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# NAVIGATING BOTTLENECKS IN THE AGILE JOURNEY

Embracing the Fintech Mindset in Banking



An Infosys Consulting Perspective  
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# INTRODUCTION

Developing agile, flexible ways of working has significant impact on almost every aspect of an organization, including structures, roles, responsibilities, business vocabulary, processes, collaboration models and technology. This poses little challenge for fintechs that embed agility within their team from the very beginning. But for large, mature institutions like banks, the journey to agile can be fraught with bottlenecks. In this paper we look at the typical problems that arise when implementing agile, and offer key steps to overcoming them.

# Embracing Change

**Agile prioritizes speed, autonomy, and collaboration to unlock the true potential of organizations.**



Agile organizations have a 70% chance of being in the top quartile of organizational health, the best indicator of long-term performance.

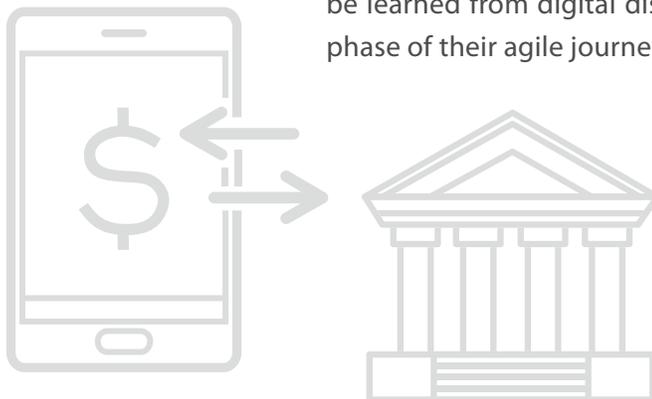
*Source: The 5 Trademarks of Agile Organizations, McKinsey & Company*

The adoption of agile and agile at scale is fairly commonplace. Companies today aspire to be more customer-centric, efficient and nimble with a shortened time-to-value, and most are either on their agile journey or contemplating how they can begin to make a transition.

However, for many of these businesses – particularly in financial services – agility remains a technology-driven transformation and a software delivery method, rather than organization-wide agenda.

While there are considerable benefits to technology teams adopting an agile delivery method, this silo leads to an inevitable tension between business, tech and leadership. It is this tension that slows down production and enables fintechs and challenger banks to ultimately disrupt the market.

Mature banks may never be able to reach the same level of agility as a fintech – and they might not need to – but there are lessons that can be learned from digital disruptors that may help them reach the next phase of their agile journey and beyond.



# Agile Journeys are Difficult to Navigate

Businesses know what an agile organization is, and why it's important. But figuring out how to pull off an agile transformation is another question.



"Most organizational change efforts take longer and cost more money than leaders and managers anticipate. In fact, research shows that 70% of all transformations fail."

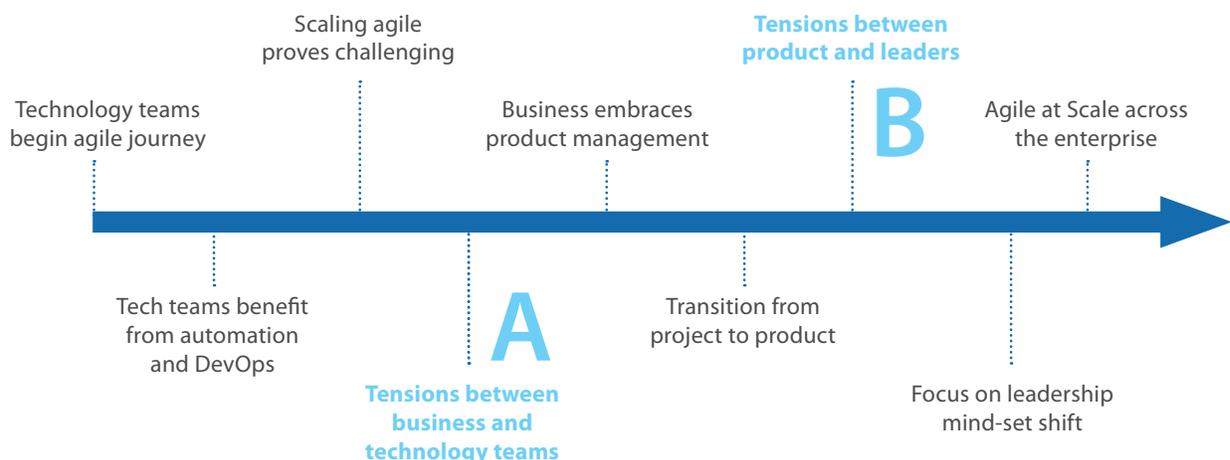
Source: Brent Gleeson, Forbes

A typical agile transformation starts with technology teams experimenting with the adoption of agile delivery principles, followed by extrapolation of this approach to other areas and business portfolios, and finally scaling across all branches of the organization.

