Running agile in a highly regulated environment – is it a match?





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Introduction

The implementation of regulatory projects has been one of the top priorities for banks in recent years. Facing an increasingly demanding compliance environment, the average bank today spends approximately 40% to 60% of its change budget on compliance¹. The fact that a significant portion of these investments is not used optimally (due to inefficiencies in the implementation process) puts even more pressure on the time and money invested in such projects.

Banks are highly regulated and hierarchical companies, so they traditionally approach regulatory initiatives using the waterfall model, hoping to achieve aligned, management-controlled programme delivery. Although agile delivery methods are increasingly being used by organisations in order to find quick responses to uncertainty and short-term market changes, most banks don't adopt an agile approach. Participating in daily stand-up meetings to discuss programme progress and develop the working product through a number of iterations doesn't come naturally to many employees in the banking sector.

But, an agile model would offer banks a promising alternative approach: To name a few, the following are the often-cited benefits of the agile method: 1) increased transparency in product development and mitigating a tunnel vision through an iterative approach, 2) increased end product quality and reduction of wasted resources due to ongoing incorporation of customer feedback and changes in the regulatory environment, 3) availability of resources and breaking of silo structures due to cross-functional team setups, 4) increased employee motivation through a culture of autonomy and self-responsibility.

This paper elaborates on the common pre-assumptions of implementing a regulatory programme through an agile delivery method. It also highlights the key benefits of agile ways of working, as well as the necessary tools for successfully applying agile principles to regulatory projects.

Key components of an agile-led programme*

Organisations need to be clear about the benefits and the drawbacks of agile (compared to the traditional approach) to make sure that the regulatory programme can be successfully delivered within the required time, budget and necessary scope to be compliant. This section presents a short summary of the key components of agile delivered programmes, divided into 1) Events and artefacts, 2) Governance, 3) People and 4) Mindsets and behaviours.

Describes the activities and work cycles in place to make project progress transparent and measurable to allow fast adaptation.

Describes the organisation setup around alignment, roles & accountability, transparency and collaboration as well as communication to stakeholders and the regulator.



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Describes the need for a behavioural change to adopt an agile mindset.

1) Events and artefacts

The agile method reduces complexity by breaking down the typical long cycle of a traditional project into one to 1-4 week cycles called iterations, which contain small, user-ready segments of the final product that were developed and tested during the iteration.

Although risk still exists with this method, the main outcome is that agile project delivery has a working product after each iteration. This product improves throughout the release, due to continuous feedback or changes required by an external party that are incorporated at several

Agile events	
Sprint	The heart of an agile approach is a sprint, a time-box of one month or less during which a useable, and potentially releasable product Increment is created.
Sprint planning	Plans the work to be performed in the Sprint. The planning is time-boxed to a maximum of 8 hours and created by the collaborative work of the entire agile Team.
Daily scrum	A 15-minute event to optimizes team collaboration and plan the work for the next 24 hours. Daily scrum is used to check progress toward the Sprint Goal and effectivety of the self-organized team.
Sprint review آجْ	An informal meeting held at the end of the Sprint, where the agile team and key steakeholders inspect the Increment and adapt the Product Backlog if needed to optimize value.
Sprint retro	A meeting after the Sprint Review and prior to the next Sprint Planning that gives the scrum team and the scrum master the opportunity to reflect on the sprint and team performance and create a plan for.

points during the lifecycle. Compared to traditional ways of working, value creation is faster, more transparent, less risky and the development is highly adaptable.

Agile requires a highly-disciplined and focused management approach that provides real-time risk assurance through a range of agile events and artefacts. These are specifically designed to maximise the transparency of key information so that everybody has the same understanding of the programme status and the next steps and they also provide opportunities for adaptation.

Agile artefacts		
Product backog	An list of everything that is known to be needed in the product, including all features, functions, requirements and product fixes in future releases. The Product Backlog is dynamic and changes to identify what the product needs to be appropriate, competitive, and useful as the environment in which it will be used evolves. Only the Product Owner is responsible for changes.	
Increment	This constitutes the sum of all the Product Backlog items completed during a Sprint and the value of the increments of all previous Sprints. All items must be in the status "done" in order to be considered for the increment.	
Sprint backlog	A highly visible, real-time picture of the work that the Development Team identifies as necessary to accomplish the Sprint Goal. The Sprint Backlog is a set of Product Backlog items selected for the Sprint. Only the Development Team modifies the Sprint Backlog throughout the Sprint as it learns more about the work needed to achieve the Sprint Goal.	

