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Large scale agile transformation

Challenges and success factors of talent management in large financial institutions

Today the importance and relevance of the Agile methodologies are growing significantly outside the original field of software development. One of the many industries that are turning to agile principles is financial industry. Operating in hyper-competitive environment with new non-traditional, disruptive competitors that are entering industry, large financial institutions are under intense pressure to innovate faster and better to stay competitive, achieving greater operational efficiency, high quality products, reduced time-to-market and improved ROI. However, the fact that agile methods were originally designed for small size software development teams represent challenge to large organisations that want to scale agile organisation-wide. The aim of this thesis is to gain better understanding of challenges and success factors of agile transformation in large financial institutions though systematic literature review. Particular emphasis of this thesis will be on socio-complexity of agile transformation and organisational change management in large and mature financial companies.

Contents

1   Introduction

This paper contains the discussion of relevant literature for writer's thesis and the research methods chosen. The thesis topic is "Large scale agile transformation: challenges and success factors of talent management in large financial institutions". The overall aim of this thesis is to gain a deeper understanding of the cultural challenges large financial institutions face managing employees during agile transformation, dealing with underlying conflict between agile culture and predominantly hierarchical and bureaucratic culture of large and mature financial institutions.

In recent years, practices and frameworks of agile project management have been growing significantly in popularity outside the original field of software development (Version One, Inc, 2017). Agile method originally was designed for and applied in small projects (Boehm and Turner, 2005). The iterative and incremental nature of agile project management became particularly useful and appealing to large organisations operating in dynamic industries shaped by fast changing regulations and innovations (Version One, Inc, 2017). Organisations have a greater need to be responsive and flexible to keep their competitive advantage as a pace of change in external market conditions continue to accelerate (APMG International, 2017).

Moreover, disruptive technologies keep on reshaping market, consequently lowering entry barriers for new competitors such as smaller organisations and start-ups that are capable of delivering quickly products that are closely align with customers` expectations and needs (PMI, 2017). Mature organisations within financial sector are known to have complex corporate structure which is slowing down their ability to innovate and deliver innovative solutions faster to the customers.

Even though many organisations recognise the importance and value of not only agile project management but an agile mindset, only a few take concrete actions to enable agile transformation, breaking away from traditional project management practices and command-control based hierarchical management (PMI, 2017). According to the recent survey undertaken by Project Management Institute with collaboration of Forbes Insight, 92% of respondents acknowledged that organisational agility is paramount to business

success however, only 27% described themselves as highly agile (PMI, 2017). Moreover, latest "the State of Agile" survey, that has been conducting annually since 2007 by Version One, the leading provider of enterprise agile solution based in Atlanta US, showed that vast majority of their respondents (80%) in 2017 admitted that their organisation was at or below a "still maturing level of agility" with 60 % of respondents stated that less than half of teams in their organisations using agile method.

Financial institutions are operating in a hyper-competitive environment with new non-traditional, disruptive competitors such as FinTech and InsurTech entering industry. Large financial institutions are under intense pressure to innovate faster and better to stay competitive, achieving greater operational efficiency, high quality products, reduced time-to-market and improved ROI.

Moreover, accelerating digitalisation of financial industry requires financial institutions to align their business tightly with IT. These factors created a strategic need for greater agility of financial institutions, so they can respond quickly and adopt faster while delivering greater value and keeping their existing market share (Deloitte, 2015).

At the same time, financial institutions must remain cautious about ongoing regulatory compliance. Operating in a highly regulated sector where serious mistakes and miscalculations will result in fines, reputational damage or even withdrawal of the authorisation to carry out activities makes financial institutions take conservative approach to agile management.

While the research on challenges associated with agile transformation have been already done and now provides a solid base for systematic literature review, the question of how to apply agile practices within large organisations remained a top burning research question on XP2010, XP2013 to XP 2016 conferences (the premier agile software development conference combining research and practice).

The most interesting aspect of agile transformation for the author of this thesis is the fact that agile methodology does not end with use of particular tools or practices in the project but rather requires a holistic way of thinking throughout the organisation which requires significant change of the whole mindset of an organisation (Misra et al., 2010).

Thus, in this paper author will narrow down research to socio-complexity of agile transformation and organisational change management in large and mature financial companies, challenges that organisation faces managing diverse, distributed team members, extracting best practices of building and maintaining collaborative culture, that serves as an essential base for agile principles.

Due to excessive costs and risks involved in large scale agile transformation, not only in terms of money but also disrupted practices and working routines, it is important to understand the key success factors and pitfalls through analysis of previous case studies and experience reports.

1.1   Research questions and rationale

In this thesis the author's aim is to study how large, mature financial institutions undergo agile transformation with particular focus on the "soft" side of such transformation or in other terms, peculiarities of organisational behaviour, talent management and cultural challenges associated with agile transformation. The transformation processes applied and described in existing case studies, such as Dutch banking group ING, Barclays bank and others will be reviewed and analysed. The first preliminary thesis question is: What challenges large financial institutions face in talent management while undertaking agile transformation?

Effective implementation of agile transformation means moving away from long-term project-based planning to theme-based planning with continuously shifting priorities from technology opportunities, market strategy to regulatory requirements (Boehm, Turner 2005). More importantly, agile transformation requires change in organisational culture since incorporation of agile methodologies requires application and acceptance of new values, norms, behaviour, management style and roles, which is extremely difficult to achieve (Boehm, Turner 2005).

To understand clearly challenges related to notable change that agile transformation requires, the author of this thesis will start with contrasting profiles of "traditional" project management with agile project management, in particular Scrum and Extreme Programming since these are the most commonly used agile development methodologies. This section will be followed by literature review of existing case studies and experience

reports of financial institutions that have undertaken agile transformation to identify main challenges and obstacles of the process that particularly relevant and unique to financial industry.

The second preliminary thesis question is: What are the success factors and best practices in talent management during agile transformation in large financial institutions? In 2015, Scrum Alliance, an organisation whose mission is to transform world of work, launched a Learning Consortium for creative economy that included many large companies such as Microsoft, Ericsson and Riot Games who committed to undertake full scale agile transformation. The main findings of the project were the confirmation that agile management is possible and already implemented on a large scale not only in new but also old companies and the fact that so far here is no "one size fits all" formula or roadmap to implementing large scale agile transformation (Denning S., 2016).

Investigating large scale agile transformation Scrum Alliance was following group of 11 large companies operating not only in software development but also manufacturing, telecommunications, transportation and consulting (Denning S., 2016). Financial industry was left unrepresented in this study. Thus, the author of this thesis will attempt to analyse whether success factors and best practices of other companies outside financial industry such as Facebook, Apple and Google are successfully applicable to large financial institutions.

2   Traditional plan-based methodologies

To answer the research questions presented earlier it is necessary to contrast agile with traditional plan-based methodologies. This chapter will give a brief overview of traditional plan-based management approach and bureaucratic organisational structure of companies that are using traditional 20th century management practices.

Traditional project management is defined by PMI as the application of knowledge, skills, tools and techniques to project activities to meet project requirements (PMI, 2013 p.47). It started to emerge as a profession in the mid-20th century and therefore was designed to fit and reflect command-and-control bureaucratic organisational structures and management practices that focus on heavy up-front planning and conservative approach to

any change of scope (Denning, S. 2016). The positive correlation between traditional plan-based project management and bureaucratic organizations that has functional structure has been established by several studies previously (Iivari, J. Huisman, M., 2007).

