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THE IMPORTANCE OF BUSINESS AGILITY IN THE MODERN BUSINESS ENVIRONMENT

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Abstract:

In today's fast-paced and often unpredictable world, organizations face constant changes in markets, technologies and consumer needs. Business agility is becoming a key factor in maintaining competitiveness, enabling businesses to quickly respond to changes and innovate. This paper analyzes the importance and role of business agility in the modern business environment, highlighting its benefits and challenges.

Keywords:

business agility, adaptation, innovation, competitiveness, organizational flexibility.

1. INTRODUCTION

In a dynamic and unpredictable business environment, organizations increasingly face challenges that require rapid adaptation, flexibility and the ability to anticipate change. Traditional management models, based on stability and predictability, are increasingly insufficient to maintain competitive advantage. In this context, agility is emerging as a key organizational capability—not only in the IT sector, but also across the broader business spectrum, including financial services (Doz & Kosonen, 2008; Teece, *et al.*, 1997). In the contemporary world agility is not merely an option but an obligation for all stakeholders in modern business - employers, employees, clients, and consumers. Agility can be defined as the ability to accept, adapt to and effectively implement changes that inevitably occur in the business environment. One of the possible definitions is that agility serves as a lever between an environment that brings change and the organization that aligns its business using that lever. The more prepared an organization is to use agility as the best tool, the better it can ensure business survival and continuity.

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Agility is becoming more important in modern business theory and practice. In the broadest sense, agility refers to organization's ability to respond quickly and efficiently to changes in the environment, while maintaining strategic direction and operational coherence. It involves not only flexibility in processes, but also the capacity to anticipate, experiment and continuously learn. In the theoretical literature, agility is most often defined as: "The ability of an organization to detect changes in the environment, make quick decisions and adjust resources to achieve a competitive advantage." (Doz & Kosonen, 2008). Agility is not limited to the use of specific methodologies such as Scrum or Kanban but is seen as a meta-capability that includes strategic sensitivity, unity of leadership and fluidity of resources. As such, it can be applied across a variety of sectors- from IT and manufacturing, to education, healthcare and financial services.

In this paper, agility is regarded as a transformational framework that enables organizations to overcome rigid structures, improve collaboration and develop capacities for sustainable adaptation in complex and dynamic business conditions. Agility is presented as a necessity in modern business applicable to all areas of the system, including institutions, the economy, corporations, small and medium-sized enterprises, and entrepreneurial activities. This work focuses on the modern, unpredictable and constantly changing environment in which today's organizations operate. This paper analyzes the importance of business agility, its impact, benefits and the challenges organizations face in its implementation. In times characterized by continual changes in client expectations, client centricity, and the ongoing digital revolution, organizational agility is the foundation and goal of any progress, sustainable development and business, as well as competitive advantage. This paper explores the critical role of agile strategy in sustainable business, flexible leadership, innovative processes, adapting to and creating change, all of which ensure organizational resilience. During nineteen years of experience in the financial sector, the analysis is based on real-world challenges in the banking business, providing a practical framework that leads to constant changes. By combining practical knowledge (know-how) with theoretical insights and research from leading leaders, managers, and organizations, this work highlights action strategies that enable organizations to adapt, innovate and thus maintain a competitive advantage.

Before addressing the key pillars of agility, it is essential to establish the necessary foundations for the existence, maintenance, and progress of agility in a modern organization: vision, mission of the organization, ethics, and organizational values. These elements indicate the structure that precedes the introduction of agility in a successful organization, or the way of successful business life of a modern organization, but it can also serve as a model structure for newly formed organizations/startups.

Once an adequate foundation has been established, the key elements on which agility is based are: adaptability (the ability to adapt to new changes through effective management), flexibility (setting up structures and processes that enable quick decision-making) and continuous improvement (fostering a culture of learning, development and progress).

