STRATEGIC MANAGEMENT SYSTEM IMPROVEMENT IN COMMERCIAL BANKS IN THE ERA OF DIGITAL TRANSFORMATION

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Abstract

This article examines the improvement of the strategic management system of commercial banks in the era of digital transformation. The banking sector is experiencing profound structural change driven by digital platforms, artificial intelligence, cloud computing, APIs, data analytics, fast payment systems, and the growing influence of fintech and big-tech actors. These developments require commercial banks to rethink their strategic management systems, not only in terms of technological modernization, but also in relation to governance, business models, risk architecture, customer strategy, and organizational capabilities. Using a qualitative review-based methodology, this article synthesizes recent academic literature and international institutional sources on banking digitalization and strategic renewal. The analysis shows that strategic management systems in commercial banks can no longer rely on traditional planning and control mechanisms alone. Instead, they must become more adaptive, data-driven, ecosystem-oriented, and risk-sensitive. The article proposes an integrated framework for improving strategic management in commercial banks built on five pillars: digital strategic governance, customer-centric business model redesign, integrated risk management, technological capability development, and performance-based strategic control. It is concluded that digital transformation can

strengthen competitiveness, efficiency, resilience, and financial inclusion, but only when it is embedded into the strategic management system as a core institutional logic rather than as a limited IT initiative.

Key words: commercial banks, strategic management, digital transformation, banking innovation, digital banking, risk management, financial technology, strategic governance

Introduction

Digital transformation has become one of the most decisive forces reshaping commercial banking. Across the banking value chain, institutions are increasingly using APIs, artificial intelligence and machine learning, distributed ledger technologies, and cloud computing, while also operating in a more complex ecosystem that includes fintech firms, big-tech companies, and third-party technology providers. The Basel Committee's report on the digitalisation of finance stresses that these technologies are already affecting multiple aspects of banking activity and business models.

For commercial banks, this transformation is not simply operational. It has strategic consequences. Digital transformation affects how banks create value, manage customer relationships, organize internal processes, allocate capital, address competition, and govern risk. BIS has also emphasized that digital transformation has improved efficiency, competition, and financial inclusion in banking services, while simultaneously introducing new vulnerabilities, including the greater speed at which risks can materialize in digital environments.

Recent OECD evidence further shows that the digitalisation of financial services has macroeconomic and sectoral importance, with digital transformation in finance linked to broader access-to-finance effects and aggregate economic performance. OECD publications on the digital economy also indicate that the

present phase of transformation is characterized by fast technological change, new governance demands, and the need to build trust in digital systems.

In this environment, the strategic management system of commercial banks must evolve. Traditional systems built around periodic planning, rigid hierarchies, and product-centered business logic are increasingly inadequate. Banks need more adaptive strategic architectures capable of responding to new digital competition, shifting customer expectations, technology-enabled risk, and data-driven innovation. The purpose of this article is to analyze how the strategic management system of commercial banks can be improved under digital transformation and to propose a coherent framework for such improvement.

Literature Review

The general theory of digital transformation provides the first conceptual foundation for this article. Vial (2019) argues that digital transformation reshapes value creation, organizational structures, and strategic responses through the use of digital technologies. This perspective is important for banking because it shows that digitalization is not limited to service channels; it changes the underlying logic of organizational strategy and management.

A second important theoretical lens is the dynamic capabilities approach. Warner and Wäger (2019) and Ellström et al. (2021) show that organizations succeed in digital transformation when they can sense external change, seize technological and strategic opportunities, and reconfigure resources accordingly. This is highly relevant to commercial banks, which must continuously adapt to regulatory change, technology disruption, customer behavior shifts, and rising competition from new entrants.

Institutional literature on finance deepens this argument. The Basel Committee's 2024 report on digitalisation of finance notes that innovative technologies are affecting multiple banking activities across the value chain and

that technologically enabled suppliers and new business models are becoming more important. This implies that the strategic management system of a commercial bank must now incorporate ecosystem thinking, not merely internal planning.

OECD research also suggests that the digitalisation of financial services matters for wider economic performance and financial access. This means strategic management in banking can no longer focus only on internal profitability and compliance; it must also take into account digital service reach, financial inclusion, and competitiveness within a changing financial ecosystem.

IMF materials reinforce the same point by showing that digitalization affects both financial inclusion and banking-sector development. Even though digital transformation creates opportunities for productivity and sectoral modernization, it also requires institutions to adjust their governance and policy frameworks. For commercial banks, this means that strategic management systems must become more integrated, flexible, and forward-looking.