While there is no clear universal term to describe non-agile approach to manage projects, some practitioners refer to non-agile as traditional or a plan-driven, a term that emphasise static written specifications, extensive documentation and heavy upfront planning which follows by execution that strictly adheres to the initial plan (PMI, 2017 p.17).

Others prefer to use term waterfall to describe the lifecycle of non-agile projects. Waterfall model is a linear and sequential approach to project management that requires detailed long-term project plan, definitive team roles and fully completed product delivered in the end of the project timeline. With Waterfall approach team members are following multiple process steps and required to sign-off on each deliverable or task before moving to the next step. Waterfall highly discourages any change to deliverables thus, client is involved only in the beginning of the project. Once execution phase started and adheres strictly to requirements and scope of the contract (Fair, J.2012).

Finally, Project Management Institute used term "predictive" to describe non-agile methods in A Guide to the Project Management Body of Knowledge (PMBOK Guide). While majority of organisations do not use purely non-agile approached as they are representing extreme opposite end of agile and instead finding middle ground, it is still important to talk about them to understand the essentials of the issue (PMI, 2017, p.17).

2.1 Five project process groups

Traditional plan-based projet management and bureaucratic organisations highly value processes and tools. PMBOK Guide describes the nature of project management as integration between processes, purposes they serve and their interaction (PMI, 2013 p.48). All the processes of traditional project management falls into five process groups that include: Initiating, Planning, Execution, Monitoring & Controlling and Closing (PMI, 2013 p.48-50). The elements of these process groups, in most of the cases, require rigid and detailed planning such as work breakdown structure, work allocation and strict

adherence to predetermined milestones and stakeholder requirements which calls for command-and-control management style (Saladis F.P., Kerzner H.,2009).

Moreover, five process groups of traditional plan-based project management are linked by the outputs that each group produces. For instance, the output of initiating process group becomes input into planning process group and so on. This means that one phase cannot start before previous phase is completed. With this linear approach, projects are completed by detailed upfront planning at once, resisting any change and concentrating on strict compliance to the plan (Wysocki, 2009).

Initiating processes are meant to define a new project by establishing initial scope, committing financial resources and getting authorisation to start the project (PMI, 2013, p.54). This phase includes heavy documentation such as project statement of work (SOW), which is a narrative description of the expected product or the result that supposed to be delivered by the end of the project, business case that justifies and establishes boundaries of the project, agreements and contracts as well as project charter that includes assumptions, constraints, requirements and customer´s needs (PMI, 2013, p. 69-71).

The project team is mostly excluded from initiating phase which underlines bureaucratic nature of the traditional plan-based project management. Business case assessment and approval is handled by the sponsors/customers and senior stakeholders of the project (PMI, 2013, p. 55).

Initiation processes are followed by planning processes that aim to establish and secure the total scope of the project and roll out the detailed and clear course of actions based on requirements that are not expected to change. The main output of planning process group is project management plan, the central document that defines in detail how the project will be executed, monitored, controlled and closed, and other documentation that aim to cover all the aspects of the scope, time, cost, quality, communication, human resources, risk, procurement and stakeholder management or in other words subsidiary plans and related project baselines (PMI, 2013, p. 55-76).

Executing process group includes coordination of project team and resources as well as management of stakeholders' expectations and project activities as defined in project management plan with overall aim to meet project specifications (PMI, 2013, p. 56). Project team executes work following complete project management plan that has been created during planning phase. Ideally there is no overlapping between planning and executing phases unless serous mistakes in planning has been identified or major risks have been uncovered. While traditional methodologies recognise that there are possibilities that during execution of the project, updates to the project management plan might be necessary, such changes are treated as highly undesirable since they will affect cost, time and most importantly scope which is supposed to be fixed.

Before approving any changes, traditional plan-based approach requires rigid and detailed analysis and development of appropriate responses. Depending or result of such analysis, formal change request can be initiated which, if approved, will eventually cause amendments to the project management plan or other project management documents (PMI, 2013 p. 55-57). Controlling and Monitoring process group consist of processes that track and review ongoing project activities against project management plan with the main goal of maintaining triple constraint of the project: time, cost and scope (PMI, 2013).

Finally closing process group include processes that formally complete that project and close all contractual obligations. Once again it relies on comprehensive documentation and post-project analysis which will be documented as lesson learned.

2.2 Traditional functional and matrix organisational structures

Organizational structure is defined by PMI as a framework that determines the level of hierarchy, function of people, authority, reporting lines and overall workflow within an organisation (PMI,2013). Organisational structure is an essential enterprise environmental factor that defines and guides the way in which employees and management behave and has a major effect on norms, relationships and values people adhere to (PMI, 2013).

The traditional functional organisation was primarily designed for stability and represent purely hierarchical structure where authority to make decisions located at the top and

flows down vertical reporting lines (Aghina W., De Smet A., 2018). People are grouped as per their specialisation area according to their skills, knowledge and working in separate units and departments that are preforming clearly defined function.

In functional organisations each department has its functional manager to whom employees report. Functional manager in its turn report to the head of its department who is overseeing the overall performance of his/her section and reports to the board members. This kid of organisational structure, while having strong and stable skeleton, is vertical and disconnected. Communication flows through the heads of department to the board members on the top (PMI, 2013).

Typical weakness of traditional functional structure is isolation of units and departments which leaves product development highly fragmented and complex. For instance, banks can introduce digital units to develop mobile application or new website features. However, these units will be disconnected, not only physically but in most cases also strategically from the rest of the departments (Comella-Dorda S., 2016).

In most traditional organisations business units of the organisation are separated from IT. Product owners from business side of the organisation involved into software development only occasionally at the same time IT units have no direct access to the customers and have no authority to make decision (Comella-Dorda S., 2016).

Matrix organisations evolved as a natural solution to the need of managing complex programs and project with limited resources. Since skills and knowledge are fragmented in large functional organisations it proved to be hard for individual functional departments to get complete overview of the problems and challenges faced by the organisation (Stuckenbruck, L. C. 1979).

Matrix organisational structure implies multiple managerial responsibility and accountability. In such organisation there are usually two chains of command, the one that runs along functional line and another along project line. The level of authority that project manages, and line managers hold varies depending on balance of power. In a weak matrix project manager has less authority, the stronger is matrix the more power project manager has over functional manager (Stuckenbruck, L. C. 1979).

While matrix allowed to solve some shortcomings and limits of functional structure it brought more complexity which further slowed down ability to respond, communication flow and increased risk of conflicting instructions and priorities. Moreover, linear planning, bureaucracy and control remain significant with the main goal to capture value for shareholders.

3   Agile methodology

Agile methodology can be described as an umbrella term that covers multiple scaled frameworks and team methods such as Scrum or Extreme Programming that fulfil the values and principles of the Agile Manifesto that has been created back in 2001 as an alternative to plan- and documentation-driven project management approach such as waterfall (PMI, 2017).

