

The future is flexible

Pathways to organisational agility and growth for UK financial services firms

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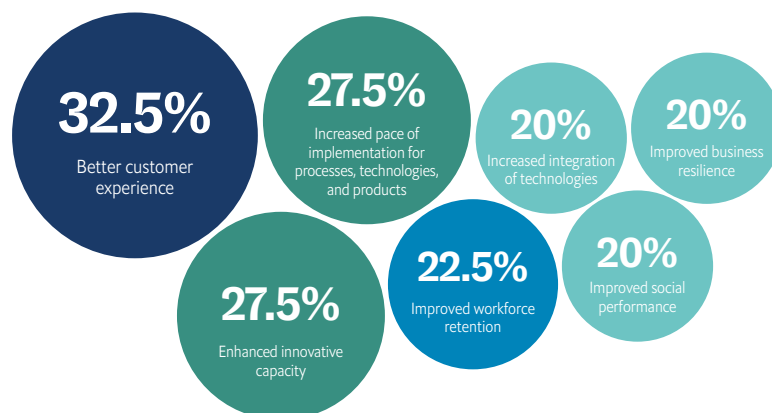
Introduction

In today's business environment, organisations increasingly need to be flexible, nimble and adaptable, both in preparation for potential shocks and to deftly seize opportunities in the constantly shifting and expanding commercial and economic landscape. In the financial services sector, 75% of business leaders describe agility as more important than ever. These leaders are seeking to improve their customer experience, enhance their capacity for innovation, and increase the pace of implementing processes, technologies and products, among other goals (see figure 1).

The following report uses survey data¹ to profile the UK financial services sector regarding business agility and flexibility, assessing the sector's current practices against a best-practice frontier, and outlining areas for improvement and growth to achieve business objectives. The results clearly show that UK executives understand the business case for increasing organisational agility and flexibility, and are steering their firms in the right direction. But, at the same time, companies are facing myriad impediments to realising agility.

Figure 1: Leaders turn to agility to achieve business goals

Top 3 desired outcomes from increasing agility among UK financial sector firms



Source: Economist Impact survey, % of responses to "Which of the following are the most important outcomes for your organisation to achieve through efforts to increase business agility?", financial services sector

¹ Mixed-method survey of 200 UK business leaders and government officials across five industries (financial services, government/public administration, information technology, professional services, and retailing/FMCG) conducted from November to December 2021. For details on the survey programme, including the full questionnaire, please refer to the main report, Embracing Agility in a Time of Disruption (Economist Impact 2022).

I. Distance to the frontier: the state of agility and flexibility among UK financial sector firms today

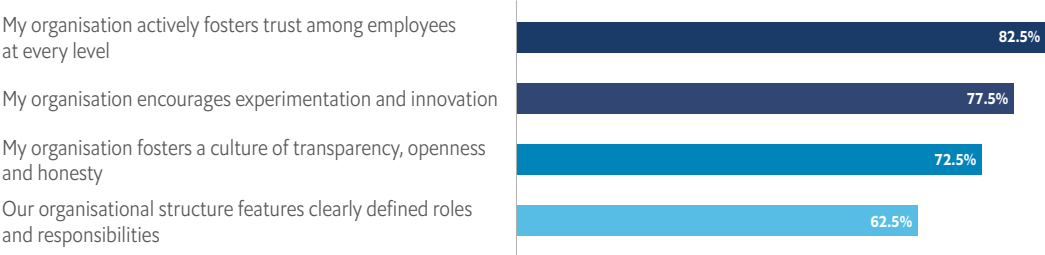
Agile businesses are characterised by flexible, transparent and nimble workforces. Employees can move laterally as strategic opportunities are spotted, allowing the enterprise to dynamically shift resources and adapt to market changes. Rapid feedback, transparency and improvement loops are central to this capability, enabling leadership teams to reallocate resources and invest in select strategic or innovative initiatives as needed. Agile businesses are well placed to succeed in an increasingly challenging macroeconomic environment.

At a cultural level, financial services firms have made significant progress towards embracing agility—fostering trust, openness and honesty, and encouraging innovation and experimentation. But at a structural level, many are held back by complex hierarchical structures that impede flexibility and dynamism: 72.5% of survey respondents say their organisation is hierarchical, but only 62% have clearly defined the roles and responsibilities within those hierarchies, and only 35% have implemented clear channels of communication between different levels of management. The effects of these gaps are clear: only about a quarter (27.5%) of surveyed financial services firms have quick and efficient decision-making processes across teams or can rapidly iterate and experiment.