2. LITERATURE REVIEW

These capabilities are based directly on Teece's concept of dynamic capabilities, which defines agility as the capacity of an organization to recombine resources and structures in accordance with changes in the environment. The findings will provide a basis for designing adaptive business models capable of thriving in uncertain environments, ensuring long-term sustainability in the modern business environment. One of the most influential theoretical frameworks that illuminate the ability of organizations to adapt to change is the concept of dynamic capabilities, developed by Teece, Pisano, and Shuen. Dynamic capabilities refer to a firm's ability to integrate, build, and reconfigure internal and external competencies to respond to rapidly changing environmental conditions (Teece, Pisano, & Shuen, 1997). This approach extends beyond operational efficiency focusing on the organization's ability to transform itself in response to changes in the environment. Teece later elaborates this framework through three key meta-capabilities: sensing (the ability to recognize new opportunities, risks and changes in the environment), seizing (the ability to mobilize resources and make decisions that enable the exploitation of those opportunities) and transforming (the ability to reorganize structures, processes and competencies for long-term adaptation). In the context of the financial services sector, these capabilities are manifested through rapid adaptation to regulatory requirements, digital transformation, team reorganization, and the redefinition of customer relationships. The planning, introduction and implementation of agile business processes, apart from theoretical frameworks and declarative statements in this direction, also entail a final outcome that depends on the human factor. Namely, human capital manifested through knowledge, readiness, and commitment to such a goal is a prerequisite for the success and long-term management of the organization towards agility. This enables simpler, more efficient, and effective adaptation and process flow, as well as flexibility and innovation in the business environment, thereby achieving and maintaining competitiveness, which in turn leads to improved business results.

Agility can be seen as one of the key skills in change management. This skill, which originates from a well-organized and open mind ready to innovate, aligns operations and daily business activities by recognizing the new demands of clients for faster and more efficient processes and readily available products. The willingness to embrace agility means that the organization, through its actions and examples set by its leaders, provides the foundation and incentive for accepting changes in the business environment. It encourages learning and fosters creativity among employees, starting from the performance of the simplest daily tasks to the very process of making and implementing strategic decisions.

The basic prerequisites for developing agility in an organization are a clearly defined purpose and a shared vision supported by a coherent strategy that is communicated across all levels and teams. Employees must understand why agility is being introduced-not as a trend, but to increase adaptability and value. Another prerequisite is cultural transformation - trust instead of control. It is essential to change managers' mindsed moving the focus from control and micro managerial concept of work to empowerment and decentralization of decision-making. Building a culture where mistakes are viewed as opportunities to learn rather than reasons for sanctions, encourages innovation. The creators of the organization's vision and mission, the decision-makers, necessarily must possess an agile mindset. This requires clearly defined approaches to their work, behavior, innovation and reflection that must be transferred to lower levels, allowing greater freedom in the decision-making relationship. Precisely through strategic sensitivity, unity of leadership and flexibility of resources, the organization can overcome sectoral isolation and establish an agile ecosystem, as emphasized by Doz and Kosonen. All the above speaks in favor of creating trust in the individual and their interpersonal relationships, sharing the same values and prioritising long-term client relationships overshort-term results, leading to greater adaptability and acceptance of changes.

Declarative agility in a constellation with already learned, years-used processing models, especially in organizations that have many years of business behind them and that have a large number of employees, tend to turn into a cumbersome apparatus in which long-term experience and the size of the organization become an obstacle for further development and progress; practically, here we can draw a parallel with an autoimmune disease, where healthy ideas, initiatives and proposals are hindered by obstacles, habits and the strong action of a formal authoritarian position. Challenges and obstacles to agility include: resistance to change, bureaucratic constraints (overcoming rigid organizational policies), leadership mismatch and vanity and micromanagement. These last two, as unofficial subcultures can limit organizational agility by reducing employee autonomy and initiative. When it comes to resistance to change, there are cultural and structural barriers. According to Icek Ajzen's theory of planned behavior without perceptions of control and support, intention does not translate into action. Additionally, micromanagement can undermine the trust and autonomy of teams, preventing them from taking responsibility and making quick decisions, which is crucial for agile organizations. When vanity dominates, ideas are evaluated not on their value but on the hierarchical status of the person who proposes them, making it difficult to adapt and experiment with new solutions. Slowness in decision-making and micro managerial approach requires constant approval from higher authorities, limiting quick response to market changes.

