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BALANCING OPERATIONAL EFFICIENCY AND CUSTOMER-CENTRIC SERVICE DELIVERY IN BANKING: AN INTEGRATIVE FRAMEWORK FOR DIGITAL TRANSFORMATION

Sujata S. Iyer
Dr. Christina Shiju (christinas@sies.edu.in)
SIES College of Management Studies, University of Mumbai, India

Abstract
Banks face mounting pressure to achieve operational efficiency while delivering superior customer experiences, yet understanding how to optimize both simultaneously remains limited. This conceptual study develops an integrative framework that positions operational efficiency and customer-centric service as potentially complementary capabilities under specific organizational conditions. The framework identifies management commitment, service climate, and employee attitudes as critical mediating mechanisms enabling dual performance. Five testable propositions are advanced, suggesting that when management commitment is strong, service climate is authentic, and digital capabilities are sufficiently developed, banks can achieve efficiency and service outcomes simultaneously. The study offers actionable insights for practitioners navigating digital transformation and seeking to align operational imperatives with customer-centric delivery.

Keywords: operational efficiency, customer-centric service, service climate, digital transformation, banking, employee mediation, dual performance, conceptual framework

Abbreviations:

- DEA: Data Envelopment Analysis
- SFA: Stochastic Frontier Analysis
- SERVQUAL: Service Quality Scale
- HRM: Human Resource Management

1. Introduction

1.1 Operational Efficiency and Customer-Centric Service in Banking

This study examines a critical challenge facing contemporary banking institutions: how to simultaneously pursue operational efficiency and customer-centric service delivery. Banking institutions face pressure to improve performance across multiple dimensions. Efficiency analysis employs frontier methods to distinguish production units that perform well from those that perform poorly (Berger & Humphrey, 1997). Consumer perceptions of service quality are commonly measured across five dimensions - tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman et al., 1988).

Operational efficiency theory draws primarily from production economics and operations management. Frontier efficiency analysis has been applied across 130 studies spanning financial institutions in 21 countries, employing nonparametric methods such as Data Envelopment Analysis (DEA) and parametric approaches such as Stochastic Frontier Analysis (SFA) to benchmark institutional performance (Berger & Humphrey, 1997). In parallel, service quality research emerged as a distinct stream within service marketing scholarship (Lemon & Verhoef, 2016) , with foundational measurement frameworks developed

to capture consumer perceptions of service delivery (Parasuraman et al., 1988). Complementing these perspectives, service climate theory highlights the importance of employees' shared perceptions of organizational policies, practices, and procedures related to customer service, which are rewarded, supported, and expected within the organization (Bowen & Schneider, 2014). These perceptions influence how management priorities translate into frontline behaviors and ultimately shape customer outcomes.

1.2 Digital Transformation and the Efficiency–Service Tension

Digital transformation introduces new technological capabilities that may enable banks to pursue efficiency and service simultaneously. Defined as "a process that aims to improve an entity by triggering significant changes to its properties through combinations of information, computing, communication, and connectivity technologies" (Vial, 2019, p. 118), digital transformation is reshaping how banks design and deliver financial services. FinTech innovations encompassing mobile applications, artificial intelligence, and blockchain technologies are transforming financial transactions and service delivery (Dunbar et al., 2024), while fintech firms are reshaping the broader socio-technological-environmental landscape of financial services (Nepomuceno et al., 2024). The rise of digital banks and fintech competitors has disrupted traditional banking models, compelling incumbent institutions to reconsider strategic priorities and accelerate the adoption of digital technologies (Abdurrahman, 2025).

While digital transformation creates opportunities for efficiency gains through automation and digital channels, it also raises expectations for seamless, personalized, and responsive customer experiences. Banks therefore face increasing pressure to improve operational efficiency while maintaining high levels of service quality, creating an ongoing tension between operational imperatives and customer-centric delivery.

