

## AGILE TRANSFORMATION IN BANKING: OPTIMISING MANAGEMENT PROCESSES FOR MAXIMUM PERFORMANCE

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**Abstract:** The purpose of adopting the Agile methodology in banking is to help banks, regardless of size and legacy, optimize their processes to operate like agile startups. The Agile methodology enables banks to form dedicated teams to rapidly introduce new functionality, collaborate across functions to identify future growth directions, and provide technology leaders with the tools necessary to ensure that the IT infrastructure scales efficiently to support the ever-increasing diversity of business needs.

**Keywords:** banking management, banking system, agile methodology, optimize processes, performance

JEL Classification: M15: IT Management

### Introduction

Adopting Agile methodology within the banking system aims to optimize processes in various types of banks, regardless of their size and history, in a similar way to the agile approach of startups. This methodology facilitates the building of specialized teams to rapidly launch new functionalities, promoting cross-functional collaboration to identify future development directions. It also provides technology leaders with the tools to ensure a flexible IT infrastructure capable of supporting the ever-expanding diversity of business requirements.

The goal of adopting Agile methodology in banking is to help banks, regardless of size and legacy, optimise their processes to act like agile startups. Agile enables banks to create dedicated teams to rapidly roll out new functionality, collaborate across functions to identify next directions for growth, and provide technology leaders with the tools to ensure their IT infrastructure can grow efficiently and support the ever-increasing diversity of business needs.

### Optimising banking processes by implementing Agile methodology

To optimise banking processes by implementing Agile methodology, banks need to have the following major **advantages** to benefit all stakeholders, including customers:

1. Banks need to address critical issues effectively. By adopting Agile practices, banks will gain a major advantage in effectively addressing critical issues. Agile methodologies focus on incremental and iterative product development, allowing banks to immediately address and adapt improvements and feedback received from users.

Through the incremental approach, each iteration allows banks to identify and fix errors in the product, contributing to its continuous improvement. These benefits apply not only to products but also to banking processes. Different teams can collaborate more effectively and regularly to adjust the process based on feedback.

Adopting Agile practices therefore enables banks to quickly and efficiently address critical issues, optimise products and processes and deliver an improved customer experience. This iterative and adaptive approach allows banks to stay in step with the ever-changing needs and requirements of their customers, thus giving them an added value and competitive advantage in the market.

2. Banks need to be responsive and customer-centric. Agility helps banks to be responsive and more focused on customer needs. By applying Agile principles, banks can work more effectively with customers to develop products and services together. As the banking industry is subject to ever-changing government policies and regulations, collaboration with customers becomes critical.

By adopting an Agile approach to project management, banks can solicit regular feedback from customers, both before and after the launch of products or services. Continuous feedback collection helps to increase the ability to respond promptly to customer needs and to adapt products and services according to the feedback received. This constant feedback process helps companies become more responsive and customer-centric as they work closely with customers to provide better solutions and ensure that their products and services optimally meet customer needs and preferences.

3. Promotes collaboration between teams. Fostering collaboration between teams is one of the key aspects of agility. The Agile Manifesto stresses the importance of people and interactions over processes and tools. In the context of banking, the agile philosophy encourages direct communication as the most effective way to transmit information and collaboration between agile teams. This approach has significant benefits as teamwork plays a key role in banking.

Implementing Agile methodologies in the banking system allows different teams to communicate and share ideas, collaboratively tackling complex problems. By regularly sharing information between teams and employees, the accuracy and efficiency of banking operations is improved. This means that banks can benefit from a greater collective understanding of challenges and opportunities, allowing them to find better solutions and make more informed decisions. Effective collaboration between teams also brings synergies and innovation, helping to develop banking products and services in a way that is faster and more responsive to customer requirements.

4. Improved transparency and productivity. Implementing agility in banking brings with it benefits in

terms of improved transparency and productivity. One of the key aspects of agility is the promotion of transparency according to the values expressed in the Agile methodology. In this case, the emphasis is that all employees involved in the project should have access to essential information and that there should be no secrets about it.

