



The Positive Way

WAVESTONE

## THE BIG QUESTION: CAN FINANCIAL SERVICES COMPANIES SUCCESSFULLY BECOME AGILE, SAFELY?

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**From operational teams to executive managers, everyone seems to have their own definition and understanding of what Agile might be and mean. The word itself has been so overused that the initial meaning has regrettably been watered-down. Some even state that Agile is nothing but a fashionable set of buzzwords coined by and for digital natives. A fashionable set that will fade out when the next big thing arrives.**

**We think that this statement is a mistake. Agile is not a buzzword!**

Today, brick and mortar pioneering companies in the Financial Services sector, have gone beyond the appearances of the buzzword in leveraging the Agile momentum to solve the tremendous challenges that they are facing. Considering the benefits that they have obtained so far, we think that the question today is not anymore “should our company scale Agile to the whole organisation?” but “how to scale Agile to the whole organisation?”.

As Agile comes originally from IT and pure digital companies, it is often difficult to figure out how it could be deployed and applicable to the whole company; especially in the Financial Services sector where the organisations are bound by strong national and international regulations. Hence all the concrete examples that are highlighted in this Insights Paper are taken from the experience of our clients, who have transformed their entire company. Not only digital or IT.

The aim of this Insights Paper is to shed some light on what an Agile Financial Services firm can look like in practical terms, by sharing the drivers that have led our clients to become Agile, the new operating model, the key success factors and complications that arise from adopting Agile. To ultimately to answer the question: How can you become Agile, safely?

This global insight paper draws on the expertise and experience from Wavestone's Agile practitioners in addition to providing insights from our Financial Services clients.

## The Financial Services Landscape is Driving Change

It's clear that the Financial Services landscape is continually evolving with an even greater focus on customers and the experience offered to them:

- / **Financial Products** are now being offered by FinTech, E-commerce platforms and technology service providers, as well as Banks and Insurance firms.
- / **Ecosystems of providers and portfolios of products** that cater for customers' key life stages or needs are evolving and are closely linked to financial products.
- / **Customer access to products is increasing** through online and mobile mechanisms, even extending to voice activated virtual assistants.
- / **Customer choice and competition is enhanced** through The Payment Services Directive (PSD2) and Open-

Banking by making - with customers' consent - customer data available to 3rd parties. At a technical level this stipulates the need for APIs and the ability to integrate products at the application and data level.

- / **Margins of many financial services products are being reduced** due to an increasingly competitive market and changes in the economic climate, therefore efforts to gain and retain customers remain key.

Financial products and services have become very sophisticated in terms of how they are technically created and delivered:

- / Employing Big Data, Analytics, AI and Machine Learning are now core capabilities needed to deliver a personalised, targeted and operationally efficient customer experience that delights the customer whilst maximising the share of wallet.

sing the share of wallet.

- / The same technologies are used to detect and reduce the risks of security breaches and fraud, and even employed to support regulatory compliance.

- / The use of Cloud, increasingly modular and Cloud Native Applications, is providing scalability, flexibility and efficiency, though not all applications of incumbents are able to benefit.

Sophisticated technologies, such as Analytics, AI and Machine Learning, require increased levels of experimentation, analysis and learning to fully appreciate their potential in different scenarios. Agile working methods have been described as the enabler to determining the potential and realising the business benefits.

## How can Agile solve Financial Services Companies Challenges?

In this complex, continually evolving environment, Financial Services companies need to innovate, reduce time to market, increase operational efficiency safely and securely whilst maintaining regulatory compliance, in order to stay competitive and flourish. In other words, companies need to do something different, to see different results.

Adopting Agile is a way of overcoming the challenges encountered in the changing landscape described in section 1, and to flourish as an organisation. Its core benefits include helping to address broadening customer expectations and behaviours, exploit advanced and new technologies, drive improved customer experience, personalisation of services and

operational efficiency. It brings customer and employee experience together at the heart of the organisation with tangible performance results down the line. However, from our experience the Agile approach requires companies to entirely rethink their organisation and business approach:

### TIME TO MARKET & ADAPTABILITY

**Reducing time-to-market** is a strong feature of Agile as it allows Financial Services companies to setup new businesses in much reduced timelines, to develop the offering in an iterative manner and to follow a weekly delivery schedule driven by client feedback.

“It is important to construct an organisation around client needs instead of a product. The firm is therefore not organised by insurance product, but segmented by client need: “my mobility”, “my health”, etc.”

EXECUTIVE, INSURANCE COMPANY

### CUSTOMER CENTRICITY

The main driver for an Agile team is always **business value**. The customer feedback is directly taken into account by the agile team by defining business priorities, continuously re-prioritising the team scope, and the acceptance criteria of each task.

“Agile enables the client’s voice to be embedded within the organisation as teams are regularly receiving user feedback and able to adjust their service offering and, the value proposition is quickly adapted to the latest trends....the key differentiator for an online bank resides in cutting-edge customer experience.”

CEO, DIGITAL BANK

### COLLABORATION & COMMITMENT

Agile can **renew the employee experience**, as each team is **responsible** for a product or a client service offering. This gives employees end-to-end visibility of the process and the ability to directly witness the outcomes of their decisions, to feel more engaged in their day-to-day activities.

“Launching Agile requires commitment from all members of the organisation to familiarise themselves with this new way of working. The process to deploy the approach must be well prepared in advance, with a lot of focus on explaining the motivation behind it.”