1.3 Research Gap and Study Objectives

Despite extensive research on efficiency and service independently, critical gaps persist. **First**, theoretical fragmentation limits holistic understanding. Efficiency research draws primarily from operations management (Berger & Humphrey, 1997), while service quality research developed largely within service marketing scholarship (Lemon & Verhoef, 2016; Parasuraman et al., 1988). These parallel streams rarely intersect meaningfully, creating

siloed understanding. Although prior research has examined efficiency metrics and service quality outcomes independently, little theoretical work explains the organizational mechanisms through which banks might achieve both simultaneously.

Second, existing integration attempts often position efficiency and service as competing priorities requiring trade- offs, even though some evidence suggests that strategies simultaneously pursuing cost reduction and revenue expansion may deliver superior performance (Rust et al., 2002).

Third, employee-level mechanisms remain underexplored in studies of efficiency–service integration. Theory suggests that employee perceptions mediate the relationship between managerial priorities and customer outcomes, yet this human dimension is rarely incorporated into models of operational efficiency in banking. In particular, the concept of service climate highlights how organizational policies and practices shape employee attitudes toward service delivery (Bowen & Schneider, 2014).

Fourth, contextual factors such as ownership structure, regulatory environment, and stages of digital transformation receive limited attention, even though these conditions may significantly influence banks' ability to pursue efficiency and service simultaneously.

This study addresses these gaps through a conceptual literature review and theory synthesis approach, culminating in the development of an integrative conceptual framework. **First**, we synthesize operational efficiency and customer-centric service literature in banking contexts, revealing how these domains have evolved separately and identifying opportunities for integration. **Second**, we identify critical theoretical, methodological, and contextual gaps through structured analysis. **Third**, we develop an integrative conceptual framework explaining how organizational conditions may enable banks to pursue operational efficiency and customer-centric service simultaneously. **Fourth**, we propose testable research propositions specifying relationships between management commitment, service climate, employee attitudes, digital capabilities, and dual performance outcomes.

The remainder of the paper is organized as follows. Section 2 presents the conceptual literature review and theory synthesis methodology. Section 3 reviews the literature on operational efficiency, service quality, and digital transformation in banking. Section 4 develops the integrative conceptual framework. Section 5 presents research propositions. Section 6 discusses theoretical contributions and practical implications. Section 7 concludes with limitations and directions for future research.

2. Methodology

This study employs a conceptual literature review to identify theoretical foundations, map existing knowledge, and reveal research gaps, integrating operational efficiency theory and service quality theory to develop a unified conceptual framework. This aligns with the theory synthesis approach, appropriate for combining fragmented theoretical perspectives from different disciplines (Jaakkola, 2020).

The literature search combined database searching with citation chaining. The literature search followed a structured approach in which researchers first identify major contributions in leading journals, then go backward by reviewing reference lists of identified articles, and go forward by identifying works that subsequently cite those articles, a process designed to accumulate a relatively complete census of relevant literature (Webster & Watson, 2002). This mirrors established practices in prior conceptual reviews of digital transformation, where database searching augmented through backward and forward citation chaining produced comprehensive literature samples (Vial, 2019).

The literature covers publications from 1988 to 2025, beginning with SERVQUAL framework (Parasuraman et al., 1988). Analysis used thematic synthesis to identify key concepts, frameworks, and relationships across literature, grouped into categories including operational efficiency theory, service quality foundations, digital transformation impacts, and employee- related factors.

In accordance with principles of academic transparency, the authors acknowledge using artificial intelligence tools for literature search assistance, citation verification, and writing support. All AI-

generated suggestions were critically reviewed and validated against original sources. All substantive intellectual contributions represent the original work of the authors.

3. Literature Review Findings

This section synthesises key findings organized around three major themes: operational efficiency in banking, customer-centric service delivery, and emerging integration attempts.

3.1Efficiency and Service Quality Foundations

The literature on banking performance organises around three interconnected streams: the measurement of operational efficiency, the determinants of service quality, and the evolution of experience-based measurement frameworks. Each stream has developed largely in parallel, generating insights that Section 3.2 brings together through the lens of digital transformation.