When loyalty is valued more than competence, employees are not empowered, and inadequate planning — including unstructured meetings, disregard for defined timeframes, and generic approaches without concrete suggestions — further contributes to demotivation, as confirmed by both theoretical analysis and practical experience. In organizations with high power distance, as described by Hofstede, ideas are valued according to the status of the proponent, which limits innovation and adaptation."The ego cannot sleep. It micro-manages. It weakens, disables. It diminishes our abilities. It excels in control." (Greenleaf & Spears, 2002, p. 20). This statement highlights the essence of the problem: when control dominates, motivation and the speed of decision-making are affected. It is recommended that within the framework of risk management and compliance balance agility with regulations, along with client-centric innovation - adapting to the different financial needs of customers is crucial for organizations success.

3. METHODOLOGY

3.1. ANALYSIS OF THE APPLICATION OF BUSINESS AGILITY THROUGH EXISTING ACADEMIC RESEARCH

This paper presents a detailed analysis of the relevant literature and case studies showing examples of successful implementation of agility. In addition, it includes analysis of the survey and interviews with managers and experts in the field of business strategy, thus covering a wide range of opinions and experiences. Although this paper does not involve primary research, it draws on existing academic studies that provide relevant insights into the perception and application of agility among managers in various sectors.

4. RESULTS AND DISCUSSION

4.1. INSIGHTS FROM EXISTING RESEARCH

The APM & University of Southampton study (600+ managers) shows that 71% of respondents agreed that agile approaches improve responsiveness; however, only 38% felt their organization was culturally ready to adopt them (Baxter, 2022). This gap between a positive perception of agility and low organizational readiness confirms that successful implementation requires more than a methodological change — it requires a deep transformation of culture, leadership and structure. In the context of the financial sector, where hierarchy and control are often dominant, this gap is even more pronounced.

The Bosch study implies that leadership roles in agile teams will evolve over time, which will shift leaders from centralized control to distributed responsibility (Spiegler *et al.*, 2021, p.2). This leadership evolution is key to sustainable agility. Although it is often met with resistance (especially from senior management accustomed to control as a measure of efficiency), the shift from micromanagement to trust and delegation is crucial. This is precisely where the opportunity for education and redefining leadership competencies arises.

Spotify's model of applied agility shows that autonomy, alignment and accountability will enable rapid innovation across teams (Cruth, n.d.). Toyota exemplifies that customer-centric delivery and continuous improvement show the best results when a company needs to implement agile processes (Takeuchi *et al.*, 1986). These examples show that agility is not a universal formula, but a framework that must be adapted to the context. Spotify succeeded by building a culture of trust and experimentation, while Toyota integrated agility into existing Lean principles. In the banking sector, a similar adjustment requires redefining attitudes towards error, experimentation, and decision-making speed.

Traditional approaches in the Blockbuster, IBM example failed not due to a lack of resources, but because of strategic rigidity and inability to adapt to digital disruption. This rigidity is precisely what agility aims to overcome. In organizations that rely on traditional planning and control models, signals of change are missing. Changes are ignored until they become inevitable-the opposite of an agile approach that involves anticipation and proactivity.

Table 1. Overview of Agile Approaches

Table view: Successful vs. Unsuccessful approaches in the implementation of agility							
Approach / Study	**Organization /Source**	**Year of study**	**Type of organization**	**Key elements of success /failure**	**Relevance to the banking sector**	**Key lessons**	**Potential for scaling**
Spotify Agile Model	Spotify / Smartsheet	2012-2024	Technology / Media Autonomy	Autonomy, experimentation, team accountabity	High — used as inspration for agie teams in the digrtal banking and fintech sectors.	A cutture of frust and decentraization enables innovation and speed.	High — can be adapted to teams in IT, digrtal services and innovation units of banks.
Toyota Scrum Adapttion	Toyota / Scrum.org	2018-2019	Automotive / manufacturing	Customer focus, confinuous improvement, lean integration	Medium — lean and Scrum prindples appicable in optimizing operations and customer service.	Integration of agity into existing systems is possible wrthout radical changes.	Medium — regu'res gradual adaptation in structures wrth strong operating procedures.
Bosch Leadership Study	Bosch / Springer	2017-2021	Industrial / corporate	Leadership evolution, decentraization	High — shows how leadership can be transformed in large systems like banks.	Leadership must evotve toward support, not control — the key to agie teams	High — appicable in the transformation of managerial roles in large organizations.