EXECUTIVE, FINANCIAL SERVICES FIRM

## The Journey to become an Agile Organisation

In order to make an Agile Transformation journey a success, organisations must have a sound knowledge of the core success factors, with a clear view on how to make it work for specific requirements and also understand where the key areas of change will be and the likely pain points that could occur. Organisations must understand how to adapt their cybersecurity practices in an Agile environment.

### THE CORE SUCCESS FACTORS OF AGILE TRANSFORMATION

An Agile transformation is framed by the individual constraints and goals of the company, such as corporate culture, Agile maturity and key objectives. Nevertheless, it is built around a very methodical framework and defined processes which returns employees to the core of business performance.

Agile transformations can take many forms, but there are several success factors that must be adhered to:

#### Senior Management Sponsorship

A successful implementation of an Agile approach depends on three factors: Cultural change, communication and inclusion of everyone, starting with the Board of Directors.

Launching Agile requires commitment from the entire organisation and for everyone to be familiar with this new way of working. Deployment of the approach must be well prepared in advance, with a clear explanation underpinning the motivation. For a large Financial Services client, this process took 9 months and involved 100 employees.

The Agile message must be embodied by everyone and unite everyone. Frequent communication is key to this and for one of our clients it resulted in the creation of an

“Agile mindset” supported by the CEO. This was a decisive step in gaining acceptance and assimilation of the approach.

Participation from both teams and steering committees is prescribed for several reasons. The steering committee defines the high-level priorities for the teams and helps to identify the best people who can champion Agile across the company.

#### Multi-disciplinary teams (also known as squads or feature teams)

Establishing multi-disciplinary teams means that members collectively have the skills required to produce, test and maintain viable features and products. These teams are typically co-located and intended to be self-organising, defining their own roadmap in accordance with the global strategy. They must have full autonomy to take decisions collectively. For instance, one of our insurance clients, brought marketing, actuaries, customer experience and product distribution experts IT developers and QA testers together in the same team.

#### Cross-functional collaboration

When introducing Agile in a larger enterprise, many teams are required to deal with the business’s overall needs for new products, features and enablers. Effective collaboration and synchronisation across these teams is essential to create the right solutions collectively and to manage productivity.

Elaborating further on our insurance client, cross-functional collaboration was achieved by creating ecosystems that were focused on one specific aspect of the business and equipped with everything required for success. Each ecosystem was split into as many agile teams as necessary and staffed with employees originating from all parts of the organisation. Team members were selected by their HR managers to meet

the operational needs of the Agile team. Another example from a banking client, was to fully replace their existing hierarchical structure with a tribe model centred on the main businesses and functions of the bank (savings, credits, customer relationship, etc.). This re-organisation was undertaken with validation from employee representatives.

#### Senior Management engagement and active decision-making

When working in an Agile way, each period of work culminates in a demonstration and review of the output achieved by a team; a ceremony called a Demo. The benefit of a Demo is to provide visibility, clarification and rapidly gain feedback or decisions on the work done. At a more global level, multiple teams (called trains or tribes depending on the model) also synchronise through Demos in order to remain aligned with the company strategy. Senior Management is required to participate in Demos in order to be available for their teams. The teams have the opportunity to present their issues to management and ask all necessary questions. These are pivotal events which promote an agile culture, provide an opportunity to share ambitions and facilitate team management.

For example, one client brings all ‘tribes’ together on a three-monthly basis with Senior Management to share their accomplishments, project updates and resolve potential difficulties. An alternative approach is to arrange weekly prioritisation ceremonies with the presence of two rotating members from the Executive Committee in order to enable management to get closer to their teams and speed up the decision-making process.

Adhering to these core principles is the first step to ensuring Agile is a success, following on from this is to understand how to implement it.

## HOW TO MAKE AGILE WORK FOR YOUR REQUIREMENTS

Embracing Agile means taking a client-focused approach, segmented by business, managed with key performance indicators and comprised of co-located (where possible), multi-disciplinary teams working autonomously with coordination from their manager.

The extent to which organisations decide to implement Agile varies according to their specific context and strategy:

#### Agile focused on programmes and teams:

This approach involves introducing Agile for teams, for example to develop new mobile applications, with a key aim of reducing the time taken to develop and release the applications.

#### Agile@Scale implemented across an entire business (including support functions and IT):

Agile@Scale frameworks are designed to span not only projects but the full company in alignment with the strategy and budget. Business innovation and differentiation were the primary focus for one of our clients choosing this kind of transformation. The intent was to ensure all parts of the organisation would adopt an Agile mindset, even in functions not requiring to fully apply the methodology. Various techniques, such as visual management and daily stand-up meetings were introduced in the very early stages of the Agile transformation spanning services such as client relationship management and central support teams.

In addition to this, organisations must decide how to approach the adoption of Agile and this differs according to specific needs, strategy, objectives and current Agile maturity. In our experience, clients can decide to adopt agile team by team and then identify synergies, or to have a larger transformation plan and design their entire target model on a more top-down approach. But even if the ambition is to transform the whole operating model, the transformation will still be a step-by-step journey, with pilot perimeters to test and improve the target model.

## WHO IS GOING AGILE?

The agile methodologies have a perfect fit for product-oriented operational models: one agile team is responsible for one product, from conception to business as usual activities.