The Agile methodology was found on a four cornerstone values. First of all, agile prioritise individuals and interactions over processes and tools. This value highlights the importance of teamwork and communication. For instance, agile requires business people and developers to work together on a day-to-day basis throughout the whole project. Together they form a cross-functional team that has all the expertise and knowledge needed to implement end-to-end project. The most effective and efficient way of communication within the agile team is face-to face conversations. Also, this value promotes idea of building the project around the motivated self-organising individuals who are trusted to get the job done (PMI, 2017).

Second value promotes working software over comprehensive documentation which means frequent delivery of working product which is the primary measure of progress instead of milestone reports (PMI, 2017).

The third value prioritise customer collaboration over contract negotiations. Since the customer satisfaction and creation of value for stakeholders have the highest priority in agile mindset, agile teams maintain constant collaboration with customers. Agile teams strive to continuously and frequently deliver valuable software, obtaining each time

constructive feedback from customers that would trigger future changes and adjustments (PMI, 2017).

Finally responding to and embracing changes have higher priority over strict compliance to plan. Changes considered to be inevitable and thus always welcomed even in the late stage of the project. They are viewed as an important source of customer´s competitive advantage (PMI, 2017).

Initially agile methodology was designed to be implemented on a small scale, particularly on a single team software development projects (Boehm and Turner, 2005). The main idea was to tackle uncertainty of the project and mitigate the risk of time consuming rework and costly waste by exploring requirements iteratively, following feedback for unfinished work, and deliver small batches of work incrementally. In this way change can be implemented more easily and frequent feedback loops enables the team to deliver the product that has higher value for the customer (PMI, 2017).

It is particularly useful approach for projects that involve new tools or materials, projects that require research and development, have high rates of change and unclear or unknown requirements and sometimes pursue result that is hard to describe in the beginning of the project (PMI, 2017).

This state of uncertainty and fast pace of change in requirements and expectations within projects start to reflect the demanding and fast evolving market environment in which large companies operate worldwide. In 2011 McKinsey has conducted research on organisational redesign. The research showed that 57% of the organisations were initiating process of redesign every 2 years and the average duration of each redesign would be approximately 18 months, which means before even finalising one redesign organisations were forced to initiate a new redesign process in response to new market conditions (Aghina W., De Smet A., 2018).

Thus, increasing complexity of constantly evolving markets and continuous introduction of disruptive technology made agile methodologies make its way from project management to the organisation-wide application or agile transformation of large organisations

that demands complete change in organisational structure, culture, management style and operating model as whole (Aghina W., De Smet A., 2018).

The quarterly survey conducted in 2017 by McKinsey showed that only few organisations managed to achieve company-wide agility so far, but majority have started to apply agile mindset in separate performance units (McKinsey & Company, 2017).

3.1 Servant leadership

Servant leadership is one of the central elements of the agile mindset and one of the primary ways to empower team members. Servant leadership, as opposite to traditional control and command management style, promotes leadership through service to the team through development and coaching primarily (McKinsey & Company, 2017). In other terms, servant leaders are focusing on understanding and addressing the needs of the team members, inspiring them to act in team-oriented way and eliminating possible impediments on the way to create an environment in which team can achieve the best performance (PMI, 2017).

While servant leadership is not a unique to agile, it aligns well with agile mindset and it´s values. It reflects the first value of the Agile Manifesto by prioritising individuals and interactions over processes. Servant leaders take on responsibility to coach, empower and help people develop professionally instead of controlling them. They are responsible for facilitation of collaboration and creation of relationships in order to build communication and coordination not only within the team but also company-wide (PMI, 2017).

Since agile requires teams to be self-managed and self-organised the role of the leader within agile organisations is to pave the way for its team to achieve the best performance by mentoring and encouraging them, removing obstacle and setting up the purpose for the team so that individuals could engage and stay motivated (PMI, 2017).

For instance, the role of the project manager, as it is known from traditional waterfall approach, is not specified in an agile environment (PMI, 2017). Traditionally project managers are supposed to take responsibility for the coordination of the entire project however, with growing complexity of the projects, high uncertainty and high rate of

changes, giving this role to one person proved to be inefficient. Agile approach proved that cross-functional teams manage to coordinate their own work more effectively and can produce better result by working directly with the product owners and clients. However, this does not eliminate the need for a traditional project manager in agile, instead it changes role of the project manager from central to supplementary (PMI, 2017).

3.2 Agile teams

As mentioned previously, agile team is a self-organised and cross-functional which means it includes team members that possess all the necessary knowledge and skills to be accountable for the end-to end work to deliver the product and are in a constant state of collaboration with customers and product owners which enable them to define precisely the product´s vision (PMI, 2017).

For instance, in agile team developers, designers, testers and any other required professionals would work together and would be 100% committed to the project, which enables them to deliver complete product in the shortest possible time due to lack of external dependencies (PMI, 2017). Close collaboration between business and technology people is essential to achieve fast high-quality business outcome (McKinsey & Company 2017).
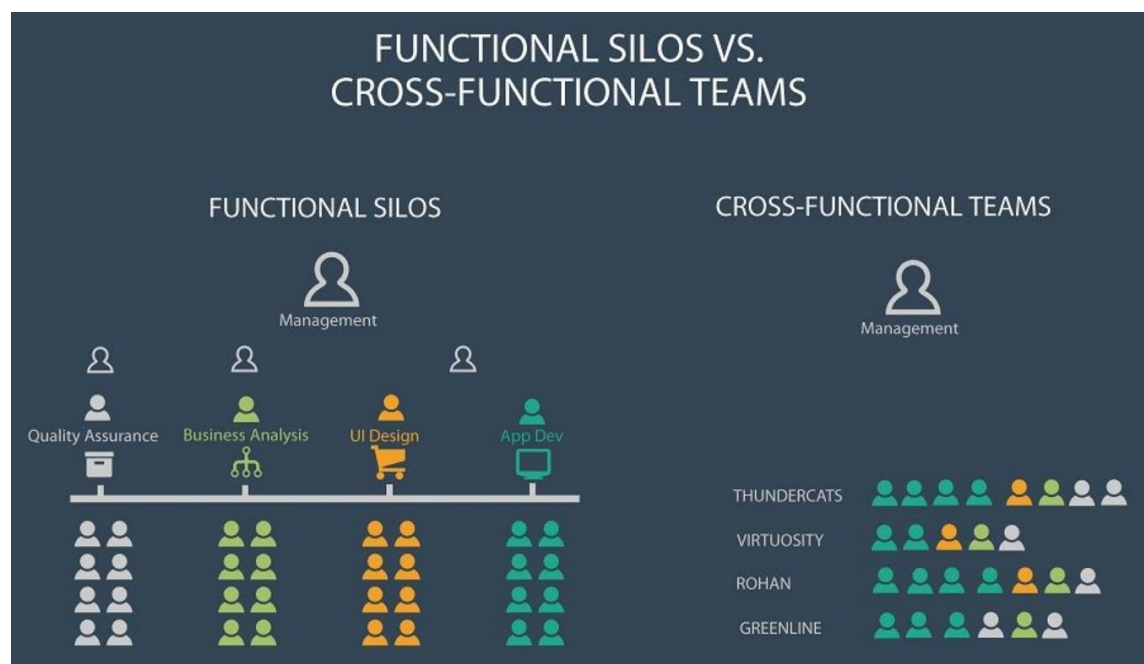

Table 1. Functional Silos vs. Cross-Functional Teams. (Mersino A., 2017, 5 Key Differences Between Agile Adoption and Agile Transformation)

In 2015 when Dutch Banking Group ING decided to undertake agile transformation they reorganised their siloed departments in the headquarters into over 350 nine person self-organised and autonomous squads that comprises experts from divergent functions. Squads had end-to-end responsibility for their projects and had were flexible to change composition as project evolved. As Heidi van Eijk the Tribe Lead of Experience Daily Banking within ING explained "The cross functional team approach is an excellent way to quickly test whether improvements and new customer propositions work in the market" (Xebia, 2017). In such working environment there was no need for managerial control or middle-management handovers which enabled faster and more smooth collaboration (McKinsey & Company, 2017a).

