Back Office Automation and Workplace Transformation: Opportunities and Challenges in the Financial Services Sector

Bachelorarbeit

zur Erlangung des akademischen Grades „Bachelor of Science (B. Sc.)" im Studiengang Wirtschaftswissenschaft der Wirtschaftswissenschaftlichen Fakultät der Leibniz Universität Hannover

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1 Introduction

"The previously stable market shows unprecedented competitive dynamics, regulatory changes and non-/near-banks as asymmetric competitors in the day and age of digital technologies. Practitioners speak of a disruptive change that could decrease the importance of traditional financial service providers." (Dehnert 2020)

This quote from Dehnert (2020) shows that the financial services industry is undergoing a digital transformation (DT) and that traditional companies must adapt to survive this change.

The financial services industry is built on a long-standing and trust-based customer relationship. This could change due to DT, as customers have different demands and digital channels offer them new opportunities (Dehnert 2020). Modern technologies such as AI or Big Data Analytics will provide companies with opportunities to optimize business processes and satisfy customer needs. Through these technologies, the financial services industry is regularly confronted with new innovations and is under constant competitive pressure to meet the needs of the customer, according to the digital state of the art (Alt et al. 2018; Werth et al. 2020).

Technological innovations open new sales channels for the company, creating a new competitive factor (customer satisfaction) within the industry. Customer satisfaction is a key factor of the financial services industry, as impersonal and digital communication scenarios become more significant than direct, face-to-face communication traffic, the traditional financial services provider is forced to adopt the technological change, as otherwise start-ups (Fintech's or InsurTech's) or large BigTechs will take the role of traditional companies in the market (Pousttchi and Dehnert 2018). Furthermore, new opportunities such as online platforms, mobile working, or electronic applications are offered to sales and affiliates. This results in both opportunities and challenges for partners and customers. These innovations are also changing the back office and the workplace (Arner et al. 2016a).

Due to the digital development of the financial services industry, an evaluation in this area lends itself to a more detailed analysis as well as evaluation of the progression within the industry. The following elaboration is evaluated using a qualitative approach, with the following research question driving the investigation:

"How does back office automation change the workplace for workers and enhance a company's performance in the financial services sector?"

The aim of this elaboration is to evaluate the current state of DT of a company in the financial services sector. The investigation focuses on whether selected technologies were successfully implemented, and if they meet the developments of the industry at large. Additionally, the investigation assessed how the workplace changes as a result of digitalization and whether these changes increase the performance of the company.

To answer the research question, seven semi-structured interviews with experts from a company in the financial services industry were used. These served as primary data for the study and were analyzed using the TOE framework (Tornatzky and Fleisher 1990). The TOE framework considers both technical and human factors, thus providing a holistic overview of the implementation. Thus, an accurate assessment of the implemented technologies can be made (Barker 2011).

Chapter two provides an overview of the relevant literature on DT in the financial services sector to show the current technological status. Subsequently, the TOE framework is presented. In Chapter three, the methodology is described, with the first part taking a closer look at the data collection and the research project, followed by the data coding, which was carried out using MAXQDA. In Chapter four, the results of the data collection are shown. First, the technological context is considered, which looks at relative advantage, complexity, and compatibility. This is followed by the organizational context, which is supplemented by communication processes, top management support, subjective norms, and financial commitment. Finally, the environmental context is considered, which includes external and internal IT support, trading partner readiness, competitive pressure, and government support. The fifth chapter analyzes the results, first examining the consequences of digitalization for the back office and then the overall workplace changes. This is followed by a recommendation for future projects and a limitations section. Chapter six concludes the thesis with a conclusion and outlook.

