

Corporate Culture and Strategic Change in the Banking Sector: A Systematic Review

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Abstract:

The banking industry is going through strategic transformation due to advancements in technology and change in expectation of customers, origin of fintech. In this rapidly changing environment corporate culture plays an important role in understanding and implementing the strategic change in the organization so that productivity increases.

This study identifies the research gaps in the existing literature regarding the impact of corporate culture on strategic change in the banking sector. This study concludes by proposing the relationship among the factors and its impact in the banking industry, it also provides the direction for future research by showing the importance of digital technology, artificial intelligence and innovation-oriented cultures which promotes the strategic change in the banking industry.

Keywords: Corporate Culture, Strategic Change, Banking Sector, Organizational Change, Digital Transformation, Innovation Culture,

Introduction

Today's business era which is mostly technology driven, dynamic where expectation and taste of consumers change very rapidly. The contemporary landscape where the rapid advancements in technology, increase in customer expectations, pressure of competition, industrial revolution 4.0 can be seen if organizations are not able to adapt the changes as per the market demand or new technology organizations start to decline and slowly exit from the market. Corporate culture is one of the vital internal factors that have an impact on the firm's capacity to adopt the strategic changes and bring innovation.

Corporate culture comprises of a set of values, behaviour, belief system which contributes in shaping the organizational behaviour. A strong organizational culture focuses on providing recognition to its employees, flexibility in work so that proper work life balance can be maintained and the very important factor is right to communicate as proper communication leads to improve in planning and decision making in the organization. **Edgar H. Schein** describes organizational culture as a type of shared assumptions that have an impact on the way people perceive, respond towards the challenges in firm. A good corporate culture attracts talented and skilled personnel where employees are supported, motivated financially and non-financially which directly or indirectly contribute in enhancing the productivity of the firm as these

factors creates positive environment in the firm. Big brands like Google, Microsoft, and Apple encourage their employees and create a health positive working environment in the firm.

Change which is unavoidable and constant part of life, so to overcome with the external threats and opportunities and organization have to adopt the changes. Strategic change which is planned implemented and evaluated properly in the organization. **John P. Kotter** describes strategic change as an orientation towards leadership, organizational culture and vision.

Corporate culture is an important factor when we talk about the banking sector it will help in seeing how the employees will respond for strategic change and innovation, when the culture of bank is adaptable taking into consideration the changes and innovation by which the banks are able to implement the strategies in an effective manner when the banking culture is not flexible.

This study will demonstrate the point that if culture of organizations influences innovation either directly or in an indirect manner with the support of strategic change. There were many studies which were conducted on organization culture, innovation and strategic change but there were very less studies by considering strategic change as a mediating variable, seeing its impact whether direct or indirect on the innovation.

Corporate culture means a set of shared beliefs, values which shows how an employees interact and do their work in an organization. **Edgar H.Schein (2010)** describes it as a way of shared assumptions which is being adopted by a group to solve the problems and challenges which an organization faces. **John P. Kotter and James L. Heskett (1992)** concluded that if corporate culture is open and friendly it will improve the performance of organization and lead to successful transformation.

Corporate culture plays an important role in various ways: the most important is it improves the performance of organization; the culture of the organization motivates its employees to work and do innovation and creativity. It contributes in enhancing the effectiveness of strategic management practices. The various factors of corporate culture are as follows: Leadership orientation, teamwork and coordination within an organization, innovation, openness and transparency in communication, ability to learn, flexible towards changes.

The strategic change plays a very vital role in the development of organization because strategic change helps the organization in improving performance, innovation and long-term growth. It also helps the organization to adapt the changes as the market is highly volatile.

Strategic change is important in the banking sector because of certain factors such as:

Rapid technological changes due to the introduction of fintech and blockchain.

Changing taste, preferences and expectation of customers

Increasing competition as the large number of firms are focusing on strategic change and advancements.

It is very important to examine the role of corporate culture on strategic change in the banking sector. This will help in providing understanding of the relationship and insights to policy makers, researchers, managers which will contribute in enhancing effectiveness in the banking sector.

Literature Review

Corporate culture on strategic change

Angula et.al (2025) studied the relationship between corporate culture and strategic change, systematic review-based study was conducted from 2015-24 and it was concluded that there exists positive relationship between strategic management and corporate culture factors, but organizational problems and challenges can be caused by other factors. An organization's corporate culture acts as a foundation whether the organization will fail or achieve success. In the study of **Pettigrew (1987)** relationship between strategic change and organizational culture were discussed and analyzed that organizational culture plays a significant role in adopting strategic change in the organization. Major emphasis was on the point that cultural values will influence and have an impact on how the organizations interpret towards strategic transformation. **Schein (2010)** examined in his study that culture of the firm decides how an employees will react towards the change & transformation, as per Schein the organization must focus on the point that leaders are aligning culture to the goals of the organization so that the major objective of implementing strategic change and transformation can be done properly. In the study of **Janicijevic (2012)** examine that there is a significant impact of corporate culture on both strategy for strategy formulation and implementation. Management must have the ability to apply and implement strategic change in the organization in a formal manner. Organizational culture determines how managers and leaders analyze strategic issues and adopt strategic change.