3.1.1 Operational Efficiency in Banking

Banking efficiency research surveys 130 studies applying frontier analysis methods to financial institutions across 21 countries (Berger & Humphrey, 1997). These methods distinguish between technical efficiency (ratio of actual to maximum possible output) and allocative efficiency (optimal input-output combinations given prices). Empirical analysis reveals substantial

improvements in both cost and profit efficiency for U.S. banks, with profit efficiency demonstrating greater improvement than cost efficiency (Berger & Mester, 2003).

Strategic approaches to quality improvement include defensive (cost reduction) and offensive (revenue expansion) routes, with empirical evidence demonstrating that a revenue emphasis produces superior financial and customer relationship performance over both cost-only and dual strategies simultaneously (Rust et al., 2002).

Table 1: Banking Efficiency Literature

Study	Method/Framework	Core Finding	Banking Application
Berger & Humphrey (1997)	DEA/SFA comparative review	Multiple measurement approaches yield consistent results	International efficiency comparison

Berger & Mester (2003)	Profit efficiency analysis	Cost productivity worsened; profit productivity improved substantially via revenue expansion	US banking performance
Nepomuceno et al. (2024)	Directional DEA with sustainability	Efficiency and sustainability can align	Emerging market banking
Rust et al. (2002)	Quality-profitability framework	Revenue emphasis produces superior financial and customer relationship performance over cost-only and dual strategies	Strategic orientation

Collectively, these studies establish that efficiency in banking is neither purely cost-driven nor static - it must be pursued alongside revenue considerations, and increasingly, alongside sustainability and customer-facing outcomes.

3.1.2 Service Quality and Customer Experience

Service quality research developed SERVQUAL as a multiple-item scale for measuring consumer perceptions of service quality (Parasuraman et al., 1988). The scale identifies five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. Contemporary scholarship recognizes customer experience as fundamentally more complex than traditional service quality: "Customers now interact with firms through myriad touch points in multiple channels and media, and customer experiences are more social in nature" (Lemon & Verhoef, 2016, p. 69).

Service climate “represents the shared sense people who work for an organization have, where policies and procedures, and the expected and rewarded employee behaviors, emphasize service excellence” (Bowen & Schneider, 2014, p. 6). Management

commitment to service quality has significant positive effects on job satisfaction, affective commitment, and service recovery performance, with significant negative effects on turnover intentions (Ashill et al., 2008).

Table 2: Service Quality Foundations

Study	Method/Framework	Core Finding	Banking Application
Parasuraman et al. (1988)	SERVQUAL framework	Five dimensions: reliability, responsiveness, assurance, empathy, tangibles	Service quality measurement
Lemon & Verhoef (2016)	Customer journey perspective	Touchpoint experiences accumulate over time	Comprehensive relationships
Bowen & Schneider (2014)	Service climate theory	Leadership, HRM, employee behaviors mediate service	Internal service enabler
Ashill et al. (2008)	Management commitment effects	Commitment → attitudes → behaviors → performance	Frontline engagement

While SERVQUAL provided a rigorous foundation, its transactional focus increasingly proved insufficient as banking relationships grew more complex and multi-channel, driving the development of experience-specific measurement frameworks.

3.1.3 Evolving Measurement Frameworks

Measurement approaches have advanced over time, with researchers developing multiple scales to capture distinct facets of customer experience. (Maklan & Klaus, 2011, p. 779) challenged traditional service quality measurement, asserting that SERVQUAL "is not built for today's experience focus", presenting their scale development as "an example to market researchers of how they might address the challenge of

moving to a post-service measure of customer experience. (Klaus & Maklan, 2012, p. 5) conceptualized and validated EXQ, identifying " 9 items in four dimensions of the EXQ scale were identified: product experience, outcome focus, moments-of-truth and peace-of-mind", confirming the scale's significant impact on customer satisfaction, loyalty and word-of-mouth intentions.

These developments support management strategies informed by a holistic conceptualization of customer experience that "involves the customer's cognitive, affective, emotional, social and physical responses to the retailer" and "encompasses the total experience, including the search, purchase, consumption, and after-sale phases of the experience, and may involve multiple retail channels " (Verhoef et al., 2009, p. 32). Favorable behavioral intentions arising from service quality include

saying positive things about the company, recommending it to others, paying a price premium, and remaining loyal (Zeithanml et al., 1996).