Another key characteristic of agile, flexible organisations is the capacity for rapid learning, training and reskilling cycles to adapt business functions and teams as priorities shift in response to shocks or other signals. Financial services firms want their workforces to be collaborative, flexible, proactive and competent. However, survey data indicate a gap in both the tools to measure progress towards those goals and processes for reskilling should the paths to those goals change. Only 40% of financial services firms have clear and measurable performance goals for their workforce, and 25% experience difficulty training and developing employees.

Agile, flexible firms are also set apart by their ability to leverage data to guide decision-making. Financial services firms have long recognised this fact, and survey data reflect the sector’s widespread implementation of data-gathering practices. Around three-quarters of surveyed financial services firms are confident in their ability to collect useful data, process it quickly and effectively, and translate it into useful insights to inform strategy and operations decisions. When it comes to turning those insights into action, however, a gap emerges: only 47% of firms surveyed can quickly and effectively deploy a plan of action. This impedes their ability to adapt their strategies to reflect changes in the market, shocks or other inputs.

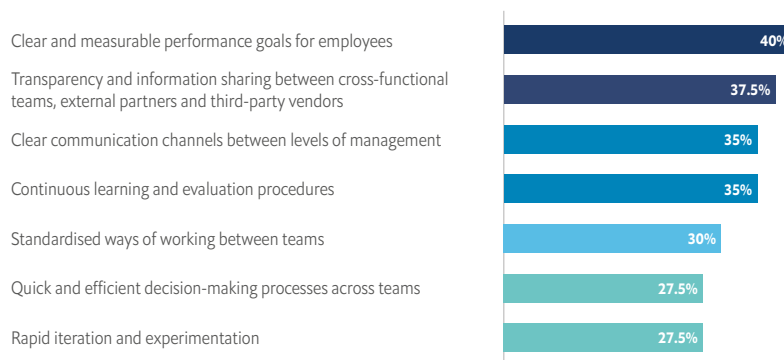
Figure 2: Organisational agility practices among UK financial services firms
Share of survey respondents that agree with the following statements:



Source: Economist Impact

Figure 3: Organisational agility implementation

Share of UK financial service firms that have implemented the following organisational agility best practices



Source: Economist Impact

II. Closing the gaps: key findings moving forward

As survey data demonstrate, the main barriers to agility and flexibility for UK financial services firms are a lack of clear communication and information-gathering practices (both internal and external), difficulty training and reskilling employees, and leveraging the information they do have towards actionable improvements.

To empower employees to excel in their jobs, financial services firms can focus on clearly defining employee roles and responsibilities and setting performance goals accordingly.

Fostering collaboration and cross-functional communication will help firms implement fast and flexible resource allocation processes, a business-critical priority for 47.5% of survey respondents.

Financial services firms recognise their shortcomings when it comes to internal and external communications—and are making plans to address those gaps. Just over half (52.5%) of surveyed business leaders report that improvement is needed to empower employees with collaborative workplace tools and technologies. To accomplish this, financial services firms report that business messaging applications, time management optimisation tools and



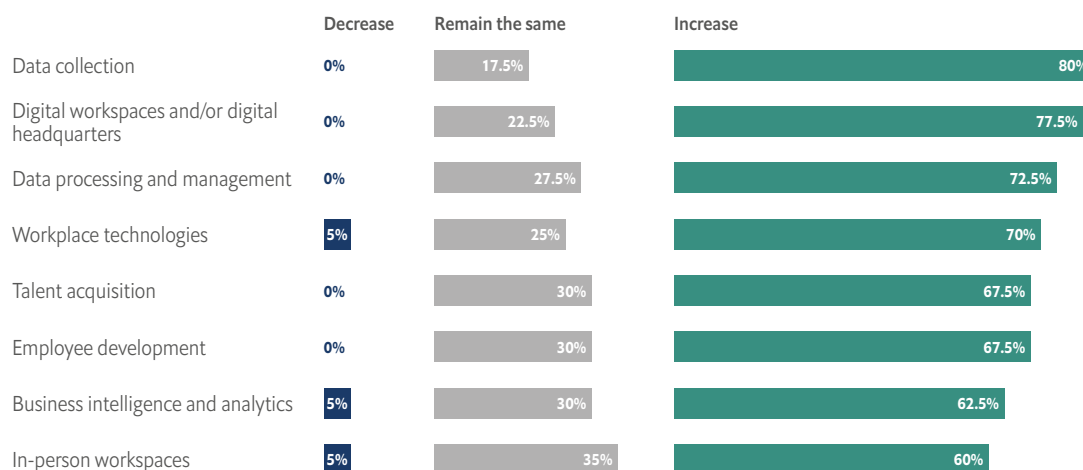
continuous learning tools (eg, massive open online courses) are critical. Nearly half of surveyed firms are planning to significantly increase their investments in workplace technologies over the next three years and 77.5% are planning to increase their investment in digital workspaces and/or headquarters (see figure 4).