* Readers who are already familiar with the key elements of an agile way of working, can continue on page 8



2) Governance

Agile programmes maintain a stable, flat top-level structure, but replace much of the remaining traditional hierarchy with a flexible, scalable network of empowered role-based teams. Networks are a natural way to organise efforts as they balance individual freedom with collective coordination. Team roles can also be changed based on the programme needs. Each agile role comes with clear, accountable tasks and responsibilities to focus on getting work done, rather than losing time and energy because of unclear or duplicated roles. Agile teams create the most value when they are cross-functional, as they're more creative, overcome silo mentality and increase time-to-market (e.g. people with a legal compliance background for implementing legislation and software developers who can create technical documentation). Agile project implementation requires a high degree of personal interaction and informal communication. So, teams working at the same location have an advantage.



3) People

An agile organisational culture puts people at the centre in order to engage and empower everyone in the organisation. This fosters the importance of a collaborative, self-organising team that makes improvements, analyses problems and adapts its behaviour to become more effective along the way. A well-assembled agile project team consists of dedicated team members and stakeholders who are very familiar with the governance, environment and tools of agile project implementation. So, individuals who can adapt to changes and risks, and who have the skills needed for end-to-end ownership of value delivery are a huge success factor of agile organisations. Having the right skills is even more relevant considering that individual employees in the organisation are accountable for the team's performance, not just their own, as told by 87% of senior executives who participated in one of our recent studies1.

In this context, the leaders in an agile organisation become catalysts that empower employees to take full ownership and motivate them to act in team-oriented ways. They act as servant leaders by becoming visionaries and coaches rather than directors and controllers. They shift their existing beliefs to employees who are highly engaged and figure out ingenious solutions, instead of assuming they don't know what do without clear direction. At the same time, they act as a shield to external interferences, solve obstacles and facilitate the adoption of an agile mentality. Successful organisations build projects around motivated individuals and give them the environment and support they need to drive the organisation towards fulfilling its purpose and vision.

4) Mindsets and behaviours

The success of agile methods relies on becoming culturally agile. An agile programme will not be successful in an environment where people struggle to self-manage, where hierarchies get in the way of fast adoption, where skills are lacking to deliver a valuable solution or where processes are more important than people. Unlocking the full agile potential requires deep cultural change – this is a challenge that requires significant time and effort. So, becoming culturally agile is the first step to transition the whole organisation from single agile-led programmes to overall enterprise agility.

65 %

of HR and business leaders state that culture is more important for their company's performance than a strategy or operating model. Its self-sustaining patterns of behaving, feeling, thinking and believing are what determine "how we do things around here".

PwC Katzenbach Centre Global Culture Survey 2018

Doing agile can be achieved over night, being culturally agile is a journey



¹ Strategy& (2020). Six dimensions of the agile enterprise: What leading companies are doing.

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Structure of a traditional regulatory programme

The financial services sector sits within a heavily regulated environment. New regulations, laws and public expectations have forced management to reprioritise regulatory risk and compliance matters and push them to the top of the agenda to avoid expensive fines, legal steps against the company or severe reputational consequences. As a result, strategic risk when managing and implementing change driven by regulatory requirements has become a critical factor in the financial services sector. Having helped our clients in financial services implement regulatory initiatives, they usually face the following pain points:

- Regulatory programmes have tight, non-negotiable deadlines.
- They're risky and lead to sunk costs in many cases, as the exact regulatory requirements are unclear at the beginning, leave a lot of room for interpretation and eventually become more concrete over time.
- They're very complex due to the involvement of teams working autonomously from different functions and divisions, slowing down the time-to-market delivery.
- They require a new technical solution that affects many applications, systems and processes within the organisation.

All in all, they involve significant sums of money and resources to be able to operate compliantly within the new regulatory environment.