These measurement advances collectively demonstrate a shift from transactional service quality assessment toward holistic experience frameworks that account for cognitive, emotional, and behavioral dimensions across the full customer journey. Table 3 summarizes these evolving measurement contributions.

Table 3: Service Experience Measurement

Study	Method/Framework	Core Finding	Banking Application
Maklan & Klaus (2011)	Conceptual critique of SERVQUAL	SERVQUAL not built for today's experience focus; post-service measurement needed	Customer experience assessment
Klaus & Maklan (2012)	EXQ scale development	19 items in four dimensions: product experience, outcome focus, moments-of-truth, peace-of-mind	Experience quality measurement
Verhoef et al. (2009)	Holistic conceptual model	Customer experience encompasses cognitive, affective, emotional, social and physical responses across all journey phases	Multi-touchpoint management

Zeithaml et al. (1996)	Behavioral intentions framework	Favorable behavioral intentions include recommendation, price premium tolerance, and loyalty	Service quality outcomes

Together, these three streams - efficiency measurement, service quality foundations, and experience-based frameworks, reveal a persistent tension in banking between operational imperatives and customer-centric delivery. Section 3.2 examines how digital transformation is emerging as the mechanism through which this tension may be resolved.

3.2Integration Attempts and Digital Transformation

Recent scholarship attempts to bridge the three streams identified in Section 3.1 (efficiency, service quality, and experience measurement) through digital transformation frameworks, recognizing that technology may enable their simultaneous pursuit.

3.2.1 Digital Transformation Frameworks and Dynamic Capabilities

Building on dynamic capabilities theory, (Vial, 2019) argues that digital transformation requires organizations to develop three mechanisms: sensing opportunities, seizing them through strategic responses, and transforming by reconfiguring resources to maintain competitive advantage.

Research on traditional banks highlights challenges in developing these capabilities. External contextual factors are critical triggers, particularly the political-legal environment encouraging digital transformation and ensuring technology accessibility (De Paula Pereira et al., 2024). Internal barriers frequently hinder capability development, particularly bureaucratic organizational cultures. Integrative capabilities enable organizations to reliably communicate and coordinate to modify products, resources, and business models in response to digital transformation (Vial, 2019), with external integrative capabilities proving especially essential as banking value networks grow increasingly complex.

A complementary strategic lens, arguing that digital business strategy represents a fusion of IT and business strategy operating across four themes: scope, scale, speed, and sources of value creation, that collectively determine how effectively digital capabilities translate into competitive advantage (Bharadwaj et al., 2013). A three-phase Digital Transformation Journey (DTJ) model identifies the characteristics of each stage and the key metrics to be tracked (Papathomas & Konteos, 2024). The initial "Toe in the Water" adaptation phase sees incumbents aligning digital technology with strategic priorities, improving front-line offerings while legacy systems remain largely intact and efficiency gains come from digitizing peripheral processes. The intermediate "Free Style Swimming" growing phase picks up the pace of transformation, with banks building digital ecosystems, adopting fintech partnerships, and moving toward omnichannel delivery where "customer experience CX is common and uninterrupted." The advanced "Deep Dive" transformation phase is where "revolution, not evolution, kicks in", all market forces, customers, regulators, and challengers become more adaptable, enabling banks to operate multiple

business models simultaneously (Papathomas & Konteos, 2024, p. 8).

3.2.2 Customer Experience in Digital Banking

Recent empirical studies provide evidence of digital transformation's tangible impacts on banking customer experience. Empirical regression analysis finds that among four digital banking dimensions, flexibility is the strongest driver of customer experience, while simplicity shows a counterintuitive negative relationship, suggesting that overly streamlined interfaces can reduce rather than enhance satisfaction (Chhetri & Aryal, 2025). This finding directly connects the efficiency-service tension identified in Section 3.1: over-simplification in pursuit of efficiency can undermine the very experience outcomes banks seek.