Breaking down work into small chunks that has potential value for the customer and being in constant collaboration with customers helps teams to cope with uncertainty and complexity of projects on their own without control of management. Daily stand-ups meetings are used by teams to share the progress they did and coordinate remaining work flow. The information shared during the meeting is open for everyone and intended for team members primarily and not for managers to control the work (SD Learning Consortium, 2016).

ING recognised importance of inevitable change of organisational structure and establishment of clear roles and new governance. Thus, they eliminated siloed departments, project managers and steering committees that were major impediments on the way to agility (McKinsey & Company 2017a).

Traditional reporting lines were not needed in the new structure. Each squad at ING has clear purpose and vision of their work which is written down and visible to everyone. In addition to that each squad is aware of impact their work has on clients and has authority to decide how to execute their daily work. Squads that had interconnected missions are forming tribes that are using scaled approach and tools such as scrums and stand-up meetings that ensures proper coordination of squad activities, progress tracking and priority setting (McKinsey & Company 2017a).

It is widespread practice among successful agile teams to have generalising specialists within their teams who have expertise in particular filed and in addition to that

experience across wider range of skills. Due to a tight collaboration and self-organised nature of agile teams, there is a need for such specialists who will be able to help each other on a constant basis (PMI, 2017).

In agile organisations teams are formed and disbanded according to constantly evolving strategic priorities of organisation which enables team members to diversify their set of skills working with various experts and taking on new roles (McKinsey & Company 2017). Business initiatives and projects are evaluated on a regular basis to determine what projects need more resources and funding and what initiatives needs to be shut down. Such approach allows flexible allocation of resources in an environment of fast changing priorities (McKinsey & Company 2017).

While colocation of an agile team regarded as one of the important factors that contributes to efficiency of the performance, some organisations proved that distributed or dispersed agile teams, that have team members working in different geographical locations, has been able to perform as good as collocated teams (PMI, 2017).

In fact, the Software Development at Scale survey that has been conducted in 2014 showed that only 39% of agile teams are collocated while 61% are near or far located (Ambysoft, 2014). Agility at Scale survey, conducted in 2012 by the same constancy company showed that agile teams were able to deliver successfully products at all levels of geographical distribution (Ambysoft, 2014). Ideally agile organisations create work environment that foster communication and collaboration not only in person but also virtually and at the same time ensure that individuals can do their work in most efficient way (McKinsey & Company 2017).

Finally, it is worth mentioning that team phenomena is not new and was mentioned in management literature of 20th century that supported traditional bureaucratic organisations. What really distinguish agile teams from teams in traditional bureaucratic organisational settings is the fact that agile teams are truly self-organised and high-performance. Entrepreneurial mindset of agile teams is not exceptional feature but a norm (SD Learning Consortium, 2016).

By contrast, traditional bureaucratic organisations firmly believed that teams are not capable of delivering efficient performance at scale and thus they were mostly assembled to solve specific issue or challenge. Moreover, the organisational bureaucratic setting itself was a great impediment for teams to preform effectively. Team leaders were acting as managers and exercised control-command management style instead of servant leadership (SD Learning Consortium, 2016).

3.2.1   Scrum

Scrum is one of the most commonly adapted agile methodologies. Scrum described by PMI as a single team process framework that is used to manage development process (PMI, 2017). The framework consists of clear roles, rules and artefacts and delivering working product using an iterative approach which means utilising constant feedback for unfinished work with the goal to improve (PMI, 2017).

Traditionally scrum team consist of a scrum master or coach who helps to resolve team dynamics and removes any impediments, product owner or a proxy for the customer who is responsible for maximising the value of the product by representing customers' needs and expectations within the team and finally the development team (PMI, 2017).

In practice some organisations that undertake agile transformation are modifying standard framework of Scrum to fit better their culture. Adjustments in the name of roles, terms and accountability are widely observed. Since there is no one size fit all companies are encouraged to innovate and enhance the framework. Nevertheless, the idea of descaling work into small manageable batched and working within small size teams, delivering often within short cycles, is remaining universal (SD Learning Consortium, 2016).

3.3   Agile organisational culture

To understand essentials of agile organisational culture it is crucial to define what agile organisation is. McKinsey defines agile organisation as "a network of teams within a people-centred culture that operates in rapid learning and fast decision cycles which are enabled by technology, and that is guided by powerful common purpose to co-create value for all stakeholders" (Aghina W., De Smet A., 2018).

The ability to respond effectively and adept to new complex, uncertain and ambiguous conditions of markets by adjusting organisation´s strategy, processes and structures toward value-creating opportunities is the core feature that allows agile organisations to be dynamic. At the same time successful agile organisation must have reliable backbone of organisational elements that are stable such as its culture (Aghina W., De Smet A., 2018).

The people-centred culture where individuals have shared vision and purpose is one of the stable critical element of agile organisation. In agile organisations people who directly work on projects are involved in strategic decision making. Thus, refining strategy is a collective effort unlike in traditional hierarchical organisations where strategy is defined by the top senior management. In this way people are intrinsically motivated personally and emotionally investing in the work that serves clear common purpose (McKinsey & Company 2017).

It is also important to establish and maintain honest and transparent environment in which individuals are free to learn and reflect on their mistakes and success ensuring that their work will advance (PMI, 2017). Trust and transparency are playing vital role in creation of value for all stakeholders.

For instance, in agile organisations people have free access to unfiltered data and financial information concerning their project. People within teams must trust each other to act in the best interests of not only organisation but also customers and other involved stakeholders, unlike in traditional hierarchical organisations where the main goal is to create value for shareholders and act primarily in their best interest (McKinsey & Company 2017).

Transparency enables people to communicate openly, share freely their ideas, knowledge and results of their work with others. Dutch banking group ING went as far as undergoing complete office configuration by tearing down walls in their premises creating wider open space and consequently enable more interactions between individuals (McKinsey & Company, 2017a).

Embarking on large scale agile transformation journey Barclays has established its own Agility Council, a forum where team members across the organisations meet together on a frequent basis to share their knowledge, experience and insights. Participants are joining from offices around the world via video conference. In this way people from various teams and areas are exchanging their knowledge and taking learnings back to their teams (SD Learning Consortium, 2016).

Moreover, in agile environment leaders and team members are encouraged to provide frequent constructive feedback and coaching which facilitates team members to grow professionally and work autonomously within self-organised teams (McKinsey & Company 2017).

It is also worth to notice the strong customer focus present in agile organisations that are striving for greater value creation for all involved stakeholders. For instance, Barclays a 327 years-old major British bank has announced in 2015 their plan to undergo agile transformation. To understand better need and expectations of their customers, Barclays started sending their developers to trading floors to let them gain more detailed understanding of trader's needs (SD Learning Consortium, 2016).

