

## The Dynamics of Digital Transformations in Financial Organisations

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### Abstract

The global phenomenon of the financial fields digitalization along with the generalised and unsystematised access to information via the Internet are making a revolutionary progress in the organisation of economic sectors, of which, certainly, the financial industry makes no exception. The extreme plasticity, as well as the globalisation of financial services, together with the successive technological revolutions, bring opportunities and also challenges for the continuous adaptation of the financial policies of private companies or national public institutions.

The presence of the emerging technologies and virtual financial products offers consumers greater freedom, higher independence from the legislative regulations of economic markets, while also trying to address the issue of data security and confidentiality and increased confidence in those products. In recent times, emerging financial technologies called Fintech have continued to reshape the financial services sector in an unprecedented way. New start-up companies manage to provide innovative technologies in the financial market, challenging the sustainability of classic business models in the field and causing disruptive effects on existing financial institutions and business methods

These progressive developments not only pave the way for new business openings, but also bring threats for traditional financial institutions. They can provide alternative solutions and new business models that change the way this industry works and provide customers faster, cheaper, easier-to-understand and to use services in a more transparent and secure way.

**Keywords:** Fintech, Techfin, Disruptive Start-ups

### Introduction

In the last decade, the increased need for independence and financial control have led to a real revolution through what is called Fintech (Alt R., Beck R., Smits M., 2018), which tends to create a new exceptionally dynamic financial services with high degrees of creativity. In other words, Fintech provides products and services characterized by a complex and sophisticated technology compared to what existed at that time in the financial markets. However, due to the vulnerability of this multitude of new companies offering innovative Fintech business models, it is absolutely vital, for the financial sector

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and for the entire economy, to create comprehensive studies that assess from different perspectives the structure, trends and needs of financial markets (KPMG International, 2021).

In this new environment and under the influence of this disruptive trend, the management of financial organisations is confronted with strategic and managerial implications through which it is forced to identify and understand the effects of this phenomenon, implement corrective measures and adapt quickly and efficiently to new market conditions (Burlea-Schiopoiu A., Brostescu, S. Popescu, L. 2021).

Progressively, free access to information continues to produce a current of democratisation of financial markets. Credit card creation, e-stock trading, online commerce have led the way for new generations of Fintech based on liberalised access to the Internet's information and communication resources through artificial intelligence, blockchain technologies, smart mobile communication or virtual robots (Brennel L., Meyll T., 2020).

The aim of this study is on the one hand, to carry out a critical analysis of the conceptual elements of the Fintech phenomenon by exploring this highly dynamic field of financial technologies applied in industry and, on the other hand, to analyse the impact of Fintech on the financial sector and in particular on the traditional banks (Arslanian H., Fischer F., 2019). It is thus intended to increase the level of expertise in the field of Fintech, by studying the phenomenon as representing a symbiosis between technology and finance. The highly sophisticated level of information, which underpins the various technologies and financial products (peer-to-peer transactions, crowdfunding, smart contracts or robo-advisers, for example), challenges whether Fintech is developing as a new discipline or is just a new super-evolved form of current financial technologies (CFA Institute, 2020). It is increasingly revealed, however, that a holistic study of the Fintech phenomenon requires an interdisciplinary approach at various levels: financial, management, information technology, law and cognitive behavioural psychology.

## **Digital transformations implications to financial organisations**

The outcomes that financial technologies produce on the management of organizations are felt by the impact they have on each of the five management functions (Fayol, 1916):

### ***Impact on the planning function***

The context of wild technological progress and the digitalization of more and more economic and social areas generates the need for organisations to constantly and efficiently adapt to a rapidly changing economic and social environment and to be able to assimilate and apply new knowledge. The organisations management in traditional banking system is forced to study the impact of the risks posed by Fintech technologies on financial stability, to find and plan solutions to their effects, without at the same time suffocating the implicit innovative benefits (BCSB, 2018, pp. 6, 24).

Certainly, Fintech business models represent a challenge to the management of organizations in this industry in terms of integrating information technology processes. The decision makers of these institutions should plan to refresh the staff base not only with IT specialists, but also with experts in data analysis, mathematics, statisticians and marketing and media specialists with knowledge in cognitive behavioural theories. Although many traditional financial institutions encourage access to various education programmes on Fintech, by introducing modules to study new financial technologies in their continuing education programmes, few have predicted the possible impact and made early changes in their recruitment and human resources policies (Cao et al., 2019, p. 4).

### ***Implications to the organizational function***

The management of organisations and especially the managers of the risk departments are traditionally relied on risk specialists, from the company's existing divisions and internal working groups. We believe that the emergence and multiplicity of new business models in the financial sector leads to the need to create specialized units within the traditional company, containing highly specialized staff with a broad mandate, comprising multiple and various functions such as research and implementation policies, obtaining certifications and licenses, maintaining contact platforms for customer relations. This can be achieved through traditional supervisory methods combined with the creation and use of supervisory technologies (Suptech) (BCSB, 2018, 34-36).

It is also very important for the management of traditional financial institutions to identify and understand the motivations of customers who choose to use Fintech applications at the expense of their traditional financial instruments. It would be beneficial to the financial industry as a whole, for traditional companies to reconsider their own business models and through reorganisation to integrate new financial technologies using their innovative benefits, while preserving on the one hand the level of data security for customers and without disrupting financial balances on the other hand (Gerlach , Lutz, 2021, p. 27).