By promoting transparency and accountability, banks can become more efficient and confident. Banks can win public support, protect their independence and improve the effectiveness of their policies. By disclosing relevant information and taking collective responsibility, banks can create an environment where decisions and actions are more transparent and better understood by all stakeholders. This leads to greater trust and understanding on the part of customers, employees and other stakeholders.

Transparency also improves productivity as employees have access to the information they need to do their jobs more efficiently. They can better understand goals and priorities, collaborate more effectively with colleagues and make informed decisions in a timely manner. Transparency also supports a culture of continuous learning and improvement, as mistakes and opportunities for improvement can be identified and addressed in an open and constructive way.

5. Regular reflection and adjustment. The fifth way in which agility helps to transform banking is to become better and more efficient every day. One of the key principles of the Agile methodology stresses the importance of reflecting and adjusting behaviour to become more effective. This principle encourages communication between teams and employees so that they can constantly learn and improve.

Given the evolving nature of banking processes, retrospective meetings after each iteration allow management and teams to collaborate, communicate and discuss the limitations of existing banking processes and ways to improve them. By constantly evaluating performance and identifying opportunities for growth and efficiency, banks can continually adjust and improve their practices and processes.

This agile approach encourages learning from experience and adaptability to change, allowing banks to quickly adapt to new market requirements and implement incremental improvements. By addressing iterative cycles of assessment and adjustment, banks can identify and eliminate problems and bottlenecks that could hinder efficiency and innovation.

Thus, by integrating a continuous improvement mindset, banks can become better and more efficient over time, adapting to changing needs and requirements and strengthening their market position. Through this agile approach, banks can optimise their operations, increase their performance and remain competitive in an evolving banking environment.

6. Banks need to restructure their organisational structure. The last significant way in which banking agility will transform banks is by restructuring their working culture, operational mechanisms and processes. By adopting agile practices, banks will experience a change in the way they operate, with a greater emphasis on customer centricity, collaboration and transparency.

Agility will promote a working culture where all banking teams will have a broader understanding of the whole process and develop better ideas to achieve common goals. It will create an environment where teams can collaborate more effectively, sharing information and experiences to improve banking processes and provide better, more customer-centric services.

By improving communication and collaboration between departments and teams, agility will help eliminate organisational silos and promote a more integrated and synergistic approach within banks. Teams will work together to identify and solve problems, find innovative solutions and bring about continuous improvements in banking processes.

By implementing transparency at all organisational levels, agility will enable employees to have a clearer and more comprehensive view of banking activities and objectives. This will promote individual and collective accountability and facilitate more informed and effective decision-making.

By transforming the working culture, mechanisms and processes, banking agility will contribute to increasing operational efficiency, developing innovative products and services and creating an enhanced customer experience. By adapting to rapid changes in the market and addressing challenges and opportunities in an agile way, banks will be able to remain competitive and adapt in a rapidly evolving financial environment (Figure 1).