Strong customer focus of agile organisation enhances their ability to see and size new opportunities. Instead of resisting changes, people are actively following and acting upon changes in customer behaviour and external market conditions. Agile organisation is constantly looking and willing to launch new initiatives and ideas (McKinsey & Company 2017). For instance, Barclays in their effort to create more entrepreneurial culture and space for innovation, started to organise more hackathons, internal conferences and workshops to allocate more time and space for innovation. They have also undertaken significant steps to create more open space in their offices to facilitate collaboration between people not only within teams but also between teams (SD Learning Consortium, 2016).

The tendency of never resting on achieved success and targets but constantly looking for opportunities to improve and innovate is mirroring today´s dynamic market and is followed not only on business strategy level but on an individual level. Employees are

constantly looking for new ways to make work more efficiently and improve existing business processes (McKinsey & Company 2017).

Norms and decision-making process are widely followed and clear. Unlike in traditional bureaucratic organisations, in agile organisations people who work directly on projects have authority to make decisions that affects their day-today work. This enables fast decision making in case necessary changes need to be implemented (McKinsey & Company 2017).

One of the most common misperceptions about agile organisations is that they are supposed to be all flat and non-hierarchical. SD Learning Consortium (SDLC), a non-profit organisation that explores the most advanced agile practices world-wide, showed that agile organisations can be hierarchical.

In 2016 CDLC issued a report based on multiple site visits to large organisations that have embarked on organisation-wide agile transformation. They observed that all of the organisations have kept their hierarchy to some extent. Companies still had their top management that set direction. Pressure to achieve high performance is even greater than in traditional organisations due to elevated level of transparency. However, unlike in traditional hierarchical organisation in agile organisations pressure to perform comes primarily from peers within the team while managers are responsible for enablement, not control. Consequently, hierarchy in agile organisations is about competence and not authority (SD Learning Consortium, 2016).

4 Change Management

Having contrasted agile with traditional plan-based methodologies of 20th century it is important survey the following literature on change management to see the processes and methods organisations use in transitioning from one strategy to another.

The high failure rate of change initiatives observed throughout the years makes change management one of the most complicated and problematic undertakings for any organisation (IBM, 2008). One of the reasons behind it might be the fact that change management is not considered as a distinct discipline that has clear and rigidly defined

boundaries. Instead in practice, as well as in the theory change management is based upon various disciplines and social sciences (Burnes, 2014).

Despite the absence of clear boundaries practitioners and academics have identified three distinct types of organisational change: the Individual Perspective change; the Group Dynamics change and Open System change (Katz, Kahn, 1978). All three schools of thoughts serve as a cornerstone of a broader change management theory. The individual perspective school of thought advocates importance and use of both intrinsic and extrinsic motivators to influence human behaviour and trigger the process of change. According to this school of thought, individual is the centre piece in organisational change and it is through individual incentives or external stimulus and individual internal reflections that organisational change is happening (Burnes, 2014).

On the contrary, the group dynamics school of thought believes that it is through team work and group level that organisational change can be successfully implemented and not individuals (Bernstein, 1968). The explanation for this theory is the fact that individuals are predominantly work in organisations within groups, thus individuals´ behaviour can be modified by introducing new practices and norms into the group that will be enforced by tension to comply with group´s norms and peer pressure.

The great emphasis of this theory is made on analysis of implicit norms, which are informal, unwritten rules and explicit norms, which are formal, written rules of any given group (Burnes, 2014). Such norms and rules are defining people´s behaviour and roles and even thoughts and feelings in any given situation.

Despite the major influence that the group dynamics theory made on practice of change management, others arguing that the correct approach to organisational change management is the organisation level as whole (Burnes, 2014). The Open System school of thought views organisation as a combination of interconnected sub-systems that are interacting with the external environment and interact internally between each other (Cole, 2001).

Due to the interconnection within internal and with external environments, internal changes in one area will inevitably affect another one external or internal environment

and consequently will impact overall performance of the whole organisation (Burnes, 2014). Thus, supporters of this theory claim that in order to change overall functioning of the organisation it is necessary to analyse sub-systems and interdependencies of the organisation in order to understand how they can be effectively changed. The emphasis of this approach is on archiving widespread synergy instead of modifying the performance of individual units within organisation (Burnes, 2014).

4.1 Four building blocks of successful change

While, all three theories can be seen as independent and distinct they are not in conflict with each other. The literature review on large scale organisational transformations showed that in most of the successful organisational transformations all three approaches were used instead of just one (Basford, Schaninger, 2016). Combining both classical research and contemporary academic findings, four crucial elements that were observed in successful organisational transformations can be highlighted (Basford, Schaninger, 2016).

Before moving further to review the elements, it is necessary to notice that during the research, five different research based organisational change models has been reviewed, which included Three-step model of Lewin (1947) that was based on aforementioned group dynamic school of thought; Phases of planned change introduced by Bullock and Batten (1985) and which was built on project management platform and highlights technical viewpoint of change; Change formula introduced by Beckhard and Harris (1987) highlighting interdependent consideration points of change; Eight-step model introduced by Kottler (1996) and Five-step corporate transformational model introduced by Taffinder (1998).

Due to set limitation on volume of this thesis, author will not go into details of each model but rather mention four elements that author noticed in all the reviewed models.

4.1.1 Clear communication

First element is emphasising on importance of communication and need to foster understanding and conviction of individuals. Since people are always looking for congruence

between their believes and actions they have to understand and believe in reason behind the change in order to adjust their behaviour accordingly (Basford, Schaninger, 2016).

In 1996 Kottler has made a research on 100 companies that were undergoing major organisational change. Among other findings Kottler proved that one of the major errors that cause failures on the path to successful change implementation is the lack of clear communication. Senior management and executives must communicate on the constant basis and incorporate their vision and message into their daily activities. Ideally all existing communication channels have to be used to broadcast the vision (Kottler, 1996).

In 2015 when ING stared their agile transformation they put all their employees in headquarters on a mobility meaning that they had to reapply for new positions. During the intense selection process, the higher importance was put on culture, the mindset of individuals and their alignment with the new vision than on their experience (McKinsey & Company, 2017a). While many employees were let go, ING ensured that each and every rehired employee understands clearly the reason behind the change and has right mindset to work in the new organisational settings.

4.1.2 Reinforcement by formal mechanism

Second element of successful change is reinforcement by formal mechanism. Such reinforcement can be shaped by the expected tangible and intangible rewards and punishments for specific forms of behaviour. One of the main roles of reinforcement is to remove obstacles on the way to the new vision particularly in the preliminary stages of transformation when some people might sill act in old ways blocking others to move efficiently forward (Kottler, 1996).

McKinsey research showed that monetary incentives are not sufficient alone. Intrinsic and intangible motivators are proved to be more effective performance drivers than expected monetary rewards (Basford, Schaninger, 2016).

Reinforcement by formal mechanism combines classical individual perspective as well as group dynamic school of thoughts since incentives can be directed on the individual as well as group level. Incentives such as collaboration and sense of common purpose are

proved to be effective on the group level since they are producing force such as positive peer pressure in pursuit of the common goal (Basford, Schaninger, 2016).