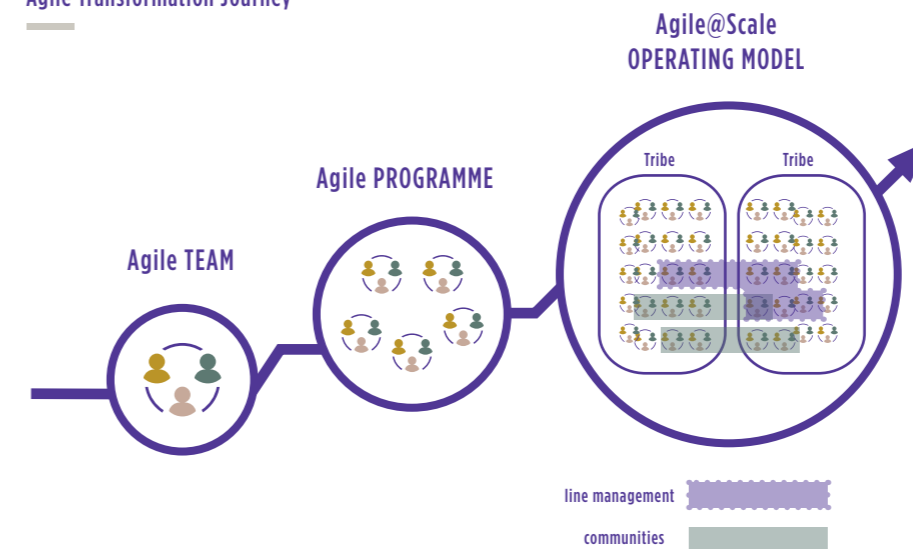
For instance, for the insurance sector a product could be “Individual healthcare”, part of the “Healthcare products” pool.

However, this does not mean that entities that cannot be organised by products and Agile are incompatible. For instance, in one of our Insurance sector clients, the customer relationship teams have reconsidered their delegation process in taking inspiration from agile culture: The expense limit by employee was raised in order to put the decision-making in the hands of those who are closer to customers instead of any validation committees.

For the banking sector, this can mean raising the loan amount a bank advisor could authorise without going through an additional validation process.

This naturally means accepting more human mistakes, but equally provides fewer bottlenecks and more empowerment.

### Agile Transformation Journey





WHAT ARE THE MAIN AREAS OF CHANGE WHEN IMPLEMENTING AGILE AT SCALE?

Implement an Agile at Scale transformation represents a significant change in culture and the operating model. In our experience the areas highlighted in the diagram need to be addressed:

These areas can be represented within 5 broader groups, which are elaborated on below:

1. Balancing Business Demand and Budgets
2. Establishing the Agile Target Operating Model
3. Engaging 3rd parties in the new way of working
4. Tools
5. Architecture & Cybersecurity

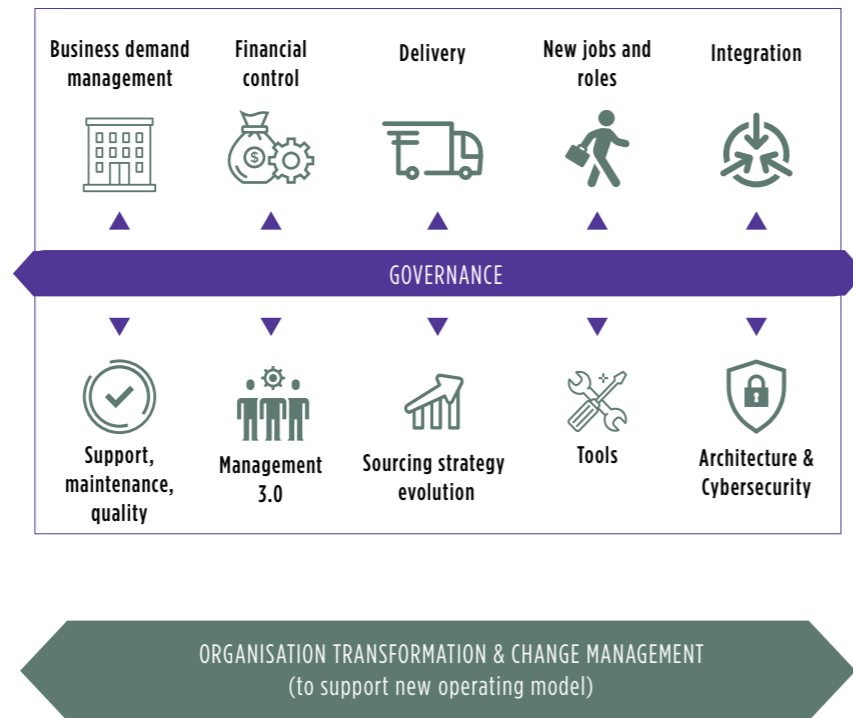
1. Balancing Business Demand and Budgets

Generating value and meeting business demand remains imperative.

**Business Demand Management:** This involves becoming client centric with shorter cycles between receiving and executing against the demand, whilst remaining aligned with strategy. The business community must be engaged and understand how project portfolio changes need to be handled. Realising how to effectively prioritise competing business or operational needs, as well as unexpected events and decisions, becomes essential.