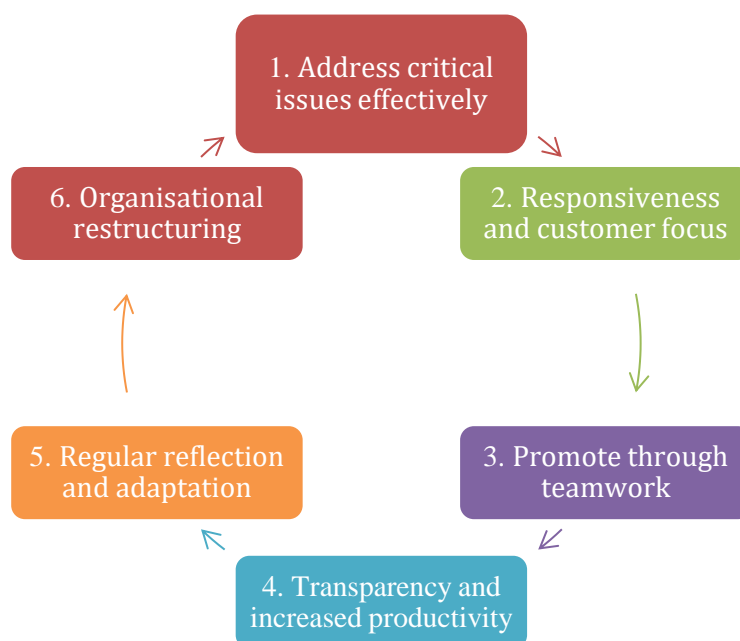


Figure 1 Optimizing banking processes by implementing Agile methodology

Source: authors own study

**The agile approach involves developing software in incremental and rapid cycles: the focus is on customer and bank interactions, with less emphasis on processes and tools. Priority is given to responding to change rather than detailed planning. According to the Agile model, each banking product or service needs to be approached differently and existing methods need to be adapted to fit the specific banking service. The Agile process is popular because of its unique features such as flexibility and adjustability. The**

agile process model is an iteration-based approach to software development. Like an iterative model, the agile method breaks the project down into smaller components and involves long-term planning. These smaller components are addressed in iterations, each lasting approximately three weeks. These iterations in turn involve cross-functional teams working in different areas, including requirements, design, construction/iteration, testing, implementation and feedback. At the end of each iteration, a product is presented to customers and other key stakeholders.

The agile method offers the flexibility to make changes at any time to the banking product to meet its requirements. In addition, incremental testing reduces potential risks. However, continuous interaction with customers can involve additional effort from everyone involved, including stakeholders, customers, testing teams and development teams.

The Agile methodology provides a project management method called Scrum - a well-known framework that adopts the agile approach and relies on small cross-functional teams to work on projects. The core principle of Scrum is the recognition that the world is complex and unpredictable, making it difficult to accurately predict end results, timelines, costs and quality. These issues are discovered and learned during the process of delivering the product or service.

Scrum principles are not limited to specific projects, but can be applied in different contexts in order to be more efficient and achieve better results. In Scrum, results are achieved through iterative work, with each iteration being called a Sprint. Teams work in sprints, shorter periods of time.

In this context, a list of written requirements is used and the product manager (product owner) prioritises them and breaks them down into tasks for the team. The team has daily meetings where individual members take responsibility for the specific tasks they are working on. The team's daily progress is recorded in a chart to highlight progress. At the completion of the Sprint a demonstration is presented to the Product Manager. In addition, the team has retrospective meetings where they discuss lessons learned and knowledge they can apply in the next Sprint to become more effective.

Scrum consists of three stages: Pre-Sprint, Sprint and Post-Sprint. Scrum teams use a concept called the Development Requirement Dashboard, which is a list that mainly contains the technology and business requirements as well as the features needed for the banking product. Each team has a product owner or product manager responsible for creating technical requirements and monitoring the project. The project manager has a business-oriented perspective and may not be as involved in the technical aspects of product development. For this reason, technical colleagues and managers can contribute suggestions and features to consider.

Project managers go through the development requirements and select the features that will be included in the banking product release as part of the banking product development requirements. All the elements needed to implement the features are written into the requirements of a particular sprint, which is a part of the lifecycle of a banking product or service. The work required to complete the feature implementation is done in sprints, which typically last 30 days. There are meetings where the product owner decides what

features will be included in the next Sprint, and the development team decides what requirements are needed to deliver those features. Plan together the activities to be done in the Sprint. The planning phase ends with the setting of Sprint goals, called Sprint achievements. If some features cannot be completed within a Sprint, the Sprint objectives can still be achieved (Figure 1).

