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Research Article

Banking of the future -The Banking culture paradigm in the digital Era

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Abstract

At the core of today's financial system lies a paradox: while rigidity has historically been considered essential for ensuring compliance, stability, and control, digital transformation increasingly requires flexibility, adaptability, and speed. Traditionally, banking has thrived on strict rules and hierarchical structures, but in the digital era, success depends on empathy, innovation, and customer-centricity. This study explores banking culture in the digitalization era, highlighting the tension between traditional rigidity and the adaptability required by technological transformation. Drawing on the author professional experience in Banking (practical observations), lecturing Strategic Management Theory (theoretical analysis), and ongoing doctoral research on Banking Culture, it develops a new narrative: What kind of Culture becomes a catalyst for trust, loyalty and sustainable growth- and can truly confront the challenges of Digital Era? This narrative provides a fresh perspective on how banking culture can evolve without losing its essence while adapting to the demands of an increasingly digitalized market. This paper argues that emotions—often dismissed as liabilities—should be reframed as cultural infrastructure that sustains trust, the most valuable currency in financial systems. Drawing on organizational culture theory (Schein, 2010), emotional intelligence (Goleman, 1995), psychological safety (Edmondson, 1999), and trust models (Mayer, Davis & Schoolman, 1995), it proposes a conceptual framework: Emotion ⟶ Empathy ⟶ Compassion ⟶ Trust ⟶ Sustainable Culture. The study develops a new narrative on banking culture that integrates theoretical insights, professional observations, and empirical gaps. It contributes by integrating behavioural and cultural perspectives into banking literature, positioning trust as the human differentiator in digital ecosystems, and setting a research agenda for empirical validation in both traditional and digital-first banks.

Keywords: Banking culture, emotional intelligence, trust, digital transformation, organizational behaviour, sustainable culture, psychological safety.

1. Introduction

The banking sector has historically been grounded in prudence, compliance, and control, characteristics that provided stability during periods of financial turbulence. This rigidity, long regarded as a source of resilience, became embedded in the cultural fabric of banks, reinforcing governance and accountability. However, the advent of digitalization has profoundly reshaped the competitive and operational environment. Customers increasingly demand speed, personalization, and seamless digital experiences, while regulators continue to emphasize risk management and oversight.

This duality creates a paradox: can banking culture remain rigid while digitalization requires adaptability and flexibility? Organizational culture, defined by Schein (2010) as the set of shared values, beliefs, and assumptions guiding behaviour, plays a decisive role in shaping both employee conduct and customer experiences. In traditional banking, culture has often been reduced to compliance-driven practices, leaving little room for the softer dimensions of behaviour such as empathy, compassion, or emotional engagement.

Yet, contemporary research in emotional intelligence (Goleman, 1995), psychological safety (Edmondson, 1999), and trust (Mayer, Davis & Schoorman, 1995) highlights those emotions are not liabilities but critical enablers of collaboration, innovation, and resilience. While algorithms can optimize efficiency, they cannot generate empathy. Trust—the true currency of banking—remains irreducibly human.

This study builds upon professional experience, academic theory, and doctoral research to propose a conceptual framework that reframes emotions as strategic assets within banking culture. By positioning emotions as catalysts for empathy, compassion, and trust, the paper explores how banks can balance regulatory rigor with the flexibility required by digital transformation. Ultimately, the research seeks to address the following guiding question:

Can emotions, reframed as cultural infrastructure, act as catalysts for trust, loyalty, and sustainable growth in the digital banking era?

1.1. *Why Culture Matters*

Organizational culture is often described as the personality of an institution. In banking, it not only guides employee behaviour but also defines how clients experience the institution. Strong culture drives loyalty and performance. Weak or overly rigid culture breeds mistrust and stagnation. Human behaviour, as part of organizational culture, belongs to the internal environment. This element shapes today's banking culture, serving as either a strength or weakness. For top management, identifying the cultural framework is essential when setting long-term strategic plans and visions.