4.1.3 Committed leadership

Third element of successful change is effective and committed to change leadership. Strong leadership plays significant role in mitigating resistance to change by motivating employees actively participate in the change process (Abdulla, Sanjay 2017). For successful change management the leader has to act as a role model demonstrating positive attitude and commitment to change. Subconsciously individuals often find themselves replicating behaviour and emotions without realising it. On the conscious level people align their own behaviour with other influential people to learn or sometimes just to fit in (Basford, Schaninger, 2016). According to McKinsey research, role modelling is not limited to individuals only, just like reinforcement mechanism they can be applied on a group level and exert even greater influence (Basford, Schaninger, 2016).

4.1.4 Training and development

Final forth element make emphasis on importance of developing talent and skills of employees. Despite the ability of people to learn new things, we often lack proper insights into what do we need to know and what knowledge we lack. This bias makes people to overlook their limitation and overestimate their competences. Another bias that can hinder the process of change is individuals doubts about their ability to change. After numerous unsuccessful attempt people tend to fall into passive acceptance and resignation believing that change is impossible (Basford, Schaninger, 2016). Thus, it is crucial to create sense of control and competence that would nurture active effort to improve.

While four aforementioned elements provide only limited view on the successful change management, it is crucial to remember that change management process does not follow "one size fits all" approach. Variety of existing organisational change management models remind us that each organisation must consider individual external and internal factors, forces and operational imperatives that determine which change management approach to apply in specific organisational circumstances.

5   Contemporary market conditions of financial industry

In order to understand what specific challenges financial institutions face during the agile transformation, it is important to analyse market conditions and specific factors that are shaping environment of financial industry and affect operations of financial institutions. As it was mentioned in the previous chapter it is essential to consider not only internal but also external factors when deciding on appropriate change management approach. While internal factors stay diverse and individual to each financial institution, this chapter will try to cover external market conditions that affect all financial institutions.

The hyper-competitive environment of the financial sector has been shaped by number for factors over the last decade. New non-traditional disruptive competitors such as FinTech and InsurTech puts large financial institutions under intense pressure to innovate faster and better to stay competitive, achieving greater operational efficiency, high quality products and reduced time-to-market (Deloitte, 2015).

5.1   Digitalisation and new non-traditional competitors

While accelerating digitalisation is not unique to financial industry it has a major effect on daily operations of traditional financial institutions urging to align their business tightly with IT. Waves of digitalisation within the industry are dramatically reshaping expectations and behaviour of customers (Kaufman et al, 2015).

New non-traditional and mostly unregulated competitors such as Lending Club, Alipay, M-Pesa, Fundbox, TransferMate or Baidu Wallet are a few examples of FinTech companies that are entering payment, funding and microfinance areas creating a tough competition for traditional financial institutions by offering better prices and customer experience (Deloitte, 2014).

In addition to new start-ups, technology giants such as Google, Facebook, Amazon and even large telecommunication companies such as Vodafone entered financial sector offering innovative solutions at the fast pace (Deloitte, 2014).

The increasing popularity of tech giants and other non-traditional competitors within financial sector was illustrated in 2016 when Google conducted study for its FinTech Forum @ Google where it compared the volume of clicks on Google searching the top 500 search terms for different financial service categories. 40 companies examined in the study were divided into two groups: established traditional financial institutions and digital challengers mostly start-ups and tech companies. The result of the study, pictured in the table 2 below, clearly showed ongoing trend of increased demand and interest in non-traditional digital competitors and declining interest in traditional financial institutions (Stuge, *et al,* 2016).

Table 2: The graph illustrating the indexed number of clicks resulting from queries for home mortgages mirroring the development in consumer behaviour. Source: Stuge G., H., Baltzersen M., Bråthen J., 2016.

The Millennial Disruption Index, a three-year study of industry disruption that was conducted back in 2013 by Viacom's consultancy Scratch, ranked banking as the industry that is highly endangered to disruption in today's environment. One of the main reasons was the fact that young people don't see any difference between banks and most of the times turn to FinTech for fast and more transparent solutions. Traditional banks are failing at differentiating themselves in the eyes of millennials. In 2014 Accenture consultancy company has stated in their industry report that by 2020 traditional banks in North America will lose 35% of their market share to the new FinTech competitors (Moreno J.,P., 2014).

One of the most widely discussed technologies lately has been blockchain, a digital ledger which chronologically and publicly records transactions. Decentralised and autonomous computer infrastructure enables transactions and exchange of any value while representing ownership of assets without need of any intermediary financial institutions (Zalan, 2018). The World Economic Forum, that took place in 2015, predicted that by 2025 ten per cent of total world's GDP will be highly likely on blockchain (Zalan, 2018). Traditional players of financial sector are the primary target which currently faces existential threat from the new blockchain technology.

5.2   Regulations

In addition to digitalisation and new non-traditional competitors, financial institutions are heavily regulated particularly after financial crisis of 2008. Operating in a highly regulated sector where serious mistakes and miscalculations will result in fines, reputational damage or even withdrawal of the authorisation to carry out activities makes financial institutions take more conservative approach to risk and change. At the same time Deloitte bank survey of 2013 has indicated that strict and sometimes overlapping regulations adversely affect returns which push financial institutions to a strict cost containment (Deloitte, 2013). PwC´s 20th annual CEO survey revealed that 54% of financial services CEOs are planning significant cost reduction to drive growth in 2018 (PwC, 2018).

Moreover, tightening regulations are limiting ability of traditional financial institutions to innovate faster and compete on the same level with FinTech (Moreno, 2014; Deloitte, 2014). In the end of 2017 S&P Global Ratings released their Global Financial Services Outlook 2018 stating primary focus of banks and other financial institutions will be on implementation and execution of the new regulations.

At the same time, tight regulations are the main tools that financial sector uses to restore trust of their customers that has been eroded through global financial crisis of 2008 (Gillespie and Hurley, 2013). Research showed that trust and reputation are playing particularly significant role in financial industry influencing customer behaviour and decision making (Gillespie and Hurley, 2013). Thus, attention to conduct and culture of financial industry has been increasing and is perceived as an important long-term focus (Eurofi, 2016).

5.3   Cultural aspects

After the financial crisis majority of industry leaders admitted significant and widespread cultural problems which triggered a few systematic academical studies of the organisational culture in the financial industry (Hoorn, 2017). The latest study did not reveal any evidence that would indicate unique nature of the culture in the financial industry in comparison with other industries (Hoorn, 2017), even though the idea that culture played significant role in the global financial crisis has been, and still is widely popular (Fox, 2010. Megaw, 2018).

Nevertheless, Deloitte bank survey conducted in 2013 has revealed insider view of the main cultural problems in the industry and the reasons that foster them (Deloitte, 2013). Most of the industry leaders and regulators admitted that problems of excessive risk-taking and short-termism are still present in the financial industry culture. Top reasons behind these problems are existing levels and structure of compensation as well as performance metrics within financial institutions (Deloitte, 2013).

Despite wide spread regulations on compensation structure introduced shortly after global financial crisis, non-risk adjusted performance measures such as earnings per share or return on equity are still in place triggering excessive risk-taking and race for short-term targets (Deloitte, 2013). Not strong enough alignment between compensation and risk tolerance keeps focus of employees and management on revenue rather than risk, even though it has been reported that pay-for-performance incentives have sharply declined after the financial crisis (Jaggia, *et al* 2017).