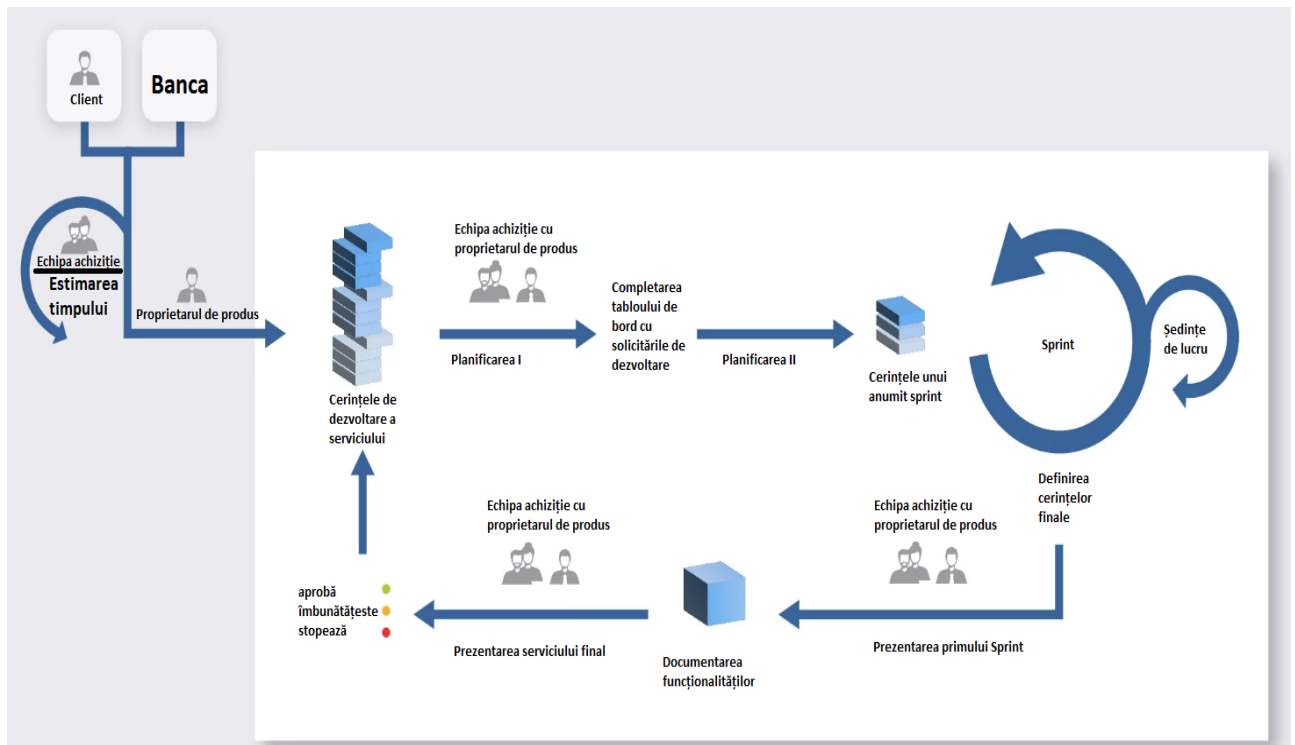


Figure 2. Schematic presentation of the development of a banking service applying the Agile methodology

Source: authors own study

After the completion of a sprint, meetings are held where the team reviews the process and looks back at what has been achieved. This stage is crucial to assess progress and understand the technical aspects of the work done. The features developed are also demonstrated to customers. Post-sprint meetings are important to get feedback and identify what needs to be considered in the next iteration, as well as to determine what processes can be optimised, what can be done differently and more efficiently. These meetings conclude with the development of a plan for the next phase of the project.

A graphical chart is used to monitor the progress of the project. This chart illustrates the amount of work left to be done each day. The amount of work is expressed in hours and is measured by the number of days remaining in the sprint. Work hours are reduced according to daily reports from team members, which record the hours spent on each task and the progress made as a percentage. This allows the project manager to monitor daily progress and react accordingly.

## Conclusion

The Agile approach involves developing software in rapid, incremental cycles, focusing on interactions between customers and the bank, and reducing the importance of processes and tools. Priority is given to adapting to change rather than detailed planning. According to the Agile model, each banking product or service should be approached in a unique way, with existing methods adapted to suit the specifics of banking. The Agile process is popular because of its unique features such as flexibility and adaptability.

The Agile methodology offers the flexibility to make changes to the banking product at any time to meet its requirements. Incremental testing also reduces potential risks. However, continuous interaction with customers may require additional effort from all parties involved, including stakeholders, customers, testing and development teams.

A chart is used to monitor the progress of the project. This graph illustrates the amount of work remaining to be done each day. The amount of work is expressed in hours and is measured by the number of days remaining in the sprint. Work hours are reduced according to the daily reports of the team members.

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