt. Choices also mean the decisions about strategic initiatives or programs that should be executed over the next few months. Notably, at this stage, the bank and its management team are clear about what needs to be done or what does not need to be done. Strategy is about making intelligent choices; sometimes, good opportunities can be ignored to capture great ones. The strategies or initiatives are segregated into three layers. The first layer is imperative, which refers to the initiatives that must be executed. These initiatives or actions might not be strategic, yet they cannot be avoided for one reason or another. These initiatives need to be seen from a strategic lens as they are critical, create value, and consume organizational resources. Keeping such initiatives outside the strategy umbrella might deprive them of resources, and failed execution of one or more of these initiatives can create adverse scenarios for the bank.

Value Accelerators

Value accelerators include strategies and initiatives that create significant financial value and help build temporary or sustainable competitive advantage. Unlike imperatives, the initiatives and actions under value accelerators are truly strategic. Based on the extensive analysis performed during the assessment phase, the banks should be able to identify high-impact initiatives that can significantly enhance revenues and reduce costs. Every bank will have specific areas of strengths or businesses that can be bolstered to support revenue growth. Likewise, banks can also have underperforming businesses for which market potential is immense. Such businesses require resource allocation and can be nurtured to provide a significant boost to revenues. In a nutshell, initiatives identified under value accelerators are critical and can drive the next important source of revenues, cost reductions, and competitive advantage.

Change Catalysts

The strategic decisions under this layer indicate exponential thinking and future-focused ideas that the banks should pursue to transform the business and operating model. As banks are consistently challenged by forces like uncertainty, non-industry competitors, decentralized finance, the evolution of money, and future technologies, banks need to be more pre-emptive in building business models for the future. Foresight and exponential thinking are required to identify initiatives that will future-proof the banks and create opportunities that are difficult to imitate. The initiatives under this layer are complex to execute and may not have a strong business case or return on investment in the near future. Moreover, due to the complexity, these initiatives carry high risks with a high probability of failure. Nevertheless, when executed successfully, they will likely create Blue Ocean or sustainable competitive advantages for banks.

Organization

After contemplating the strategy and strategic initiatives, it is time to execute it. The last layer of Strategy 360 – Organization includes aspects like bank governance, strategy execution, and broader organizational changes required to realize radical performance improvements. Strategy execution is termed the most challenging part of strategy. Research suggests that around 60-90% of strategic plans never fully launch (Olson, 2022). Therefore, a pragmatic approach is required to execute the strategy with the same zeal with which it is developed. The capability development, change, and culture improvement should be deeply integrated into execution efforts. The breakthrough results require resetting most aspects of the organization.

The building blocks for strategy implementation broadly include three components. These are bank governance, setting or resetting several organizational aspects, and the execution & tracking of strategic initiatives. I argue that strategy implementation is not only about the execution and reporting of projects. One of the common mistakes of strategy implementation is that it is often considered a project execution and reporting job. Such thinking can only lead the strategy implementation to the tactical project management job, which will certainly not help in achieving the objectives set in the strategy. Strategy execution in a fast-paced world is a complex undertaking. It requires leadership vision, people engagement, agility, and difficult decisions. Leaders, strategists, and people must embrace a flexible mindset to navigate the complexities of strategy execution and should be able to seize opportunities that appear during execution phase.

4. Conclusion

Strategy is a fascinating yet complex discipline. Over the last 5-6 decades, several experts and thought leaders have developed different tools and frameworks that have helped demystify the subject. Strategy 360 – a framework designed exclusively for the banking industry attempts to help banking leaders and strategists see strategy from a new lens. As we have entered the era of technological convergence, the industry dynamics will change further, and banks will continue facing intense competition. Leaders must understand the emerging and future paradigms to craft strategies that can transform their organizations into next-generation organizations.

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