Bibliometric analysis of digital banking adoption in emerging economies identifies perceived usefulness, security, and trust as the most frequently studied determinants of customer acceptance, underscoring that digital transformation success depends as much on customer perception as on operational design (Acosta-Prado et al., 2024).

3.2.3 Leadership and Employee Experience

Leadership attributes correlated with dynamic capabilities for digital transformation include vision for the future, critical analytical ability, creativity, a flexible and agile mindset, and digital literacy (De Paula Pereira et al., 2024). Leadership practices also play a key mediating role in fostering meaningful employee experiences, which subsequently enhance customer service delivery. Six critical practices have been identified through which leaders enable meaningful work creation during transformation, spanning agile and tech-forward leadership, emotional intelligence in virtual settings, innovation-oriented recognition systems, regulatory-ethical balance, and customer co-creation approaches (Lydiana et al., 2025).

Translating these leadership and employee dimensions into practice requires structured organizational effort. A ten-stage roadmap for customer experience improvement identifies mindset change and direct customer involvement as critical prerequisites often overlooked in traditional improvement programs (Johnston & Kong, 2011).

The frameworks and capabilities underpinning digital transformation in banking are summarised in Table 4, drawing on dynamic capabilities theory and strategic digital business models.

Table 4: Digital Transformation Frameworks and Capabilities

Study	Conceptual Approach	Key Integration Mechanisms	Banking Application
Vial (2019)	Dynamic capabilities for digit	Sensing, seizing, transforming;	Digital maturity

	al transformation	integrative capabilities	through adaptable mechanisms
De Paula Pereira et al. (2024)	Dynamic capabilities in traditional banks	Digital sensing, seizing, transforming	Leadership attributes and cultural change
Papathomas & Konteos (2024)	Three-phase transformation journey	Toe in the Water - Free Style Swimming - Deep Dive	Staged efficiency- service balance
Bharadwaj et al. (2013)	Digital business strategy	Scope, scale, speed of digital impacts	Strategic realignment

The empirical evidence and leadership dimensions of digital transformation, spanning customer experience outcomes and the human practices that enable them, are captured in Table 5.

Table 5: Empirical Evidence and Leadership in Digital Banking

Study	Conceptual Approach	Key Integration Mechanisms	Banking Application
Chhetri & Aryal (2025)	Regression analysis of digital banking CX	Convenience, flexibility, simplicity as CX drivers	Customer experience measurement
Acosta-Prado et al. (2024)	Bibliometric analysis of digital banking adoption	Perceived usefulness, security, trust as adoption drivers	Emerging economy banking
Johnston & Kong (2011)	Ten-stage improvement roadmap	Mindset change and direct customer involvement are critical prerequisites	Experience improvement process

Lydiana et al. (2025)	Leadership practices in digital transformation	Six leadership practices enabling meaningful employee experience	Employee-to-customer service chain

The integration literature reviewed in this section demonstrates that digital transformation is not a single event but a phased organisational journey requiring dynamic capabilities, customer-centric design, and committed leadership at every stage.

3.3Summary of Literature Review Findings

The literature reviewed across Sections 3.1 and 3.2 reveals a field in transition. Foundational efficiency research operated largely in isolation from service quality scholarship, which itself evolved from transactional SERVQUAL dimensions toward holistic, multi-touchpoint experience frameworks. Digital transformation has emerged as the critical bridge, creating conditions under which operational efficiency and customer-centric service delivery can be pursued simultaneously rather than traded off.

Taken together, these findings point toward an integrative framework in which efficiency and service are complementary rather than competing organisational capabilities. Leadership vision, management commitment, and employee experience are active enablers of this complementarity, not peripheral considerations. The conceptual architecture for this framework is developed in Section 4.