However, agile journeys are difficult and complex; inefficient change management, financial management, governance and control processes that have not progressed at the same rate lead to inability to scale and manage interdependencies across teams of differing agile maturity.

Figure 1 outlines the two main bottlenecks in the journey to agile. Right now, most banks are at point A: testing the agile water, or have commenced their journey with their technology teams – often independently to the rest of the business.

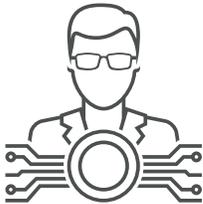
## 1. The Agile Journey





“Single-fix changes at the team level thus appear to make progress for a while, but eventually the interlocking elements of the organizational culture take over and the change is inexorably drawn back into the existing organizational culture.”

Source: Steve Denning, Forbes



At this stage, banks are likely seeing some benefits from increased automation and an increased release cadence. The organization might be warming towards the concept of agile at scale, but they're still struggling to understand what it means for them. As a result, they are likely experiencing significant tension between technology teams and the wider business structure.

## Business vs Technology

A typical bank will have separate organizations for business and technology; not only will they report into separate lines, but they are also structured completely differently. Inevitably, while the technology teams work in agile, the business will continue to operate in the traditional waterfall approach. While this has some benefits from a delivery perspective, there are negative consequences in both areas.

### Technology teams: “Why aren't I getting a flow of prioritized work?”

Lack of product management capability within the business leads to frustration within technology teams; there isn't a constant flow of work, yet they are still expected to ramp up and ramp down resource rather than tapping into a fluid backlog for consistent results. At the same time, they lack predictability of engagement with other teams, and they may be struggling with legacy architecture that constrains speed and agility.

### Business: “I thought this was supposed to be cheaper, faster and better for us?”

The business may become frustrated with the technology team's inability to plan for the mid to longer term whilst delivering predictably in the shorter term – particularly if they are slower to catch up with the concept of MVPs (minimum viable products) and iterative working. This can lead to leadership concerns about the ability to meet strategic goals and investor commitments. There may also be worry that increasing agility at their level requires them to do more with their time; suddenly they need to attend daily stand-ups, sprint planning and show and tells on top of their day jobs.

**...As a result, benefits are hard to realize**

With agile transformation siloed within technology teams, the benefits are impossible to realize fully. In fact, 75% of transformation efforts fall short of their agile targets in terms of value generated, timing or both. Without moving beyond this stage of the journey, banks will repeatedly come up against the same challenges that you can see in figure 2.

## 2. Typical Challenges of Agile Programs

Despite having clear target outcomes, without the necessary foundations across business, technology and leadership, it will be difficult to realize the intended benefits of agile transformation.

Target Outcomes	What we see...	Resulting in...	
 <b>Delivery Velocity</b>	<ul style="list-style-type: none"> <li>• Improve pace and predictability</li> <li>• Reduce reaction time</li> </ul>	<ul style="list-style-type: none"> <li>• Short term tactical focus</li> <li>• Frequent and unsupported change in priorities</li> <li>• Project/waterfall mind-set</li> </ul>	<ul style="list-style-type: none"> <li>• Complexity in technical solutions</li> <li>• Poor mid-to-long term planning</li> </ul>
 <b>Value of Change</b>	<ul style="list-style-type: none"> <li>• Maximise customer value</li> <li>• Invest in the change that matters most</li> </ul>	<ul style="list-style-type: none"> <li>• Emotional rather than value based decision making</li> <li>• Lack of appreciation of demand/supply ratios</li> <li>• Absence of MVP and iterate approach</li> </ul>	<ul style="list-style-type: none"> <li>• Over stretched resources</li> <li>• Poor investments</li> <li>• Waste</li> </ul>
 <b>Cost of Change</b>	<ul style="list-style-type: none"> <li>• Increase efficiency</li> <li>• Reduce unit cost</li> </ul>	<ul style="list-style-type: none"> <li>• Unhealthy focus on delivery timelines</li> <li>• Complex KPI and metrics framework</li> <li>• Absence of ongoing benefit realisation measurement</li> </ul>	<ul style="list-style-type: none"> <li>• Difficult to articulate improvement</li> <li>• Metrics and KPIs that are not action orientated</li> <li>• Time overrides quality</li> </ul>
 <b>Change Ownership</b>	<ul style="list-style-type: none"> <li>• Create a stronger sense of ownership</li> <li>• Linked to strategic outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• No clear delineation of roles and responsibilities</li> <li>• Lack of alignment with strategic goals</li> <li>• Operating in functional and business unit silos</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of direction and focus</li> <li>• Things don't get done</li> <li>• Inability to scale</li> </ul>
 <b>Practitioner Satisfaction</b>	<ul style="list-style-type: none"> <li>• Empower change practitioners</li> </ul>	<ul style="list-style-type: none"> <li>• Decision making is driven top down</li> <li>• Product Managers treated as order takers</li> <li>• Passive aggressive behaviour</li> <li>• Adoption of command &amp; control approach</li> </ul>	<ul style="list-style-type: none"> <li>• High attrition of resources</li> <li>• Lack of innovation</li> <li>• Weaker solutions</li> <li>• Lack of real empowerment</li> </ul>