**Financial Control:** The focus shifts to value streams rather than budgeting by department or projects. A capability-oriented approach with rolling-forecasts should be adopted. Significant changes are essential to achieving budget re-allocation

Key challenges to make the agile transformation happen



and adjusting traditional financial KPIs to those that have more meaning in Agile - for example focusing on delivering value or absorbing capacity.

2. Establishing the Agile Target Operating Model

Creating and implementing the new ways of working includes adopting Agile methods, changing employees' roles and responsibilities, and - crucially - changing Management's approach.

**Delivery:** In an Agile world, more value is expected to be delivered faster, alongside the ability to constantly adapt to changing demands and foster continuous improvement. When setting up the new operating model, teams need to determine effective alignment of business value

streams, cross-organisational functions like finance, compliance or security and the legacy organisation. They will need to become familiar with new ceremonies, making these fit for their purpose and scalable, whilst also finding their pace and becoming predictable.

**New Jobs & Roles:** Establishing the new operating model must include defining new roles and responsibilities. Typical challenges are identifying the required competencies, and then allocating and growing the skills within teams - especially new ones like product owners and scrum masters. Driving and maintaining this adoption requires cultural change and amendment of the staffing and training processes to support the new teams. In turn, Management and HR may need to underscore these changes more formally.

**Integration:** Multi-functional and autonomous teams will be created where the traditional separation between development and production becomes redundant. Typical difficulties include addressing the cultural differences between Development and Production to establish an innovative and responsive DevOps environment.

**Support, Maintenance, Quality:** Teams or squads should become responsible for both building and running applications to drive efficient and effective support, maintenance and quality of services. The key is to establish the right balance of resources, whilst managing the prioritisation between RUN (maintenance) and BUILD (projects) to ensure end-to-end quality.

**Management 3.0:** Agile requires managers to become servant leaders, who foster experimentation, taking initiative and cooperation between people. They adapt to provide continuous feedback to individuals. Difficulties to be overcome include how to remove command and control habits, then make individuals more autonomous and

responsible for tasks. Management and HR functions must change their performance and career management approach. Structures and measures must now reward new desired behaviours, activities and outcomes.

3. Engaging 3rd parties in the new way of working

Engaging and managing external vendors and partners is frequently left to procurement, but for Agile, the future role of these external parties - in day-to-day activities and commercially - must be considered and planned for.

**Sourcing:** Current contracts need to facilitate increased sourcing flexibility. Many providers are at an early stage of recognising Agile in their commercials. Hence, potential difficulties include dealing with existing outcome-based contracts and managing T&M contracts without commitments to results. The relationship has to change from being provider-centric to partner-centric.

4. Tools

Tooling underpins and accelerates cooperation, design activities and continuous delivery. Consideration and integration of Operations and Service Management tooling is key to enable an effective feedback loop. To manage the breadth and complexity of the required tooling warrants an architecture that promotes off the shelf products with proven integration capabilities to minimise customisation, configuration and maintenance over their lifetime.

5. Architecture and Cybersecurity

Global consistency across development and operations to meet architecture and security requirements is imperative. This must span interfaces, applications, infrastructure, data, integration layers and to work across providers and partners. Many organisations need clarification on how architecture and cybersecurity - mostly seen as rigid functions - can be embedded within the more fluid and iterative Agile working methods.



## How to Remain Secure, whilst Changing your Business

As previously stated, services and products must be delivered securely and reliably, including those dependent on other business or technology partner organisations.