4. Gap Analysis and Conceptual Framework

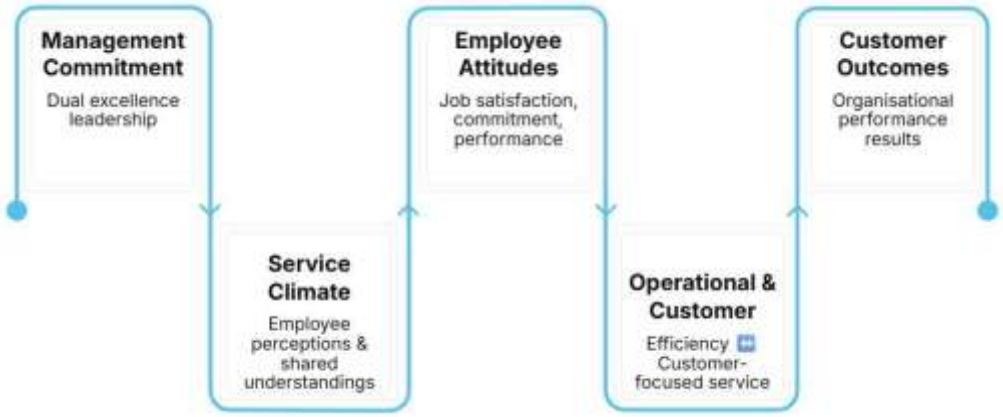
The gaps identified in Section 1.3 and confirmed through the literature review can now be translated into specific design requirements for an integrative framework. Four requirements emerge. First, the framework must bridge the efficiency and service research streams rather than treating them as separate domains. Second, it must specify the organizational mechanisms, not merely the structural conditions, through which simultaneous pursuit becomes possible. Third, employee-level processes must be explicitly incorporated as mediating pathways rather than left implicit. Fourth, digital transformation must be positioned as a contingent moderator whose effects depend on organizational readiness, not as a uniformly positive force.

These requirements inform the integrative conceptual framework presented below.

4.1Integrative Conceptual Framework

Addressing these gaps requires an integrative framework positioning operational efficiency and customer-centric service as potentially complementary organizational capabilities under specific conditions. Figure 1 presents this framework, drawing on service climate theory (Bowen & Schneider, 2014) and dynamic capabilities perspectives (Vial, 2019).

Figure 1: Integrative Conceptual Framework – Efficiency-Service Complementarity in Banking



Note: The combined effect of efficiency and service excellence delivers superior customer satisfaction, loyalty, and sustainable organisational performance.

The framework comprises four interconnected levels.

Management Commitment represents the organizational antecedent establishing strategic priorities and allocating resources for dual performance. Leadership that visibly commits to both efficiency and service excellence creates the conditions under which employees perceive both objectives as legitimate and achievable. Research confirms this commitment has significant positive effects on job satisfaction, affective commitment, and service recovery performance (Ashill et al., 2008).

Service Climate is the mediating construct linking management intent to employee experience. When authentic dual commitment is demonstrated at the top, employees develop shared perceptions that both efficiency and service matter equally, creating the psychological conditions necessary for dual performance (Bowen & Schneider, 2014).

Employee Attitudes translate organizational climate into customer-facing action. Job satisfaction and organizational commitment, shaped by both management commitment and service climate, influence the frontline behaviors that determine whether efficiency and service are pursued simultaneously or treated as competing demands (Ashill et al., 2008).

Dual Performance Outcomes positions operational efficiency and customer-centric service as potentially complementary rather than inherently competing. Under the conditions specified above, banks can achieve both simultaneously, challenging trade-off assumptions and suggesting these capabilities are mutually reinforcing when organizational systems align.

This framework advances theory by centralizing employees as critical mediators between organizational intent and performance outcomes, and by identifying the specific conditions under which complementarity becomes achievable.

5. Research Propositions

The integrative conceptual framework identifies key relationships enabling banks to pursue operational efficiency and customer-centric service simultaneously, yielding five testable propositions:

Proposition 1: Management Commitment → Service Climate

Management commitment to both operational efficiency and customer-centric service excellence positively influences service climate emphasizing dual performance, as management commitment shapes employee perceptions of organizational priorities (Ashill et al., 2008; Bowen & Schneider, 2014).

