

# Agility and the Financial Service Sector: State of the Art, Chances and Challenges

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## 1 Introduction

Historically, the financial services sector is represented by large traditional companies with a long-standing corporate history and steady success. Success that is based on established routines and procedures, which have proven themselves over long periods of time. However, the present time is characterised by change. New digital technologies and innovations are increasing rapidly. Whereas there were a few years or decades between major innovations in the past, the speed of change and innovation is increasing continuously. This leads to constantly changing customer demands and consumers who expect their needs to be met immediately. In addition, competition in the financial service sector is increasing due to new digital possibilities. Thus, both smaller enterprises concentrating on only specific financial products as well as former internet companies see their chance to gain market share. At the same time, traditional financial service providers are held back by increasing legal regulations and outdated practices.

This pressure has led to a new strategic priority for financial service companies, which is implementing agility. Agility is seen as a chance to overcome the challenges of change. It is built on core values and methods and requires the alignment of the whole company. Since agility became known in the field of software development about 20 years ago, its awareness and popularity has increased dramatically. Today, agility is not only present in software development but in almost all industries. Clearly, introducing agility into a sector that has traditionally been reluctant to change brings both chances and challenges.

The aim of this thesis is to provide a comprehensive overview of the current state of agility in the financial services sector by conducting a literature review. Subsequently, derived chances and challenges are discussed. Accordingly, the research question to be answered in this thesis is:

*Which chances and challenges arise for financial services companies when implementing agility?*

The remainder of this paper is structured as follows. First, the theoretical background is explained in chapter 2. This includes the digital transformation in the financial services sector and the area of agility. Agility is first defined in general terms and then explained in the context of software development. In addition, the two most widely used agile methods are presented. Lastly, the concept of organisational agility is introduced. Next, the applied research methodology is shown in chapter 3. In this thesis, a systematic literature review is conducted based on Webster and Watson (2002) and Watson and Webster (2020). The results of the literature review are presented in chapter 4. Afterwards, the results are discussed in chapter 5 by identifying chances, challenges and recommendations for action. Limitations and future research opportunities are then shown in chapter 6. Finally, a conclusion regarding the implementation of agility in the financial service sector is given in chapter 7.

## 7 Conclusion

Constantly changing customer demands and habits, increasing competition and the expectation of immediacy are the results of an era characterised by change. These changes are initiated by ongoing innovations and new digital technologies. As a result, traditional industries such as the financial services sector, that have not had to change as rapidly in the past, are facing major challenges. One strategy from financial service companies to overcome these challenges is the implementation of agility. However, implementing agility creates chances as well as challenges for a company. The aim of this thesis is to show the current state of agility in the financial service sector and discuss the derived chances and challenges. Therefore, the research question “Which chances and challenges arise for financial services companies when implementing agility?” was posed. To answer the research question, a literature review based on Webster and Watson (2002) and Watson and Webster (2020) was conducted. As a result, six concepts were identified. These are the adoption of agile methods, technical capabilities, organisational alignment, the people factor, customer centricity and a regulatory environment. Based on these concepts, chances and challenges are derived.

Some of the biggest chances of implementing agility are the possibility to do a stepwise transition, a coherent and supporting culture and the resulting creation of an enjoyable work environment. Implementing agility gradually allows to gather first experiences on a small scale and assess the impact on the organisation, resulting in less risk of failure. A supporting culture with shared values and management support has the power to motivate employees to work towards a common goal. Agility provides more flexibility and autonomy for employees and in turn attract new talents wanting to contribute their own new ideas. Further chances arise through the use of agile methods e.g. by integrating the customer in the development process as well as the variety and tailoring possibilities of agile methods. A challenge, however, is that there is no roadmap for implementing agility successfully. Instead, a lengthy trial-and-error process awaits financial companies causing changes to structure and culture of the company. This requires resources such as staff, space and budget. Regulations and safety standards make change even more difficult. Moreover, the support from employees and management is needed. Otherwise, changes to the structure and the resulting shift in power distribution and creation of new jobs and responsibilities are not possible. However, another challenge is missing human capital as people with an agile mindset and the required skills and knowledge are scarce. Lastly, one of the biggest challenges is the lack of technical capabilities due to the presence of legacy systems in financial service companies.

Based on these results, recommendations for action for the use of agility in the financial services sector were presented. To conclude this thesis, one can say that the topic of agility has a lot of potential for the financial service sector, but many financial companies are still at the relatively early stages of implementation. Therefore, the next few years will show how the industry addresses the current chances and challenges.