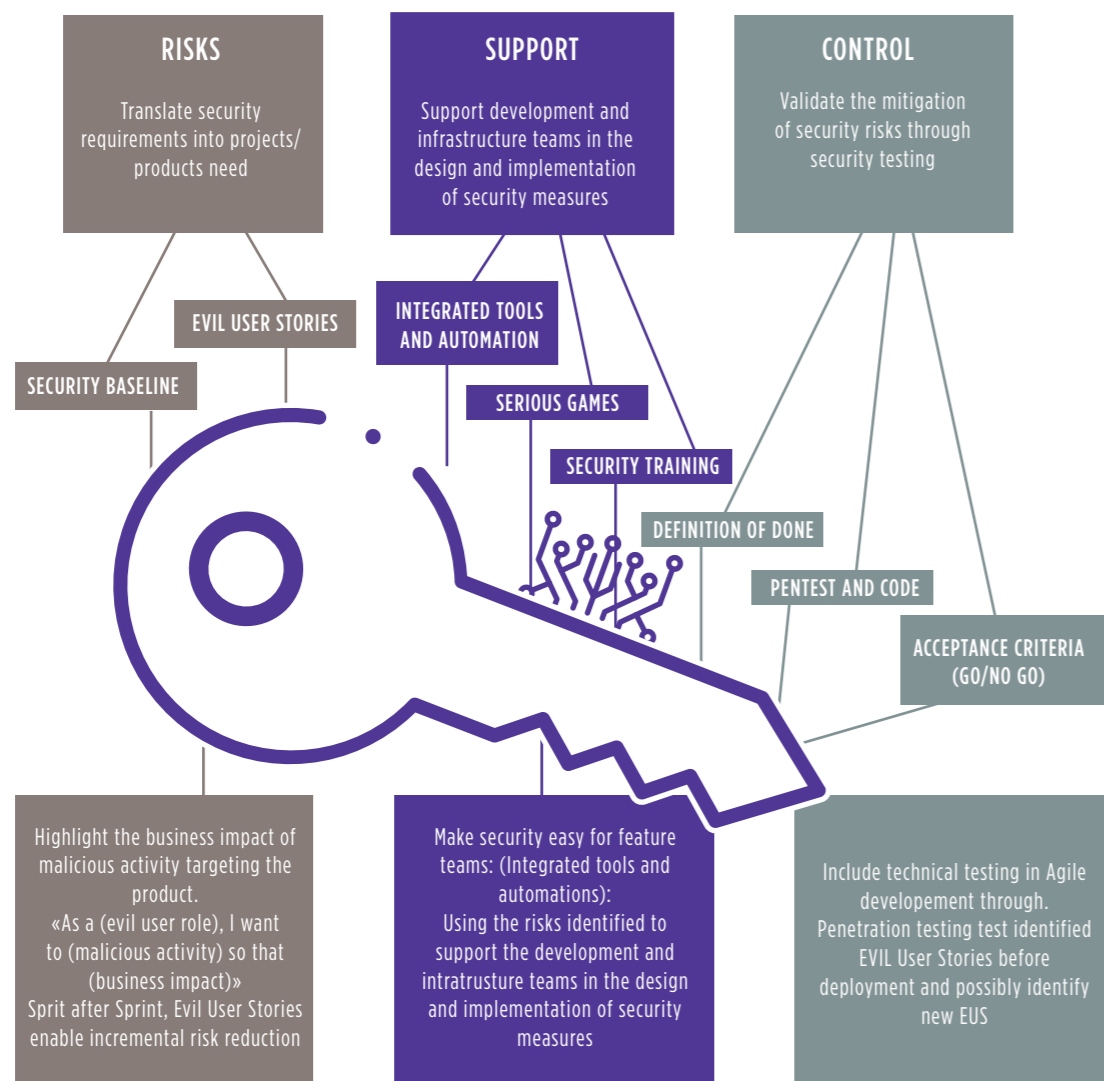
Whilst needing to prevent business and reputation impacting issues, organisations are bound by national and international regulations focused on data protection, traceability and enabling customer choice, such as GDPR, the Directive on Network and Information Security and PSD2. Conventionally, a dedicated security function

headed by the Chief Information Security Officer (CISO) has set an organisation's security policies and objectives, and then ensured adherence to these.

When scaling up security from one agile project to implementing agile at scale, the availability and accessibility of security expertise can become a major pain point. In an Agile environment, security must be embedded in the different steps of the deliverables and the area the security team covers becomes more and more important.

The CISO and the security team must adapt the way it supports the Agile teams, in order to invest its energy in the highest priority and most sensitive projects, utilising automation for less sensitive projects, where possible. The risk and collaborative approach between Product teams and the Security teams must be adhered to in order to ensure continuous integration and delivery. Cybersecurity must be seen as an enabler not a blocker to make Agile a success.

### Supporting an Agile Team



Agile working practices, enacted by a new Operating Model with co-located, multi-disciplinary and autonomous teams, require the security function to maintain its responsibility, whilst adjusting to this operating model and becoming proactively part of these new teams.

Thus, the traditional security activities of **Risk Identification, Support and Control** must become inherent across the development and release cycles.

Through end-to-end participation the security SMEs need to guide and enforce by training and empowering the multi-disciplinary teams, then ensure adherence by auditing the outcomes. Maintaining this emphasis sprint after sprint, enables ongoing risk avoidance and reduction.

### Risk Identification and Triage

Security requirements are evaluated and risk-assessed, then turned into product requirements which clearly highlight the business impact of malicious activity that might be targeted at the product. Aligned with Agile practices, the requirements are described in a clear and rounded way as 'User Stories' and 'Evil User Stories' to enable accurate development and validation. It's important to note that the less critical the project is, the more the security measures can be automated, with the application of security measures by default. The more critical the project, the more support that is needed from a Security SME (subject matter expert). As a result, this stage of risk identification is essential to realise a 'triage' of projects and decide the right level of support from the Security SME.

### Support and Service Catalogues

Development, infrastructure and operations teams, including 3rd party teams, are supported by security SMEs. Their support includes hands-on contributions, guidance and training, which spans the design and implementation of security policies and measures against the risks identified at a

functional and technical level with service catalogues structured to facilitate the deployment of security measures until the automation for the more generic or transversal services. Further, Agile and DevOps practices are underpinned by tooling that is key to generate flow and the desired pipeline. It promotes collaboration, transparency, automation, scaling and compliance. More specifically, it enhances the development and release pipeline through source code scanning, automated integration and testing, approvals of successful pre-defined tests, exception-based automated event handling, and efficient auditability of activities and data. Security SMEs must guide the design and implementation of this tooling, so that it complies with policies and measures, but also to fully exploit its capabilities to make security practices efficient and effective.