Proposition 2: Digital Capabilities Moderation

Banks with higher digital transformation maturity (Papathomas & Konteos, 2024) and stronger integrative capabilities (Vial, 2019) are more likely to achieve dual performance outcomes, as digital technologies enable process efficiency while preserving service personalization.

Proposition 3: Service Climate → Employee Attitudes

Service climate emphasizing dual performance positively influences employee job satisfaction and organizational commitment through clarity regarding organizational priorities and reduced role ambiguity.

Proposition 4: Employee Attitudes → Dual Behaviors

Employee job satisfaction and organizational commitment positively influence employee behaviors simultaneously supporting operational efficiency and customer-centric service through enhanced motivation and reduced turnover.

Proposition 5: Dual Performance Complementarity

Employee behaviors simultaneously supporting operational efficiency and customer-centric service positively influence both efficiency metrics (cost-to-income ratios, process cycle times) and service outcomes (customer satisfaction, loyalty, retention), with dual strategies delivering superior performance (Rust et al., 2002).

Boundary Conditions: These relationships are moderated by ownership structure (public vs private banks), market context (emerging vs developed markets), regulatory environment, and competitive intensity, warranting empirical investigation of contextual influences.

6. Discussion

This study set out to examine whether operational efficiency and customer-centric service delivery are necessarily competing priorities in banking, or whether specific organizational conditions can render them

complementary. The integrative framework developed here suggests the latter, and this section reflects on what that means theoretically and practically.

6.1Theoretical Contributions

The framework's primary theoretical contribution is the reframing of efficiency and service from trade-off to complementarity. Prior research has largely treated these as competing demands, forcing banks into either-or choices. This study challenges that assumption by identifying the organizational conditions, namely management commitment, service climate, and employee attitudes, under which both can be pursued simultaneously. The contribution is not merely additive; it reorients how the relationship between these two objectives should be theorized.

A second contribution is the centrality of employees as active mediators rather than passive instruments. Most efficiency- service research focuses on structural or technological variables, leaving the human layer underspecified. By grounding the framework in service climate theory (Bowen & Schneider, 2014), this study establishes that employee perceptions of organizational priorities are the mechanism through which managerial intent becomes operational reality. Without this layer, management commitment remains rhetorical and digital investment remains underutilized.

Third, the framework explicitly positions digital transformation as a moderating condition rather than a solution in itself. Banks at different stages of their digital maturity possess different capacities for dual performance, and technology functions as an enabler only when integrative capabilities, namely the organizational ability to communicate, coordinate, and reconfigure in response to change (Vial, 2019), are sufficiently developed. This nuance is absent from much of the existing digital banking literature, which tends to treat digitalization as uniformly beneficial.

6.2Practical Implications

The framework's logic carries direct consequences for how banks are led, transformed, and governed. The implications below are organized around four practitioner audiences, each of whom holds a distinct lever for enabling the efficiency-service complementarity this study identifies.

For Banking Executives: Dual performance requires authentic leadership commitment, not rhetorical balance. Banks whose leaders visibly prioritize both efficiency and service, through resource allocation, measurement systems, and day-to-day communication, create organizational climates in which employees perceive both objectives as equally legitimate. Conversely, leaders who signal efficiency through cost-cutting language while claiming service as a priority create the role ambiguity and climate fragmentation that undermine both goals. Measurement systems should track efficiency and service dimensions in parallel, and internal communications should consistently reinforce that these are complementary, not competing, strategic priorities.

For Digital Transformation: Digital investment alone does not produce dual performance. Transformation must be pursued in a sequenced, capability-building manner. In early stages, banks should

establish digital infrastructure that creates efficiency foundations without degrading service standards. As transformation deepens, the focus shifts to building ecosystems and omnichannel delivery that serve customers across touchpoints while managing legacy system constraints. At advanced stages, banks can operate multiple business models simultaneously, tailoring efficiency and service configurations to distinct customer segments (Papathomas & Konteos, 2024). Throughout all phases, supportive regulatory environments that encourage digital investment and ensure technology accessibility are necessary preconditions for these capabilities to develop (De Paula Pereira et al., 2024).