Another cultural aspect that has been highlighted in the survey is ongoing tendency to judge performance over relatively short time periods that do not match underlying credit cycles (Deloitte, 2013). Elevated expectations and sometimes impatience of shareholders pushing financial institutions to deliver higher ROI fast.

82% of interviewed industry leaders have strongly agreed that financial industry need changes in its culture however only 65% of respondence admitted that cultural changes must be implemented in their own institutions reflecting a belief that their own institution is not a part of the cultural problems (Deloitte, 2013).

6 Answer to research question 1: Challenges large financial institutions face during agile transformation

Now that the systematic literature review has been done, this section will cover the first research question of this thesis: What challenges large financial institutions face in talent management while undertaking agile transformation?

Going through existing and available on internet studies of agile transformation in the large financial institutions, one of the most classical transformation challenges has been the overall resistance to change that is natural to large scale transformations (Amarantou, *et al* 2018). Since people are tending to question and fear new and unknown, they must understand the absolute necessity of change and see sharp vision of the new status quo (Basford, Schaninger, 2016).

As it was demonstrated earlier in chapters two and three, traditional methodologies that most of the large, conservative financial institutions are accustomed to and regard as a deeply rooted status quo, is drastically different and considered to be a complete opposite of agile methodology. New roles, way of working and responsibilities of agile might worry employees and even represent a threat to their positions.

One of the most common problems is lack of understanding what does agile stand for. Misconceptions of working without plan and proper management oversight might develop into heavy scepticism which will foster further resistance and poor implementation. Such resistance can result in loss of productivity and time during the transformation as well as inaccurate perception of agile inefficiency (Kottler, 1996). Moreover, such misconceptions might alert regulators and shareholders that could worry about excessive freedom and potential chaos that agile might bring (McKinsey, 2017a).

While resistance form employees and middle management is a significant impediment on the way to full scale successful transformation, it is way more dangerous when members of senior management or some board members are resisting or not supporting the change (Abdulla, Sanjay 2017). In financial industry particularly, the pressure to deliver high ROI to shareholders fast might leave board members and senior management reluctant to commit to a radical transformation which will take time to pay off (Deloitte, 2013).

Lack of investment is another challenge that has been revealed in previous studies of large scale transformations. Often lack of investment can be observed in insufficient training and coaching. Companies that don't allocate enough funding for training and development are bearing significantly higher risk of failure (Basford, Schaninger, 2016). For financial institutions this challenge might be particularly relevant since cost reduction initiatives are currently widespread among large financial institutions that are struggling to maintain strong revenue growth under strict regulations (PwC, 2018).

High importance of training and proper coaching throughout agile transformation also supported by the fact that agile concepts can be easily misunderstood by individuals without prior experience in agile methods which can lead to severe setbacks.

In some cases, senior management perceived agile as a tool to simply speed up product delivery to the market, ignoring the core values of agile methodology and the fact that agile transformation requires a holistic way of thinking throughout the organisation which requires meaningful change of the whole mindset of an organisation and its culture (Misra et al., 2010).

CIO of Dutch banking group ING Peter Jacobs, in his interview with McKinsey stressed on importance of complete implementation of all the building blocks of agile (McKinsey, 2017a). One of the most common mistakes that he observed in other companies was tendency to cherry pick concepts of agile transformation. For instance, company could commit to agile way of working while keeping same organisational structure and bureau-cracy in place which resulted in a complete failure (McKinsey, 2017a).

Another significant challenge that was reported in previous studies was implementation of agile in globally distributed locations and coordination of work on the distance. In case of the ING banking group, agile transformation was rolled out at the group headquarters that consisted of 3500 staff members. The idea was to transform the core of the business and by that to set an example to the rest of the company (McKinsey, 2017a). While practice was reported as a successful one by senior management of ING, they have admitted that coordination of agile teams that still had dependencies with other locations proved to be difficult and imposed additional impediments particularly on

communication. Missing stand up meetings, reduced flexibility due to difference in time zones and limited overview of team work had negative effects on efficiency. As it was mentioned earlier in the chapter two, traditional plan-driven methodologies such as waterfall are much easier to implement in the globally distributed teams since separate parts of project can be implemented separately in almost isolation (Fair, 2012). Thus, geographical distribution of large financial institutions represents another prominent challenge on the way to a full scale agile transformation.

Furthermore, challenge created by uncertainty of middle management and project management roles in agile framework was observed in large scale agile transformations. While agile is promoting idea of autonomous self-organised teams that have all the knowledge and skills needed (PMI, 2017), clear majority of large financial institutions are heavily relying on coordination and control from middle management as they mostly follow functional or matrix organisational structure. Some cases of large scale agile transformation outside financial industry report difficulties of management to give up command and control approach and adapt servant leadership practice (Paasivaara, 2013).

The aforementioned challenge is directly linked to complexity of cultural change within organisation and difficulty employees experience in adjusting their mindset, eliminating deeply rooted status quo and habits. While formally accepting agile some individuals might partially stick to the old tested ways of work under pressure to deliver and in some cases fear of violating strict regulations of the industry.

7 Answer to research question 2: Success factors and best practices of agile transformation

Now that the main challenges large financial institutions are facing have been identified and presented, the following chapter will answer the second research question of this thesis: What are the success factors and best practices in talent management during agile transformation in large financial institutions?

In many ways the main challenges mentioned in the previous chapters reflect the best practices and success factors of large scale agile transformation in the financial industry in a way of antidotes.

As it was mentioned in earlier chapter that covered change management elements, committed to change leadership is one of the crucial corner stone of successful change management. Strong leadership plays significant role in mitigating resistance to change by motivating employees actively participate in the change process. For successful change management the leader must act as a role model demonstrating positive attitude and strong commitment to the change (Abdulla, Sanjay 2017).

The support and commitment from senior management and board members are playing particularly significant role in financial industry since, as surveys conducted by the Boston Consulting Group (BCG) in 2013, showed that disengagement and to some extent demoralization is present among employees of financial sector (BCG, 2013). While, as we stated earlier, academic studies up to date did not reveal any evidence indicating unique nature of the culture in the financial industry in comparison with other industries (Hoorn, 2017), insights provided by the leaders of the financial industry indicated that demoralisation and disengagement is not uncommon at the workplace (BCG, 2013).

Thus, in order to undertake successfully ambitious changes, it is absolutely necessary to have clear, visible and constant management support. Visible involvement of management has been noted in both successful agile transformation cases of Barclays and ING banking groups which increased motivation, strong commitment and support for change from employees (McKinsey, 2017a, SD Learning Consortium, 2016). Rik de Groot an agile transformation consultant who was involved in agile transformation of Dutch banking group ING from the very beginning, explained in the cases study later that "... the most crucial factor behind ING's achievement is that the entire management believed in it." (Xebia, 2017).

Committed to change leadership is not only crucial factor that increases motivation of employees and mitigates resistance but also crucial to eliminate organisational factors that might serve as impediments on the way to change. Such impediments might be, as we mentioned in the previous chapter, insufficient allocation of funding for training

and coaching or undesirable cultural aspects of organisation such as short-termism and inclination to excessive risk taking.