To be able to understand how an agile model can successfully boost your regulatory initiatives to assess, manage and implement requirements on the plate, we need to look at the common structure of a regulatory programme. PwC has been supporting and guiding regulatory initiatives in Switzerland for more than 25 years. Based on our experience, a traditional regulatory programme follows roughly the same phases as shown in the following figure.



The authority releases several regulatory requirements on a recurring basis. To capture these, most of our clients use an automatic regulatory radar process, either run by themselves or as a service. Running and scanning the regulator's website for new requirements at regularly predefined intervals, the regulatory radar returns a list of current requirements including a description of impact and need for action. In a second step, each requirement is subject to a detailed impact assessment including methodologies and templates. The impact assessment is crucial to determine the scope and priority of new regulations. Regulatory requirements are derived from the impact assessment results. Usually conducted by the organisation's legal department, regulatory requirements are filtered, selected and structured. The product of the regulatory requirement phase is a short list which contains requirements that must be implemented from a regulatory perspective. Based on this, the objective of the next phase is to derive business requirements. As opposed to regulatory requirements, they are determined by the organisation and not by the regulating authority. It is the organisation's task to interpret legal requirements and decide how they can be implemented. A plan is designed outlining which services can be adapted to the requirements or which new services are needed. Risks have to be prioritised and a concept for mitigation must be developed. However, business departments are often seen working in silos and fail to align with the requirements. The consequence of this inefficiency is duplication of work or diverging development, which in turn leads to high costs for correction. Once the requirements are clear, a sequential solution is implemented.

The aim of this approach is to enable the timely implementation of customer needs and authority requirements. Waterfall implementations ensure end-to-end planning and promise project stability. The concept offers a holistic overview of the dependencies and security through complete testing. But what happens if requirements that seemed to be clear in the beginning are now unclear or have actually changed?

Often, requirements are unclear in the beginning and evolve over time, either because regulatory requirements need some interpretation or are constantly adjusted by the regulator. The previously mentioned misalignment due to silos in some organisations might lead to inefficiencies and ultimately to significant corrections in later phases. As the waterfall structure is not flexible in terms of expost change, a correction of requirements might result in high risks and costs for the programme. Usually, waterfall models have huge change request programmes set up in order to take into account changes that have emerged or have been adjusted after the definition of requirements. In combination with tight deadlines, immense costs are not the only outcome. This puts continued high pressure on all the stakeholders involved. As a final observation, we'd like to point out that overdelivery is common practice in regulatory programmes and carries high and unnecessary costs for the implementing organisations.

The new agile model can be effective and addresses the issues relating to the waterfall model when used in complex environments. Agile models provide financial services organisations with the necessary flexibility to navigate through the unexpected twists and turns that are often observed with regulatory programmes. Especially for high-risk, high-cost programmes with a wide scope, agile makes it possible to react quickly to changing requirements, redefine priorities and rule out redundancies from the product backlog. Costly change request programmes become obsolete and new requirements are well received by an agile culture.

To what degree the programme can be conducted in agile depends on the agile maturity of your organisation. How you evaluate your company's agile maturity and the recommended scope of agile transformation is looked at in a later section.



Pre-assumptions about agile ways of working in the context of regulatory programmes

Although agile methods have existed for a number of years now and are reported to be 28% more successful than traditional waterfall-managed projects¹, managers are often concerned about the suitability of agile project delivery in particular regulatory environments. As failure to comply with regulatory requirements could potentially result in legal action, regulatory constraints and fines or even damage a bank's reputation, conservative waterfall approaches have been the way to go so far. Many larger organisations shy away from applying agile methods saying "this just won't work in our business". This view is often based on misconceptions about how agile programmes can be led in a regulatory environment. The most common assumption about agile working methods in the context of regulatory programmes is the concern that deadlines and the implementation of necessary legal requirements will be unsuccessful due to the flexible mindset (or even fear of anarchy) in agile programmes. Many regulatory professionals believe that agile programmes come without the necessary governance meetings and documentation processes to keep focused on the end solution. Having heard about the minimum viable product (MVP) that is created during the agile programme cycle, it's also assumed that the end solution will lack the essential components to be compliant with the regulator's requirements.

Agile isn't suitable for regulatory programmes because...