For Human Resource Management: The framework positions HR as the organizational function most directly responsible for translating management commitment into frontline behavior. Training programs should develop employee capability for both process efficiency and customer responsiveness, treating these as integrated professional competencies rather than separate skill sets. Reward and recognition systems should reflect both dimensions equally, avoiding the common trap of efficiency metrics crowding out service quality indicators. Most critically, organizations should invest deliberately in building service climates, the shared employee perceptions of what is valued, rewarded, and expected, as the foundational condition from which dual performance becomes possible (Ashill et al., 2008; Bowen & Schneider, 2014). Leaders who cultivate agile mindsets, demonstrate digital literacy, and invest in employee recognition and psychological safety create the conditions in which dual performance becomes embedded in everyday practice rather than remaining an aspirational target.

For Policymakers: Regulators and policymakers have an enabling role that the efficiency-service literature has largely overlooked. Consumer protection frameworks typically monitor service quality and efficiency separately; this study suggests they are more usefully monitored in relation to each other, as deterioration in one often signals pressure on the other. Policies that support digital transformation investment, through regulatory sandboxes, technology accessibility mandates, and innovation incentives, create the environmental conditions in which banks can develop the dynamic capabilities necessary for dual performance. Policymakers should also consider how ownership structures and market competition shape banks' capacity and incentive to pursue both objectives, as these contextual factors are among the boundary conditions the framework identifies as warranting further investigation.

7. Conclusion

This study demonstrates that operational efficiency and customer-centric service in banking need not be competing priorities. Instead, the framework proposed here shows that the alignment of management commitment, service climate, and employee attitudes determines whether these objectives conflict or reinforce each other.

The study makes four principal contributions: (1) a synthesis of the operational efficiency and customer-centric service literatures, revealing their theoretical fragmentation and opportunities for integration; (2) identification of critical research gaps, particularly employee-level mechanisms and contextual moderators; (3) development of an integrative conceptual framework positioning efficiency and service as potentially complementary capabilities; and (4) formulation of testable research propositions linking

management commitment, service climate, employee attitudes, digital capabilities, and dual performance outcomes.

Limitations. As a conceptual study, empirical validation remains necessary. Literature coverage focuses on established academic journals, potentially missing practitioner insights. The framework emphasizes internal organizational factors, with external competitive dynamics receiving less attention. Propositions require specification of detailed measurement approaches before empirical testing.

Future Research. Future research should empirically validate propositions through multi-level longitudinal studies examining management, climate, and individual levels simultaneously. Specify detailed mechanisms through which digital capabilities enable dual performance. Investigate boundary conditions including ownership structures, market contexts, and regulatory environments. Develop measurement instruments capturing dual performance constructs. Examine dynamic processes through which banks transition from trade-off to complementarity mindsets. Explore employee perspectives systematically through qualitative studies revealing how frontline staff experience dual performance pressures.

As banking continues evolving under pressures from digital transformation, fintech competition, and changing customer expectations, understanding how to achieve operational efficiency while delivering superior service becomes increasingly critical. This study provides theoretical foundations and practical guidance for navigating this challenge, positioning both objectives as potentially synergistic rather than inherently conflicting priorities.

Declarations

Conflict of Interest. The authors declare no conflict of interest.

Funding. This research received no external funding.

Ethics Approval. This study is a conceptual literature review. No primary data collection, human participants, or fieldwork were involved. Accordingly, no personally identifiable information was collected or processed, and no issues of data privacy or participant confidentiality arise.

Data Availability. This study is based entirely on published literature. No new datasets were generated or analysed. All sources used are publicly available through their respective publishers and academic databases, and are fully attributed in the reference list in accordance with APA 7th edition standards.

Use of AI Tools. The authors used artificial intelligence tools (Claude and ChatGPT) for literature search assistance, citation verification, and writing support during the preparation of this manuscript. All AI-generated suggestions were critically reviewed and validated against original sources by the authors. All substantive intellectual contributions, including the conceptual framework, propositions, and interpretive analysis, represent the original work of the authors.

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