Importance of developing talent and skills of employees during the transformation has been already mentioned in earlier chapters covering change management and challenges of large scale agile transformation (Basford, Schaninger, 2016). Also, case studies of ING and Barclays emphasized importance of sufficient training. At ING management and out-sourced agile coaches were constantly supervising and training employees during agile transformation process (Xebia, 2017). It was also noted that outsourcing external con-sultants and coached had beneficial effect since they were able to provide an objective view of the state of organisation, while internal management and coaches had compre-hensive knowledge about specifics of the organisation (Xebia, 2017).

Another reason why sufficient training and coaching is of paramount importance to suc-cessful agile transformation is the fact that there is no one clear and certain way of implementing agile methods (SD Learning Consortium, 2016; PMI 2017). Instead, as it was determined in earlier chapter covering agile methodologies, agile requires a holistic way of thinking throughout the organisation which requires notable change of the whole mindset of an organisation (Misra et al., 2010). Such concept is proved to be difficult to explain by theory, particularly to people who don't have previous experience in working with agile. Thus, it is important to train and coach teams as they learn by doing. Training should not be a separate classroom session but rather integrated into daily operation. Learning by doing was noted as an important success factor in multiple cases (SD Learn-ing Consortium, 2016; Xebia, 2017).

One of distinctive success elements that is particularly relevant for large financial insti-tutions is management of compliance throughout the transformation. As it was stated earlier, financial institutions are operating in a heavily regulated industry which limiting their ability to innovate faster and compete on the same level with FinTech (Moreno, 2014; Deloitte, 2014). While study cases that has been reviewed during research for this thesis did not mention how tightened regulations affected their agile transformation, report published in 2015 by consulting group Deloitte made emphasis on importance of building regulatory compliance into process of transformation rather than trying to ad-dress it afterwards when changes has been already implemented (Deloitte, 2015).

It has been noted that building compliance into transformation process significantly reduces costs and ensures that new approaches complies with all imposed regulations including those related to data protection and geographical location of IT infrastructure (Deloitte, 2015).

Meeting such strict compliance standards might complicate agile transformation since agile principles are calling for elevated transparency within organisation, which means all employees should have free access to any data and information (PMI, 2017). So far best practices that has been established recommend establishing role-based accesses and creating secure zones for certain data and to develop adjusted to the new methods reporting for compliance (Deloitte, 2015).

While such measures at first might seem to hinder agility of the organisation, in case of the financial institutions they are necessary adjustments that should not be ignored. In fact, customization of agile practices to specific challenges of industry and even each specific organisation is crucial (PMI, 2017).

Another important aspect of successful transformation is gathering insights into agile approach from pilot projects in the beginning of transformation. ING has reported that it set up six pilot squads before scaling up agile organisation-wide. Senior management of ING has used intensively lesson learned from pilot squads to adept working environment and overall set up on the large scale (McKinsey, 2017a). Insights gathered from pilot projects helped create confidence among management by giving them valuable insights into how potential problems might be mitigated when scaling agile, that in its turn increased overall acceptance of agile among employees.

Finally, clear and intensive communication has been mentioned in most of the reviewed studies as one of the cornerstone of successful change. As it was mentioned earlier in chapter covering change management, communication and need to foster understanding and conviction of individuals plays crucial role in agile transformation. Since people are always looking for congruence between believes and actions they must understand and believe in reasons behind the change to adjust their behaviour accordingly (Basford, Schaninger, 2016).

Intensity of communication is particularly important since it is known that most success-ful change initiatives have the full participation of all interested and impacted parties (Franklin, 2014). Change issues and activities must be on every agenda of every meeting across the wide spectrum. In this way taking about agile and implementing it in practice becomes naturally the norm (Franklin, 2014).

Gaining support on the broader scale to set up correct ad realistic expectation not only from employees but also shareholders who used to judge performance on relatively short period is an important success element (Deloitte, 2013). Clear and open communication was noted to help setting up realistic expectations and mitigate impatience of sharehold-ers who used to push financial institutions to deliver higher ROI fast.

8 Conclusion

In this thesis author tried to answer two fundamental questions: RQ1. "What challenges large financial institutions face in talent management while undertaking agile transfor-mation?" and RQ2. "What are the success factors and best practices in talent manage-ment during agile transformation in large financial institutions?" With the overall aim to gain a deeper understanding of the challenges financial institutions face managing em-ployees during agile transformation, dealing with underlying conflict between agile cul-ture and predominantly corporate culture of large and mature financial institutions.

Reviewing relevant literature and analysing available case studies author found six chal-lenges and seven success factors of agile transformation in large financial institutions that are summarised below in the Table 3.

Challenges	Success factors
- Resistance to change - Common misconceptions about agile method - Lack of investment - Insufficient training & coaching - Adjustments to physical space	- Committed to change leadership - Visible and intensive involvement of management - Proper investment in talent devel-opment & training

• Global distribution
    • Coordination of work on distance
    • Old dependencies between teams
• Uncertainty surrounding new roles and responsibilities of management
• Change of organisational culture
    • Changing status quo
	• Incorporation of compliance to agile transformation
	• Learning from prior pilot projects
	• Clear and intensive communication
	• Broad scale involvement and support

Table 3. Summary of challenges and success factors

The challenges and success factors identified in this thesis made an emphasis on socio-complexity of agile transformation and organisational change management in large and mature financial institutions. Challenges that organisations face managing diverse, distributed team members are not only connected to technical aspects of change management or application of new tools but rather and more importantly to ability of leaders to influence, engage emotionally and motivate people who are affected by change.

Consequently, looking at success factors that have been identified in this thesis, one can see that all of the success factors having intent or effect of mitigating resistance and fear of unknown that affected parties naturally experience when confronting major change. According to cases studies and literature reviewed, without participation and involvement on a broad scale, change will unlikely become embodied into how people work or will not replace deeply rooted status quo in organisation.

Analysing available case studies and features of financial industry author found only a few cultural aspects that would make financial industry slightly unique compares to other industries that have proven record of successful agile transformation. Thus, the author of this thesis is convinced that success factors and best practices of other companies outside financial industry such as Facebook, Apple and Google are applicable to large extent to financial institutions too. However, it is important to emphasise at this point that as it was determined earlier, there is no "one size fit all" formula for agile transformation and it is absolutely necessary to make adjustments that would fit particular requirements, expectations and regulations of industry.

8.1 Limitations

Research was based on a systematic literature review and analysis of available case studies of large scale agile transformations within financial industry. Thus, the main limitation of this paper was limited free material that was accessible on internet and university´s databases. Two main databases, Emerald Insight and EBSCOhost were primarily used to find relevant studies and articles. Sources from Google Scholar, articles and surveys from major consultancy groups such as McKinsey and Deloitte and books were used to complement research.

Another major limitation was potential bias of available case studies since they were published online by representatives of financial institutions that were undergoing agile transformation, it is highly likely that negative sides and challenges of such major transformation were downplayed or not mentioned at all.

Moreover, despite the importance and relevance of the subject to practitioners, that is evidenced through the number of books published and courses organized by consultants, as well as numerous talks on this topic at agile conferences, author has found only two clear case studies covering agile transformation in financial industry: Dutch banking group ING and British bank Barclays.

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