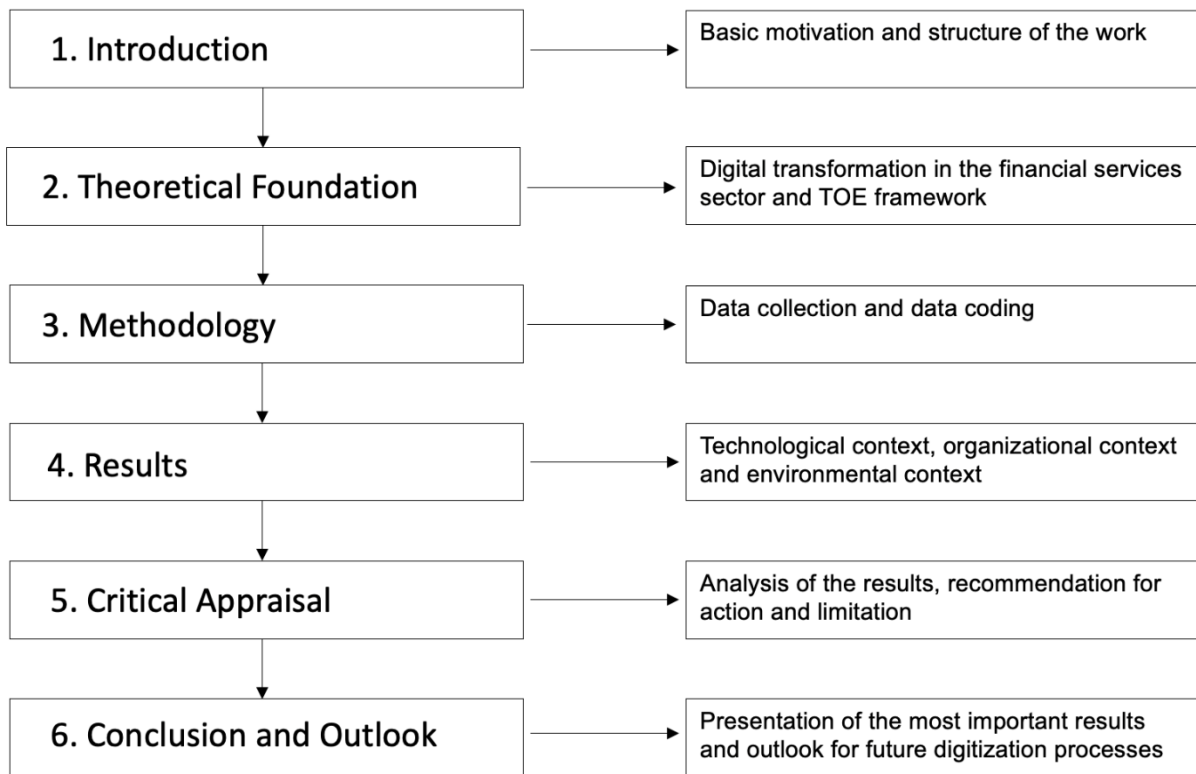| 1. Introduction | → | Basic motivation and structure of the work |
2. Theoretical Foundation	→	Digital transformation in the financial services sector and TOE framework
3. Methodology	→	Data collection and data coding
4. Results	→	Technological context, organizational context and environmental context
5. Critical Appraisal	→	Analysis of the results, recommendation for action and limitation
6. Conclusion and Outlook	→	Presentation of the most important results and outlook for future digitization processes

Figure 1.1:   Design and Structure of the Research Approach
Source: Own Representation

6   Conclusion and Outlook

This bachelor thesis deals with the question to what extent the automation of the back office changes the employees' workplace and has a lasting impact on the company's performance. Using the TOE framework and seven semi-structured interviews from a company in the financial services industry, this research question was answered in terms of various implementations by a company in the industry. This question was motivated by the radical change in the financial services industry driven by digitization and driving change in business processes and corporate culture.

The research showed that financial services companies and their employees can derive both new opportunities and challenges from the various digitization methods. Everyday work is made more flexible, varied, and efficient through automation. AI or various tools optimize employees' work processes. Nevertheless, the change in the workplace also creates extra work due to staff shortages and system errors. Furthermore, the corporate culture is weakened by a lack of communication and transparency. However, employees in the company surveyed are satisfied with their jobs and view the DT positively. The research also showed that business performance has improved. Through recognition and capture software, scaled processes can be digitized and enable paperless processing on the computer. Working with e-applications as well as a dark processing rate are made possible although the processes are very error-prone due to interface problems and the lack of readiness of the partners or sales prevents a complete digital conversion. There is a lack of management transparency in work processes and neither AI nor Big Data Analytics currently play a major role. The company wants to become more customer-centric and efficient, which is why e-applications are to be introduced. The results show that the company is far ahead of the competition in terms of customer processes such as the online inventory system and other transaction processing software. In employee processes, on the other hand, it lags behind the competition, as there has been little digitization innovation in this area.

A complete answer to the research question cannot be given, as no key figures or other empirical results were provided in the interviews. In chapter two, it was shown that the financial services industry is in a state of upheaval, as it has been very late in adopting the digitization of business processes, which is reflected in the available data. At the object of study, digital processes were introduced for the first time, with business processes becoming digitized and customer-centric. Overall, the results show that the company has recognized the benefits of DT and has begun to transform their processes. Despite this, the financial services industry lacks a digital standard and is

not up to date with others. By implementing the technologies in question, the company is trying to remain competitive and to satisfy the needs of their customers, which is the only way that they can remain competitive with industry rivals such as start-ups or BigTechs.

Overall, these are successful implementations that need to be further developed in the future. The company's performance has increased, even if there is still room for improvement, and the day-to-day work of the employees has adapted to digital conditions and become more flexible.

It is clear that the company will have to further digitize its business processes in the future to remain competitive. In the area of employee processes, the company is introducing a "Digital Workplace." There is also another major project that will fix the interface problems by having only one inventory system with one database. Through these projects, the company wants to address the previous problems and missing processes as well as continue to be on a par with the competition. The company must continue to develop, particularly in the area of employee processes.

Digitization is a constantly developing process, which means that the financial services industry is always faced with new innovations. If a company from this industry is not ready to accept these confrontations, they will in future not be able to cope with the competitive pressure and changing customer needs and will thus not be able to hold their own in the market. This will become even more of a requirement as transaction processes become increasingly digital and take place via the Internet. The company under review is well on the way to meeting future standards.