...the legal requirements have to be implemented on a specific date"

> ...the final scope of the regulatory initiative is not clear at the beginning of the project"

...agile principles are not embedded within all involved programme teams and thus people lack the required agile skillset to deliver the regulatory implementation "

...not all required legal requirements will be considered due to the prioritisation on an MVP"

is being lost by focusing on specific product features"

Finally, a lot of companies are afraid to implement agile principles due to overall low agile maturity in their organisation. The lack of experience with agile methodologies and the continued deeply embedded traditional mindsets, where more emphasis is still given to tools and processes rather than to individuals and interactions, prevent the programme managers from introducing agile ways of working. Clustering these existing pre-assumptions, we see three key areas of concern with agile methodologies in regulatory programmes:



...the programme is too complex to handle with the amount of part solutions we must achieve"

...there is no clear documentation process"

rather than providing structure"

involved in agile programme delivery"

Proposed actions to address your concerns

While regulatory requirements continue to expand in scope, we believe that - in most regulatory compliance projects - a traditional method leads to a major waste of company resources. Existing characteristics of regulatory programmes (expensive, risky, with tight, non-negotiable deadlines and requiring a new technical solution) demand an agile, not a sequential approach. We suggest three

actions as part of overall agile programme management to help realise business value, reduce the risk of implementing the wrong legal guidelines and increase overall success with regulatory compliance:

Below we will discuss each of these proposed actions in detail

Our proposed actions to address them



Key pre-assumptions about agile in a regulatory environment

Regulatory context (fixed scope) does

not allow agile

of organisation

Adhere to regular feedback cycles

When applying agile project methods, companies fear that they don't have sufficient or effective risk management capabilities (e.g. planning activities, documentation) in place. Agile programme management has proven to be effective to reduce delivery risk when agile principles and artefacts are applied consistently during the programme. This requires key roles in place owned by people with an agile mindset and experience (mainly tribe lead, product owner(s) as well as scrum masters at team level) as it is their duty to consistently follow the agile principles. Adhering to regular feedback cycles will help to guarantee control, provide greater visibility and reduce risks that could hamper project progress. We suggest emphasising the following formats in the context of the regulatory implementation:

- Close collaboration between IT and the business and legal department: Avoiding misalignment due to existing silo structure and incorporating frequent feedback from business owners and end users keeps the development team focused on the solution's intended goals and ensures focus on relevant features. Equally important are the feedback cycles that allow the team to accommodate change later in the development process, particularly as new or refined compliance requirements emerge. The daily stand-up is a great place to ask for feedback or help from your team so you can keep your project moving forward. Being able to regularly voice your progress and ask simple questions to the whole team is an excellent way to quickly share feedback and mention potential problems you may want to avoid.
- Sprint review: Having arranged end-to-end demos to a large set of users and stakeholders, reviews will enhance visibility, build trust with stakeholders and provide an opportunity to gather early feedback. This gives the development team the possibility to re-scope and re-prioritise incoming new regulations and get direct feedback on the increment. Inviting the regulator to the review sessions can build on the benefits of this format even further (see excurse further down the page).
- Quarterly business review (QBR): The QBR helps to • define the overall milestones for the coming quarter. The milestones form the basis for the detailed planning of tasks for the next sprint. The QBR is a helpful format to re-evaluate the regulatory environment and make a new iteration to derive business requirements. Planning the sprints in 90-day cycles gives people who still have a mindset of planning ahead security for the long-term regulatory compliance vision.

Focus on MVP with essential features

The main strengths of agile programme implementation lie in the flexibility to realign project work and in the faster, step-by-step introduction of functions or features. The agile structure forces the focus on the essential features required for compliance and prioritisation of what brings the most business value. Teams should break down regulatory requirements into clearly defined, manageable chunks that can be delivered independently. In this way, they can continually deliver key portions of the requirements rather than attempting to deliver the entire project in one massive push.