Terence E. Deal and Allan A. Kennedy (2000) conducted conceptual study on corporate culture and strategic change, found that culture in the organization plays a vital factor in shaping the behavior of employees at the time of strategic change in the organization. Positive culture linked to attitude of employees with the objectives of organization so that implementation of strategic initiatives can be done properly. For implementing strategic change in the firm, it must take into consideration the already existing cultural values so that, if necessary, it can provide support to new strategic directions. **John Kotter and James Heskett (1992)** studied corporate culture and performance of organization, study was empirical in nature and found that the firms which are strong & versatile focus on successfully implementing strategic change. The firms which have supportive culture motivate and promote participation of employees towards change, reducing resistance towards change and implementing new strategy.

Kim Cameron & Robert Quinn (2011) concluded that two types of organization culture adhocracy and clan promote versatility, innovation which contributes the initiatives of strategic change. Impact of strategic transformation on different types of organizational culture was explored during the study; it was seen that for hierarchical culture the strategic change implementation was very slow as strict rules and regulations will have a control on the flexibility of organization. In the study of **Richard Daft (2010)** concluded that versatile and innovative culture of any organization react to the changes in the external environment in a very trainer manner and implement the strategic changes. **Gerry Johnson & Kevan Scholes (2002)** concluded in their study on the strategic management framework, change and culture and found that elements of culture such as routine, structure, power have an influence on strategic change implementation. **Geert Hofstede (2001)** focused on the research on cross cultural values and change in the organization, where the focus was mainly on the viewpoint that cultural values have an impact on the decision-making process which in turn impact the initiatives of strategic change transformation. **Johnson (1992)** based on the data from multiple organizations in UK, the relationship between organizational

culture and strategic change were seen study was conceptual in nature by examining managerial cases. Findings of the study showed that the corporate culture have an impact on the implementation of strategic change in the organization. The firms where values are strongly embedded resist to the changes most of the times, whereas the organizations where there is adaptive culture often promotes strategic transformation. Managerial and leadership skills were the two factors which are essential for linking culture with strategic changes. Studies were limited in banking industry focusing on the strategic change in the developing economies. **Kunisch et. al. (2017)** found that strategic change is a continuous process not an event of a single time. Adapting culture which influence the speed, sequence and sustainability of transformation in the firm. This study was basically a conceptual review-based study, cultural dynamics should be studied over a future period of time was the gap analyzed in the study. **Zeffane (1996)** this study used qualitative review and focused on cross industry firms with the objective of examining cultural factors which are affecting the strategic change in the organization. The major findings of the study were that for determining successful strategic change in the organization there were some factors such as commitment, communication, employee participation and leadership. The firms which emphasized participation and trust showcased change. Research gap identified was the study should be tested quantitatively. **Rajagopalan and Spreitzer (1997)** developed comprehensive theory based on the literature review and the study used previous studies on strategic changes. The results concluded that strategic change is the factor which is being influenced by corporate culture, learning of the organization and cognition. The culture of organization helps in shaping managers towards decision making and changes. The gap which was identified in the study was that more empirical and longitudinal studies should be covered in the study. **Armenakis and Bedeian (1999)** this study was based on systematic review database of 1990's, objective was to identify the various factors of change implementation in the organization. The study concluded that culture of the organization is one of the vital factors which affect the acceptance of employees towards strategic change in the organization, if there are leadership and proper communication in the organization will implement the changes successfully. There still prevails the gap that is industry related and empirical studies must be included in the research. **Acciarini, Boccardelli and Peruffo (2024)** systematic literature review was the methodology used in the study so that change studies and its future direction can be studied. Study found that culture of the organization was an important factor which influences strategic change, other factors identified was values, commitment of employees towards the organization, learning and leadership which contributes in the strategic transformation.

Conclusion

The study will analyze the impact of corporate culture on strategic change in the banking sector. "The reviewed literature generally indicates a positive association between adaptive corporate culture and successful strategic change, although the nature and strength of this relationship vary across organizational contexts and cultural configurations."

The literature suggests that successful strategic change in banking requires alignment between **organizational strategy, corporate culture, leadership, employee capabilities, and technological transformation**. Corporate culture should therefore be treated as a strategic resource rather than merely an internal organizational characteristic. Banks seeking sustainable transformation need to cultivate cultures that are adaptive, innovative, learning-oriented, collaborative, and responsive to changing

customer and technological environments. Future research can build on these insights by developing and empirically testing integrated models that explain how corporate culture enables strategic change and contributes to long-term organizational adaptability and competitiveness.

The results of the study can be used as reference for the upcoming studies in this area and in other sectors apart from banking. Researchers can use literature review of this study in supporting their own study in the similar area.

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