# Lessons from Disruptors

Fintech firms represent some of the fastest-growing companies in the world.

## Starling Bank: A Case Study

Launched in 2014, Starling Bank is now one of the fastest growing challenger banks, and is an excellent example of organization-wide agility. Founder and CEO Anne Boden commented: "We work as groups of people, so we do not have a contained IT department. Technology takes place across the whole organization. We don't believe that, as a technology-led bank, IT should be ring-fenced."

Starling Bank's approach also allows them to take a customer-focused approach. "The team are free to make sure they can execute in a way that delivers solutions to customers," she continues. "We don't believe in preparing lots of presentations for each other, we believe in delivering products that customers can use. Throughout the organization, we only spend our time on things that are outward – and customer-focused." \*

While traditional banks are finding themselves stuck at common bottlenecks on their agile journey, industry disruptors like fintechs and challenger banks are able to deliver unique, multi-channel customer offerings with optimized value and pin-point accuracy at lightning speed. How? By aligning the whole business to agile ways of working from the very beginning.

## Everyone is on the agility agenda

Start-ups typically do not distinguish between their IT and business functions; they take a one-team approach with everyone working on the same agility agenda. Without the tension arising from this bottleneck in the agile journey, start-ups can enjoy the benefits of a largely greenfield site, without the constraints of legacy technology, processes, and the tension between different units.

## Working on a product, not project, basis

Most fintechs are structured along product lines, from ideation to delivery to value. With an MVP approach, the smallest increment is delivered to real users as soon as possible, so that their feedback can help to shape the most valuable direction for future investment. Their approach allows them to be agile, nimble and react quickly to changing market conditions, as well as being customer-focused.

## Looking Beyond Budgeting

Beyond Budgeting is starting to gain traction as an approach to finance within start-ups. The rigidity of annual budget doesn't suit shorter project lifecycles – it only serves to stifle innovation and responsiveness to change. Rolling budgets, produced on a quarterly or monthly basis, are suggested as the main alternative to annual budgeting. These are flexible, do not rely on obsolete figures and should result in more timely allocation of resources.

\* <https://www.hays.co.uk/blog/-/blogs/diversity-in-the-finance-sector-starling-bank-make-a-flying-start>

# How to Get Agile Right

Agile principles aren't just about process; they're a shift in values and mindset.



"Not every organization needs to be level five of maturity, or a Starling Bank/ Google/ Spotify. Banks should be clear on what good looks like for their specific organization."

Source: Shaun Betts, Associate Partner, Infosys Consulting

It's important to note that traditional banks may never be able to achieve the same level of agility as fintechs; they have a complex matrix with hundreds of thousands of employees, as well as multiple platforms with multiple products; driving the agile agenda through all of this is difficult and challenging. And it might not be necessary. Fintechs have their place as disruptors focusing on a specific range of products.

However, to move through the agile journey, mature organizations must start thinking like start-ups – learning how to stay agile and scaling at the same time. Agile is much more than a methodology, it is a way of thinking, and it is this mindset change that will deliver results (figure 3).

## 3. Mindset change drives agile benefit realisation



### Clearly Defined Goals

As opposed to vast requirements documents that are outdated quickly



### Automation

Increased automation enables reduced costs, increased speed to market and increased testing scale and scope



### Early Release of Benefits

An MVP approach releases benefit much quicker than traditional projects and helps fund future iterations



### Continuous Delivery

Releases are frequent so new products and enhancements can be in the marketplace quickly



### Inclusivity

Remove siloed thinking and increases relations between technology and business



### Increased Flexibility

Replace change requests with reprioritization and rapid response to customer needs



### 'Good Enough for Now'

Solutions are not over-engineered, they simply and effectively meet the needs of the customer