In the context of the introduction of new regulatory requirements, where compliance demands can change constantly and a fixed programme scope is not always possible, this is a major advantage in dealing with regulatory uncertainty. We suggest the following three main methods:

- Focus on MVP: The MVP also allows continuous incorporation of feedback into each future iteration as more information about the regulatory initiative becomes available, as well as extension of the minimum features required (by the authorities). This needs a clear overview of essential business requirements delivered by the product owner.
- **Prioritisation between must-have and nice-to-have features:** If there is little time to comply with regulatory demands, strictly focus your available time on the essential functions and later focus on the convenient functions for your organisation.
- Re-evaluate the features in regular discussion cycles: Including the different parties in the prioritisation process and having a close alignment between business and IT helps to focus on what is relevant.

There is a great danger that the "regulatory backlog" (stock of regulatory requirements that have accumulated over time and are waiting to be processed) will become too bloated. To avoid this, companies should focus on the most important elements of the backlog. They should categorise the requirements according to importance and urgency and prioritise elements that are essential for meeting the regulatory requirements. They then draw up an end-to-end plan for their successive processing. The rest can be neglected and will only be processed when the requirements become more concrete. Prioritising the backlog and eliminating unimportant entries can lead to massive savings.

Excurse: Alignment with the regulator in an agile environment

Banks often face situations where regulations change over time in the course of a regulatory implementation programme. In this case, the affected banks are forced to implement unforeseen changes within a short time. On the other hand, some of the regulatory requirements may have zero impact on the organisation. This presents a major risk in classic waterfall programmes, as technical solutions are already well advanced and must be reprioritised and/or re-specified. The resulting delays often lead to deadlines not being met and cost frameworks being exceeded. In an agile setup, this scenario can be avoided by making sure the product owner stays in close contact with the regulator. The product owner not only makes sure that the team integrates regulatory changes into the project's backlog, but also develops a feeling for how the regulatory authority can be satisfied with a reasonable amount of effort. Examples for including the regulator in the organisation's regulatory implementation process:

- Present the MVP to the regulator after each product cycle.
- Invite the regulator to a sprint review in order to receive feedback for the next iteration.
- Organise an immersion workshop between the regulator and banks where the product backlog of the technical solution is elaborated



Your agile maturity determines your agile readiness

Earlier in the paper, we described the typical structure of a regulatory programme. We also mentioned the common disadvantages of the classic waterfall model in such programmes and described how transitioning to agile can address these pitfalls and help you to optimise parts of or even the entire regulatory programme. If your company is ready for agile, the question that remains is what part of the regulatory process can be done in agile? The answer: It depends on your organisation's degree of agile maturity.

Few companies have developed the ability to transform to full enterprise agility. We've observed that most companies have reached the "doing agile" status as opposed to being "culturally agile". With regard to the agile key components, companies mostly operate part of their project portfolio in an agile manner, but their governance, mindset and behaviours are still waterfall-oriented. While the company context might not make it necessary to reach full enterprise agility, it's important to understand a company's current status of agile maturity in order to determine overall readiness and the extent for your regulatory agile transformation.

For this purpose, PwC has developed its agile maturity assessment tool (see graphic below), which has been continuously evolving and improving during numerous realworld agile transformations over a period of more than 10 years.



1	Absent: Lack of procedures and competences.
2	Ad hoc: Procedures and competencies not implemented continuously.
3	Immature: Procedures are designed appropriately. But, effectiveness is partially limited.
4	Established: Procedures are designed appropriately and largely implemented.
5	Mature: Procedures are implemented and accepted. Competences meet the project requirements.
6	Optimised: Procedures and competences meet best practice requirements.

The tool evaluates a company's current agile maturity in five essential dimensions, including a recommendation of action for each dimension to bridge the gap to the target state. The incorporated key agile dimensions can be mapped against all major agile frameworks. As result, the insights given about the company's strengths and weaknesses allow it to explore the potential risks of running agile. In the following section, we take a look at two options for the degree of agile transformation in your regulatory project that can be applied based on your agile maturity: A) a partly agile transformation with the hybrid model and B) full enterprise agility.

A) Hybrid model

Building a fully agile organisation is no easy task. Often, traditional waterfall-based programme management frameworks have been established in the organisation for many years with a great deal of effort. To consider the agile maturity of an organisation and to slowly transition the organisation towards an agile mindset, many large-scale projects apply the "hybrid approach". With this approach, projects are not purely agile, but are deliberately combined with waterfall elements from the organisation, as shown in the following graphic. The agile-waterfall hybrid model aims to retain the dependency tracking and clarity of waterfall, while embracing the strengths of the agile methodology, providing the flexibility and transparency required to adapt to fast-changing requirements. In this context, we often observe a slowdown of development caused by steering committee (STC) decisions. Usually, the stakeholders in the committee are not directly involved in the programme and might take wrong decisions due to a lack of in-depth understanding.