Research Methodology

This article uses a qualitative review-based methodology. The study is based on the structured analysis of academic literature and recent institutional reports related to digital transformation, strategic management, banking innovation, financial digitalization, and risk governance. The literature base includes peer-reviewed studies and publications from international organizations such as the BIS, OECD, and IMF.

The methodological procedure included four main stages. First, sources were selected on the basis of topical relevance, analytical depth, and applicability to commercial banks. Second, the reviewed materials were coded around key themes: strategic governance, customer strategy, competition, digital infrastructure, risk management, and organizational capabilities. Third, cross-source comparison was

used to identify common patterns in how digital transformation affects banking strategy. Fourth, an integrated framework was developed to explain how the strategic management system of commercial banks can be improved under digital transformation.

The article does not present a primary survey or bank-level econometric model. Its aim is analytical and conceptual: to organize diverse insights into a coherent academic framework that can support dissertation work, policy analysis, and strategic planning in commercial banks.

Analysis and Results

1. Why commercial banks need a new strategic management system

Commercial banks traditionally relied on relatively stable models of branch expansion, product portfolios, interest-based intermediation, and hierarchical control. Strategic planning often focused on market share, asset growth, profitability, liquidity, and compliance. While these priorities remain relevant, digital transformation has changed the competitive and managerial environment.

Today, banks compete not only with other banks, but also with fintech firms, digital wallets, platform-based financial services, and technology-enabled intermediaries. Customers expect real-time, personalized, mobile-first, and seamless services. Payments infrastructure is becoming faster and more integrated, which increases both customer convenience and competitive pressure. World Bank materials underline that fast payments can contribute to digital financial inclusion, resilience, and productivity, which increases the strategic importance of digital infrastructure for banking institutions.

As a result, the strategic management system of commercial banks must shift from a relatively stable planning model to a more dynamic system built around continuous monitoring, digital capability development, ecosystem adaptation, and

integrated risk governance. This is not just modernization of banking technology; it is modernization of banking strategy itself.

Table 1.

Traditional vs. Digitally Oriented Strategic Management in Commercial Banks

Dimension	Traditional system	Digitally oriented system
Strategic focus	Product and branch expansion	Customer journey, platform strategy, ecosystem positioning
Planning style	Periodic and relatively static	Continuous, adaptive, data-driven
Competition view	Mainly other banks	Banks, fintechs, big-techs, third-party providers
Value creation	Transaction and intermediation centered	Service integration, digital experience, personalization
Risk management	Compliance-heavy and siloed	Real-time, integrated, tech-risk aware
Organizational logic	Hierarchical and function-based	Agile, cross-functional, innovation-oriented
Performance metrics	Profitability and balance-sheet indicators	Profitability, customer value, digital adoption, resilience

Source: Author's synthesis.

2. Key areas for improving the strategic management system

The analysis suggests that commercial banks should improve their strategic management systems across five key areas.

2.1 Digital strategic governance

The first area is digital strategic governance. Banks need formal digital strategies linked to overall corporate strategy. These strategies should define the bank's digital priorities, technology roadmap, innovation portfolio, partnership model, and governance responsibilities. Without such alignment, digitalization often remains fragmented across departments and disconnected from strategic objectives. OECD's work on digital transformation and governance supports the importance of coherent strategy and trust-oriented digital frameworks.

2.2 Customer-centric business model redesign

The second area is customer-centric business model redesign. Digital banking competition increasingly depends on user experience, convenience, personalization, and responsiveness. This means banks must move beyond product-centric strategy and redesign their strategic management systems around customer journeys, service platforms, and integrated channels. Fast, secure, and accessible digital services are now central to strategic positioning.

2.3 Integrated strategic risk management

The third area is integrated strategic risk management. Digital transformation increases exposure to cyber risk, third-party risk, model risk, operational concentration risk, and digital contagion dynamics. BIS has highlighted that digital transformation improves services but can also accelerate the speed with which financial stress spreads. Therefore, strategic management systems must integrate technology risk and systemic sensitivity into core decision-making rather than leaving them at the technical-operational level.

2.4 Technology and data capabilities

The fourth area is technological capability. Strategic management in digital-era banking depends on data architecture, cloud readiness, API integration, AI/ML capability, and robust analytics. A commercial bank cannot pursue digital strategy effectively without technological competence embedded in its management system.

The Basel Committee's digitalisation report makes clear that these technologies are already central across banking activities.