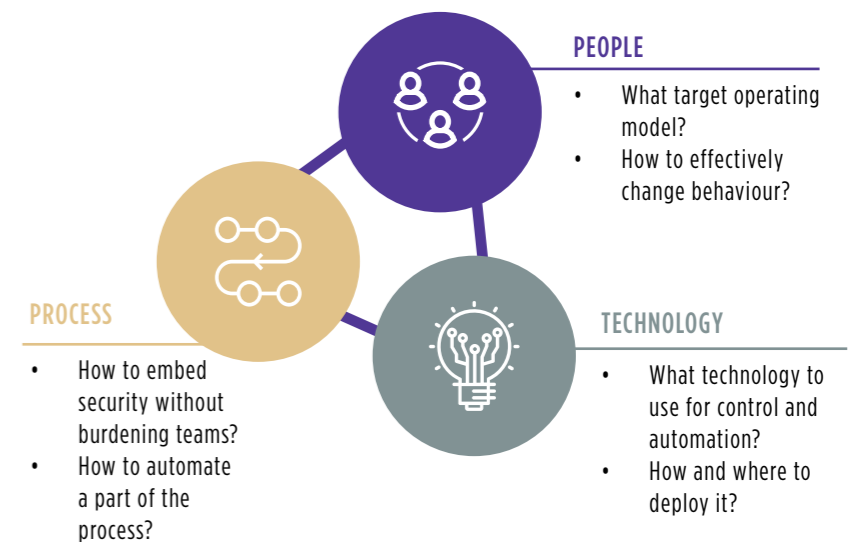
### Control and Continuous Integration

Effective security testing and validation of successful outcomes to mitigate security risks remains key. Security SMEs guide the creation of 'Definitions of Done'

associated with the 'User Stories' and 'Evil User Stories' to ensure testing is sufficient and correct. Participation in code and test reviews, enhanced security testing, such as penetration testing, all relate to security validation. Security acceptance criteria must be established to allow or prevent progression to release. Validation and audits to ensure compliance with security policies and measures continue to be the responsibility of the central Security function and its SMEs collaborating within Agile teams. Lessons learnt from validation and audits are iteratively turned into new backlog requirements to promote ongoing risk avoidance and reduction.

Adapting an organisation's Security function to be compatible with an Agile approach is not trivial. A clear strategy and cultural change are required from product team to security team to create a sustainable new operating model and governance, the right level of process change, and the implementation of underpinning and enabling technology. Implementation and scaling must co-inside with the Agile transformation.

### Security in Agile requires a holistic approach to implement a sustainable change





In our experience the strategy to be adopted must recognise the hacker's perspective alongside corporate and regulatory requirements. Our method therefore guides our clients to define their strategy and implementation roadmap in terms of their current levels of attractiveness, maturity and full stop instead of colon :

Effective Cyber Security is a differentiator for organisations in many industries, and particularly in Financial Services. An independent perspective on cybersecurity provides companies with trends and benchmarking, highlighting how they

compare to similar organisations in their industry. our independent perspective on cyber security trends and benchmarking, highlighting how they compare to similar organisations in their industry.

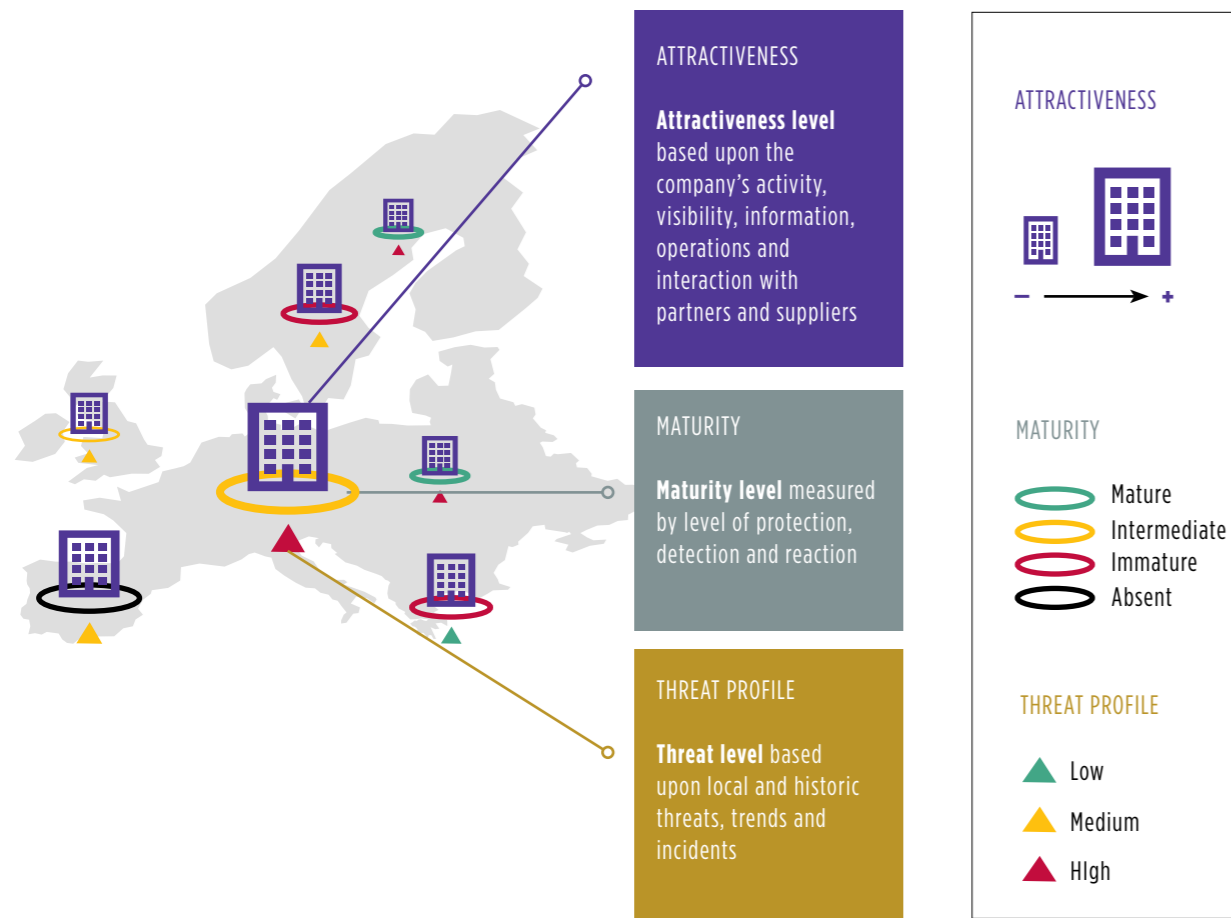
The typical areas of support our clients seek as they adapt Security to embed it with Agile include:

