

Challenges of the Financial Industry - An Analysis of Critical Success Factors for FinTechs

Completed Research

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Abstract

FinTechs are attracting ongoing interest in both academia and practice. With the use of techniques borrowed from grounded theory, we analyze material from 10 interviews with managers and Chief Executive Officers at FinTechs and 8 interviews with venture capitalists (VCs). We examined 15 critical success factors (CSFs) for FinTech ventures. These are divided into 9 factors that generally apply to general ventures: (1) team, (2) entrepreneur, (3) capital, (4) product/market fit, (5) idea and execution, (6) pivoting and continuous learning, (7) customer acquisition, (8) internationalization, and (9) networking. In addition, we examine 6 factors that have specific relevance to FinTech venture success, namely, (10) technological advantage, (11) regulatory knowledge, (12) B2B focus, (13) incumbent partnerships, (14) growth potential, and (15) exit options for VCs. Our study expands the literature on CSFs for FinTechs and provides recommendations for entrepreneurs to be more successful.

Keywords

FinTechs, Critical Success Factors, Grounded Theory, Venture Capital Success

Introduction

The term FinTech, “a neologism of which originates from the words “financial” and “technology”” (Gomber et al., 2017: 540), has become a counterword for the successful integration of innovation in the financial sector. A worldwide investment value in the FinTech market of 10 billion US dollars (USD) in 2008 will increase to a predicted investment value of 46 billion USD in 2020 (Deloitte, 2019). Despite this remarkable outlook, 9 out of 10 FinTech start-ups still fail (Finextra, 2018). Practitioners and researchers have investigated the reasons why certain businesses fail and others are successful. A vast amount of academic literature describes, in a general sense, critical business model success factors. As Boynton and Zmud (1984: 17) state, “Critical success factors are those few things that must go well to ensure success for a manager and an organization [...]”. Previous researchers have highlighted the importance of, e.g., product value and innovation (Groenwegen & Langen, 2012) or product/market fit (Ries, 2011) as critical to the success of a business. Nevertheless, a gap in comprehensive FinTech-specific success factor investigations exists in the