In our experience, most of the few agile organisations in the regulatory environment focus their potential on partial predefined sections of the entire regulatory implementation programme. Depending on the above-mentioned level of agile maturity, most of these companies welcome an agile approach starting with the business requirements definition phase through to solution implementation. This decision can be explained with the need for structure and planning security when it comes to the definition of legal requirements. After legal teams have clarified, prioritised and defined regulatory requirements, an agile mode of working ensures the required flexibility and agility from ever-changing business requirements definition through to implementation.

For some companies, the agile process includes the regulatory requirements definition phase. Regulatory requirements are set by the regulating authority and can't be changed by the implementing organisation. But, sometimes they're subject to interpretation and evolve over time. And since business requirements are derived from their regulatory counterparts, a change would have a significantly higher cost impact. So, if agile maturity complies, it can be beneficial to include your regulatory requirements definition for your agile model. As a result, changes and redundancies in regulatory requirements can be detected early on and significant cost savings can be made.

There are a few key aspects to consider when applying a hybrid approach:

• Programme organisation: Combining agile and waterfall methods can lead to unrealised benefits, if the right degree of governance intervention is not chosen. For example, when teams are lacking structure or if goals are unclear, strict planning and decision-making gives them stability. At the same time, the programme needs to benefit from short development cycles and fast reaction to change. To make use of the full potential, governance needs to intervene when necessary, but flexibility and room for self-organisation must be left to the teams where possible. As a result, the right degree of agile integration must be met. So, companies must clearly define where agile begins and ends (e.g. regarding the requirements definition process, only the development team adheres to the agile method).

- Clear definition of roles and responsibilities: It's important to define clear roles from the beginning as stakeholders involved in each working approach vary a great deal. To prevent the two worlds from clashing – waterfall on one side and agile on the other – it's crucial to manage expectations early on and to define roles and responsibilities before the start of the regulatory programme.
- Collaboration and handling of interfaces: When combining agile and classic working methods within a programme, clear interfaces and a base for collaboration between the subprojects and the business need to be defined. New types of communication channels and a collaborative software tool should be implemented to support information exchange, data consistency and traceability throughout the lifecycle. Interlocked meetings are recommended (stakeholders from the business take part in the regular sprint reviews, while product owners attend meetings of the classic organisation).
- Change traditional STC and adopt agile methodology: Members of the steering committee are farther removed from the programme compared to the team and the product owner. So, the structure of STC meetings becomes increasingly important in a hybrid model. It's important to adapt the meeting and the contents to agile. Reusing existing templates for reporting happens in practice and repeatedly creates tension in the programme.



B) Full enterprise agility

Throughout this paper, we define full enterprise agile as a very high degree of agile. If you're already full enterprise agile, including your governance and culture, it makes sense to unlock your full agile potential in the entire regulatory programme, as shown in the following graphic:

Your workforce will be able to work autonomously as there's no top-down governance interrupting the sprints. Regulatory requirements will be gathered, evaluated, selected and prioritised in sprints by cross-functional teams. Your team deals with massive changes in requirements. Fast decisionmaking can be enabled, as there are no more dependencies on management. The product owner is fully responsible for the product backlog, accepting and reprioritising new business features and regulatory requirements, as well as keeping an overview of the mandatory requirements. In this model, the role of the product owner becomes increasingly important, as alignment with management and other streams only takes place in Quarterly Business Review (QBR) meetings every 2-4 months. During the QBR, team leaders and product owners of other programmes discuss budget, scope and dependencies. The absence of long-term management alignment and bottom-up reporting allows teams to act faster.

What's more, a regular reporting process to the authority must be set up in an agile manner. This includes reporting during development and after product implementation. Regular alignment with the regulator avoids steering in the wrong direction and supports the prioritisation process in order to avoid overengineering. Iterative testing after every sprint constantly ensures maximal functionality of the current increment.