- / **Strategy:** Determine and benchmark current maturity to define the overall strategy and roadmap.
- / **Target Operating Model:** Define the "Security in Agile Target Operating Model" by describing the structures

and distribution of security teams, roles, processes, RACI, controls, etc. Shape the implementation and change management needed for effective adoption.

- / **Security Automation Architecture:** Determine the technical solutions needed to align and automate security activities, as well as the processes by which they will be used.
- / **Crisis Management:** Prepare for and support a national or international cyber-crisis exercise or event to recovery.

An innovative approach to qualify the risk of your information assets



In Summary

As we have seen previously, Financial Services organisations are providing their products and services with and through a greater number of business and IT providers. To remain competitive, they need to increase innovation and speed up time to market of their products. Our observations in the field show that Agile is a powerful combination of culture and ways of working to achieving those goals whilst respecting national and international regulations

Beyond the practical examples and recommendations that we have detailed above, we have noticed that all the Financial Services organisations who have successfully and safely become Agile share three very specific fundamentals. The following pieces of advice constitute the keystone of fruitful and sustainable agile transformations.

**First**, start small. Even though at some points during the Agile journey, the above-mentioned Financial Services organisations went through massive changes, they all have adopted a step by step approach instead of launching brutal big bangs.

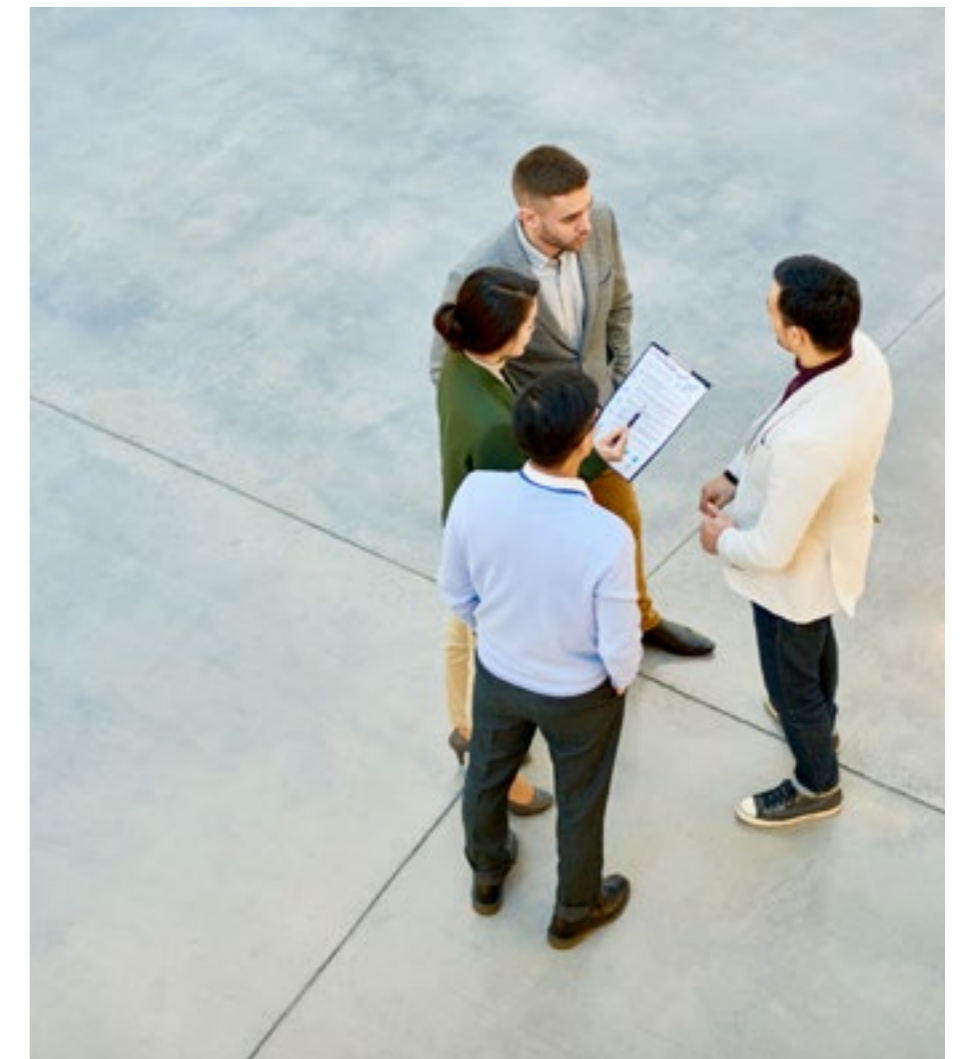
**Second**, after the very first agile initiatives, **engage quickly both the business and IT in the transformation.** Agile is all about being able to deliver products more quickly and with a higher value. This can't be done by IT without the business, or vice versa.