As they increase investments in data capabilities, financial services leaders should also focus on improving their ability to operationalise data-driven insights. Eighty percent of business leaders plan to increase their investments in data collection over the next three years, and 73% have plans to increase investments in data processing and

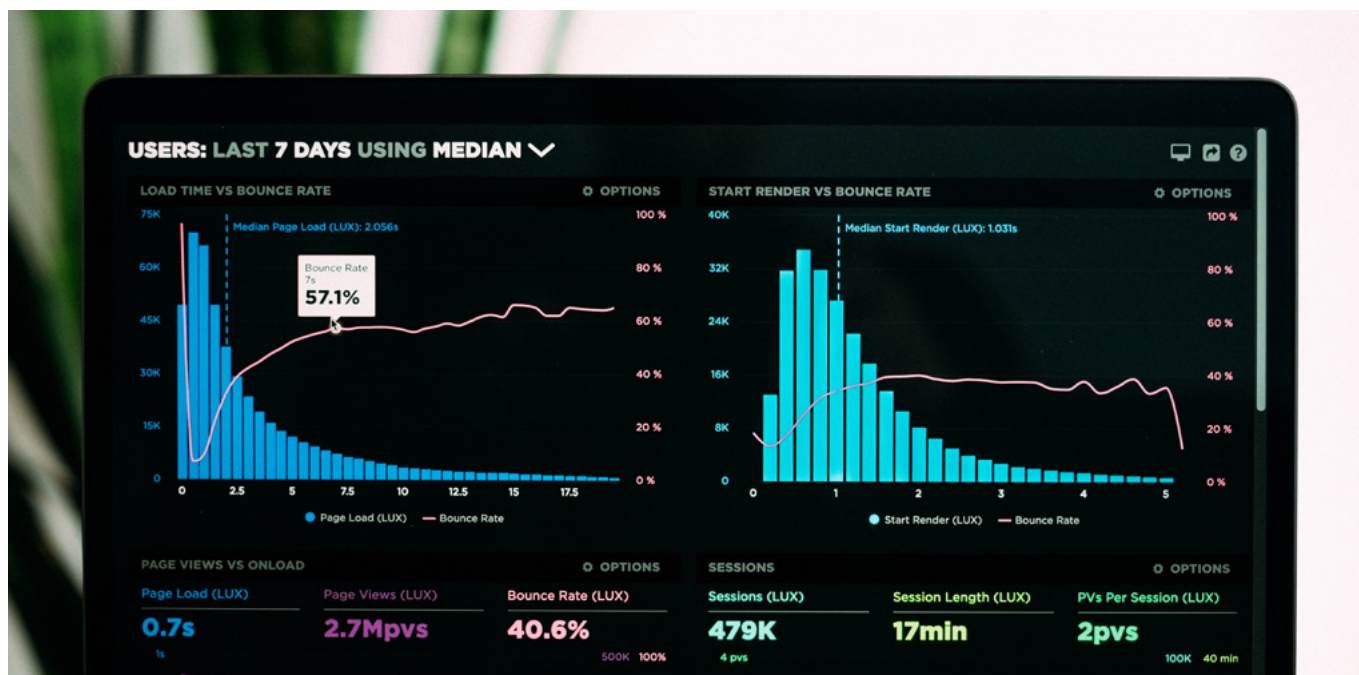
management (see figure 4). On top of this, firms should also reflect on the factors holding them back from translating data-driven insights and strategies into action, and formulate strategies to overcome these hindrances. Modern communication tools enable companies to access the data they need and to use that data to make quick decisions.

As business leaders in the financial services sector take stock of their shortcomings and begin taking the necessary steps to address those gaps, firms taking a holistic view of embracing agility, ensuring that every workstream and department is nimble, will be best placed to achieve their goals.

Figure 4: Planned investment changes over the next three years among UK financial services firms



Source: Economist Impact



About Economist Impact

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About the research

Unlocking Agility in a Time of Disruption was developed by Economist Impact, commissioned by Slack. This report analyses Economist Impact primary survey data on business agility and workplace strategy among United Kingdom-based financial services organisations. It is the first in a series of three industry profiles covering the financial services, retailing and FMCG, and information technology sectors in the UK.

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