Approach / Study	Organization /Source	Year of study	Type of organization	Key elements of success /failure	Relevance to the banking sector	Key lessons	Potential for scaling
APM Managerial Survey	APM/ Southampton	2022	Academic / Consutting	Positive perception vs. Iow readiness	Extremety relevant — indudes managers from the financial sector.	Agity is often supported dedarativety, but wrthout a real wilingness to change.	High — can be used to diagnose and initiate cuttural transformation.
Blockbuster failure	Blockbuster / HogoNext	2000-2010	Retai / media	Ignoring change, rigid strategy	High — instructive example of rigidrty in banks' digrtal transition.	Lack of antidpation and adaptabity leads to loss of market.	Medium — used as a negative example in edcation and strategic planning.
IBM Stretch failure	IBM / PCWorid	1956-1964	Technological / research	Technological risks, poor communication	Low — more relevant to the IT sector, but instructive for managing large projects.	Complex projects require clear communication and realstic expectations.	Low — more of a historical value, but useful for understanding mistakes in strategic development.

Source: This table summarizes examples of agile implementation outcomes across companies (Cruth (n.d.); Kniberg *et al.,* 2012; Takeuchi *et al.*, 1986; Spiegler *et al.*, 2021; KnowledgeHut (n.d.); HogoNext, 2021)

A tabular representation analyzes successful and unsuccessful approaches to agility, drawing examples from various sectors, including Spotify, Toyota, Bosch, APM, Blockbuster and IBM. Spotify's agility model, which is based on autonomy and experimentation, shows high potential for application in digital banks. Toyota has successfully integrated Scrum into a lean environment, which confirms that agility can be incorporated into existing processes (Rother, 2009). Through the evolution of leadership and decentralization, Bosch has shown how managerial roles can be transformed in large systems (Spiegler, *et al.*, 2021). APM's survey indicates a gap between the positive perception of agility and the actual readiness for change. On the other hand, the failure of Blockbuster and the IBM Stretch project highlights the risks of rigid strategies and poor communication (Lindy Quick, Knowledge Hut, n.d., HogoNext editorial team, n.d., 2021).

As agility implies adaptive thinking in the business environment, and as business continually demands new, smarter, easier and simpler solutions to achieve better results, this paper will, following the conclusion, provide recommendations for the practical introduction and maintenance of business agility within the organization. As part of agile methodologies, applicable in organizations, the Lean methodology can serve as the basis on which the functioning of the entire system will rest. This involves setting clearly defined goals, identifying obstacles that might arise during the process, prediction of possible risks, clearly defined roles, responsibilities and activities. In this way, an organization set up in this way introduces agility into its business, which further descends and is transferred to all levels of business, processes, technical solutions, digital transformations up to the final executor, all in order to achieve the highest business goal, which is user satisfaction, which will consequently lead to business results and long-term sustainable business.

5. CONCLUSION

The implementation of agility requires the involvement of all sectors of the organization, because it implies an appropriate way of thinking and working. The primary, typical deployment is as follows: Top management / Strategy- makes decisions about the vision and direction of transformation, provides sponsorship and strategic support to agile initiatives and sets OKRs and priorities that are aligned with agile principles. Human resource management with continuous learning program-redefining recruitment, development and reward policies in accordance with agile values; training leaders to adopt a coaching approach instead of controlling, investing in the development and implementation of a culture of continuous learning and introduces processes for continuous feedback and employee development. IT / Technological sector-implementing agile methodologies such as Scrum, Kanban, DevOps; introduces automation and digital infrastructure for faster delivery and innovation and collaborates with the business sector in the development of products and services. Product Management / Development of products and services- positioning teams around customer value, not around functional silos; defining the backlog, iterations and rapid hypothesis testing; orienting towards continuous improvement of services, based on market feedback. Process efficiency - analysis and optimization of business processes for greater flexibility and scalability, eliminating redundant procedures that prevent team autonomy and introducing the Lean approach into daily operations. Risk and Compliance - agility in finance must be in accordance with regulation, so this sector is included to monitor changes in laws and regulations, develops an agile approach to risk management, proactive instead of reactive. Customer Experience / Marketing gathering feedback insights from clients to create relevant products, making iterative campaigns and content testing, cooperating with other sectors to provide a fast and coherent user experience

For a successful agile transformation, it is crucial that these sectors operate as interdisciplinary teams, with common goals and values. In the summary of the work, we will highlight the importance of one of the mentioned parameters, namely Objectives and Key results, as a methodology based on the clear and precise definition of the goals. This approach guides teams towards achieving clear and measurable outcomes. Through a defined goal, the organization expresses a clear, concrete and inspiring intention that it aims to achieve. For example, the defined goal is: "Improve user experience on digital channels"; in the defined objective, the key results would be: reduce the number of user complaints by 30%, increase Net Promoter Score from 60 to 75 and speed up customer support response time from 24 hours to 6 hours.