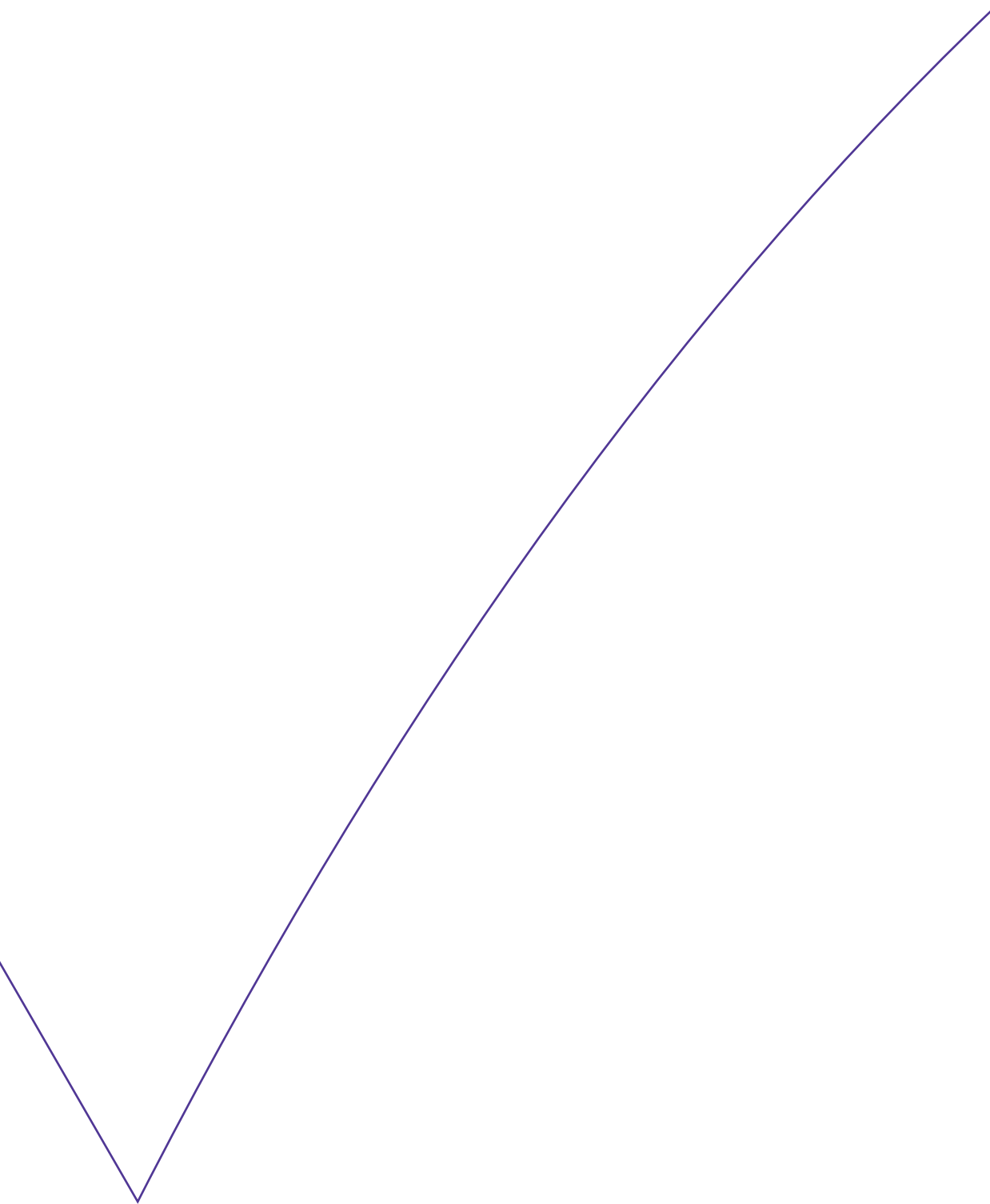
**Finally**, contrary to what some enthusiasts too often say, do not expect immediate positive outcomes. An agile journey is like a plane trip composed of several legs. There are short bounds that carry us from small regional airports to national hubs. There are moments where we are stuck in boring airports with nothing to do, waiting for the

next flight. And at some point in time, there are transcontinental flights that help us make giant leap. This comparison works pretty well with what we have experienced with our clients throughout their Agile transformation journey.

By way of conclusion, keep in mind that when it comes to organisation, people and change management, there can't be one single

solution. Every company is different. Every company has its own legacy and history. Our ultimate advice would be to take inspiration from the examples and recommendations detailed in this paper and from your peers. Compose your own journey that will make your organisation more Agile successfully and safely.





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The Positive Way

**WAVESTONE**

[www.wavestone.com](http://www.wavestone.com)

In a world where knowing how to drive transformation is the key to success, Wavestone's mission is to inform and guide large companies and organizations in their most critical transformations, with the ambition of a positive outcome for all stakeholders.