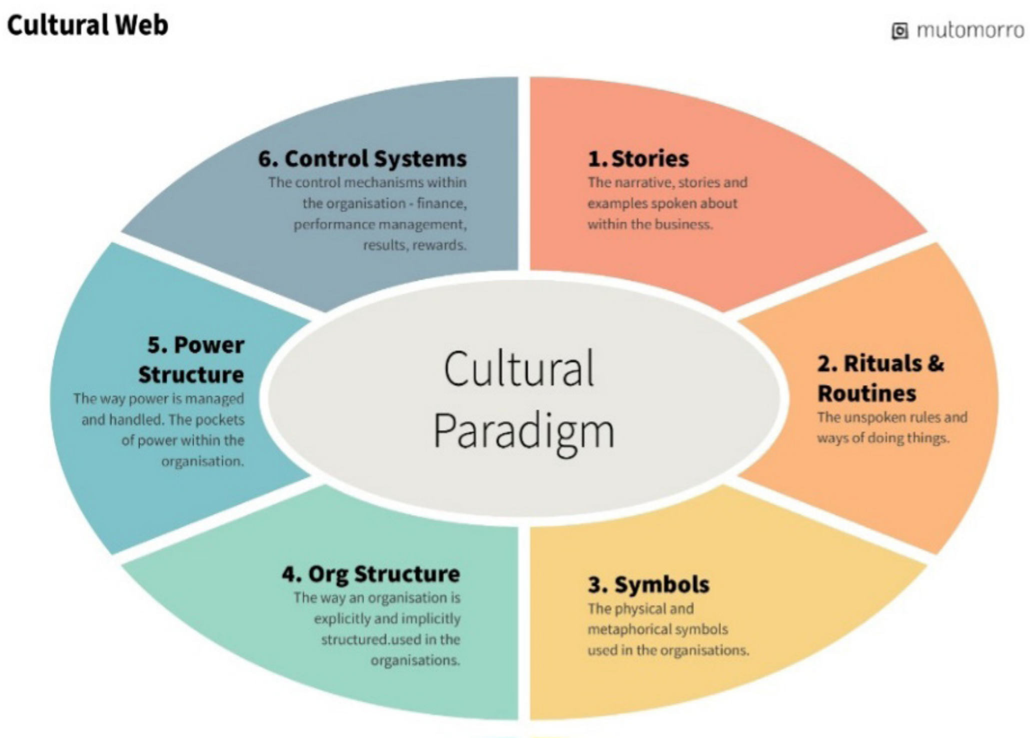

Figure 1. Cultural paradigm

Source: Gerry Johnson & Kevan Scholes, 1992, Exploring Corporate Strategy model

2. Literature Review

2.1 Emotions in Organizations

Research demonstrates that emotions are central to judgment, cooperation, and performance (Ashkanasy, 2003; Barsade & O'Neill, 2014). In banking, emotional labour - the regulation of feelings to meet organizational expectations (Hochschild, 1983) - has historically been downplayed in favour of rational models.

2.2 Emotional Intelligence and Leadership

Mayer and Salovey (1997) conceptualized emotional intelligence (EI) as the ability to perceive and regulate emotions, while Goleman (1995) emphasized its role in leadership. In banking, EI fosters collaboration and strengthens client relationships, enhancing loyalty.

2.3 Psychological Safety and Learning

Edmondson (1999) described psychological safety as an environment where individuals feel safe to contribute ideas. This climate supports innovation and learning—critical in navigating digital transformation.

2.4 Trust as a Mechanism

Trust reduces uncertainty and enables coordinated action (Luhmann, 1979). Mayer et al. (1995) define it as a function of ability, benevolence, and integrity. In banking, trust is both relational and economic.

2.5 Organizational Culture and Service Outcomes

Schein (2010) argues that culture operates at the level of basic assumptions, influencing emotional norms. Schneider and Barbera (2014) show that empathy and compassion in service climates improve customer outcomes and loyalty.

2.6 Banking Culture and Digital Transformation

Post-crisis literature emphasizes risk culture and accountability (FSB, 2014). At the same time, digital transformation reshapes both tasks and customer expectations. While technology drives efficiency, trust remains irreducibly human (Zuboff, 2019).

2.7 Synthesis and Research Gap

Existing studies treat emotions largely as individual traits. Few conceptualize them as systemic cultural infrastructure. This paper addresses this gap by framing emotions as the foundation for trust and sustainable culture.

2.8 The Culture of Banking Sector in Albania

The Albanian banking sector reflects a hybrid model shaped by economic development, traditional practices, and international standards. Three stages shaped its culture: (a) creation of commercial banks, (b) post-crisis restructuring after pyramid schemes, and (c) privatization of state-owned banks. While prudence and compliance ensured resilience, rigidity often limited innovation. Digitalization now requires speed, personalization, and agility.

The Culture of Banking Sector in Albania is influenced by different factors that have contributed related to the country economy development, traditional business practices and also international approach for those international banks operating into Albanian Country. Banking culture has been influenced by a unique blend of:

- National economic growth;
- Traditional business practices;
- International banks introducing global standards;

This hybrid created resilience but also rigidity — a double-edged sword. The system of commercial banking in Albania after 1991 was characterized by the gradual, but substantial introduction, of foreign banks from different European countries and beyond, starting with the banks that entered the Albanian market through various agreements, to the banks that were incorporated on the basis of licenses, as well as the banks established with Albanian private capital.

It was the beginning of the years 2000 up to now in which it occurred the introduction of several commercial private banks, such as the privatization (2004) of the State-owned bank, today Raiffeisen Bank; in 2008, the Intesa Sanpaolo Group entered into the Albanian market etc. The main banking facts may be clustered to three time periods, each marked by peculiar features and have impacted its culture:

- the creation of genuine commercial banks;
- development of banks after the collapse of the pyramid schemes;
- development of banks following the launch of privatization for state-owned banks;

Historically, banks relied on: risk management, prudence, and compliance. These values provided stability during crises. However, they also created rigidity, slowing innovation and limiting adaptability. Meanwhile, today's clients — shaped by digital ecosystems — expect: speed, personalization, agility.

