EMBRACING AGILITY IN FINANCIAL SERVICES:
A ROADMAP TO TRANSFORMATION

Thought Leadership

The financial services industry is at a pivotal juncture where traditional operational models are being challenged by the need for rapid adaptation and responsiveness. However, transformation of this kind is not a mere trend but a fundamental shift in organizational culture and thinking. Korn Ferry conducted over 30 in-depth interviews with leaders from top, global financial services companies, providing rich insights into the journey toward agility in a sector known for its conservatism and adherence to legacy processes.

Embracing agility is not just about adopting new tools or processes; it's about instilling a new mindset that values adaptability, employee empowerment, and continuous improvement. Banks and insurance companies are recognizing that to thrive in an environment characterized by rapid technological change and fluctuating customer expectations, agility must be embedded in their DNA. This article dissects the motivations behind the agile transformation, identifies the successes and stumbling blocks encountered by these organizations, and offers actionable insights for firms looking to pursue this path.

Agile Transformation in Financial Services

The move towards agile practices within financial services has become a strategic priority for many organizations. The shift is driven by the necessity to respond swiftly to changing customer needs, regulatory requirements, and the fast-paced evolution of technology. Leaders acknowledge that agility enhances the firm's capacity to pivot quickly, thus maintaining relevance and competitive edge. However, competition for key skills and talent, as well as significant outsourcing and the regulatory environment, often encumber a firm's ability to remain agile.

The degree of agile adoption, as reflected in our study, also varies significantly across firms and departments. Some believe they are farther ahead in embedding agile principles into their core operations, while others feel they are still grappling with the initial stages of transformation. The differentiation in adoption levels underscores the challenges intrinsic to shifting long-standing corporate cultures and processes.

A pivotal factor in agile transformation is leadership alignment. Leaders must not only champion agility but also model it in their actions and decisions. The insights from our study emphasize that while commitment from the top is evident, a unified and profound understanding of agile values is necessary across all levels of leadership in the organization.

KORN FERRY

*BE **MORE** THAN*

In the ever-evolving financial industry, agility has become a beacon for companies aspiring to stay competitive and innovative. Agile transformation—though a term often reserved for tech circles—has permeated into the realm of financial services as a strategic imperative. Our qualitative analysis highlights the experiences of several executives within the financial sector, revealing the impetus, progress, and challenges of adopting agile methodologies.

Reasons and Realization

The primary motivation for adopting agile methodologies is rooted in the need for organizations to align more closely with dynamic market demands, enhance their responsiveness to change, and cultivate a culture of empowerment and continuous improvement. Interestingly, the level of achievement in these areas is not uniform across organizations. As one leader puts it, "There are employees who are 'farthest ahead', 'fully agile', and 'mostly agile', indicating a strong alignment with agile principles."

Yet, this variance accentuates both the encouraging embrace of agile principles and areas in need of additional focus. The relevance of products and services, especially in the IT and tech sectors, is critical in this rapidly changing digital era. Agility ensures services remain pertinent and innovative. Notably, the COVID-19 pandemic has acted as an unexpected driver of transformation, with one executive noting, "The pandemic had a 'massive impact', possibly accelerating or modifying the adoption of agile principles."

This underscores the importance of agility in times of unforeseen challenges.

Function-Specific Targets

Within the multifaceted landscape of corporate functions, a comprehensive objective to integrate agile practices is apparent. However, the extent of adoption and application of agile methodologies varies considerably across specific departments or roles "like retail or corporate, marketing embedded in IT, and others," according to one leader interviewed. This variation could reflect the unique nature of work within these departments or point to underlying cultural resistances.

Our analysis indicated that the most significant potential for improvement is in functions exhibiting cultural resistance, a superficial grasp of agile concepts, and areas not traditionally associated with agility—like non-IT functions with high regulatory requirements, such as finance and risk. Many organizations have yet to understand and embrace that such supporting functions and others like HR or Legal and Compliance are part of agile products just like Research and Development, Marketing, or Sales.

Barriers to Achievement

The journey toward a fully agile organization is often fraught with challenges, both cultural and structural. Our research found that some leaders believe resistance to the terminology of agility can be a barrier, with one remarking that "people check out" when using "terms like 'Burn Rate.'" This, the executive says, indicates "skepticism or fatigue around the agile lexicon." In addition, practical constraints, such as resource limitations and rigid organizational structures, impede progress.