### Internal Feedback

Key stakeholder feedback is swift and dynamic leading to reduction in waste and improved output



### Reduce Risk and Complexity

Risk is reduced through closer ties between function, rapid release, improved automation and integrated testing



### Predictability of Costs

Fixed capacity team structures provide clear visibility of cost and value



### Earlier Customer Feedback

Early release of MVPs enables analysis of customer feedback to decide where future funding is best invested



### Fewer Defects in Production

Improvement in quality reduces the risk of customer harm and the cost associated with issue resolution

**Financial services organizations should consider taking five key steps to bring about a mindset change across the business.**

### 1. Define goals and expectations



### 2. Take a 'one team' approach



### 3. Be realistic



### 4. Products, not projects



### 5. Win or learn fast



Business leaders should first consider why their organization wants to adopt agility. Whether it's responding to competitor pressures, digital disruptors, customer demands or internal excellence, defining goals is key. Different agile engagement models offer different value and different levels of business engagement, and the operating model should be devised taking a holistic approach considering the core values, overall value proposition, and products and services of the firm.

Agile shouldn't be limited to technology teams only. Sustainable and optimal benefits will most likely be realized if the entire organization is on the journey, adopting agility throughout and thinking as one. The agile way of working is not just for IT delivery, but creating cross functional teams to improve all strategic and operational initiatives and offer better quality for customers.

The agile journey will be difficult at times, and it's important to set realistic goals. There is no specific industry architecture that an organization can directly import to develop their new ways of partnerships. The rule of thumb is – do not copy, do your own thing. Not every organization needs to be level five of maturity, or a Starling Bank/ Google/ Spotify. Banks should be clear on what good looks like for their specific organization.

We often see that the project approach encourages big bang releases, where significant chunks of work are stored up and released close to the project end date. This leaves little room for iteration and improvement, as the software spends a small amount of time in the hands of end-users before the budget is exhausted and the team is disbanded. An ideal product-mode team is an empowered, outcome-oriented, business-capability aligned team that is able to solve problems, rather than deliver scope on schedule.

In a successful start-up, people are encouraged to experiment and iterate to seek ways of improving process and customer outcomes. 'Win or learn fast' is encouraged and an entrepreneurial spirit is supported throughout the organization. A positive culture like this is essential to the agile journey. Banks should be prepared to evolve and adapt as necessary. Testing a hypothesis may be difficult in a regulated environment, but is critical to developing a product that meets customer needs.

# Conclusion

Whilst there are considerable benefits to technology teams adopting an agile delivery model, this should purely be an enabler for organizational agility. Agile technology teams lead to a more efficient and quicker route to market. However, without working closely with the business unit, they will never fully realize the benefits of agile at scale. Financial services organizations can look to disruptors and challenger banks for ways to move through bottlenecks in their agile journey and become nimbler, slicker and ultimately more customer focused.

## Putting Agile into Practice

*Infosys Consulting worked with a financial services organization with an agenda to roll out a product as quickly as possible to all their geographies across Europe and Asia. However, the business was not aligned with the technology teams, and as we looked at feedback from the initial implementations we realized that 60% of people going through the process dropped out at the same point every time. Working closely with the business and technology departments as one team, we agreed that it wasn't sensible to continue with the rollout. Instead, we adjusted the business plan and worked on putting two variations out to a target audience to see how they fitted.*

*Following these adjustments, 95% of applicants completed the end to end journey – a 58% increase in completions. This is a clear success of business and technology working together and adjusting their plans based on customer feedback and tangible results.*



# MEET THE EXPERTS



## MICK BURN

Partner, Transformation Management Practice

A change management specialist, Mick has over 20 years' experience helping businesses respond to change and deliver successful organisational and technology enabled transformation initiatives. Mick is European Lead for Infosys Consulting's Transformation Management practice and has deep knowledge and expertise in selling, shaping and delivering large, complex change programmes for a range of global clients across the oil & gas, retail, FMCG, manufacturing and pharmaceutical sectors.



## SHAUN BETTS

Associate Partner, Transformation Management Practice

Shaun has been at Infosys Consulting since 2012, heading up our Agile European Center of Enablement and our Agile Transformation horizontal practice. Over his 30 years of experience in financial services, he has led large-scale organizational agility and change management projects for prominent businesses – most notably a global cards and payments provider and a leading UK retail bank.



## JOCHEN ESTORFF

Associate Partner, Transformation Management Practice

In his 24 years career, Jochen has led multiple IT transformation programs for large organizations, focusing on global Agile delivery models for the last six years. Having joined Infosys in 2012, he now leads the Transformation Management practice in Germany, working with major players in the CPG, automotive and utilities industry.

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