2.5 Human capital and organizational agility

The fifth area is human capital and agility. Even advanced technology produces weak outcomes when staff lack digital skills or when the organization remains trapped in rigid hierarchies. Strategic management systems should therefore include talent development, innovation culture, and cross-functional coordination. This supports both execution and long-term strategic renewal. (oecd.org)

Table 2.

Main directions for strategic management system improvement

Direction	What should be improved	Strategic result
Digital strategic governance	Alignment of digital and corporate strategy, governance roles, innovation priorities	Greater coherence and strategic control
Customer-centric redesign	Journey-based services, personalization, omnichannel delivery	Stronger competitiveness and customer retention
Integrated risk management	Cyber, third-party, model, and digital-run risks within strategic oversight	Higher resilience and stability
Technology and data capabilities	APIs, cloud, analytics, AI/ML, interoperable infrastructure	Faster innovation and better decisions
Human capital and agility	Skills, leadership, agile teams, innovation culture	Better execution and adaptability

Source: Author's synthesis.

3. Main analytical results

The literature synthesis produces several important analytical results.

First, digital transformation changes the object of strategic management in commercial banks. Strategy is no longer concerned only with assets, liabilities, branch presence, and traditional product lines. It now also concerns data assets, customer platforms, ecosystem positioning, technology partnerships, and digital trust.

Second, the strategic management system must become more integrated. In traditional banking, strategy, IT, risk, and operations were often treated as relatively separate domains. Under digital transformation, these domains increasingly overlap. A decision about cloud migration, for example, is simultaneously a technology decision, a risk decision, a cost decision, and a strategic decision.

Third, digitalization raises the importance of speed. Faster payments, real-time customer interaction, and digital market feedback create strategic advantages, but they also accelerate competitive pressure and risk transmission. This means strategic management systems must shorten feedback loops and increase decision responsiveness.

Fourth, digital transformation broadens the performance logic of commercial banks. Financial results remain essential, but they are no longer sufficient as the sole strategic metric. Banks increasingly need to monitor digital adoption, customer experience, innovation output, resilience, and ecosystem effectiveness alongside profitability and capital indicators.

4. Practical framework for commercial banks

Based on the literature, an improved strategic management system in commercial banks should include the following elements:

Table 3.

Integrated framework for strategic management system improvement in commercial banks

Pillar	Managerial content	Instruments	Expected outcome
Strategic digital governance	Integrate digital and overall strategy	Strategy map, digital steering committee, transformation office	Coherent strategic direction
Customer-centric model	Rebuild services around digital experience	CRM, journey mapping, omnichannel platforms	Better market positioning
Integrated risk architecture	Include digital and systemic risks in strategy	Risk dashboards, scenario analysis, third-party oversight	Greater resilience
Data and technology platform	Build the technological backbone of strategy	APIs, cloud, analytics, AI/ML, payment integration	Faster innovation and decision quality
Agile organization and talent	Strengthen execution capacity	Digital training, agile squads, innovation KPIs	Higher adaptability and implementation success

Source: Author's development based on the reviewed literature.

5. Suggested strategic KPIs

To evaluate whether the strategic management system of a commercial bank

is improving under digital transformation, the following indicators may be used:

- share of active digital customers,
- cost-to-income improvement from digital channels,
- digital product adoption rate,
- customer response and service resolution time,
- number of strategic partnerships with fintech or platform providers,
- percentage of decisions supported by advanced analytics,
- cyber-incident response readiness,
- share of staff with certified digital competencies,
- contribution of digital channels to revenue growth.

These indicators help shift strategic management from a static reporting model toward a more balanced and future-oriented evaluation framework.

Conclusion

Digital transformation is fundamentally changing how commercial banks should be managed strategically. It affects competition, customer expectations, risk dynamics, technology dependence, and value creation logic. As a result, the strategic management system of commercial banks must move beyond traditional planning and control models.

This article has shown that strategic management system improvement in commercial banks should be based on five interrelated pillars: digital strategic governance, customer-centric business model redesign, integrated strategic risk management, technological capability development, and human-capital agility. These pillars create a more adaptive, data-driven, and resilient management system suited to the digital age.

The main conclusion is that digital transformation should be embedded into the strategic management system as a core institutional principle. Commercial

banks that treat digitalization only as an IT function may modernize operations without transforming strategy. By contrast, banks that integrate digital transformation into governance, business models, risk architecture, and performance systems are more likely to strengthen competitiveness, efficiency, resilience, and long-term strategic sustainability.

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