Due to the absence of governance and top-down guidance, it's crucial that this model is only applied to fully agile enterprises. This requires very experienced and stable teams when it comes to agile and functional expertise. Not only must there be a high level of trust and security within the teams, the culture of a self-organised and independent way of working also needs to be embraced. But not as an individual – rather as an inter-disciplinary team.

Depending on the timeline and involvement of the supervisor, it can make sense to introduce an additional inter-disciplinary central regulatory team to provide an overview of the final solution and look at problems from different angles to support the implementing teams. This central regulatory team will maintain an overview of the final solution. The final solution needs to be well thought through during the whole process. It has to be defined from the very outset which principles and quality standards will be applied along the journey. This applies to the documentation of the activities and the choices that are made for communicating with the supervisor and other internal and external stakeholders.

In regular demo sessions, interim solutions are presented to senior management and other stakeholders. This is when these solutions are tested to see if they meet expectations and whether they lead to the required end result. Especially with regulation and compliance-driven changes, it's vital that the senior managers are closely involved in these demo sessions. In order to ultimately meet the strict criteria of the supervisor, they will have to be closer to the ball than usual and provide more detailed feedback and adjustments than they normally would do in a purely agile environment.

With regulation and compliance-driven changes, an area of tension often arises because senior stakeholders find it difficult to completely let go of the operational management of the agile teams. This isn't surprising: after all, they bear final responsibility and report to the board, and ultimately to the supervisor. So, it's important that teams are transparent



about their work and their progress, and that they meet the information needs of the senior stakeholders. In addition to the regular demo sessions, tools for the automatic generation of management reports prevent teams from having to spend too much time on progress reports. But, the quality of the real-time reports depends on how well the underlying systems are filled. As there are often no common standards for this, it turns out that in practice an extra effort is needed to raise this quality to the right level. In this case, a manual enhancement of the central regulatory team is often still needed to provide the right insight.

Conclusion

This paper outlines to what extent the agile programme method – compared to traditional waterfall delivery – is suitable for the implementation of regulatory programmes. We strongly believe that the often-raised pre-assumptions for agile-led regulatory programmes falsely arise from lack of knowledge and experience of agile programme delivery. In fact, the presented conditions of regulatory projects (expensive, risky, with a continuously developing scope and tight deadlines) may suggest that banks would benefit from agile methods. We suggest three main possible actions in response to the raised concerns:

- 1) Adhering to regular feedback cycles to ensure governance mechanisms.
- Focusing on a minimum viable product (MVP) with must-have features to comply with the regulatory requirements.
- Considering the agile enterprise maturity for the decision between a full agile delivery method or a hybrid approach.

Based on our experience, an agile delivery model can reduce overall resource investments for the regulatory initiative and increase the chance of implementing the right technical solutions in the required time frame. But, the success of the agile programme delivery during the regulatory initiative mainly depends on the extent to which the agile mindset and behaviours are already embedded within the whole organisation – emphasising the need for profound agile people transformations.

How can we support you?

PwC has deep experience in scaling agile and we bring agile perspectives from a broad pool of credentials within financial services and other players to make the most of agile experiences.



We can perform different types of reviews to assess risks and identify mitigation actions throughout the project lifecycle:

- Provide assurance to management, sponsors, IT, Risk and Internal Audit on agile governance, controls, culture and change management.
- Provide safeguards to the delivery team and internal audit so that they can provide assurance, while being enablers of agile.
- Provide maturity assessments to understand agile team delivery capabilities, gaps and maturity to become a high performing team.
- Help organisations to build their agile centres of excellence by creating the right governance and culture around the methodology.
- Embed the core fundamentals of what it means to be agile, through training and coaching, including steps to reduce project risks right from the start.

To help you navigate through the volatile regulatory and compliance environment, we can give you the right balance and understanding of risk, controls and expertise.

To achieve maximum value from an agile project implementation, continuous planning and effective proactive and integrated control instances are required. Above all, this requires agile expertise, management commitment and a corresponding technological infrastructure. We'll help you to develop these skills in your agile programme and transformation teams.

Contacts

Would you like to know how we can help you to be successful with an agile program implementation? Talk to your Agile and Financial Services experts on site.



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Suggested further reading

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