3. Conceptual Framework

3.1 From Rigidity to Flexibility

Banking culture must reconcile stability through compliance with the flexibility demanded by digitalization. Redefining standards, while traditional rigidity risks pushing clients away rather than drawing them in.
Such double standards create the core tension:

Rigidity = stability, compliance, tradition.

Flexibility = innovation, adaptability, client focus.

As a solution for this tension, we can once again raise the fundamental question:
What kind of culture becomes a HUB to gain Sustainable growth and overcoming the challenges of Digital Era? As a solution of this Key Tension a narrative framework and a solution equation as below is analysed;

3.2 Narrative Framework

For decades, banks viewed emotions as a weakness. Leaders were expected to be detached, neutral, and strictly data-driven. The banking sector has empathetic, loyal colleagues build enduring trust with clients — though often overlooked for promotions. In contrast, rigid individuals frequently advanced despite weak relationships and limited long-term impact.
This raises the question: Does such a culture truly drive excellence, competitiveness, and sustainability? As part of my doctoral research, I propose a framework that reframes emotions as strategic assets:
Balanced Emotions = Liability; Emotions = Trust;
Emotion → Empathy → Compassion → Trust → Sustainable Culture;
In the Internal Environment of any company and specifically Banking, the human behaviours part of Culture Grid it is a Human factor to be "saved" from Digital Era in the meaning of values the human factor can create into a Working Environment and furthermore toward all stakeholders providing long term Sustainability. The balanced "Woking hours "emotions, neither suppressed nor excessive can fuel performance,

loyalty, and sustainable growth. Far from being a weakness, emotions represent a strategic advantage that shapes the future of banking culture.

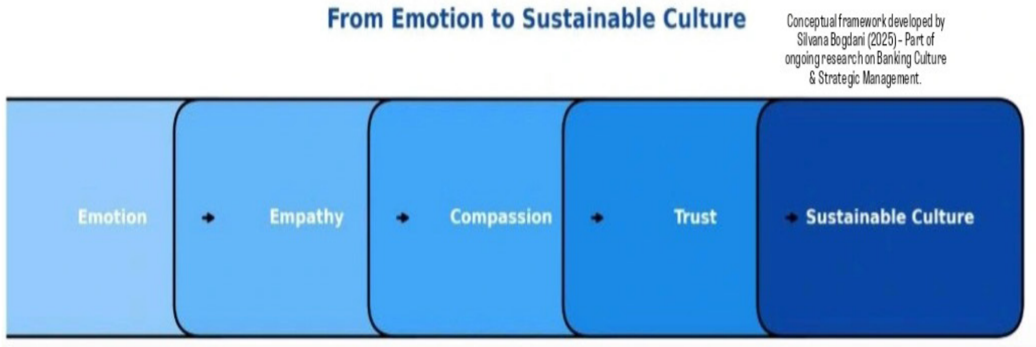

Figure 2. Conceptual equation from emotion to sustainable culture (Bogdani, 2025)

3.3 Framework Sequence

Emotion → recognition of emotions.
Empathy → understanding perspectives.
Compassion → supportive action.
Trust → relational outcome of compassion.
Sustainable Culture → balance between compliance and adaptability.

It's not about uncontrolled emotions, but about transforming them into empathy and compassion. That's where long-term trust is built — stronger than any rule or procedure. Yes, banking is a highly regulated industry built on risk and compliance, but clients and teams don't connect with regulations, they connect with trust. And trust is always an emotional bond. This is not just an academic debate. In practice, teams that foster empathy and trust consistently achieve stronger and more sustainable results. In this sense, the real question remains: Emotion = Weakness? Or Emotion = Trust?

4. Case Insights

4.1 Traditional Banking

Traditional banking is characterized by rigid, hierarchical structures that prioritize compliance and stability but often limit innovation. In the digitalization era, speed is essential, as the market moves rapidly across different sectors, including the financial industry. International banks often face challenges in adapting to market demand, while local banks tend to be more flexible.

Traditional banking is reflected in the "old way" of conducting financial operations, whereas digital banking is increasingly present and gaining market share. To avoid adopting new technologies, some bankers still prefer the traditional approach, starting from cash transactions to mortgage practices. However, the entire flow of banking products is now being digitalized, even though elements of traditional banking continue to exist.

4.2 Case Insight: Albanian Banking

During the 2008 crisis and COVID-19, Albanian banks demonstrated the paradox of rigidity versus empathy. Institutions that provided loan restructuring and proactive communication-maintained loyalty, validating the proposed framework.

5. Conclusion

This paper has argued that emotions, reframed as strategic assets, form the cultural infrastructure of sustainable banking. The proposed framework—Emotion → Empathy → Compassion → Trust → Sustainable Culture—positions trust as the irreducibly human foundation of the financial system. This study also contributes theoretically by integrating behavioural and cultural perspectives, and practically by demonstrating how banks can balance compliance with compassion. Limitations include its conceptual nature; future research should validate the model through empirical studies, particularly in emerging markets. What will remain visible is trust — the one currency no algorithm can replace. Emotions should not be dismissed as liabilities. They are strategic assets.

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