As one leader in our study candidly stated, "The constraint of resources and limited room for employees to maneuver [impact] agile adoption." This challenge may be caused by the lack of organizational culture and mindset, a lack of leadership commitment, as well as objectives with conflicting incentives.

KORN FERRY
BE **MORE** THAN

Leadership Alignment

The commitment from leadership toward agile transformation appears resolute, yet there is an expressed need for greater uniformity and depth in understanding agile principles among top executives. Our research revealed that one-third of the companies surveyed felt they had top team alignment with regard to the purpose of adopting principles, while only one company believed they were fully aligned regarding the direction of the agile journey.

It is crucial to engage leaders and nurture a culture of empowerment and trust. Reflecting on leadership attitudes, one executive said, "While many leaders show strong commitment and active engagement with agile principles, there is still a need for consistency across all levels of leadership." In addition, a commitment by leadership to agile transformation versus the "fair weather agile" approach is extremely important to ensure these principles are not abandoned in moments of escalation or pressure by board-level stakeholders.

There is a need for leaders to not just endorse agile philosophies, but to also personify them.

Leadership alignment is **a pivotal factor** in agile transformation. Leaders must not only **champion agility** but also **model agility** in their actions and decisions.

Three Key Insights

For Agile Transformation

1. *Agile Mindset at the Top:* Senior leadership must not only support agility but actively demonstrate it. Role modeling and engaging ways to communicate the agile vision—like using popular culture references—help to embed an agile mindset throughout the organization.

2. *Focal Points for Transformation:* Agile transformation should start with individual projects, promoting a grassroots movement and tolerating initial chaos for greater long-term flexibility. Decision-making should consistently align with the agile direction.

3. *Employee Mindset and Culture:* A developing agile mindset among employees should be fostered through involvement, resilience, and patience. Organizational initiatives must focus on trust and growth to support this cultural shift.

For Companies

1. *Consistent Leadership Commitment:* Companies must ensure that agile values are consistently displayed and understood across all levels of leadership. Top management should not only endorse but embody agile principles.

2. Cultural Adaptation: Agility must be contextualized to fit different functions within the organization. A one-size-fits-all approach will not suffice, especially in areas outside the typical agile domains.

3. *Empowerment and Bottom-Up Innovation:* Agile transformation should be a balanced endeavor. While leadership support is crucial, empowering employees to innovate and contribute to the agile process from the bottom up will nurture a more robust and dynamic transformation.

KORN FERRY

*BE **MORE** THAN*

Gaps and Recommendations

Leaders are nurturing agility with clear rationale and trust. However, a consistent approach across all management levels and a system that promotes bottom-up innovation are needed. Structured approaches like objectives and key results (OKRs), agile tools, and coaching provide a solid foundation for enhanced grassroots initiatives, which can further solidify agility. These approaches must be supported by updating goals, incentives, and reward structures to help build compelling career paths that allow for internal mobility within an organization.

Beyond the traditional linear trajectory of yearly promotions, research shows that high-potential employees will be just as engaged if they move cross-functionally within a company, at the same levels as if they get promoted. This cross-functional agility will help build a deeper bench of skills across departments, as well as promote a more agile workforce.

Conclusion

The journey toward becoming an agile organization within the financial services industry is complex and multifaceted. It is clear from our research that the path to agility is not a one-size-fits-all; it requires a tailored approach that respects the unique dynamics of each organization. The insights provided serve as a roadmap for firms looking to embark on or advance their agile journey, highlighting the importance of leadership, culture, and employee engagement in driving this fundamental change.

Authors

Dominik Dreyer
Senior Client Partner, Korn Ferry

Philipp Herrmann
Principal, Korn Ferry

Patrick Maeder
Senior Client Partner, Korn Ferry

James Bommeli
Management Consultant, Korn Ferry

Tessa Misiaszek
Head of Research, Korn Ferry Institute

About Korn Ferry

Korn Ferry is a global organizational consulting firm. We work with our clients to design optimal organization structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward and motivate their workforce while developing professionals as they navigate and advance their careers.

Korn Ferry. Business Advisors. Career Makers.