5.1. WHY ARE OKRS IMPORTANT?

They focus teams on what is most important, connecting strategy with operational work, encouraging transparency and accountability, which leads to the possible application of agile methodologies, such as rapid adaptation of teams in short time intervals, usually quarterly. In further elaboration of this topic, we will focus on organizational prerequisites and cross-sector integration in introducing and maintaining an agile approach, as well as the need for transformation in all activities due to changes in market conditions, regulations and the growing expectations of users. The prevailing narrative about agility is often tied to methodological approaches like Scrum and Kanban, while its broader applicability as an organizational philosophy is often overlooked. With contextual adjustments, agile principles can be effectively applied in all areas of business-especially in the financial services sector, which faces increasing pressure to respond to dynamic market demands, regulatory changes and rising customer expectations. Empirical research confirms this thesis. A study conducted at a large financial institution showed that customized implementation of agile practices led to a 20% increase in project success and a 40% improvement in operational efficiency, emphasizing the importance of leadership change and employee engagement (Tang, n.d.). A systematic review shows that the key challenges in applying agility in banks relate to resource management, resistance to change and regulatory restrictions, but agile approaches enable greater flexibility in working with clients and faster adaptation to changes in the VUCA environment. Agility, when viewed as a strategic approach rather than just a technical methodology, has the potential to transform the way financial institutions work - from product development to change management and organizational culture.

A significant role in introducing and maintaining agility, which can be seen as organizational change, lies in transforming the existing and creating a new organizational structure and culture. Changes represent a necessity, whether they are a reaction to events in the environment, whether they are an inevitability in the organization itself to accelerate the development of people, technology and its own progress. If we set up business through the prism of transparent activities, internal and external communications, respect for each individual and his individual values, equality and responsibility in the use of available resources and investment in the most valuable resource that belongs to no one, which is people and their knowledge, we create a morally acceptable environment in which people, employees will develop not only their skills but also their virtues, which will greatly contribute to employees identifying their values, goals and plans with the values and plans of the organization. All the above contribute significantly to the introduction of changes, the acceptance of agile methodology, the effectiveness and efficiency of employees, the development of awareness of one's own development and improvement, which consequently leads to better performance and thus to the company's profit. In the context of agile transformation, the need for leaders who are able to balance the competing demands-innovation and stability, flexibility and control, experimentation and execution-is increasingly emphasized. This balance is defined in literature as an ambidextrous leadership style.

"Ambidextrous leaders combine behaviors that encourage the generation of new ideas (open behavior) with behaviors that support their implementation (closed behavior), thereby contributing directly to the organization's innovative performance. "(Rosing *et al*., 2011). This style of leadership is not exclusively tied to the highest levels of management but is applied transversally — from front-line managers to strategic managers. Ambidextrous leaders can recognize when it is necessary to open space for research and creativity, and when it is necessary to direct the team towards execution and results. It is this situational flexibility that makes them key players in agile organizations. In the financial services sector, where precision, regulatory compliance and innovation in customer experience are simultaneously demanded, ambidextrous leaders have the potential to link operational stability with strategic adaptability. They do not choose between control and autonomy — but combine them depending on the context, which is the essence of agile leadership. This style is applicable to both front-line managers and top-level executives, especially in sectors that require simultaneous compliance and innovation-such as financial services.

In the modern business environment, agility is increasingly recognized as a strategic capacity, and not only as a methodological framework. Its implementation requires a change in the way of thinking, redefining leadership and adapting organizational structures. In the financial services sector, agility has the potential to link operational precision with strategic flexibility, creating the basis for sustainable competitive advantage. Ambidextrous leaders, dynamic capabilities and contextual adaptation are key elements of a successful agile transformation.

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