### ***Influence towards the leadership function***

The objectives of national and global data privacy, cyber security, consumer protection or fair competition and transparency policies must be developed in line with the financial objectives of the management of organisations with regard to new Fintech business models. Financial safety, transparency and stability can be improved through effective and effective

communication of organisation management (a defining component of the management function) with regulatory institutions dealing with consumer data protection (BCSB, 2018, pp. 33-34).

This will ensure the possibility of new financial companies, but also of the traditional banking sector, to use new innovative financial technologies in accordance with the laws and regulations relevant to the industry. As traditional banking institutions are exposed to more stringent and stricter regulations compared to their non-banking competitors, and in order to ensure a climate of competitive fairness, the management of regulatory institutions should emphasize collaboration with the management of non-bank Fintech firms in order to improve their transparency and to implement appropriate operating policies (Vives, 2017, p. 102).

### ***Effects for the coordination function***

Technological progress brings pressure on the financial industry, forcing the management of banking organisations to rethink the necessary portfolios of staff knowledge. As the Fintech phenomenon has the potential to transform both traditional business banking models, operations and financial structures, as well as production and access to financial services, banking management will need to rethink both its organisational structure and personnel policies. Staff training and motivation programmes will aim to ensure that staff tools, knowledge and qualities are relevant, effective and applied to the risks posed by new innovative technologies and business models (Cao et al., 2019, pp. 29-30).

The increase in industrial automation and the accelerated integration of robotic units into human activity, naturally, produces a current of social concern for individuals and at the institutions organizational level. At decision-making level, retraining policies should be adopted, with the workforce having to focus more on acquiring new knowledge, rather than focusing on a specific professional area. In the context of digitalization, the structures and professional needs of the market will change, the analysis of information remaining an advantage of managers, new technologies helping to a faster and more complete analysis, keeping the decision-making of leaders at a more efficient individual-human level (Bril et al., 2021, p. 2).

Failure to adapt knowledge and skills to the current framework of financial industry requirements may result in the partial or total replacement of certain roles. In order to avoid this and to ensure the success of financial investment institutions in front of Fintech companies, the absolutely necessary skills to be developed by management within their own organisations include (CFA Institute, 2017, p. 58):

- the ability to convincingly formulate the company's vision,
- the capacity to impose an ethical culture of decision-making, understanding and knowledge of corporate regulations and corporate governance,
- in-depth knowledge of new financial technologies: distributed ledger technology, artificial intelligence, etc.,
- higher scientific knowledge, engineering and mathematics.

### ***Impact on the control function***

Similar to digital integration that actually meant the change from analogue to digital of systems and processes, new business models based on innovative financial technologies pressure corporate culture to adapt and integrate these technologies. The management of these organisations is forced to assess the current own performance of their companies and also to predict and estimate the potential for standard performance on the new conditions brought forward by the development and implementation of Fintech. Based on the comparison between standard performance and current performance, management will be able to take corrective action within their organisations and focus on development methods according to organisational theories.

On the other hand, researchers of the financial industry point out that innovative Fintech methods and especially the possibility of much easier, democratic and mass access of the population to financial services produce a revolution of traditional financial theories, especially through the changes resulted on financial behavioural models in diverse population categories (Tanda A., Schena C-M., 2019). The present paper stresses, for these reasons, that traditional financial services providers, banks, insurance companies, etc. are and will be forced to adapt their activities, services, policies and business models, through appropriate management to the new market requirements and based on freedom of data access produced by new information tools in today's environment (Nicoletti B., 2017).

For these reasons, including at the level of the financial policies of the European Union and EU Member States, as well as traditional global banking companies, attempts are being made to find solutions to involve regulatory institutions (Zetzsche D. et al., 2017) and financial control over new Fintech technologies as a vector for increasing efficiency and competitiveness in the market without at the same time being a factor of disruption and financial instability or progress inhibition (BCBS, 2018).

## **Conclusions**

The great challenge for the management of organisations is to succeed in encouraging innovation and competitiveness in the financial sector, while ensuring data security and financial stability, as well as preserving the level of credibility throughout

complex data protection technologies. There are several objectives facing the current financial industry that will need to be adopted by the management of the organisations:

- ensuring the integrity of a financial system in a globalised world and flooded with valid and non-valid information through multiple media channels (Burlea-Schiopoiu A., Balan DA., 2021),
- securing jobs in the financial industry and assisting the workforce to obtain new skills that will enable to improve adaptability to the new business models proposed by Fintech (CFA Institute, 2017),
- encourage a financial system to be as innovative and competitive as possible (Cao L. et al, 2019),
- management adoption of economic policies to integrate the rapid evolution of new financial technologies with the aim to incorporate them into the culture of organisations (Bril A. et al., 2021).

The financial revolution produced by Fintech already had and will have a strong impact on the financial industry and will cause a fundamental change in the management of global resources and financial instruments. Fintech business models will produce trends of change and adaptation is needed in all fields of activity and in all social structures, reaching areas ranging from information technology, marketing, management, to the human resources market, social and economic policies, education and financial behaviour models.

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